

**Eisenwerk Erla GmbH,
Schwarzenberg**

Management report and annual
financial statements for the financial
year from

1 April 2020 to 31 March 2021

A. Basis of the company

1. Business model of the company

The company is active in the production and processing of iron castings and develops its own production processes, procedures and tools for casting production and mechanical processing.

The company produces a wide range of series products for around 100 customers at home and abroad. At the moment, automotive customers are still among the largest customers, and automotive products still dominate the product range. Especially when it comes to powertrain castings, the company plays an important role in the European supplier sector and appeals to its diverse customer base with high quality, development strength and reliability. The company is increasingly gaining new customers from the fields of agriculture and construction machinery.

The company is distinguished by its ability to manufacture very complex and complicated components. In the field of high-temperature-resistant and wear-resistant materials, customers were impressed last year by the advantages of a German location for small and medium-sized series. With normal nodular cast iron alloys, the company successfully acquired new customers and convinced them of the benefits of local manufacturing.

In the development and further development of alternative cast iron materials, the company works with selected customers and the Technical University of Freiberg.

Due to the sale of the productive assets of the Indian subsidiary JKM Ferrotech Ltd. in Chennai, the activities to supply various ranges in the mass goods segment to existing customers in Europe will be discontinued. The company has not been generating any revenue recently.

2. Goals and strategies

Eisenwerk Erla GmbH has taken the next and most important step towards a successful future with the establishment of an in-house automated mechanical processing facility for castings.

Besides automation and process optimisations in the production area, the company is facing the new challenges in the market. Customers are positive about the new development and expect further activities to expand this competence so that installable products can be supplied from a single source. This can lead to cost savings and help the company strengthen its market and competitive position.

In the transitional phase, Eisenwerk Erla GmbH will benefit from the special market conditions in the automotive industry, as a result of which a number of series orders will be transferred directly from our competitors to our plant.

B. Business report

1. Macroeconomic and industry conditions

In 2020, Germany's price-adjusted gross domestic product fell by 5.0 % compared to the previous year. After ten consecutive years of economic growth, Germany's economic output fell significantly for the first time. The reasons behind the sharp drop in 2020 are the effects of the coronavirus crisis and the related shutdown of the economy. These also had an impact on world trade. Exports of German companies abroad fell significantly by 9.9%, while investment in equipment fell by 12.5%. Despite the pandemic, the massive use of short-time work schemes helped to support employment and prevent job cuts. Unemployment increased by an annual average of 429 thousand to an average of 2.7 million people. The unemployment rate increased by 0.9 percentage points to 5.9% compared to the previous year. Real private consumer spending also decreased by -6.0% in view of limited consumption opportunities in connection with the pandemic containment measures, in contrast to the forecast for the year (+0.3%).¹

After the entire economy was exposed to the effects of the coronavirus pandemic and its accompanying effects from the end of March 2020, the framework conditions stabilised over the course of the year. The short- and medium-term framework conditions for the German economy have improved compared to the uncertainty prevailing during this same period last year. In the meantime, individual supply bottlenecks for raw materials and certain services are noticeable; it is not clear today when this will return back to normal.

The German automotive sector gained 2.9 million new passenger car registrations in 2020, which is a significant drop of -19.1% compared to 2019. In 2020, which was marked by the pandemic, 24.6% fewer units were produced in Germany, which corresponds to a production of 3.5 million units. Of these, just under 2.6 million passenger cars (-24 %) were exported.²

The foundry industry was unable to expand its business volume compared to the previous year, with revenue in the industry as a whole amounting to EUR 11.5 billion, which represents a further decline of 7.3% compared to the previous year.³ In the present environment, with long-term intense international competition and the hardening of business practices in recent years, consolidation pressure in the foundry industry remains high.

¹Annual Economic Report 2021, Federal Ministry for Economic Affairs and Energy

²VDA, annual figures, May 3rd, 2021

³statista, 2021 sales of the German foundry industry

2. Business performance

The revenue of EUR 51,287 thousand generated during the period from April 2020 to March 2021 is EUR 3,741 thousand or 6.8 % below the previous year's figure.

In the 2020/2021 financial year, all major material prices showed above-average volatility with an upward trend towards the end of the year. The strategic market for high-temperature-resistant materials for the turbocharger industry and the automotive industry in general was approx. 80% share of sales in relation to the development of total sales at the same level. In contrast, nominal and relative increases in revenue were recorded in the agricultural machinery and construction machinery sectors. The mechanical engineering sector was characterised by declining revenue.

The cumulative order intake for the 2020/2021 financial year of EUR 60,518 thousand was EUR 20,341 thousand above the previous year's figures and also above the budgeted figures. The order backlog of EUR 38,604 thousand as at 31 March 2021 was EUR 9,606 thousand higher than in the previous year. The inflows are mainly due to the stabilization of the order volume after the pandemic.

The operating result (EBITDA) amounted to EUR 1,077 thousand and, due to the side effects of the pandemic, was below the previous year's figure (EUR 1,960 thousand) in the 2020/2021 financial year and at the same time below EBITDA forecast.

3. Company's position

a. Results of operations

Revenue in the financial year fell to EUR 51,287 thousand (previous year: EUR 55,028 thousand) due to the effects of the pandemic, especially at the beginning of the financial year.

The following table shows the breakdown of revenue by geographical markets:

	01/04/2020 - 31/03/2021 EUR '000	01/04/2019- 31/03/2020 EUR '000
Domestic	35,901	37,597
EU countries	15,012	16,512
Third country	374	919
	<u>51,287</u>	<u>55,028</u>

The total output, which is made up of sales, changes in inventory and other operating income, reached a value of EUR 51,336 thousand after EUR 54,016 thousand in the previous year.

The cost of materials ratio based on total output increased by 2.9 percentage points in the 2020/2021 financial year to 70.4%, which is mainly due to the higher material prices in comparison. In absolute terms, the cost of materials decreased in line with revenue to EUR 36,115 thousand in 2020/2021 compared to the previous year (EUR 36,477 thousand).

Depreciation and amortisation fell by 11.5 % to EUR 1,020 thousand (previous year: EUR 1,152 thousand) due to the end of the useful life of individual assets under HGB, which was not compensated for due to the reluctance to make new investments.

Personnel expenses decreased to EUR 9,761 thousand compared to the previous year (EUR 11,259 thousand). The personnel expense ratio in relation to total output fell from 20.8% in the previous year to 19.0% in the 2020/2021 financial year, which can be seen as a one-off effect of the consistent use of the short-time working allowance. The trend towards self-performed mechanical processing of castings and also fixed cost shares in general will again lead to a higher personnel cost ratio.

Other operating expenses increased from EUR 4,320 thousand to EUR 4,382 thousand, which essentially reflects their fixed cost character.

Interest and similar expenses fell slightly and decreased by EUR 5 thousand to EUR 561 thousand. During the financial year, repayments were made in accordance with contractual terms, but the variable interest structure led to increased costs.

Earnings after taxes (before other taxes) of minus EUR 1,972 thousand came in EUR 1,599 thousand higher than in the previous year (EUR 3,571 thousand). The result includes an extraordinary write-down on financial assets in the amount of EUR 1,925 thousand, which needs to be taken into account when comparing the results.

b. Cash flow

The cash flow statement shows a reduction in cash flows in the 2020/2021 financial year. The individual cash flow segments developed as follows:

	01/04/2020 - 31/03/2021	01/04/2019- 31/03/2020
	EUR '000	EUR '000
Cash flow from operating activities	2,481	1,250
Cash Flow from Investing activities	-107	-403
Cash flow from financing activities	-4,741	-1,134
Change in cash flows	-2,367	-287
Cash flow at the beginning of the period	3,862	4,149
Cash flow at the end of the period	1,495	3,862

The cash flow shown in the cash flow statements corresponds to cash and cash equivalents less liabilities to credit institutions due at any time.

On the balance sheet date, the company had committed and unused credit lines in the amount of EUR 7.0 million and receivables in the amount of EUR 0.3 million, which could be sold with an effect on liquidity at any time due to an existing factoring commitment.

The reduction in cash flows is mainly due to the repayment of overdrafts in the amount of EUR 4.0 million. Stable inflows from operating activities and restrained investing activities support cash flow in the financial year with effect on the individual balance sheet items.

c. Asset and capital structure

Overall, the balance sheet total as at 31 March 2021 decreased by EUR 3,531 thousand to EUR 34,145 thousand as at the balance sheet date of 31 March 2020.

The relative share of long-term assets in total assets as at the balance sheet date was 38.4% (previous year: 42.3%), the share of short-term assets in total assets was 61.6% (previous year: 57.7%). The write-down of financial assets (shares in the Indian company) in the amount of EUR 1,925,000 resulting from the sale of the assets of JKM Ferrotech Ltd. has changed structure of the balance sheet accordingly.

In the financial year, EUR 107 thousand was invested in fixed assets. A significant share was attributable to tools and devices for the production process in the amount of EUR 65 thousand and various smaller rationalization measures on production facilities in the amount of EUR 42 thousand.

Inventories amounted to EUR 11,304 thousand and remained largely at the same level as in the previous year (EUR 11,916 thousand). Within inventories, raw materials and supplies fell by EUR 549 thousand. Work in progress increased by EUR 844 thousand due to the scheduled adjustment of inventories to the increased business volume at the end of the financial year.

Trade receivables as at 31 March 2021 amounted to EUR 721 thousand, representing an increase of EUR 125 thousand compared to 31 March 2020. The balance is mainly dependent on the size of the receivables sold as at the balance sheet date.

Equity remains stable at EUR 15,872 thousand.

Due to a concluded profit and loss transfer agreement with the parent company JKM Erla Holdings GmbH, the result achieved in the 2020/2021 financial year were reported as receivables from affiliated companies. As at the balance sheet date of 31 March 2021, the equity ratio in relation to total assets under HGB rose by 4.4 percentage points to 46.5%.

Other provisions decreased by EUR 387 thousand to EUR 3,885 thousand, primarily due to provisions for uncertain liabilities reduced by EUR 517 thousand in combination with other changes.

During the 2020/2021 financial year, liabilities to credit institutions were reduced in accordance with the contract.

4. Financial and non-financial performance indicators

Eisenwerk Erla GmbH uses a wide variety of financial and non-financial performance indicators, which are continuously reported to the management and serve to monitor and control production and the company.

The most important financial performance indicators are revenue and results after taxes. In addition, the operating result (EBITDA) is also used as a performance indicator. Non-financial performance indicators are of rather minor importance.

The non-financial performance indicators include i.a. quality indicators. In the past financial year, these were at a stable, but high level compared to the same period of the previous year. Due to highly complex geometric casting structures, demanding material variations and further processing steps, this together represents an increasing challenge.

In addition to quality, other indicators are used to make existing processes measurable and to provide monitoring and control options. These include, for example, man-hour comparisons to evaluate the efficiency of individual production processes; energy consumption indicators for controlling the melting plant or other important plant areas and material consumption indicators. This covers all essential cost and performance parameters of the foundry.

In order to meet the high demands of our customers in terms of project and quality management, Eisenwerk Erla GmbH is committed to process-oriented certification to ISO TS 16949:2009, environmental certification to ISO 14001 or energy certification to ISO 50001. A high level of methodology in continuous work is achieved here with a series of indicators.

The non-financial performance indicators described above are of minor importance to develop an understanding of the business performance and the position of the company.

As at 31 March 2021, 273 employees are employed by the company, three of whom are trainees. The training ratio in relation to all employees was therefore 1.1%. Sick leave was affected by the pandemic.

In addition, 79 temporary workers were employed at the end of the financial year.

C. Outlook, opportunities and risks

1. Outlook

The economic growth forecast (GDP) for 2021 is 3.0% compared to the previous year (Federal Government in April 2021). For the year ahead, it is assumed that growth will be high by German standards, which will include relevant base effects. In order to reach the pre-crisis or pre-coronavirus level, another boost to growth will be needed in 2022. Maintenance of the supply chains will have to be an essential stability factor due to corona-related production downtimes of various kinds. The international political environment, driven by trade conflicts and possible geopolitical disputes, will fuel volatility and risk in the commodity and energy markets. We anticipate strong fluctuations in prices in both markets that are important to the foundry industry. The level of production and revenue in the German foundry industry should lead to a stable recovery phase. In our niche market, the turbocharger industry, we expect stable volume demand in the following years, and the European automotive industry going back to pre-crisis levels. We consider further general growth potential to be limited. Eisenwerk Erla GmbH expects a slight decline in revenue for its business. Due to the consolidation process in the industry, we expect revenue to pick up in 2022, slightly later than originally expected. Due to the strong competition, results are expected to be at a low level.

The financial position and results of operations of Eisenwerk Erla GmbH are at a lower but stable level compared to previous years.

Eisenwerk Erla GmbH built a production facility for the mechanical processing of castings in 2016 and successfully implemented the full shift output of the highly automated process during 2017/2018. Since then, the plant has appeared on the market as a full-service provider for machined iron casting and will continue to expand this area in the future in order to expand the value chain and improve competitiveness. Further investments are planned to achieve this purpose.

The building extension for the core shop could only be completed in 2018 due to delayed approval planning. As a result, the investments in the process-reliable production of turbochargers made of cast steel could only be completed with a delay.

Expectations for the 2021/2022 financial year

- Drop in revenue to EUR 48 million,
- Continuation of investment measures amounting to around EUR 0.5 million to ensure production stability and further adjustments in the foundry periphery,
- Continuation of the expansion of the production facility for mechanical processing after the acquisition of further products in the field,
- EBITDA and earnings after taxes above the level of the financial year 2020/2021, earnings after taxes are expected to be in the positive range of EUR 0.1 million,
- Securing funding from existing consortium.

2. Opportunities

The main opportunities lie in conservative planning. If the economic environment proves to be more favourable than the institutional forecasts for the automotive sector, revenue in high-margin segments could be higher. A positive effect on the earnings side due to high variable shares would be the result.

Eisenwerk Erla GmbH focuses on the further development of the automotive castings business, specifically the turbocharger industry. We continue to see above-average growth potential due to stricter environmental requirements and the need to optimise the consumption of combustion engines and we believe that electromobility will gain significant momentum on a timeline from 2025.

The intensified consolidation process in the foundry industry due to the resulting market conditions could result in increased relocation processes to more stable companies in the industry.

3. Risks

From our point of view, the risks presented below may have a significant impact on the financial position, assets and results of operations of the company in view of their probability of occurrence and potential amount of damage and are presented in descending order of importance for the company. The company's risk management is designed to identify risks at an early stage using key performance indicators and to initiate measures to spread, reduce or avoid risks.

Risks are mainly those that are based on economic fluctuations, socio-political events and changes in the legal and tax framework conditions. The current economic outlook and increasing competitive pressure could influence the results of the coming financial years. After returning to the old level, following the end of the pandemic, it is still unclear how the framework conditions will develop and be implemented. The outcome of the federal election in autumn and the directional decisions that may accompany it are also not fully tangible. By 2022, we will see to what extent a new "normal" will emerge and what effects this will have on market conditions.

Based on the official requirements and assessment of its own conditions, the company has created and implemented a concept to ensure the health of employees and business partners in the work process. Here, the situation is continuously assessed in order to make appropriate adjustments if necessary.

Sales market risks mainly arise from the development of the use of high-temperature-resistant materials in charging technology. Such developments are also observed through close cooperation with pre-developers of the OEMs (original equipment manufacturers); necessary reactions are initiated at an early stage. Nevertheless, prospective sales risks can arise as a result of the German government's increased funding for e-mobility. If the increased activities of the OEMs in the area of electrification take hold sooner, this may have a significant impact on the supplier industry. However, due to the existing trade credit insurance of all significant customers, no increased risk related to the default of receivables is to be expected.

Procurement market risks can result from price increases, possible supplier failures and quality problems. We try to identify possible procurement market risks in good time by monitoring the markets and participating i.a. in the Advisory Board of the Federal Association of the German Foundry Industry East and the Ductile Cast Iron Advisory Board of the Federal Association of the German Foundry Industry. We also try to pass on increases in raw material prices, such as scrap or alloying metals like nickel, to our customers in a timely manner.

There are monopoly providers in the energy sector, oligopoly structures in a few chemicals. In some cases, volume bottlenecks can be observed despite rising prices, which, however, have no influence on our production. Supplier assessments are regularly carried out and evaluated in accordance with the company's certifications; and consequences are drawn where necessary.

The energy transition and the resulting state taxes on electrical energy have led to considerable burdens. Due to possible changes in the law, there is considerable planning uncertainty. Changes in cost reimbursement can have a significant impact on competitiveness.

Liquidity risks exist due to the possibility of running out of funds, because of deteriorating economic conditions or other influencing factors affecting the company's cash flow. Based on the company's planning, the risk can be assessed as manageable. Binding credit lines can be terminated in the event of non-compliance with various financial and non-financial covenants. Due to the contractual changes to the syndicated financing in June 2020, the financial covenants for the 2021/22 financial year have been suspended.

In view of the effects of the coronavirus pandemic, there are risks with regard to future restrictions on business operations, which could have an impact on the company's earnings and liquidity position. The instruments that have already been tried and tested (e.g. short-time working schemes, liquidity management, safeguarding supply chains) help to mitigate the damage to society.

As a result of the daily use of our IT systems and networks as well as external access to our IT systems we face potential IT risks. Due to the daily work with the systems and the regular maintenance of our hardware and software as well as through a careful back-up strategy, we believe that we have IT risks under control. The company has implemented an information management system and is continuously developing it further.

Qualified, satisfied and reliable employees and managers are the prerequisite for the competence and economic development of the company. For this reason, we are involved in the recruitment of young talent both by training foundry specialists and cooperating with the West Saxon University of Applied Sciences Zwickau and the Technical University Bergakademie Freiberg. We promote and secure our in-house expertise by offering further training. Nevertheless, finding suitable staff for certain functions in the company could be associated with increased difficulties in the future.

Interest rate risks exist due to the structure of the loans taken out under the syndicated facility. Preparations have been made in this area to use hedging options if necessary. Interest rate swaps, for example, are effective instruments to mitigate negative effects in the event of interest rate increases.

The overall assessment of the risks shows that besides the pandemic, the company is mainly affected by market risks. These include, in particular, price developments in raw material and energy prices as well as developments in demand structures in the mobility sector that are difficult to predict on the sales side. The service delivery processes are certified and therefore less risky. The continued viability of Eisenwerk Erla GmbH as a going concern was never threatened from a substance and liquidity point of view. The overall risk position is therefore considered to be manageable.

Schwarzenberg, 10 June 2021

Eisenwerk Erla GmbH

- Management Board -

Signed Enrico Fischer

Signed Pierre Antoine de
Bausset

Signed Udayant Malhoutra

Signed Geoffrey William Dore

Balance Sheet as at 31 March 2021

Liabilities

Assets

	31/03/2021	31/03/2020
	EUR	EUR '000
A. Fixed assets		
I. Intangible assets		
Purchased software	22,706.00	60
II. Fixed assets		
1. Land, land rights and buildings	6,323,278.03	6,681
2. Technical equipment and machinery	1,524,378.00	1,615
3. Other facilities, factory and office equipment	1,225,305.94	1,429
4. Advance payments made and assets under construction	3,196.00	230
	9,076,157.97	9,955
III. Financial assets		
1. Shares in affiliated companies	0.00	1,925
2. Loans to affiliated companies	4,000,000.00	4,000
	4,000,000.00	5,925
	13,098,863.97	15,940
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	2,149,170.27	2,698
2. Work in progress	5,496,000.00	4,652
3. Finished goods	716,000.00	1,007
4. Models, tools and devices	351,000.00	984
5. Payments on account	2,592,000.00	2,575
	11,304,170.27	11,916
II. Receivables and other assets		
1. Trade receivables	721,337.15	596
2. Receivables from affiliated companies	6,602,551.57	4,336
of which from shareholders: EUR 6,602,551.57 (previous year: EUR 4,336 thousand)		
3. Other assets	731,004.96	822
	8,054,893.68	5,754
III. Cash at bank and in hand	1,526,194.10	3,896
	20,885,258.05	21,566
C. Accrued and deferred items	161,220.21	170
	34,145,342.23	-37,676

	31/03/2021	31/03/2020
	EUR	EUR '000
A. Equity		
I. Subscribed capital	1,600,000.00	1,600
II. Capital reserve	6,208,939.27	6,209
III. Retained earnings		
Other revenue reserves	3,721,537.54	3,722
IV. Profit carried forward	4,341,384.04	4,341
	15,871,860.85	15,872
B. Special reserve for investment grants	45,078.71	47
C. Provisions		
1. Provisions for pensions and similar liabilities	48,413.00	51
2. Other provisions	3,884,234.73	4,272
	3,932,647.73	4,323
D. Liabilities		
1. Liabilities to financial institutions	5,563,410.90	9,442
2. Trade payables	7,274,433.09	6,047
3. Liabilities to affiliated companies	605,165.97	656
4. Other liabilities	852,744.98	1,289
of which from taxes: EUR 392,731.67 (Previous year: EUR 462 thousand) of which in the context of social security: EUR 5,146.94 (Previous year: EUR 287 thousand)		
	14,295,754.94	17,434
	34,145,342.23	37,676

Eisenwerk Erla GmbH, Schwarzenberg

Profit and loss statement for the period from 1 April 2020 to 31 March 2021

	2020/2021	2019/2020
	EUR	EUR '000
1. Revenue	51,286,737.32	55,028
2. Decrease in inventories of finished and and unfinished goods, models, tools and devices	-80,000.00	-1,183
3. Other operating income	128,842.30	171
4. Material costs		
a) Cost of raw materials, consumables and supplies	-21,610,853.98	-21,089
b) Cost of purchased services	-14,504,251.95	-15,388
	<u>-36,115,105.93</u>	<u>-36,477</u>
5. Personnel expenses		
a) Wages and salaries	-8,056,876.02	9,335
b) Social security contributions and other pension costs	-1,704,552.47	-1,924
of which for pensions: EUR 4,810.80 (Previous year: EUR 5 thousand)	<u>-9,761,428.49</u>	<u>11,259</u>
6. Depreciation and amortisation	-1,021,407.95	-1,154
a) of tangible and intangible assets		
b) Income from the reversal of special reserves for investment grants	<u>1,686.60</u>	<u>2</u>
	<u>-1,019,721.35</u>	<u>-1,152</u>
7. Other operating expenses	<u>-4,382,458.22</u>	<u>4,320</u>
	<u>56,865.63</u>	<u>808</u>
8. Income from loans from financial assets	202,777.78	203
of which from affiliated companies: EUR 202,777.78 (previous year: EUR 203 thousand)		
9. Other interest and similar income	254,822.38	84
of which from affiliated companies: EUR 254,822.38 (previous year: EUR 84 thousand)		
10. Write-downs on financial assets	-1,925,035.80	-4,100
11. Interest and similar expenses	-561,290.58	-566
of which from the compounding of provisions: EUR 2,212.00 (previous year: EUR 2 thousand)	<u>-2,028,726.22</u>	<u>-4,379</u>
12. Profit after taxes	<u>-1,971,860.59</u>	<u>-3,571</u>
13. Other taxes	-20,575.91	-28
14. Income from loss assumption	<u>1,992,436.50</u>	<u>3,599</u>
15. Annual result	<u>0.00</u>	<u>0</u>

Eisenwerk Erla GmbH, Schwarzenberg (Amtsgericht (local court) Chemnitz: HRB 681)

Notes to the financial statements for the financial year from 1 April 2020 to 31 March 2021

A. General information

The annual financial statements of Eisenwerk Erla GmbH, Schwarzenberg, were prepared in accordance with the accounting provisions of the German Commercial Code (HGB) for corporations. In addition to those provisions, the regulations of the Law on limited liability companies were observed.

The company is categorised as a large corporation as defined in Article 267 (3) HGB. Models, tools and devices are shown in the balance sheet in a separate item under inventories presented in accordance with Article 266 (2) B.I. HGB

The profit and loss account was prepared in accordance with the nature of expense method as defined in Article 275 (2) HGB.

In the FY 2020/2021, the company had to deal with restrictions related to the coronavirus pandemic. Thanks to our business planning and the binding loan commitments of the financing banks, the viability of the company as a going concern is not threatened.

B Accounting policies

Intangible assets were recognised at acquisition cost less straight-line amortisation.

Tangible assets are recognised at cost, less straight-line depreciation where appropriate. The two-shift and sometimes three-shift use of fixed assets was determined by applying a shift factor of 1.25 and 1.50 means shortening the useful life by 20% or 33%.

Investment grants for fixed assets were transferred to a special item for investment subsidies. The creation and presentation of the special reserve was carried out in accordance with the opinion HFA 1/1984 of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer in Deutschland e.V.; IDW)

Depreciation and amortisation is based on the current general depreciation and amortisation tables published by the tax authorities. The specified service lives are used as the permissible maximum values. In an acquisition year, depreciation and amortisation will be calculated at a pro rata temporis basis.

Low-value assets with historical cost of up to EUR 800.00 are written off in the year of acquisition and recorded as disposals.

Financial **assets** are carried at acquisition cost. They are examined annually for lasting impairments and if necessary, they are written down to their market or fair value. In the financial year, the company has written down EUR 1,925 thousand of financial assets (shares in an affiliated company).

The **raw materials, auxiliary materials and operating materials** are generally measured at average acquisition costs in compliance with the strict lower-of-cost-or-market principle. The recycled material is measured using the FIFO method in accordance with Article 256 sentence 1 HGB. Write-downs are carried out to the lower of cost or fair value. This is determined based on the procurement market based and current replacement costs. Flat-rate write-downs due to storage risks are generally not necessary due to the company's focus on production.

The **unfinished and finished products** were measured in accordance with Article 255 (2) HGB at historical cost, which was calculated based on material/wage costs and other attributable overhead cost components (material overheads, production overheads, value consumption of property, plant and equipment). The estimated cost rates take into account the material and production costs as well as reasonable overhead costs. The principle of measuring assets at the lower of costs or market value has been observed. For this purpose, the carrying amount is compared with the lower fair value - net selling price less still incurred costs of production and disposal.

Models, tools and devices are measured at acquisition cost (individual determination of acquisition costs) in strict compliance with the lower of cost or market principle. For this purpose, the carrying amount is compared with the lower fair value - net selling price less still incurred costs of production and disposal.

Prepayments on account are recognised at their nominal amount.

Receivables and other assets are generally measured at the nominal amount. To provide for default risks, the company recognises specific and general valuation discounts.

Cash on hand and bank balances are stated at nominal value.

In accordance with Article 250 (1) HGB, prepaid expenses and accrued income relate to expenses incurred before the balance sheet date, provided that they represent expenses for a certain period after this date.

The **share capital** of the company is subscribed for a nominal amount of EUR 1,600 thousand in accordance with Article 42 (1) GmbHG, which is consistent with the entry in the commercial register.

In the **special reserve for investment** grants, investment grants received for subsidised tangible assets are recognised and released through profit and loss over their useful lives.

The **pension provisions** were measured in accordance with the provisions of the German Commercial Code (HGB). The measurement was carried out according to the recognised principles of actuarial mathematics using the so-called projected unit credit method (PUC method). The Heubeck mortality tables 2018 G were used as biometric calculation bases. The evaluation is based on the following additional assumptions: actuarial interest rate 2.2% pa, salary trend 0.00% pa and pension trend 0.00% pa. The actuarial interest rate used was the average interest rate of the Deutsche Bundesbank, which is derived from the past ten financial years in accordance with Article 253 HGB (2) sentence 1. In accordance with Article 253 (2) sentence 2 HGB, the company uses in its assumptions a flat residual maturity of 15 years for provisions.

The valuation using the market interest rate of 1.51% over the past seven financial years results in a difference of EUR 1.5 thousand compared to the valuation using the relevant average market interest rate from the past ten years, which is subject to a dividend freeze in accordance with Article 253 (6) HGB.

Other provisions are recognised at the amount required to settle the obligation determined using sound business judgement. When measuring the settlement amount, an increase in costs was factored in that was not material overall. The other provisions with a term of more than one year are discounted using appropriate interest rates that have been published by the Deutsche Bundesbank. For the discounting of the provisions, the interest rates as at 31 March 2021 are 0.40% to 1.18%, depending on the residual term.

Liabilities are recognised at their settlement amount.

The annual financial statements do not contain any items denominated in foreign currency.

C. Notes to the balance sheet

1. Fixed assets

The development of fixed assets in the financial year from 1 April 2020 to 31 March 2021 is shown in the statement of changes in fixed assets in the Annex to the notes.

2. Shares in affiliated companies

Eisenwerk Erla GmbH acquired 100% of the shares in JKM Ferrotech Ltd., Chennai (India) - formerly Sanmar Ferrotech Ltd., in the 2009/2010 financial year. Acquisition costs amounted to EUR 6,025 thousand.

Due to capital increases by Indian group companies, the currently held shares correspond to 24.6%.

The annual financial statements of JKM Ferrotech Ltd. show a negative equity of EUR 3,686 thousand as at 31 March 2021 with an annual loss of EUR 2,177 thousand (after taxes) in accordance with Indian accounting standards. Due to the sale of the assets of JKM Ferrotech Ltd. to third parties completed after the balance sheet date, EUR 1,925 thousand was written off on this financial asset in the financial year. The carrying amount as at 31 March 2021 is, therefore, EUR 0.

	<u>EUR</u>
Shares in affiliated companies	0.00
(previous year)	(1,925,035.80)

3. Loans to affiliated companies

	<u>EUR</u>
of which	
loans to shareholders	4,000,000.00
(previous year)	(4,000,000.00)

4. Trade receivables

To ensure sufficient liquidity for the repayment of trade payables, receivables are sold under factoring agreements depending on liquidity requirements. As part of this silent factoring, receivables amounting to EUR 7,587 thousand (previous year: EUR 7,245 thousand) were sold as at the balance sheet date of 31 March 2021. Because the delcredere risk is borne by the forfaiter, risks are only associated with the amount of VAT and sold receivables that do not comply with the contractual provisions. Advantages result from optimal liquidity management and a reduced balance sheet total in the event of repayment of trade payables.

5. Receivables from affiliated companies

As at the balance sheet date of 31 March 2021, this item included current receivables from the shareholder of EUR 6,602 thousand (previous year: EUR 4,336 thousand), resulting from other receivables of EUR 4,610 thousand (previous year: EUR 737 thousand) as well as those from the profit & loss transfer agreement (EUR 1,992 thousand) (previous year: EUR 3,599 thousand incl. offset liabilities).

6. Prepaid expenses and accrued income

This item contains accrued expenses, which represent expenses after the balance sheet date in accordance with Article 250 (1) HGB.

7. Capital reserves

The capital reserve remains unchanged compared to the previous year.

	<u>EUR</u>
Balance as at 31 March 2021	6,208,939.27
(previous year)	(6,208,939.27)

8. Revenue reserves

Revenue reserves remain unchanged in the year under review:

	<u>EUR</u>
Balance on 01/04/2020 31/03/2021	<u>3,721,537.54</u>

These will be carried forward to 2021/22.

9. Special reserve for investment grants

From 2005 to 2013, the special reserve for investment grants amounted to EUR 837,742.86 in total. The special reserve will be released in such a way that the depreciation on the subsidized capital expenditure will be compensated by the reversal. The release of the special reserve in the financial year from 1 April 2020 to 31 March 2021 in the amount of EUR 1,686.60 (previous year: EUR 1,686.60) is disclosed in the profit and loss statement as a deduction from depreciation.

10. Provisions

Other provisions mainly include provisions for outstanding costs for models/core boxes (EUR 1,669 thousand), provisions for outstanding settlements (EUR 909 thousand), provisions for employees' holiday and premium entitlements (EUR 616 thousand), for warranty claims and credits/bonuses to be issued (EUR 209 thousand), provisions for legal and consulting costs (EUR 90 thousand) and provisions for pension obligations (EUR 48 thousand).

11. Liabilities

The maturities of the liabilities reported as at 31 March 2021 can be broken down as follows:

	Maturities			Total
	up to 1 year	over 1 year	over 5 years	
	EUR '000	EUR '000	EUR '000	EUR '000
1. Liabilities to financial institutions	1,383	4,180	0	5,563
(previous year)	4,034	(5,408)	(0)	(9,442)
2. Trade payables	7,275	0	0	7,275
(previous year)	(6,047)	(0)	(0)	(6,047)
3. Liabilities to affiliated companies	605	0	0	605
(previous year)	(656)	(0)	(0)	(656)
4. Other liabilities	853	0	0	853
(previous year)	(1,289)	(0)	(0)	(1,289)
Total	10,116	4,180	0	14,296
(previous year)	(12,026)	(5,408)	(0)	(17,434)

Liabilities to banks, loans and credits totalling EUR 5,563 thousand (previous year: EUR 9,442 thousand) are secured with registered land charges and assignments by way of security.

Furthermore, the company is liable for the debts of the shareholder (affiliated company) in the amount of EUR 1,067 thousand (previous year: EUR 1,219 thousand) as part of a joint syndicated facility.

The company does not expect to use the joint syndicated facility, as Eisenwerk Erla GmbH and its shareholder will meet their obligations underlying the collateral, and they are their failure to meet their contractual obligations is unlikely.

Trade payables are subject to retention of title as is customary in the industry.

As in the previous year, liabilities to affiliated companies consist of delivery and performance obligations.

D. Notes to the profit and loss statement

1. Revenue

The following table shows the breakdown of revenue by geographical markets:

	01/04/2020 - 31/03/2021 EUR '000	01/04/2019- 31/03/2020 EUR '000
Domestic	35,901	37,597
EU countries	15,012	16,512
Third country	374	919
	<u>51,287</u>	<u>55,028</u>

In the past financial year, revenue increased by EUR 158 thousand from the use of the provision for warranty claims and decreased by EUR 54 thousand due to credit notes still to be issued, amounting to a total of EUR 51,287 thousand.

The following table shows a breakdown of revenue for castings and models:

	01/04/2020 - 31/03/2021 EUR '000	01/04/2019- 31/03/2020 EUR '000
Internal combustion engines for passenger cars & commercial vehicles	41,085	43,861
Mechanical engineering	3,420	5,088
Construction machinery	3,206	2,857
Agricultural machinery	2,996	2,773
Other	580	449
	<u>51,287</u>	<u>55,028</u>

2. Other operating income

Other operating income mainly includes income from canteen management and compensation payments (EUR 129 thousand).

3. Other operating expenses

Other operating expenses (EUR 4,382 thousand; previous year: EUR 4,320 thousand) include our auditor's fee for

- Audit services in the amount of EUR 61 thousand (previous year: EUR 60 thousand)
- Other certification services of EUR 13 thousand (previous year: EUR 5 thousand),
- Tax consulting services in the amount of EUR 6 thousand (previous year: EUR 0 thousand)

No currency translation expenses were incurred in the current financial year.

4. Interest payable and similar expenses

The interest expense in the current financial year amounted to EUR 561 thousand in total (previous year: EUR 566 thousand). The compounding of pension provisions resulted in EUR 1 thousand (previous year: EUR 2 thousand).

5. Expenses of exceptional size or incidence

Due to the completed sale of the assets of JKM Ferrotech Ltd., EUR 1,925 thousand (previous year: EUR 4,100 thousand) were written off on this financial asset in the financial year.

6. Taxes on income

A profit and loss transfer agreement was concluded on 4 March 2009 and amended on 17 December 2009. Accordingly, Eisenwerk Erla GmbH, Schwarzenberg, as the subsidiary, will have its entire annual loss for the 2020/2021 financial year (EUR 1,992 thousand) compensated by the parent company, JKM Erla Holdings GmbH, Schwarzenberg. For this reason, Eisenwerk Erla GmbH is no longer required to show taxes on income or deferred taxes after the profit and loss transfer agreement came into effect.

E. Other information

1. Information on the registered office of the company

Eisenwerk Erla GmbH has its registered office in Gießereistraße 1, 08340 Schwarzenberg/Erzgebirge, Germany. The company is registered at Amtsgericht (local court) Chemnitz, HRB 681.

2. Other financial obligations

Other financial obligations pursuant to Article 285 No. 3 HGB consist of leasing obligations in the amount of EUR 2,098 thousand to optimise the liquidity situation by distributing the payments for investments over time. These leasing obligations have residual maturities of

up to 1 year	EUR 1,178 thousand
over 1 year	EUR 920 thousand.

As at the balance sheet date, there were investment obligations (open purchase orders) in the amount of EUR 0 thousand and purchase obligations due to energy procurement in the amount of EUR 3,202 thousand.

3. Management and representation

The following persons have been appointed managing directors of the company:

- Mr Enrico Fischer
- Mr Geoffrey William Dore (CFO, Dynamatic-Oldland Aerospace Ltd. UK)
- Mr Pierre Antoine de Bausset (Supervisory Board, Dynamatic Technologies Ltd.)
- Mr Udayant Malhoutra (Managing Director, Dynamatic Technologies Ltd.)

In accordance with Article 285 No. 9a HGB in conjunction with Article 286 (4) HGB, information on remuneration is omitted because only one managing director receives remuneration from Eisenwerk Erla GmbH and the remuneration of a member of the management board can be determined on the basis of this information.

Provisions for pensions for a former managing director amount to EUR 48 thousand.

4. Supervisory board

The company does not have a supervisory board.

5. Parent company

The company is included in the consolidated financial statements of Dynamatic Technologies Limited, Bangalore, India. These consolidated financial statements are prepared for the smallest and largest groups of companies. The consolidated financial statements are available on the Group's website.

In accordance with Articles 291/292 HGB, the parent company, JKM Erla Holdings GmbH, Schwarzenberg, is not required to prepare consolidated financial statements as it is included in the financial statements of its parent company. The consolidated financial statements of Dynamatic Technologies Limited, Bangalore (India), are filed with the electronic Federal Gazette of the parent company (Amtsgericht (local court) Chemnitz, HRB 26799).

6. Personnel

The following table shows the average number of employees broken down in accordance with Article 285 No. 7 HGB as follows:

	<u>2020/2021</u>	<u>2019/2020</u>
Salary recipients	68	70
Wage recipients	<u>203</u>	<u>215</u>
	271	285
Trainees	<u>3</u>	<u>6</u>
	<u>274</u>	<u>291</u>

7. Events occurring after the balance sheet date

There were no transactions or events occurring after the end of the financial year that would have a material impact on the company's financial position, financial performance and cash flows and the annual financial statements for the year ended 31 March 2021.

Schwarzenberg, 10 June 2021

Eisenwerk Erla GmbH - Management Board

Signed Enrico Fischer

Signed Pierre Antoine de
Bausset

Signed Udayant Malhoutra

Signed Geoffrey William Dore

Statement of changes in fixed assets for the financial year 2020/21

	Acquisition / Production costs				Balance as at 31/03/2021 EUR	Accumulated depreciation and amortisation			Balance as at 31/03/2021 EUR	Book values	
	Balance as at	Additions	Reclassifications	Disposals		Balance as at	Additions	Disposals		Balance as at	Previous year
	01/04/2020 EUR					01/04/2020 EUR				01/04/2020 EUR	
I. Intangible assets											
Purchased software	771,664.74	1,143.13	5,800.00	0.00	778,607.87	711,733.74	44,168.13	0.00	755,901.87	22,706.00	60
II. Fixed assets											
1. Land, land rights and buildings	14,076,512.59	0.00	0.00	0.00	14,076,512.59	7,395,475.56	357,759.00	0.00	7,753,234.56	6,323,278.03	6,681
2. Technical equipment and machinery	28,924,740.29	49,701.51	184,159.48	0.00	29,158,601.28	27,309,653.29	324,569.99	0.00	27,634,223.28	1,524,378.00	1,615
3. Other plants, company- and business equipment	5,103,327.06	53,230.43	38,259.40	9,260.89	5,185,556.00	3,674,600.12	294,910.83	9,260.89	3,960,250.06	1,225,305.94	1,429
4. Advance payments made and assets under construction	230,398.88	3,196.00	-228,218.88	2,180.00	3,196.00	0.00	0.00	0.00	0.00	3,196.00	230
	48,334,978.82	106,127.94	-5,800.00	11,440.89	48,423,865.87	38,379,728.97	977,239.82	9,260.89	39,347,707.90	9,076,157.97	9,955
III. Financial assets											
1. Shares in affiliated companies	6,025,035.80	0.00	0.00	0.00	6,025,035.80	4,100,000.00	1,925,035.80	0.00	6,025,035.80	0.00	1,925
2. Loans to affiliated companies	4,000,000.00	0.00	0.00	0.00	4,000,000.00	0.00	0.00	0.00	0.00	4,000,000.00	4,000
	10,025,035.80	0.00	0.00	0.00	10,025,035.80	4,100,000.00	1,925,035.80	0.00	6,025,035.80	4,000,000.00	5,925
	59,131,679.36	107,271.07	0.00	11,440.89	59,227,509.54	43,191,462.71	2,946,443.75	9,260.89	46,128,645.57	13,098,863.97	15,940

INDEPENDENT AUDITOR'S REPORT

To Eisenwerk Erla GmbH, Schwarzenberg

Audit Opinion

We have audited the annual financial statements of Eisenwerk Erla GmbH, Schwarzenberg - comprising the balance sheet as at

31 March 2021 and the profit and loss statement for the financial year from 1 April 2020 to 31 March

2021 and notes to the financial statements, including a description of the company's accounting policies.

In addition, we have audited the management report of Eisenwerk Erla GmbH, Schwarzenberg, for the financial year from

1 April 2020 to 31 March 2021.

In our opinion, based on the findings of our audit,

- the accompanying financial statements comply in all material respects with the provisions of the German Commercial Code (HGB) applicable to corporations and give a true and fair view of the company's financial position as at 31 March 2021 and the results of operations for the financial year from 1 April 2020 to 31 March 2021 in accordance with German generally accepted accounting principles.
- the accompanying management report conveys a true and fair view of the company's situation. In all material respects, this management report is consistent with the financial statements, complies with German legal requirements, and accurately depicts the opportunities and risks of future development.

In accordance with Article 322 (3) sentence 1 HGB we declare that our audit has not led to any any reservations with respect to the propriety of the annual financial statements.

Basis for the audit opinion

We conducted our audit of the annual financial statements and the management report in accordance with Article 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibilities under these provisions and standards are further described in the "Responsibility of the auditor for the audit of the annual financial statements and the management report" section of our auditor's report. We are independent of the company in accordance with the requirements of the German commercial law and the rules of professional conduct, and we have fulfilled our other professional duties in accordance with these requirements. We believe that the audit evidence is sufficient and appropriate to provide a basis for our audit opinion with regard to the annual financial statement and the status report.

Responsibility of the legal representatives for the annual financial statements and Management Report

The statutory representatives of the company are responsible for the preparation of these annual financial statements which shall comply in all material respects with the provisions of the German Commercial Code (HGB) applicable to corporations and give a true and fair view of the company's financial position and results in accordance with German generally accepted accounting principles. Furthermore, the statutory representatives are responsible for the internal control system, which they consider to be necessary in accordance with the German generally accepted accounting principles to ensure that the financial statements are free from material misstatements, whether due to fraud or error.

When preparing the annual financial statement, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing, where applicable, matters related to the viability of the business as a going concern. In addition, they are responsible for accounting for the company's ability to continue as a going concern on the basis of the accounting principles, insofar as these do not conflict with actual or legal circumstances.

The statutory representatives are responsible for the preparation of the management report which shall give a true and fair view of the company's state of affairs, be consistent in all material respects with the annual financial statements, comply with the provisions of the law and accurately present the opportunities and risks of future development. Furthermore, the statutory representatives are responsible for the such arrangements and measures (systems), which they consider to be necessary in accordance with the German statutory requirements to facilitate the preparation of the management report and to provide sufficient evidence for the statements made in the management report.

Responsibility of the auditor for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report overall gives a true and fair view of the company's state of affairs, it is consistent in all material respects with the annual financial statements, complies with German laws and accurately presents the opportunities and risks of the company's future development, and to issue an auditor's report that includes our audit opinion on the financial statements and the management report.

Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions made on the basis of these financial statements and management report.

We exercise due discretion and maintain a critical attitude in the course of the audit. In addition, we

- identify and assess the risks of material misstatement of the annual financial statements and management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the internal control system relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the statutory representatives.
- draw conclusions on the appropriateness of the statutory representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's continuing viability as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the annual financial statements and Management Report or, if such disclosures are inappropriate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our opinion. However, future events or circumstances may impair the company's viability as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the financial position and results in accordance with German generally accepted accounting principles.
- evaluate whether the management report is consistent with the annual financial statements, conforms with applicable laws and regulations, and whether it gives a true and fair view of the company's state of affairs.

- Perform audit procedures on the future-oriented statements made by the company's legal representatives in the management report. On the basis of sufficiently appropriate audit evidence, we examine, in particular, the significant assumptions underlying said statements and assess whether they reflect the assumptions correctly. We will not issue an independent audit opinion on the future-oriented statements nor the underlying assumptions. There is a significant unavoidable risk that future events will deviate substantially from such statements.

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

[Stamp: Deloitte GmbH Auditors, Auditors Seal, Munich, Leipzig Branch]

Leipzig, 10 June 2021

Deloitte GmbH

Auditors

(Andreas Otter)
Auditor

(Stefan Gneuß)
Auditor