Im Hinblick auf die Anforderungen von § 322 Abs. 7 HGB tritt die elektronische Fassung nicht an die Stelle, sondern neben die Papierfassung im Sinne einer elektronischen Kopie.

Considering the requirements of Sec. 322 (7) HGB, the electronic version does not replace the hardcopy but is prepared in addition to it and is an electronic copy thereof.

MOTHERSON TECHNO PRECISION GmbH
Bad Dürrheim

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

Translation from the German language

Table of contents

Note:

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

If an electronic version of this document is used for disclosure in the *Bundesanzeiger* [German Federal Gazette], only the files containing the financial reporting and, in the case of a statutory audit, the auditor’s report or the attestation report thereon are intended for this purpose.

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

Independent auditor's report

To MOTHERSON TECHNO PRECISION GmbH

Opinions

We have audited the annual financial statements of MOTHERSON TECHNO PRECISION GmbH (formerly: MOTHERSON ORCA PRECISION TECHNOLOGY GmbH), Bad Dürrheim, which comprise the balance sheet as of 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 MOTHERSON TECHNO PRECISION 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 at 31 December 2019 and of its financial performance for the financial 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 opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to 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]

Translation from the German language

MOTHERSON TECHNO PRECISION GmbH, Bad Dürrheim
Balance sheet as of 31 December 2019

Assets

	31 Dec 2019	31 Dec 2018
	EUR	EUR
A. Fixed assets		
I. Intangible assets		
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	35,727.00	37,456.00
II. Property, plant and equipment		
1. Plant and machinery	576,763.00	700,908.00
2. Other equipment, furniture and fixtures	202,178.00	256,867.00
3. Prepayments and assets under construction	53,373.27	382,759.01
	832,314.27	1,340,534.01
III. Financial assets		
1. Shares in affiliates	2,870.87	2,870.87
2. Securities classified as fixed assets	100.00	100.00
	2,970.87	2,970.87
	871,012.14	**1,380,960.88**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	442,890.22	599,376.86
2. Work in process	471,194.00	302,176.43
3. Finished goods	604,396.00	461,955.66
	1,518,480.22	1,363,508.95
II. Receivables and other assets		
1. Trade receivables	1,130,446.86	1,111,612.02
2. Receivables from affiliates	4,135,824.68	5,246,461.25
3. Other assets	76,954.38	63,162.18
	5,343,225.92	6,421,235.45
III. Cash on hand and bank balances	129,289.14	42,502.41
	6,990,995.28	**7,827,246.81**
C. Prepaid expenses	**43,358.17**	**10,033.57**
	7,905,365.59	**9,218,241.26**

Equity and liabilities

	31 Dec 2019	31 Dec 2018
	EUR	EUR
A. Equity		
I. Subscribed capital	1,000,000.00	1,000,000.00
II. Capital reserves	4,103,793.68	4,103,793.68
III. Loss carryforward	-4,155,269.88	-3,973,894.30
IV. Net loss for the year	-180,202.72	-181,375.58
	768,321.08	**948,523.80**
B. Provisions		
Other provisions	319,919.89	317,190.37
	319,919.89	**317,190.37**
C. Liabilities		
1. Trade payables	471,042.24	440,507.75
2. Liabilities to affiliates (thereof to shareholders: EUR 6,226k; prior year: EUR 7,408k)	6,312,845.55	7,470,627.47
3. Other liabilities (thereof from taxes: EUR 25k; prior year: EUR 28k) (thereof for social security: EUR 3k; prior year: EUR 8k)	33,236.83	41,391.87
	6,817,124.62	**7,952,527.09**
	7,905,365.59	**9,218,241.26**

MOTHERSON TECHNO PRECISION GmbH, Bad Dürrheim
Income statement for the fiscal year from 1 January to 31 December 2019

		1 Jan-31 Dec 2019 EUR	1 Jan-31 Dec 2018 EUR
1.	Revenue	8,165,723.11	8,850,711.37
2.	Increase (prior year: decrease) in finished goods and work in process	311,457.91	-154,484.01
3.	Total operating performance	8,477,181.02	8,696,227.36
4.	Other operating income (thereof for currency translation: EUR 2k; prior year: EUR 9k)	26,900.17	21,606.80
5.	Cost of materials		
	a) Cost of raw materials, consumables and supplies	2,566,941.79	2,386,489.32
	b) Cost of purchased services	964,752.69	1,590,357.86
		3,531,694.48	3,976,847.18
6.	Personnel expenses		
	a) Wages and salaries	2,356,965.66	2,116,836.59
	b) Social security	459,289.78	429,136.41
		2,816,255.44	2,545,973.00
7.	Amortization of intangible assets and depreciation of property, plant and equipment	268,392.31	260,865.80
8.	Other operating expenses (thereof for currency translation: EUR 8k; prior year: EUR 21k)	2,060,082.50	2,114,841.41
9.	Interest and similar income (thereof from affiliates: EUR 176k; prior year: EUR 184k)	175,556.90	183,798.43
10.	Interest and similar expenses (thereof to affiliates: EUR 171k; prior year: EUR 171k)	173,504.16	174,241.52
11.	Income taxes	-2.06	0.00
12.	Other taxes	9,913.98	10,239.26
13.	**Net loss for the year**	**-180,202.72**	**-181,375.58**

Translation from the German language

MOTHERSON TECHNO PRECISION GmbH,
Bad Dürrheim

Notes to the financial statements for fiscal year 2019

A. General

The Company operates under the name “MOTHERSON TECHNO PRECISION GmbH”. Until 15 February 2018, the Company operated under the name MOTHERSON ORCA PRECISION TECHNOLOGY GmbH. The Company’s registered offices are located in Bad Dürrheim. The Company is entered in the Freiburg im Breisgau commercial register under HRB no. 702033.

The annual financial statements as of 31 December 2019 were prepared in accordance with the accounting provisions of the HGB [“Handelsgesetzbuch”: German Commercial Code] and the supplementary provisions of the GmbHG [“Gesetz betreffend die Gesellschaften mit beschränkter Haftung”: German Limited Liability Companies Act]. 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 1 and 10 years. Production costs of internally constructed property, plant and equipment do not contain borrowing costs.

Low-value assets with an individual net value not exceeding EUR 800.00 are fully expensed in the year of acquisition, their immediate disposal being assumed. All other depreciation of additions to property, plant and equipment is charged pro rata temporis.

The shares in affiliates recorded under **financial assets** and securities classified as fixed 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.

Work in process was valued at production cost on the basis of a simplified overhead calculation. The production costs comprise direct costs for materials and wages as well as appropriate pro rata overheads. Borrowing costs are not included in the calculation of production costs.

For the **valuation of inventories of work in process at net realizable value**, production costs determined by overhead calculations are compared with the net realizable value of products. As in the prior year, the net realizable value is measured retroactively by reducing the anticipated sales proceeds by 8% to account for pro rata costs to be incurred before the date of the sale. Future production costs are also deducted until the end of production.

Production costs of **finished goods** are calculated retroactively on the basis of the sales price of individual products. A standardized mark-down of 27% (prior year: 35%) was used to calculate the production cost of each product. Moreover, the valuation of finished goods does not include borrowing costs in the calculation of production costs.

Risks of slow-moving inventories were accounted for by writing down raw materials, consumables and supplies as well as finished goods, for which no stock movement has been recorded for 90 to 180 days, by 50% and by writing down raw materials, consumables and supplies as well as finished goods, for which no stock movement has been recorded for more than 6 months, in full.

Receivables and other assets are generally carried 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 24k as of the balance sheet date (prior year: EUR 19k). Foreign currency was valued using the exchange 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. They were recognized at the settlement value deemed necessary according to prudent business judgment to cover future payment obligations. Other provisions with a residual term of more than one year are discounted using an interest rate suitable for instruments of an equivalent term.

Liabilities are recorded at their settlement amount.

Foreign currency translation

Foreign currency assets and liabilities are translated using the mean spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle (Sec. 252 (1) No. 4 Sentence 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

As of the balance sheet date, all long-term receivables and liabilities denominated in foreign currency related to loans denominated in USD that were taken out and passed on. As of the 31 December 2019 reporting date, there is a loan of USD 1,487k from the majority shareholder, which was passed on to MOTHERSON TECHNO PRECISION MEXICO S.A de C.V., San Luis Potosí, Mexico. Therefore, the **hedge** included a receivable of USD 1,487k and a liability of USD 1,487k as of the balance sheet date. The hedge reduces the risk of exchange rate losses for the period from 31 December 2021, as both the loan liability and loan receivable 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 161k, 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 had no effect on the income statement (net method).

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

MOTHERSON TECHNO PRECISION MEXICO S.A de C.V, San Luis Potosi, Mexico, was founded in fiscal year 2013. 99.998% of the shares are held by **MOTHERSON TECHNO PRECISION GmbH, Bad Dürrheim,** and 0.002% are held by MSSL GmbH, Bruchköbel. The carrying amount of the 99.998% share comes to EUR 3k.

	Currency	Share in capital %	Equity 31 Dec 2018	Net income/net loss 2018
Other countries				
MOTHERSON TECHNO PRECISION MEXICO S.A de C.V., San Luis Potosí, Mexico	MXN k	99.998	-55,214	2,796
Prior year	*MXN k*	*99.998*	*-58,011*	*4,035*

Comparable to the prior year’s balance sheet date, all **trade receivables** and **other assets** as of the balance sheet date 31 December 2019 are due within one year.

Receivables from affiliates of EUR 4,136k (prior year: EUR 5,246k) relate to loans extended to MOTHERSON TECHNO PRECISION MEXICO S.A de C.V. of EUR 3,916k (prior year: EUR 4,858k). EUR 372k of the total loan receivable has a residual term of less than one year (prior year: EUR 1,235k). EUR 3,544k of the total loan receivable has a residual term of more than one year (prior year: EUR 3,623k). As in the prior year, all remaining receivables stem from trade and have a residual term of less than one year, as on the prior year’s balance sheet date.

The Company’s **share capital** was increased by EUR 900k from EUR 100k to EUR 1,000k in fiscal year 2011 by MSSL GmbH, Bruchköbel, and has remained unchanged since.

The Company’s **capital reserves** were last increased by EUR 1,479k from EUR 2,625k to EUR 4,104k in fiscal year 2011 due to payments by shareholders pursuant to Sec. 272 (2) No. 4 HGB.

Other provisions break down as follows:

	31 Dec 2019	31 Dec 2018
	EUR k	EUR k
Warranties/outstanding customer debts	41	74
Employee-related obligations	185	149
Other provisions	94	94
Total	320	317

The amount recognized under item C. of the **liabilities** in the balance sheet breaks down into the following residual terms **(due in):**

Type of liability (31 December 2019)	Total	Due in < 1 year	Due in > 1 to 5 years	Due in > 5 years
	EUR k	EUR k	EUR k	EUR k
Trade payables	471	471	0	0
Liabilities to affiliates	6,313	458	5,855	0
Other liabilities	33	33	0	0
	6,817	**962**	**5,855**	**0**

Type of liability (31 December 2018)	Total	Due in < 1 year	Due in > 1 to 5 years	Due in > 5 years
	EUR k	EUR k	EUR k	EUR k
Trade payables	441	441	0	0
Liabilities to affiliates	7,471	1,298	6,173	0
Other liabilities	41	41	0	0
	7,953	**1,780**	**6,173**	**0**

Liabilities to affiliates (EUR 6,313k; prior year: EUR 7,471k) result from loan liabilities to the sole shareholder (EUR 6,226k; prior year: EUR 7,409k) and liabilities from clearing transactions (EUR 86k; prior year: EUR 62k). Liabilities to the sole shareholder amount to EUR 6,311k (prior year: EUR 7,465k).

Other liabilities mainly pertain to wage tax liabilities of EUR 25k (prior year: EUR 28k) and social security liabilities of EUR 3 k(prior year: EUR 8k).

D. Notes to the income statement

Other operating income includes income relating to other periods of EUR 15k (prior year: EUR 12k).

E. Other notes

Average headcount in fiscal year 2019:

	2019	2018
Salaried employees	14	14
Wage earners	45	46
Total	59	60

The Company's **general manager** in fiscal year 2019 was:

- Mr. Jens Cordes, commercial lawyer, Flieden.

Disclosure of management remuneration was suppressed in accordance with Sec. 286 (4) HGB.

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

Other financial obligations	**Total**	**Due in** up to one year	**Due in** one to five years	**Due in** more than five years
	EUR k	**EUR k**	**EUR k**	**EUR k**
- from property lease agreements	2,190	274	1,095	821
thereof from affiliates	1,115	139	558	418
- from other lease and rental agreements	262	83	179	
thereof from affiliates	0	0	0	0
	2,452	357	1,274	821
Prior year	2,527	300	1,132	1,095

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

Contingent liabilities

The Company is liable for MOTHERSON TECHNO PRECISION MEXICO S.A de C.V. due to a warranty agreement that has been concluded. This warranty agreement ensures that the tenancy agreement between MOTHERSON TECHNO PRECISION MEXICO S.A de C.V. and the lessor is adhered to with regard to the monthly rent payment. The monthly rent in 2020 amounts to USD 28k. The monthly rent from 1 March 2021 comes to USD 25k plus an annual increase of 1.5% starting form 1 January 2022. The rental agreement was prematurely extended and ends at the end of February 2026. Taking into account the remaining contractual term, the Company is liable for around USD 1.9m. A claim against the Company is not expected to be made as the subsidiary is financed by the Group and both the current and expected future cash flow situation indicate that the rent will be paid punctually.

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**.

Shareholder and group relationships

As of the balance sheet date, the sole shareholder is MSSL GmbH, Bruchköbel.

Subsequent events

Short-time working was introduced at MTPG GmbH, Bad Dürrheim, in April 2020 on account of the coronavirus crisis.

The **consolidated financial statements for the largest and smallest group of companies** that include 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 https://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.

Bad Dürrheim, 9 June 2020

MOTHERSON TECHNO PRECISION GmbH

Jens Cordes
(General manager)

MOTHERSON TECHNO PRECISION GmbH, Bad Dürrheim
Statement of changes in fixed assets for fiscal year 2019

	Acquisition and production cost					Accumulated amortization, depreciation and write-downs					Net book values	
	1 Jan 2019	**Additions**	**Reclassifications**	**Disposals**	**31 Dec 2019**	**1 Jan 2019**	**Additions**	**Reclassifications**	**Disposals**	**31 Dec 2019**	**31 Dec 2019**	**31 Dec 2018**
I. Intangible assets												
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	122,102.90	11,730.50	0.00	0.00	133,833.40	84,646.90	13,459.50	0.00	0.00	98,106.40	35,727.00	37,456.00
II. Property, plant and equipment												
1. Plant and machinery	1,197,884.40	390,724.29	0.00	324,532.29	1,264,076.40	496,976.40	194,847.29	0.00	4,510.29	687,313.40	576,763.00	700,908.00
2. Other equipment, furniture and fixtures	964,377.58	5,397.52	0.00	17,141.99	952,633.11	707,510.58	60,085.52	0.00	17,140.99	750,455.11	202,178.00	256,867.00
3. Prepayments and assets under construction	382,759.01	22,600.00	0.00	351,985.74	53,373.27	0.00		0.00	0.00	0.00	53,373.27	382,759.01
	2,545,020.99	418,721.81	0.00	693,660.02	2,270,082.78	1,204,486.98	254,932.81	0.00	21,651.28	1,437,768.51	832,314.27	1,340,534.01
III. Financial assets												
1. Shares in affiliates	2,870.87				2,870.87	0.00				0.00	2,870.87	2,870.87
2. Securities classified as fixed assets	100.00	0.00	0.00	0.00	100.00	0.00		0.00	0.00	0.00	100.00	100.00
	2,970.87	0.00	0.00	0.00	2,970.87	0.00	0.00	0.00	0.00	0.00	0.00	2,970.87
	2,670,094.76	430,452.31	0.00	693,660.02	2,406,887.05	1,289,133.88	268,392.31	0.00	21,651.28	1,535,874.91	871,012.14	1,380,960.88

MOTHERSON TECHNO PRECISION GmbH,
Bad Dürrheim

Management report for fiscal year 2019

A. Business development in 2019

1. Company background/sector information

MOTHERSON TECHNO PRECISION GmbH with registered offices in Bad Dürrheim produces high-quality precision machined parts using CNC single spindle and multiple-spindle machines, in particular for the automotive industry. Its customers comprise system suppliers (first and second tier), whose worldwide locations are supplied by the Company. The products can be found in fuel and emission management for passenger cars, with products being manufactured for fuel supply, fuel preparation and fuel injection as well as for emission control systems. This is supplemented by products for brake technology in the commercial vehicle sector.

MOTHERSON TECHNO PRECISION GmbH is part of the Motherson Group, a family-run group of companies from India. The Motherson Group currently has over 135,000 employees worldwide and generated revenue of more than USD 11.7b in fiscal year 2018/2019. The revenue data for fiscal year 2019/2020, ended 31 March 2020, will be published shortly.

Monthly management reporting, which is implemented throughout the entire Group, serves as a steering instrument. Significant key performance indicators include revenue and earnings before taxes. Moreover, return of capital employed (ROCE) is considered when making group-wide investment decisions.

Macroeconomic development

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% in the reporting 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 subdued investment activity. Only consumption developed robustly – comparatively, growth was only slightly below the level seen in prior years.

The overall economic situation in Germany in 2019 was characterized by a significant slowdown and volatility throughout the year: After a buoyant start to the year and a decline in the second quarter, the German economy showed signs of a slight economic recovery in the second half of the year. According to initial calculations carried out by the German Federal Statistical Office (Destatis), gross domestic product (GDP) overall rose 0.6% year-on-year in 2019 after adjusting for inflation. The German economy thus grew for the tenth year in a row and recorded the longest period of growth in united Germany. However, growth clearly lost momentum in 2019. In the two prior years, inflation-adjusted GDP had grown at a faster rate (2.5% in 2017 and 1.5% in 2018). Compared with the average of 1.3% from 2008 to 2018, the German economy saw weaker growth in 2019.

The economies of industrialized nations grew overall by 1.7%, a slowdown of 0.5% compared to 2018. Emerging and developing countries generated growth of 3.9%.

The European passenger car market (EU-28 and EFTA countries excluding Malta) closed the past year with positive figures. Statistically, 2019 was still affected by the introduction of the WLTP testing cycle as of September 2018. In the summer of 2018, there was a surge of registrations on the European passenger car markets. These additional cars were then missing from the registration figures over the further course of the year. 2019 was the exact opposite of 2018: Sales decreased by 3% in the first half of the year. Assisted by the low baseline in the prior year, new registrations then increased by an average of 7% from July. In sum, the European automobile market recorded an increase of 1% for 2019. 20 out of 30 countries closed the year with positive figures.

Diesel is still experiencing a negative development, although the downward trend has slowed down slightly: sales of diesel-powered automobiles decreased by 11% to 4.9 million units in the European markets. In the prior year, it decreased by 18%. The market share of diesel came to 31.2% in 2019, more than four percentage points below the prior-year figure.

Once again, fewer cars were sold in the UK in the reporting year than in the year before. New car registrations decreased by 2% to 2.3 million vehicles in 2019. This was the lowest level of sales since 2013 and the third decrease in a row.

The upswing on the French passenger vehicle market continued in 2019. With 2.2 million new car registrations, 2% more vehicles were sold than in the prior year. The positive result was mainly thanks to a strong year-end, because the market had recorded a contraction of around 2% for the first six months of the year. The fourth quarter saw the trend reverse with an increase of more than 12%.

After six years of recovery, the Spanish passenger car market eased in 2019. New car registrations decreased by 5%, but remained above the level of 2017 with a total of 1.3 million units. Commercial customers were primarily responsible for this positive development with demand increasing by 3% to 0.43 million units, In Italy, passenger car registrations matched the level of the prior year. With 1.9 million vehicles, the market was still below the 2-million mark, which was last reached in 2009. Commercial customers were particularly reluctant in the reporting year (down 6%) while demand from private consumers remained constant.

The automotive markets in eastern European countries developed positively almost without exception in 2019. In the 12 countries that have belonged to the European Union since 2004, new car registrations increased by more than 6% in the past year. The 1.5 million-mark was reached for the first time, continuing the growth trajectory taken in 2014. with 0.56 million new car registrations, Poland as the largest individual market in eastern Europe recorded an increase of more than 4%.

Despite a lower production and export volume, manufacturers of motor vehicles and engines increased their revenue to EUR 343.4b (up 3%) in the past year. Based on a strong domestic market, they generated revenue of EUR 100.2b in Germany (up 5%). Exports also increased, rising by 3% to EUR 243.2b. Business outside the eurozone expanded by almost 4% to EUR 174.1b. The companies of the manufacturing group generated revenue of EUR 69.1b in the eurozone and thus achieved the high level of the prior year (±0%).

Automotive suppliers did not increase their sales in 2019, generating revenue of EUR 79.7b, the third-highest value ever. This constitutes a decrease of 2%. Business with foreign customers remained strong, matching the prior year (±0%). Export revenue amounted to EUR 33.6b. Domestic revenue fell short of the 2018-figure by 3% (EUR 46.1b), which went hand-in-hand with a decrease in the domestic production of passenger cars. Among suppliers, manufacturers of electric and electronic equipment for motor vehicles managed to slightly increase their revenue to EUR 9.8b, up 1% on the prior year. At EUR 69.9b, manufacturers of other parts and accessories for motor vehicles generated most of the revenue of the automotive supplier industry (down 2%).

Forecast regarding the economy and automotive market

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.

Coronavirus update:
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.

MOTHERSON TECHNO PRECISION GmbH's business must be viewed in light of this economic backdrop. The development of the automotive industry undoubtedly has the greatest impact on the Company's business development.

Development of MOTHERSON TECHNO PRECISION GmbH

a. Development of revenue and order backlog

MOTHERSON TECHNO PRECISION GmbH generated revenue of EUR 8.2m in fiscal year 2019. Revenue in the prior year came to EUR 8.9m. Correspondingly, revenue decreased by around 7.8%. Revenue for fiscal year 2019 was budgeted at EUR 9.4m and thus fell short of the target. Export business accounted for 72.4% of total revenue in 2019 and thus essentially remained unchanged.

Revenue breaks down geographically as follows (figures in EUR k):

	2019	Share of total revenue	2018	Share of total revenue
Revenue, Germany	2,257	27.6	2,485	28
Revenue, European Union	4,387	53.7	4,011	45
Revenue, rest of the world	1,522	18.7	2,355	27
Total revenue	8,166		8,851	

b. <u>Assets, liabilities and financial position</u>

On 9 April 2013, MOTHERSON TECHNO PRECISION GmbH (99.998% of the shares) and MSSL GmbH (0.002% of the shares) founded MOTHERSON TECHNO PRECISION MEXICO, S.A. de C.V. in San Luis Potosi, Mexico. The carrying amount of the 99.998% share comes to EUR 3k. In 2018, earnings after taxes of MOTHERSON TECHNO PRECISION MEXICO, S.A. de C.V. amount to MXN 2,796k (prior year: MXN 4,035k). The operating result before tax and interest comes to MXN 26,684k (prior year: MXN 24,656k).

MOTHERSON TECHNO PRECISION GmbH's total assets decreased compared to the prior year from EUR 9,218k to EUR 7,905k. The equity ratio declined from 10.3% to 9.7% in 2019 as a result of the net loss for the year.

The decrease in total assets resulted from the drop in receivables from affiliates and the decrease in prepayments on the assets side of the balance sheet. By contrast, inventories increased.

Inventories (EUR 1,518k; prior year: EUR 1,364k) increased by EUR 155k on the prior year. Receivables and other assets decreased by EUR 1,078k in total. The largest share of EUR 1,110k results from the decline in receivables from affiliates. Trade receivables increased by EUR 19k. The drop in receivables from affiliates is due to the repayment of loans that had been granted to the subsidiary MOTHERSON TECHNO PRECISION MEXICO, S.A. de C.V. in Mexico. Property, plant and equipment decreased by EUR 508k overall, mainly due to a decrease in "prepayments and assets under construction". At the end of 2018, two new lathes with a value of EUR 325k were procured, which were sold in 2019 as part of a transition into a sale and leaseback agreement. At this point of time, the machines were in an unused delivery condition.

A decrease in trade payables and in liabilities to affiliates and other liabilities was recorded on the equity and liabilities side of the balance sheet. Liabilities to shareholders decreased due to the repayment of loans granted.

All fixed assets and portions of current assets are covered by equity and shareholder loans.

In fiscal year 2019, the Company generated negative cash flow from operating activities of EUR 164k (prior year: EUR 49k).

The positive cash flow from investing activities of EUR 251k (prior year: EUR -1,427k) results from the sale of the coiling machines.

Overall, the Company's cash and cash equivalents increased by EUR 87k to EUR 129k.

c. Financial performance

The Company incurred an operating loss of EUR 170k (prior year: loss of EUR 171k) in fiscal year 2019. The Company clearly missed the earnings target set in its planning (EUR 492k) by EUR 662k.

	2019	Share of total operating performance	2018	Share of total operating performance	Effect on earnings
Total operating performance	8,477		8,696		
Cost of materials	-3,532	41.7	-3,977	45.7	
Gross profit	4,945	58.3	4,719	54.3	226
Personnel expenses	-2,816	33.2	-2,546	29.3	270
Amortization, depreciation and write-downs	-268	3.2	-261	3.0	7
Other income/expenses	-2,031	24.0	-2,084	24.0	-53
Result from ordinary activities	-170	-2.0	-172	-2.0	

The ratio of cost of materials to total operating performance of 41.7% decreased by 4.0 percentage points compared to the prior year. Total operating performance fell by 2.5%, even though gross profit increased by EUR 226k.

Personnel expenses increased by EUR 270k. Due to the difficult conditions on the labor market, the Company hired contract workers to realize the production target.

The increase in other income/expenses remained nearly unchanged.

d. Personnel

As of the balance sheet date, the Company had 60 employees (prior year: 64) (including part-time employees, casual staff and trainees). The headcount was reduced by 4 employees due to the lower revenue.

e. Investments

Capital expenditure on property, plant and equipment totaled EUR 430k in fiscal year 2019. This was largely attributable to a EUR 325k investment in two new lathes. In 2019, management decided at short notice to finance this investment through leasing, which was realized by means of a sale and leaseback arrangement, because MOTHERSON TECHNO PRECISION GmbH already was the owner of these machines at this time. The machines were in an unused delivery condition at this point in time.

f. Research and development

The Company does not carry out any research and development activities.

g. Branches

The Company does not have any branches.

B. Outlook, opportunities and risks

MOTHERSON TECHNO PRECISION GmbH recorded a 7.8% decrease in revenue of EUR 8.2m in 2019 compared to 2018. The forecast for 2020 is for a decrease in revenue to around EUR 5.8m with a bottom-line loss of EUR 335k. The main driver for this negative development is the current global automotive crisis caused by the COVID-19 virus. Due to the current uncertainty about the market in the coming months, the forecast revenue target for the current fiscal year is very speculative and is therefore expected to decrease by around 30% compared to the prior year.

However, the current market crisis also offers the opportunity for MOTHERSON TECHNO PRECISION GmbH to expand its range of parts and deliveries. One of the main customers of our Company wants to massively reduce the number of its OES suppliers (Original Equipment Service) in the short term (also in light of the expected effects of the COVID-19 crisis on various smaller companies) and to shift the volume to larger existing suppliers, which includes MOTHERSON TECHNO PRECISION GmbH. Corresponding discussions have been initiated and first inquiries already responded to. In addition, intensive discussions on price policy with this main customer in 2019 led to a positive price adjustment for MOTHERSON TECHNO PRECISION GmbH.

A further fundamental advantage of these projects is that they do not solely relate to the drive concept of a passenger car, but also to interior parts and brake system components. Moreover, they open up a new market for MOTHERSON TECHNO PRECISION GmbH, because they involve components for fuel cell systems. We therefore laid the foundation for an important strategic step forward by further strengthening MOTHERSON TECHNO PRECISION GmbH and equipping ourselves for the future market and the competition it will bring.

The machine capacity of MOTHERSON TECHNO PRECISION GmbH is currently not being entirely used, so that the new projects can be implemented without any significant investments, at least in the ramp-up phase.

We expect that the slowdown in economic growth forecast for 2020 and 2021 will also have a positive impact on our business development. However, MOTHERSON TECHNO PRECISION GmbH sees this development as an opportunity to drive forward internal optimization measures and to position itself on a broader platform and more strongly in the wider market.

The further automation of existing plants is a decisive and forward-looking step that is necessary to meet higher parts and revenue volumes precisely, cost-efficiently and with less headcount. Further steps of this “Industry 4.0” concept are the implementation of a system for the constant collection of data relevant for operations as well as the optimization of tool management regarding higher utilization of tools and exact component-related expenditure on consumables.

Based on the Company’s stable liquidity and equity situation, there are currently no discernible liquidity risks. Moreover, more investments are being made in training existing employees in order to be optimally prepared for the higher requirements of automated production and to gradually increase the understanding of the growing requirements.

Another positive point is that customer dependency was reduced due to a spin-off at a key customer, because MOTHERSON TECHNO PRECISION GmbH is now considered by two separate procurement departments that have already expressed interest in further projects and production opportunities. The original key customer accounted for 35% of total revenue, which is now divided in a 1:2 ratio.

The Company has financially solvent and creditworthy customers. Bad debts are an absolute exception. We also have long-term cooperative relationships with the majority of our customers. Our receivables management is effective.

Price risks on the procurement side are restricted due to fixed-price agreements with suppliers and price escalation clauses with customers.

Given the positive outlook regarding new projects and the favorable equity situation in coming years, we consider the Company’s ability to continue as a going concern to be secure. We view the current economic crisis due to COVID-19 to be an opportunity for an active transition in terms of production technology and market orientation.

Bad Dürrheim, 9 June 2020

Jens Cordes
General manager

Translation from the German language

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.