MSSL GmbH
Bruchköbel

Short-form audit report
Annual financial statements and management report
31 December 2019

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Building a better working world

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Note:

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

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

Independent auditor's report

To MSSL GmbH

Opinions

We have audited the annual financial statements of MSSL GmbH, Bruchköbel, which comprise the balance sheet as at 31 December 2019, and the income statement for the fiscal year from 1 January to 31 December 2019 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of MSSL GmbH for the fiscal year from 1 January to 31 December 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 December 2019 and of its financial performance for the fiscal year from 1 January to 31 December 2019 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Stuttgart, 9 June 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Göhner	Filev
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

MSSL GmbH, Bruchköbel
Balance sheet as of 31 December 2019

Assets

	31 Dec 2019	31 Dec 2018
	EUR	EUR
A. Fixed assets		
I. Intangible assets		
Purchased software	16.557,00	33.952,00
II. Property, plant and equipment		
1. Land and buildings	14.514.025,89	15.155.188,89
2. Plant and machinery	3,00	3,00
3. Other equipment, furniture and fixtures	463.697,00	535.764,00
4. Prepayments and assets under construction	0,00	14.996,84
	14.977.725,89	15.705.952,73
III. Financial assets		
Shares in affiliates	8.379.488,99	8.464.488,99
	23.373.771,88	**24.204.393,72**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	31.768,50	8.680,64
2. Merchandise	3.526.646,77	3.022.950,45
	3.558.415,27	3.031.631,09
II. Receivables and other assets		
1. Trade receivables	3.030.733,60	1.000.888,87
2. Receivables from affiliates	43.085.806,22	44.665.385,32
3. Other assets	446.031,91	3.374.579,32
	46.562.571,73	49.040.853,51
III. Cash on hand, bank balances	2.550.618,57	589.559,93
	52.671.605,57	**52.662.044,53**
C. Prepaid expenses	**248.972,92**	**184.012,40**
	76.294.350,37	**77.050.450,65**

Equity and liabilities

	31 Dec 2019	31 Dec 2018
	EUR	EUR
A. Equity		
I. Subscribed capital	250.000,00	250.000,00
II. Capital reserves	24.710.000,00	24.710.000,00
III. Loss carryforward	-9.833.456,14	-8.979.070,75
IV. Net loss for the year	-460.762,48	-854.385,39
	14.665.781,38	**15.126.543,86**
B. Provisions		
Other provisions	952.314,38	600.984,04
	952.314,38	**600.984,04**
C. Liabilities		
1. Liabilities to banks	2.000.000,00	2.000.000,00
2. Trade payables	900.468,42	1.344.078,44
3. Liabilities to affiliates	56.377.863,90	57.519.997,10
(thereof to shareholders: EUR 51,781k; prior year: EUR 55,307k)		
4. Other liabilities	1.319.329,85	396.750,46
(thereof from taxes: EUR 369k; prior year: EUR 87k)		
	60.597.662,17	**61.260.826,00**
D. Deferred income	**78.592,44**	**62.096,75**
	76.294.350,37	**77.050.450,65**

MSSL GmbH, Bruchköbel

Income statement for the fiscal year from 1 January to 31 December 2019

		2019 EUR	2018 EUR
1.	Revenue	30.295.304,34	21.528.121,28
2.	Other operating income	480.463,10	496.907,15
	(thereof income from currency translation: EUR 52k; prior year: EUR 104k)		
3.	Cost of materials		
	a) Cost of purchased merchandise	-12.671.882,68	-10.714.964,02
	b) Cost of purchased services	-7.429.093,57	-2.418.021,37
4.	Personnel expenses		
	a) Wages and salaries	-4.543.444,24	-4.072.947,29
	b) Social security, pension and other benefit costs	-704.239,58	-631.004,54
5.	Amortization of intangible assets and depreciation of property, plant and equipment	-792.537,35	-836.855,78
6.	Other operating expenses	-4.953.878,74	-4.129.839,85
	(thereof income from currency translation: EUR 62k; prior year: EUR 89k)		
7.	Income from profit and loss transfer agreements	45.911,24	39.132,22
8.	Other interest and similar income	818.601,35	789.660,48
	(thereof from affiliates: EUR 818k; prior year: EUR 420k)		
9.	Interest and similar expenses	-987.557,71	-909.824,81
	(thereof to affiliates: EUR 932k; prior year: EUR 851k)		
10.	Income taxes	-6.788,22	-1.888,48
11.	**Earnings after taxes**	**-449.142,06**	**-861.525,01**
12.	Other taxes	-11.620,42	7.139,62
13.	**Net loss for the year**	**-460.762,48**	**-854.385,39**

MSSL GmbH, Bruchköbel

Notes to the financial statements for fiscal year 2019

A. General

The Company operates under the name MSSL GmbH. Its registered offices are in Bruchköbel. The Company is entered in the commercial register of Hanau local court under HRB no. 91564.

The annual financial statements for 2019 were prepared in accordance with the accounting provisions of the HGB ["Handelsgesetzbuch": German Commercial Code]. The supplementary provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act] were also observed. The income statement was classified using the nature of expense method, as in the prior year.

The Company is subject to the requirements for medium-sized corporations as defined by Sec. 267 (2) HGB. and makes use of the size-related exemptions of Sec. 288 (2) HGB.

B. Recognition and measurement policies

The recognition and measurement policies remained unchanged on the prior year.

Intangible assets as well as **property, plant and equipment** were recognized at acquisition cost and written down over their estimated useful life using the straight-line method. Depreciation is recorded proportionately in the year of acquisition. The remaining useful lives range between 3 and 33 years.

Low-value assets with an individual acquisition cost of up to EUR 800.00 are fully expensed in the year of acquisition.

The shares in affiliates recorded under **financial assets** were valued at acquisition cost. Where necessary, assets are written down to their lower net realizable value on the balance sheet date if impairment is expected to be permanent.

Raw materials, consumables and supplies were recorded at the lower of cost (moving average cost of the last 12 months) or net realizable value on the balance sheet date.

Inventories of goods were valued at the lower of acquisition cost or net realizable value as of the balance sheet date.

Risks of slow-moving inventories were accounted for by writing down raw materials, consumables and supplies as well as merchandise (excluding tools), for which no stock movement had been recorded for the last six months, in full. If no stock movement had been recorded for the last three months, these items were written down by 50%.

Receivables and other assets are stated at their nominal value. Appropriate bad debt allowances provide for default risks attached to trade receivables.

Cash and cash equivalents (cash on hand, bank balances) were valued at nominal value. Amounts denominated in foreign currency came to EUR 313k as of the balance sheet date (prior year: EUR 174k). Foreign currency was valued using the mean spot rate on the balance sheet date.

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

Other provisions take appropriate account of the recognizable risks and contingent liabilities. Provisions are recognized at the settlement value that is considered necessary according to prudent business judgment.

Liabilities are recorded at their settlement amount.

Income received before the balance sheet date, which relates to a certain period after this date, is posted as **deferred income**.

Foreign currency translation

Foreign currency transactions are generally translated at the historical rate applicable at the time at which the transaction was initially recognized. Line items of the balance sheet are valued as of the balance sheet date as follows:

Short-term receivables in foreign currency (remaining term of one year or less) as well as cash and cash equivalents or other short-term assets in foreign currency are translated using the mean spot rate as of the balance sheet date. Short-term foreign currency liabilities (remaining term of one year or less) are translated using the mean spot rate as of the balance sheet date.

As of the balance sheet date, long-term receivables and liabilities denominated in foreign currency came to EUR 1,267k and related to loans denominated in USD that were taken out and passed on. The Company took out loans from the majority shareholder and extended the proceeds from these loans to affiliates. The **hedges** included receivables of USD 3,717k and liabilities of EUR 3,717k as of the balance sheet date. The hedges reduce the risk of exchange rate losses by an amount of USD 2,297k for the period ending 31 December 2020, by an amount of USD 1,070k ending 31 December 2021 and by an amount of USD 350k for the period ending 31 December 2022, as the loan liabilities and the corresponding loan receivables were entered into with congruent terms. Changes in the value and cash flows of underlying transactions (liability in USD) as well as the contrasting valuation effects and changes in cash flows of underlying transactions offset each other, as hedged items and hedging instruments are exposed to the same risk (in this case: USD/EUR exchange rate). The hedge is thus fully effective. As of the balance sheet date, the risk hedged against came to EUR 239k, as the higher valuation of the loan receivable was compensated by a higher valuation of the loan liability.

These claims and liabilities were valued in accordance with the regulations for hedges pursuant to Sec. 254 HGB. Receivables and liabilities were valued at the year-end closing rate in the annual financial statements. Due to being combined in a designated hedge, the valuation of receivables and liabilities as of the balance sheet date only had an effect on the income statement in those cases where the respective receivables and liabilities from the prior year's financial statements could not be included in the hedge. However, these are now displayed as part of the hedge.

Deferred taxes

Deferred taxes are recognized on differences between the carrying amounts in the commercial balance sheet and tax accounts that are likely to reverse in subsequent fiscal years. In addition, deferred tax assets are recognized on corporate income tax and trade tax loss carryforwards that are expected to be offset against taxable income within the next five years.

The sole tax debtor is the Company as tax group parent, i.e., the current and deferred taxes of a subsidiary in the tax group also have to be recognized in full in the annual financial statements of the Company because it alone bears the consequences of taxation. Accordingly, any temporary differences of a tax group subsidiary are recorded in the Company's financial statements.

Calculation of the deferred taxes is based on an effective tax rate of 29.475% (corporate income tax, solidarity surcharge and trade tax) (prior year: 29.475%), which is expected to apply at the time the differences reverse.

Deferred tax assets and liabilities are reported on a net basis. The option to recognize net deferred tax assets in accordance with Sec. 274 (1) Sentence 2 HGB was not exercised. As of the balance sheet date of the prior year, offsetting deferred tax assets against deferred tax liabilities (net presentation) resulted in net deferred tax assets at the level of the Company as tax group parent and the tax group subsidiary of the tax group as of the balance sheet date 31 December 2019. As a result, no deferred taxes are recognized in the annual financial statements, as the option to recognize net deferred tax assets is not exercised.

Differences between the commercial balance sheet and tax accounts resulting in deferred tax assets mainly pertain to corporate income tax and trade tax loss carryforwards.

C. Notes to the balance sheet

The classification of fixed assets items and their development in the fiscal year as well as the amortization, depreciation and write-downs recorded in the fiscal year are presented as an attachment to the notes in the **statement of changes in fixed assets**.

Information on shareholdings

	Currency	Share in capital %	Equity 31 Dec 2019	Net income/ net loss 2019
Germany				
SAMVARDHANA MOTHERSON INVEST DEUTSCHLAND GmbH, Bruchköbel[1]	EUR k	100	825	0
MOTHERSON TECHNO PRECISION GmbH, Bad Dürrheim	EUR k	100	768	-180
Other countries				
MSSL Advanced Polymers s.r.o., Dolní Ředice, Czech Republic[2]	CZK k	100	124,886	-17,049
MOTHERSON TECHNO PRECISION MEXICO S.A de C.V., San Luis Potosí, Mexico[3]	MXN k	100	-55,214	2,796
MSSL Manufacturing Hungary Kft., Mosonszolnok, Hungary[4]	EUR k	100	1,594	-1,072

[1] Profit and loss transfer agreement
[2] Local financial statements as of 31 December 2018
[3] Local financial statements as of 31 December 2018
[4] Local financial statements as of 31 March 2018

The carrying amount of the equity investment in **SAMVARDHANA MOTHERSON INVEST DEUTSCHLAND GmbH** came to EUR 785k as of 31 December 2019 (prior year: EUR 845k). Capital repayments made from the capital reserves decreased the carrying amount of the equity investment. The net income for the year of EUR 46k generated in fiscal year 2019 was transferred to MSSL GmbH due to the existing profit and loss transfer agreement.

The carrying amount of the equity investment in **MOTHERSON TECHNO PRECISION GmbH** came to EUR 3,414k as of 31 December 2019 (prior year: EUR 3,414k).

As in the prior year, the carrying amount of the equity investment in **MSSL Advanced Polymers s.r.o.** came to EUR 1,468k as of 31 December 2019.

MOTHERSON TECHNO PRECISION S.A de C.V was founded in fiscal year 2013. 99.998% of the shares are held by **MOTHERSON TECHNO PRECISION GmbH** and 0.002% are held by MSSL GmbH. The carrying amount of the 0.002% share comes to EUR 0k.

MSSL MANUFACTURING HUNGARY Kft. was founded in fiscal year 2016. As in the prior year, the carrying amount of the equity investment came to EUR 2,712k as of 31 December 2019.

In fiscal year 2019, **SAMVARDHANA MOTHERSON POLYMERS MANAGEMENT GmbH** was merged with MSSL GmbH, Bruchköbel.

Raw materials, consumables and supplies are recorded under **inventories**.

No receivables due within more than one year are recorded under **trade receivables** (prior year: EUR 0k).

Receivables from affiliates (EUR 43,086k; prior year: EUR 44,665k) include loan receivables (EUR 36,416k; prior year: EUR 43,512k), receivables from the day-to-day clearing of trade transactions (EUR 4,746k, prior year: EUR 1,114k) and receivables from SAMVARDHANA MOTHRERSON INVEST DEUTSCHLAND GmbH (EUR 46k, prior year: EUR 39k) from the profit and loss transfer agreement. EUR 36,416k (prior year: EUR 37,876k) of the loan receivables is due within more than one year; all other items are/were due within one year.

Other assets contain items of EUR 54k (prior year: EUR 6k) due within more than one year (deposits and installments provided for comparison).

Other provisions break down as follows:

	31 Dec 2019	31 Dec 2018
	EUR k	EUR k
Employee-related obligations	338	239
Outstanding invoices	459	250
Audit of the annual financial statements, tax advisory	73	78
Warranties, customer debts	5	17
Other provisions	77	17
Total	952	601

The **liabilities** recognized under item C. of the balance sheet breaks down into the following residual terms:

Type of liability (31 December 2019)	Total amount	Due in < 1 year	Due in > 1 year	thereof > 5 years
	EUR k	EUR k	EUR k	EUR k
Liabilities to banks	2,000	0	0	2,000
Trade payables	901	901	0	0
Liabilities to affiliates	56,378	24,322	27,933	4,123
Other liabilities	1,319	1,251	68	0
	60,598	26,474	28,001	6,123

Type of liability (31 December 2018)	Total amount	Due in < 1 year	Due in > 1 year	thereof > 5 years
	EUR k	EUR k	EUR k	EUR k
Liabilities to banks	2,000	0	0	2,000
Trade payables	1,344	1,344	0	0
Liabilities to affiliates	57,520	10,369	47,151	5,461
Other liabilities	397	211	186	0
	61,621	11,924	49,337	7,461

Liabilities to banks (EUR 2,000k; prior year: EUR 2,000k) are secured by land charges.

Liabilities to affiliates (EUR 56,378k; prior year: EUR 57,520k) contain liabilities to the shareholder MSSL Mideast (FZE), Sharjah Airport International Free Zone, Emirate of Sharjah, United Arab Emirates, of EUR 51,781k (prior year: EUR 55,307k), which include loan liabilities of EUR 50,874k (prior year: EUR 55,083k) as well as liabilities from the day-to-day clearing of trade transactions of EUR 907k (prior year: EUR 224k). They also contain liabilities to other group companies from the day-to-day clearing of trade transactions (EUR 4,597k; prior year: EUR 2,213k).

Other liabilities include liabilities from hire-purchase agreements of EUR 53k (prior year: EUR 114k), which are secured with collateral assignments of machinery.

D. Notes to the income statement

Other operating income break down as follows:

	2019 EUR k	2018 EUR k
Non-cash benefits	187	184
Exchange rate gains	52	104
Insurance indemnification	70	75
Income relating to other periods	14	19
Other	157	115
	480	497

E. Other notes

Average headcount in fiscal year 2019:

	2019	2018
Salaried employees	74	61
Part-time employees	13	9
Casual staff	1	1
	88	71

Mr. Andreas Heuser, attorney, Bad Soden-Salmünster, was the **general manager** holding sole powers of representation in fiscal year 2018 and exempted from the restrictions of Sec. 181 BGB. The general manager did not receive any remuneration from the Company in the fiscal year.

Other financial obligations as of 31 December 2019 break down as follows:

		Due in		
Other financial obligations	Total	up to 1 year	1 to 5 years	more than 5 years
	EUR k	EUR k	EUR k	EUR k
- from other lease and rental agreements	421	264	157	0
Total other financial obligations	421	264	157	0

Apart from the other financial obligations presented, there are no off-balance sheet transactions of relevance for the Company's financial position.

Proposal for the appropriation of profit
The net loss for the current fiscal year is to be added to existing loss carryforwards as part of the **appropriation of profit**.

Subsequent events
Short-time working was introduced at MSSL GmbH, Bruchköbel, in April 2020 on account of the coronavirus crisis.

The **sole shareholder** is MSSL Mideast (FZE), Sharjah Airport International Free Zone, Emirate of Sharjah, United Arab Emirates.

The **consolidated financial statements for the largest and smallest group of companies**, including the Company, are prepared by Motherson Sumi Systems Ltd. with registered offices in Unit 705, C Wing, ONE BKC, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051, India.

The consolidated financial statements are available under http://www.motherson.com/annual-reports.html and at the abovementioned address of the Company’s registered offices as well as from the following address: Motherson Sumi Systems Ltd., Plot No.1, Sector-127, Noida-Greater Noida, Expressway Noida 201301, U.P., India.

Bruchköbel, 9 June 2020

Andreas Heuser
(General manager)

MSSL GmbH, Bruchköbel
Development of the individual fixed asset items

	Historical acquisition costs				Accumulated amortization, depreciation and impairment				
	As of 1 Jan 2019 EUR	Additions EUR	Disposals EUR	As of 31 Dec 2019 EUR	As of 1 Jan 2019 EUR	Additions EUR	As of 31 Dec 2019 EUR	Book value 31 Dec 2019 EUR	Book value 31 Dec 2018 EUR
I. Intangible assets									
Purchased software	248.422,99	0,00	0,00	248.422,99	214.470,99	17.395,00	231.865,99	16.557,00	33.952,00
II. Property, plant and equipment									
1. Land and buildings	16.382.954,88	37.699,99	-81.797,08	16.338.857,79	1.227.765,99	597.065,91	1.824.831,90	14.514.025,89	15.155.188,89
2. Plant and machinery	37.783,00	0,00	0,00	37.783,00	37.780,00	0,00	37.780,00	3,00	3,00
3. Other equipment, furniture and fixtures	1.276.518,18	106.009,44	0,00	1.382.527,62	740.754,18	178.076,44	918.830,62	463.697,00	535.764,00
4. Prepayments and assets under construction	14.996,84	0,00	-14.996,84	0,00	0,00	0,00	0,00	0,00	14.996,84
	17.712.252,90	143.709,43	-96.793,92	17.759.168,41	2.006.300,17	775.142,35	2.781.442,52	14.977.725,89	15.705.952,73
III. Financial assets									
Shares in affiliates	8.464.488,99	0,00	-85.000,00	8.379.488,99	0,00	0,00	0,00	8.379.488,99	8.464.488,99
	26.425.164,88	143.709,43	-181.793,92	26.387.080,39	2.220.771,16	792.537,35	3.013.308,51	23.373.771,88	24.204.393,72

MSSL GmbH, Bruchköbel
Management report for fiscal year 2019

1. Background of the Company

a. Business model of the Company

The Company is part of the Motherson Group, a globally renowned supplier of high-quality components, modules and systems, primarily for customers in the automotive sector. The Group is represented at more than 270 locations in 41 countries and boasts a diversified portfolio of products and services including electrical distribution systems, rear-view mirrors, camera systems, front-end modules, cockpits, air conditioning systems, lights, cabs for commercial vehicles, plastics processing, elastomer processing, plastic injection molding molds, IT services and development services. The Group currently has over 135,000 employees worldwide and generated revenue of around USD 11.7b in fiscal year 2018/19. The revenue data for fiscal year 2019/2020, ended 31 March 2020, will be published shortly.

The Company has two main divisions.

As one of the Group's five global "Chairman´s Offices", its duties include supporting the implementation and realization of the Company's goals in Europe. In contrast to prior years, an independent structure was created for the regions North and South America and since then the Company has solely been focusing on the region Europe. In this capacity, the Company supports group companies in central areas such as finance, human capital, insurance management, marketing, internal audit, legal counsel and tax. The Company also assists with acquisition projects in Europe.

On the other hand, the Company trades elastomer and plastic parts for the automotive industry, which are purchased from affiliates abroad and mainly resold to third-party customers. The Company purchases the required logistics services within the Group.

b. Research and development

The Company’s activities do not include research and development.

2. Economic report

a. General conditions

Global economic growth slowed notably in 2019 compared to previous years. According to calculations by the World Bank, global gross domestic product (GDP) only grew by 2.4% in the previous year – the lowest level of growth seen since the global financial crisis.

The trade dispute between the US and China also had a negative impact on global growth in 2019. Growth of global trade was significantly below the multi-year average with severely dampening effects seen on the industrial sectors of exporting economies. The uncertainty brought about by trade policy also led to a reluctance in terms of investments. Only consumption developed robustly – comparatively, growth was only slightly below the level seen in prior years.

GDP in industrialized countries increased in the past year by an estimated 1.6% and thus at a notably slower rate than in 2018. At 1.1%, economic output in the countries of the eurozone experienced much weaker growth compared to prior years. Some economies have been verging on a recession over the course of the year. The withdrawal of the United Kingdom from the European Union, which had hitherto not been settled, also had a negative impact on economic development in 2019. Industrial output in the eurozone, which was below the prior-year figure in each calendar month of 2019, had a particularly dampening impact on economic growth. Lower demand from Asia on account of growing tensions in global trade policy in particular brought about a decline in the export-oriented industrial sector. As a key industrial center in the eurozone, the German economy was particularly hard hit by these effects. GDP in Germany rose by only 0.6% in 2019.

Economic development in the US was also weaker than in 2018. GDP increased by 2.3% in 2019. While significant growth was still seen in Q1, on an annual basis GDP growth rates only just exceeded the 2% mark in the following quarters. Private consumption developed robustly, driven by tax breaks and favorable employment figures on the US labor market. The unemployment rate fell to 3.5% at year-end. A lack of trust and uncertainty triggered by the sharpened trade dispute with China had a negative impact on investing activities and the industrial sector.

Developing and emerging economies recorded estimated growth in their economic output of 3.5%. As the most important driver of the global economy, GDP in China rose by 6.1%. Momentum in the Chinese economy dropped off notably on account of the cooling off of domestic demand, increased tensions in terms of trade policy with the US, the slower pace of growth of industrial production and lower investing activities due to uncertainty. The Indian economy grew at a significantly slower pace in fiscal year 2019/20, recording estimated growth of only 5%. Economic growth in Brazil was slightly down on the prior year, recording estimated growth of 1.1%. With growth of 1.2%, the Russian economy also demonstrated a slower pace of growth in 2019. In Mexico, economic growth came to a standstill in the past year (GDP growth: ±0%).

Global demand for passenger cars dropped off significantly in 2019. On the whole, around 5% fewer new vehicles were sold globally than in the prior year. The US and Western Europe, which together with China make up the automotive hot spots, had a relatively robust year.

However, by contrast China, the world’s biggest passenger car market, had the largest negative impact on global sales. On the whole, Chinese new vehicle sales decreased by almost 10% compared to 2018 – this corresponds to a decrease of more than 2.2m units. This was mainly due to the ongoing trade dispute with the US, which had a significant dampening effect on the economic environment and also led to uncertainty amongst consumers. Reductions to buyer’s premiums for electric vehicles also had a negative impact on demand.

In the US, sales of light vehicles declined by slightly more than 1% to around 17m units. Despite the economic slowdown, the favorable situation on the labor market and rising wages bolstered demand for new vehicles. In this regard, buyers continued to focus on the light trucks segment, which saw an increase of almost 3%. By contrast, sales volume of passenger cars decreased by 10%.

On the Western European passenger car market, new registrations of passenger cars increased by almost 1% in 2019 to 14.3m units. However, this year was still affected by the distortion caused by WLTP. The purchases brought forward in 2018 led to a weak first half of the year, whilst the second half of the year sometimes saw double-digit growth rates. Many new registrations were once again brought forward in the last month of the year, as from 2020 vehicle manufacturers have to comply with the strict CO2 targets for new vehicles sold. The German passenger car market attained strong growth of 5% to 3.6m – the highest volume seen since 2009. New registrations in France also increased by around 2%. The remaining top 5 markets in Western Europe were not able to keep pace with this. In Italy, demand was only at the prior-year level despite the eco-bonus, new vehicle registrations declined in Spain (down 5%). In the

UK, new vehicle sales declined in 2019 for the third time in a row. Declining by 2%, the market reached a volume of 2.3m units.

The recovery of the Russian automotive market came to a halt in 2019. Overall, sales figures for new vehicles declined by more than 2% to around 1.8m light vehicles. With this result, the Russian automobile market remains below its potential. The light vehicles market in Mexico also has not displayed any upward trend over recent months. In 2019 as a whole, new vehicle sales declined by almost 8%. Brazil is the positive exception in emerging markets in the Group. Here demand for new vehicles increased by almost 8% in 2019 to around 2.7m units.

Looking towards Asia, positive results were also not seen outside of China. In India, demand decreased dramatically over the course of the year, while the situation stabilized somewhat again at year-end. Nevertheless, an economic slowdown as a reluctance on the part of consumers to purchase high-value goods led to a decline on the Indian passenger car market of almost 13% over the full year in 2019. The rate of VAT was raised in Japan as of 1 October. This led to purchases being brought forward, however these could not compensate for the decline in new passenger car registrations in the final quarter of the year – market volume declined by slightly more than 2%. In South Korea, the temporary tax relief did not have a long-lasting effect – new passenger car registrations declined slightly by 1% in 2019.

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

b. Position of the Company and development of its business

At EUR 13,909k, revenue from the trading business was EUR 2,290k above the prior-year figure (EUR 11,619k) in the reporting period. This was EUR 996k above the level of revenue planned for the fiscal year (EUR 12,913k). With a cost of materials ratio of 91%, which improved by 1% compared to the prior year, and lower expenses for labor and external services, the Company generated earnings before taxes of EUR 29k in fiscal year 2019 (prior year: EUR -155k) and is thus EUR 13k below the forecast result of EUR 42k.

With regard to the activities of the Chairman's Office, the Company generated revenue of EUR 16,386k in the reporting period (prior year: EUR 9,909k). Consequently, the Company outperformed the revenue forecast made in the prior year for 2019 of EUR 12,921k by an amount of

EUR 3,465k. The net loss for the year came to EUR -490k (prior year: EUR -699k) and earnings before taxes to EUR -477k (prior year: EUR -705k). Thus, the Company clearly missed the earnings target set in its budget (EUR 311k) by EUR 801k.

The Company held the following equity investments as of the balance sheet date:

- 100% in SAMVARDHANA MOTHERSON INVEST DEUTSCHLAND GmbH
- 100% in MOTHERSON TECHNO PRECISION GmbH
- 100% in MSSL Advanced Polymers s.r.o., Czech Republic
- 100% in MSSL Manufacturing Hungary Kft., Hungary
- 100% in MOTHERSON TECHNO PRECISION MEXIKO S.A. de C. V., Mexico

Financial performance

The Company disclosed a **net loss** of EUR -461k for fiscal year 2019 (prior year: EUR -854k). **Revenue** totaled EUR 30,295k (prior year: EUR 21,528k).

Other operating income came to EUR 480k (prior year: EUR 497k).

Personnel expenses amounted to EUR 5,248k (prior year: EUR 4,704k), which can be attributed to the salary increases and the increased number of employees.

Amortization, depreciation and impairment decreased slightly year on year to EUR 793k (prior year: EUR 837k).

Other operating expenses came to EUR 4,954k (prior year: EUR 4,130k). The increase is mainly due to a EUR 227k increase in insurance policies to EUR 450k (prior year: EUR 223k) and an increase in marketing costs of EUR 226k to EUR 518k (prior year: EUR 292k). In addition, expenses for third-party services rose by EUR 124k to EUR 1,254k (prior year: EUR 1,130k) and consultancy fees rose by EUR 92k to EUR 282k (prior year: EUR 190k).

The **financial result** as of the balance sheet date came to EUR -123k (prior year: EUR -81k).

Financial position

Equity as of the balance sheet date amounted to EUR 14,666k (prior year: EUR 15,126k). The equity ratio stands at 19% (prior year: 20%).

Compared to the prior year, **provisions** increased by EUR 351k to EUR 952k (prior year: EUR 601k).

In the reporting period, the Company generated positive **cash flow** from operating activities of EUR 4,202k (prior year: EUR -1,721k). Cash flow from investing activities came to EUR +1,968k in the reporting period (prior year: EUR -13,857k), mainly due to the subsidiaries repaying loans. Cash outflow from financing activities stood at EUR -4,209k (prior year: EUR +15,760k). The change results from the repayment of borrowings, largely to the shareholder. The funds were primarily used to finance the Hungarian company. The Company was in a position to settle due payments at all times.

Assets and liabilities

The **balance sheet total** decreased by EUR 756k compared to the prior year and thus amounts to EUR 76,294k (prior year: EUR 77,050k).

As of the balance sheet date, **fixed assets** came to EUR 23,374k (prior year: EUR 24,204k). Compared to the prior year, financial assets decreased by EUR 85k to EUR 8,379k (prior year: EUR 8,464k). **Fixed assets** were covered by equity to 63% (prior year: 62%) and accounted for 31% (prior year: 31%) of the balance sheet total.

Current assets came to EUR 52,672k (prior year: EUR 52,662k). The increase in current assets is largely due to the increase in **trade receivables** of EUR 2,030k to a total of EUR 3,031k (prior year: EUR 1,001k) and the increase in **inventories** of EUR 526k to EUR 3,558k (prior year: EUR 3,032k). By contrast, **receivables from affiliates** decreased by EUR 1,579k to a total of EUR 43,086k (prior year: EUR 44,665k). **Other assets** amounted to EUR 446k as of the reporting date (prior year: EUR 3,375k). This balance sheet item declined significantly on account of charging transfers to other companies during the fiscal year. As of the balance sheet date, **bank balances** amounted to EUR 2,551k (prior year: EUR 590k). The increase is due to a loan repayment of EUR 400k made shortly before the reporting date by MSSL Manufacturing Hungary Kft. and the settlement of overdue receivables from affiliates from day-to-day clearing in the amount of EUR 700k. Furthermore, as of the reporting date bank balances include an insurance indemnification payment of EUR 760k.

Prepaid expenses rose by EUR 65k to EUR 249k (prior year: EUR 184k).

Financial and non-financial performance indicators

The performance indicators used across the entire Motherson Group are also applicable to the Company. The main controlling instrument consists of monthly management reporting. Key performance indicators include revenue, EBIT (earnings before interest and taxes) and cash profit. Cash profit is calculated by adding back amortization, depreciation and write-downs to earnings after taxes. Group-wide comparative analyses using ROCE (return on capital employed) have gained great importance and enable the Company to also take into account accounting effects.

A non-financial performance indicator which does not serve the purpose of managing the Company, but is crucial for a continued successful development, are our employees. The Motherson Group's goals formulated in Vision 2020 can only be achieved if the Company manages to retain competent and committed employees over the long term as an attractive and responsible employer.

3. Forecast, opportunity and risk report

In its report dated March 2020, the OECD forecast global economic growth for the current year of 2.4% – significantly less than in 2019. The OECD views the global economic outlook for 2020 as highly uncertain, not least due to the spread of the coronavirus in China, South Korea and Italy, and the resulting negative impact on the global economy. Amongst industrialized countries the OECD expects that the US economy in particular will lose momentum (GDP growth forecast 2020: up 1.9%) with the eurozone remaining on its low growth trajectory (up 0.8%). For Japan, it is expected that the pace of growth will continue to slow (to 0.2%) on account of the VAT increase in the previous year.

According to the OECD forecasts from March 2020, China has displayed lower levels of momentum in the current year amongst emerging markets than was the case in 2019 (up 4.9%). The OECD expects that the Indian economy will once again pick up the pace slightly in 2020/21 (to 5.1%) and Brazil will experience stronger growth than in 2019 (GDP growth: 1.7%). For Russia, the OECD expects GDP growth of 1.2% in 2020.

For the global passenger car market, the German association of the Automotive Industry (VDA) expects a further decline of 1% in 2020. As was the case in 2019, there will also be a lack of growth drivers on the major automotive markets in the current year.

For the Chinese passenger car market, the VDA forecasts a slight decline (down 2%). The market for light vehicles in the US will also not reach the level seen in 2019 (down 3%). According to the VDA, in Europe the new CO2 regulations will trigger a negative effect, consequently the VDA expects a 2% decline on the European passenger car market.

It remains to be seen how the further spread of the novel coronavirus around the globe will impact the global economy and the automotive industry. The most recent developments have not been taken into consideration in the sources used here.

<u>Coronavirus update:</u>

The spread of the novel coronavirus (COVID-19), which can now be seen on all continents, led to a crisis that will significantly dampen the economic outlook for 2020. In the April edition of its World Economic Outlook Report, the International Monetary Fund (IMF) forecast a decline in global economic output in 2020 of 3.0%. For industrialized countries, the IMF forecasts a decline of 6.1%. For developing and emerging markets, the IMF forecasts a decline of 1.0%.

The increasing number of coronavirus infections in China from January 2020 made it necessary for cities and regions to shut down and additional governmental measures to be taken to quell the epidemic. This also had an impact on the automotive sector, where automotive manufacturers' factories were closed. A gradual return to normality started from April with the easing of the restrictions.

The spread on the European and American continents also made it necessary for governments to introduce social distancing and quarantine measures in order to slow the infection rate. As things currently stand (end of April), a large number of factories of automotive manufacturers in Europe and North and South America are closed. Preparations are gradually getting underway to allow vehicle manufacturing plants to start up again.

It should be noted that the spread of the coronavirus will have negative effects on the global automotive sector in 2020, both in terms of demand and production. As things currently stand, the estimates of the IFO Institute forecast a drop on the automotive market of around 40%, which will only return to the prior-year level at the end of 2021. It is currently not possible to predict for how long and to what extent the measures to subdue the virus will have to be taken and to what extent automotive demand will ultimately be impacted by economic slumps.

In view of the COVID-19 pandemic and given the rapidly changing economic circumstances, budgets for the current fiscal year have been revised and forecasts are continuously being updated.

In terms of the trading business, the Company plans to generate revenue of EUR 12,598k in fiscal year 2020. On account of the drop in revenue that has already been incurred and that which is still expected to materialize, and assuming that fixed costs remain the same and the product mix in the trading business changes, we expect to record an EBIT of EUR -54.1k and earnings before taxes of EUR -63.64k. We forecast cash profit of EUR -62.9k.

In the Chairman's Office, the Company has not been directly impacted by the decline in revenue on account of the factory closures and reduced customer demand. Nevertheless, cost pressure will rise on account of the economic circumstances. In this connection, the Company plans to generate revenue of EUR 15,951k and earnings before taxes of EUR 665k. The Company budgets EBIT of EUR 1,428k and forecasts cash profit of EUR 1,477k.

As an intercompany service provider and due to the associated cost allocation, the Company economically depends directly on the group companies as a result of the organizational structure within the Group. The Company's opportunities are thus based on the development of the group companies for which services are rendered.

The financial instruments used by the Company mainly include receivables, liabilities, bank deposits and liabilities to banks as well as liabilities to the shareholder.

Liabilities are paid within the agreed payment terms. There are usually no bad debts. The Company's receivables management is suitable to minimize credit risks.

The Company is mainly refinanced via loans from group companies at fixed interest rates; thus, an interest rate risk can be virtually ruled out.

To hedge against liquidity risk, yearly liquidity planning is prepared as part of the budget planning. This is updated and adjusted monthly, enabling the Company to make a statement about the anticipated incoming payments and necessary cash outflows.

Bruchköbel, 9 June 2020

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Andreas Heuser

Engagement Terms, Liability and Conditions of Use

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

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

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

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

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

[Translator's notes are in square brackets]

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

1. Scope of application

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

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

2. Scope and execution of the engagement

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

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

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

3. The obligations of the engaging party to cooperate

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

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

4. Ensuring independence

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

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

5. Reporting and oral information

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

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

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

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

7. Deficiency rectification

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

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

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

8. Confidentiality towards third parties, and data protection

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

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

9. Liability

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

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

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

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

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

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

10. Supplementary provisions for audit engagements

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

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

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

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

11. Supplementary provisions for assistance in tax matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) support in complying with disclosure and documentation obligations.

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

12. Electronic communication

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

13. Remuneration

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

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

14. Dispute Settlement

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

15. Applicable law

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