MSSL GmbH
Bruchköbel

Short-form audit report
Annual financial statements and management report
31 December 2018

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 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 2018, and the income statement for the fiscal year from 1 January to 31 December 2018 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 2018.

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 2018 and of its financial performance for the fiscal year from 1 January to 31 December 2018 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, 22 July 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

MSSL GmbH, Bruchköbel
Balance sheet as of 31 December 2018

Assets

	31 Dec 2018	31 Dec 2017
	EUR	EUR
A. Fixed assets		
I. Intangible assets		
Purchased software	33,952.00	88,337.00
II. Property, plant and equipment		
1. Land and buildings	15,155,188.89	15,309,629.89
2. Plant and machinery	3.00	3.00
3. Other equipment, furniture and fixtures	535,764.00	611,638.00
4. Prepayments and assets under construction	14,996.84	66,627.50
	15,705,952.73	15,987,898.39
III. Financial assets		
Shares in affiliates	8,464,488.99	8,667,408.99
	24,204,393.72	**24,743,644.38**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	8,680.64	1,252.80
2. Merchandise	3,022,950.45	2,203,432.82
	3,031,631.09	2,204,685.62
II. Receivables and other assets		
1. Trade receivables	1,000,888.87	1,330,149.90
2. Receivables from affiliates	44,665,385.32	30,870,558.03
3. Other assets	3,374,579.32	1,493,920.32
	49,040,853.51	33,694,628.25
III. Cash on hand, bank balances	589,559.93	407,448.56
	52,662,044.53	**36,306,762.43**
C. Prepaid expenses	**184,012.40**	**88,190.56**
	77,050,450.65	**61,138,597.37**

Equity and liabilities

	31 Dec 2018	31 Dec 2017
	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	-8,979,070.75	-8,453,469.45
IV. Net loss for the year	-854,385.39	-525,601.30
	15,126,543.86	**15,980,929.25**
B. Provisions		
Other provisions	600,984.04	384,169.82
	600,984.04	**384,169.82**
C. Liabilities		
1. Liabilities to banks	2,000,000.00	2,000,000.00
2. Trade payables	1,344,078.44	1,507,700.84
3. Liabilities to affiliates	57,519,997.10	40,698,648.08
(thereof to shareholders: EUR 55,307k; prior year: EUR 39,439k)		
4. Other liabilities	396,750.46	502,023.31
(thereof from taxes: EUR 87k; prior year: EUR 73k)		
	61,260,826.00	**44,708,372.23**
D. Deferred income	**62,096.75**	**65,126.07**
	77,050,450.65	**61,138,597.37**

MSSL GmbH, Bruchköbel

Income statement for the fiscal year from 1 January to 31 December 2018

		2018 EUR	2017 EUR
1.	Revenue	21,528,121.28	20,954,867.91
2.	Other operating income	496,907.15	558,725.62
	(thereof income from currency translation: EUR 104k; prior year: EUR 120k)		
3.	Cost of materials		
	a) Cost of purchased merchandise	-10,714,964.02	-10,285,891.10
	b) Cost of purchased services	-2,418,021.37	-3,002,780.54
4.	Personnel expenses		
	a) Wages and salaries	-4,072,947.29	-3,456,595.82
	b) Social security, pension and other benefit costs	-631,004.54	-538,685.69
5.	Amortization of intangible assets and depreciation of property, plant and equipment	-836,855.78	-838,291.76
6.	Other operating expenses	-4,129,839.85	-3,793,912.95
	(thereof income from currency translation: EUR 89k; prior year: EUR 186k)		
7.	Income from profit and loss transfer agreements	39,132.22	26,185.97
8.	Other interest and similar income	789,660.48	439,279.88
	(thereof from affiliates: EUR 420k; prior year: EUR 418k)		
9.	Interest and similar expenses	-909,824.81	-597,951.49
	(thereof to affiliates: EUR 851k; prior year: EUR 536k)		
10.	Income taxes	-1,888.48	12,524.78
11.	**Earnings after taxes**	**-861,525.01**	**-522,525.19**
12.	Other taxes	7,139.62	-3,076.11
13.	**Net loss for the year**	**-854,385.39**	**-525,601.30**

MSSL GmbH, Bruchköbel

Notes to the financial statements for fiscal year 2018

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 2018 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. The Company makes use of some 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 174k as of the balance sheet date (prior year: EUR 196k). 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 2,877k 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 4,717k and liabilities of EUR 4,717k as of the balance sheet date. The hedges reduce the risk of exchange rate losses for the period until 31 December 2019 by an amount of USD 1,417k, until 31 December 2020 by an amount of USD 1,880k, until 31 December 2021 by an amount of USD 1,070k and until 31 December 2022 by an amount of USD 350k, 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 252k, 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.

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 on 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 2018. 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 2018	Net income/ net loss 2018
Germany				
SAMVARDHANA MOTHERSON INVEST DEUTSCHLAND GmbH, Bruchköbel[1]	EUR k	100	885	0
MOTHERSON TECHNO PRECISION GmbH, Bad Dürrheim	EUR k	100	949	-181
SAMVARDHANA MOTHERSON POLYMERS MANAGEMENT GmbH, Bruchköbel	EUR k	100	24.0	-1.4
Other countries				
MSSL Advanced Polymers s.r.o., Dolní Ředice, Czech Republic[2]	CZK k	100	145,740	21,469
MOTHERSON TECHNO PRECISION MEXICO S.A de C.V., San Luis Potosí, Mexico	MXN k	100	-55,214	2,796
MSSL Manufacturing Hungary Kft., Mosonszolnok, Hungary[3]	EUR k	100	1,594	-1,072

[1] Profit and loss transfer agreement
[2] Local financial statements as of 31 December 2017
[3] Local financial statements as of 31 March 2018

The carrying amount of the equity investment in **SAMVARDHANA MOTHERSON INVEST DEUTSCHLAND GmbH** came to EUR 845k as of 31 December 2018 (prior year: EUR 1,110k). Capital repayments made from the capital reserves decreased the carrying amount of the equity investment. The net income for the year of EUR 39k generated in fiscal year 2018 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 (formerly: MOTHERSON ORCA PRECISION TECHNOLOGY GmbH)** came to EUR 3,414k as of 31 December 2018 (prior year: EUR 3,350k). The remaining shares of the company were acquired in February 2018 and it was renamed MOTHERSON TECHNO PRECISION GmbH.

The carrying amount of the equity investment in **SAMVARDHANA MOTHERSON POLYMERS MANAGEMENT GmbH** came to EUR 25k as of 31 December 2018.

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 2018.

MOTHERSON TECHNO PRECISION MEXICO 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 2018.

In fiscal year 2018, the equity investment in **MOTHERSON AIR TRAVEL PVT. LTD.**, founded in fiscal year 2017, was sold at a carrying amount of EUR 2k.

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 44,665k; prior year: EUR 30,871k) include loan receivables (EUR 43,512k; prior year: EUR 29,405k), receivables from the day-to-day clearing of trade transactions (EUR 1,114k, prior year: EUR 1,440k) and receivables from SAMVARDHANA MOTHRERSON INVEST DEUTSCHLAND GmbH (EUR 39k, prior year: EUR 26k) from the profit and loss transfer agreement. EUR 37,876k (prior year: EUR 29,267k) 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 6k (prior year: EUR 6k) due within more than one year (deposits) as well as pledged bank balances of EUR 0k (prior year: EUR 540k).

Other provisions break down as follows:

	31 Dec 2018	31 Dec 2017
	EUR k	EUR k
Employee-related obligations	239	210
Outstanding invoices	250	72
Audit of the annual financial statements, tax advisory	78	61
Warranties, customer debts	17	23
Other provisions	17	18
Total	601	384

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

Type of liability (31 Dec 2018)

	Total	due in < 1 year	due in > 1 year	> 1 year thereof > 5 years
	EUR k	EUR k	EUR k	EUR k
Liabilities to banks	2,000	0	2,000	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
	61,261	11,924	49,337	7,461

Type of liability (31 Dec 2017)

	Total	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	2,000	2,000
Trade payables	1,507	1,507	0	0
Liabilities to affiliates	40,699	2,380	38,319	6,800
Other liabilities	502	192	310	0
	44,708	4,079	40,629	8,800

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

Liabilities to affiliates (EUR 57,520k; prior year: EUR 40,699k) contain liabilities to the shareholder MSSL Mideast (FZE), Sharjah Airport International Free Zone, Emirat Sharjah, United Arab Emirates, of EUR 55,307k (prior year: EUR 39,439k), loan liabilities of EUR 55,083k (prior year: EUR 39,322k) as well as liabilities from the day-to-day clearing of trade transactions of EUR 224k (prior year: EUR 117k). They also contain liabilities to other group companies from the day-to-day clearing of trade transactions (EUR 2,213k; prior year: EUR 1,259k).

Other liabilities include liabilities from hire-purchase agreements of EUR 114k (prior year: EUR 173k), which are secured with collateral assignments of machinery.

D. Notes to the income statement

Other operating income break down as follows:

	2018 EUR k	2017 EUR k
Non-cash benefits	184	169
Exchange rate gains	104	120
Insurance indemnification	75	16
Income relating to other periods	19	95
Other	115	159
	497	559

E. Other notes

Average headcount in fiscal year 2018:

	2018	2017
Salaried employees	61	47
Part-time employees	9	8
Casual staff	1	0
Part-time employees	0	1
	71	56

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 2018 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	366	174	192	0
thereof to affiliates	0	0	0	0
- Purchase commitments	9	9	0	0
thereof to affiliates	0	0	0	0
Total other financial obligations	375	183	192	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
No events which could have a significant financial impact have occurred since the balance sheet date.

The **sole shareholder** is MSSL Mideast (FZE), Sharjah Airport International Free Zone, Emirat 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, 22 July 2019

Andreas Heuser
(General manager)

Development of the individual fixed asset items

	Historical acquisition costs					Accumulated amortization, depreciation and write-downs				
	As of 1 Jan 2018 EUR	Additions EUR	Disposals EUR	Reclassifications	As of 31 Dec 2018 EUR	As of 1 Jan 2018 EUR	Additions EUR	As of 31 Dec 2018 EUR	Book value 31 Dec 2018 EUR	Book value 31 Dec 2017 EUR
I. Intangible assets										
Purchased software	248,422.99	0.00	0.00	0.00	248,422.99	160,085.99	54,385.00	214,470.99	33,952.00	88,337.00
II. Property, plant and equipment										
1. Land and buildings	15,935,536.47	395,787.75	0.00	51,630.66	16,382,954.88	625,906.58	601,859.41	1,227,765.99	15,155,188.89	15,309,629.89
2. Plant and machinery	37,783.00	0.00	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	1,171,780.81	104,737.37	0.00	0.00	1,276,518.18	560,142.81	180,611.37	740,754.18	535,764.00	611,638.00
4. Prepayments and assets under construction	66,627.50	0.00	0.00	-51,630.66	14,996.84	0.00	0.00	0.00	14,996.84	66,627.50
	17,211,727.78	500,525.12	0.00	0.00	17,712,252.90	1,223,829.39	782,470.78	2,006,300.17	15,705,952.73	15,987,898.39
III. Financial assets										
Shares in affiliates	8,667,408.99	64,000.00	266,920.00	0.00	8,464,488.99	0.00	0.00	0.00	8,464,488.99	8,667,408.99
	26,127,559.76	564,525.12	266,920.00	0.00	26,425,164.88	1,383,915.38	836,855.78	2,220,771.16	24,204,393.72	24,743,644.38

MSSL GmbH, Bruchköbel
Management report for fiscal year 2018

1. Background of the Company

a. Business model of the Company

The Company is part of the Samvardhana 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 Company has two main divisions.

Firstly, as “Chairman’s Office Europe & Americas” the Company is one of five Regional Offices of the Group, whose responsibilities include the implementation and realization of corporate objectives. As a service provider for the European as well as the North and South American group companies, the Company provides support in areas such as finance, human capital, insurance management, marketing, internal audits, legal counsel and tax. The Company also assists with acquisition projects in Europe and the Americas.

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

In the past year, the global economy recorded growth at a similar level as in 2017 (up 3.6%). However, global economic development slowed down in the second half of 2018 due to various negative factors, mostly politically induced. The sharpening trade dispute between the US and China, also the trade dispute between the EU and the US and the unresolved issues of Brexit tarnished the trust and confidence of the market participants. Thus, the global EMI index [“Einkaufsmanagerindex”: purchasing managers' index], an important early indicator, slid steadily starting in the second quarter of 2018.

The economies of the industrialized countries grew overall by 2.2%, a slight slowdown compared to 2017. The eurozone in particular contributed to the lower growth rate. Increasing concerns regarding a no-deal Brexit, a WLTP-induced (Worldwide Harmonized Light Vehicles Test Procedure) decline in industrial production in Germany, protests in France and concerns regarding the solidity of national finances in Italy led to a significant decrease in consumer confidence and thus the growth rate of private consumption. At 1.0%, growth of industrial production in the eurozone also slowed down compared to 2017 (3.0%). The gross domestic product (GDP) of the monetary union therefore increased by just 1.8%, although the growth rates of both anchor economies, Germany and France, of 1.5% were below the average of the eurozone as a whole.

The US contributed positively to the economic growth of the industrialized countries. Despite trade disputes and political differences during the negotiations to pass the US budget with the resulting government shutdown, GDP increased by 2.9%, a higher rate than in 2017. While other economies lost momentum in the second half of 2018, GDP in the US increased again in the last quarters. However, the impetus from fiscal policy in the form of tax reductions has to be emphasized. This led to steadily high private consumption and a significant increase in corporate investments. The unemployment rate in the US decreased slightly to 3.9% by the end of 2018.

The developing and emerging economies recorded economic growth of 4.5%. The Chinese economy grew at a slower rate than expected. Overall GDP growth increased by 6.6%. The growth rate of industrial production and exports in particular decreased significantly, not least due to the trade dispute with the US. The more restrictive lending and weaker development on the real estate markets in China are further reasons for the gradual slowdown. Russia overcame the recession sustainably and enjoyed a continued upswing with an increase in GDP of 2.3% compared to 2017. The Brazilian economy grew slower than at first expected in 2018. High unemployment, increasing price pressure and also the political uncertainty prevented GDP from growing faster than 1.1%. In Mexico, GDP grew by 2.0% in the past year, thus slightly lower than in 2017 (2.1%).

The global passenger car market recorded a minor decrease in the past year. Overall, demand for passenger cars declined by almost 1%, whereas the different regions displayed different growth rates and trends.

The US automotive market outpaced the prior-year performance in 2018 by a small margin, driven by robust consumption and low unemployment. In sum, consumer demand for new light vehicles came to 17.3m (up 0.5%). The focus continued to be on light trucks. Sales of new vehicles in this segment increased by more than 7% to 11.7m units. At the same time, demand for passenger cars decreased by 11% to around 5.6m new vehicles.

In Western Europe, the passenger car market reached a volume of 14.2m new vehicles in 2018 - a slight decline compared to the prior year (down 1%). Demand was burdened by supply bottlenecks due to the transition to the new WLTP testing cycle, the increasing uncertainty resulting from Brexit and high market saturation. The German passenger car market nearly matched the prior year (3.4 million new vehicles). The ongoing Brexit discussion and the collapse of the diesel market led to a significant decrease in demand for new vehicles in the UK. Unit sales of passenger cars decreased by around 7%. In France, the passenger car market was around 3% above the prior-year level, while demand in Italy decreased by a good 3%. With a 7% increase, the Spanish market enjoyed solid growth.

Unit sales of new vehicles in the new EU countries (countries that became EU member states after 2004) increased by 8% compared to 2017. The first half of the year especially contributed to this growth.

The Chinese passenger car market recorded a decrease in 2018 for the first time in decades. Overall, the sales volume of 23.2m new vehicles was 4% below the prior-year level - an absolute decline of almost one million vehicles. The trade dispute with the US had a negative effect. Furthermore, there was no additional government assistance in the form of tax advantages or other purchase incentives.

Car purchases were increasingly brought forward in Russia in 2018, because VAT was raised at the beginning of 2019. The market for light vehicles grew by around 13% to 1.8m units. The Brazilian automotive market also showed an upwards trend in line with the overall economic recovery. Demand for light vehicles increased by about 14%. Uncertainties in Mexico's domestic and foreign policy led to another year with declining demand in new vehicles. Sales in Mexico decreased by a good 7% to 1.4m light vehicles. In India, the passenger car market increased by a good 5% in 2018 compared to the prior year. Overall, the market comprised around 3.4m new vehicles. At 4.4m vehicles, sales of passenger cars in Japan matched the prior year.

The revenue of Germany's automotive companies rose 1% to around EUR 426b. The revenue generated in other countries increased by 2%, while income from the domestic business declined by 1%. The automotive industry employed a total of 833,770 people in Germany in December 2018.

b. Position of the Company and development of its business

At EUR 11,619k, revenue from the trading business was EUR 306k above the prior-year figure (EUR 11,313k) in the reporting period. However, it fell EUR 668k short of the revenue target (EUR 12,287k). With a cost of materials ratio of 92%, which deteriorated by 1% compared to the prior year, and unplanned expenses for labor and external services, the Company generated earnings before taxes of EUR -155k in fiscal year 2018 (prior year: EUR -74k) and is thus EUR 300k below the forecast result of EUR 145k.

With regard to the activities of the Chairman’s Office, the Company generated revenue of EUR 9,909k in the reporting period (prior year: EUR 9,641k). Revenue of EUR 9,825k forecast for 2018 was thus slightly exceeded. The net loss for the year came to EUR -699k (prior year: EUR -452k) and earnings before taxes to EUR -705k (prior year: EUR -461k). Thus, the Company clearly missed the earnings target set in its planning (EUR 265k) by EUR 970k.

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 SAMVARDHANA MOTHERSON POLYMERS MANAGEMENT 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

MOTHERSON AIR TRAVEL AGENCY PVT. Ltd., Ireland, was sold in the reporting period.

Financial performance

The Company disclosed a **net loss** of EUR -854k for fiscal year 2018 (prior year: EUR -526k). **Revenue** totaled EUR 21,528k (prior year: EUR 20,955k).

Other operating income came to EUR 497k (prior year: EUR 559k).

Personnel expenses amounted to EUR 4,704k (prior year: EUR 3,995k), which can be attributed to the increased number of employees.

Amortization, depreciation and write-downs remained virtually unchanged on the prior year at EUR 837k (prior year: EUR 838k).

Other operating expenses came to EUR 4,130k (prior year: EUR 3,794k). The increase is mainly due to travel expenses rising by EUR 216k to EUR 750k (prior year: EUR 534k) on account of increased travel. In addition, expenses for third-party services rose by EUR 123k to EUR 1,130k (prior year: EUR 1,007k).

The **financial result** as of the balance sheet date came to EUR -81k (prior year: EUR -132k).

Financial position

Equity as of the balance sheet date amounted to EUR 15,126k (prior year: EUR 15,981k). The equity ratio came to 20% (prior year: 26%). The decline is due to an increase in liabilities to EUR 61,261k (prior year: EUR 44,708k). The increase is mainly attributable to taking out shareholder loans, which were passed on to the Hungarian subsidiary, founded in 2016, to finance its start-up activities in Hungary.

Compared to the prior year, **provisions** increased by EUR 217k to EUR 601k (prior year: EUR 384k).
In the reporting period, the Company generated negative **cash flow** from operating activities of EUR -1,721k (prior year: EUR +1,547k). Cash flow from investing activities came to EUR -13,857k in the reporting period (prior year: EUR -12,286k), mainly due to the disbursement of loans to subsidiaries. Cash inflow from financing activities amounted to EUR 15,760k (prior year: EUR 9,383k) and stems from borrowing funds, in particular from 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** increased by EUR 15,912k compared to the prior year and thus amounts to EUR 77,050k (prior year: EUR 61,138k).

As of the balance sheet date, **fixed assets** came to EUR 24,204k (prior year: EUR 24,744k). Compared to the prior year, financial assets decreased by EUR 203k to EUR 8,464k (prior year: EUR 8,667k). **Fixed assets** were covered by equity to 62% (prior year: 65%) and accounted for 31% (prior year: 40%) of the balance sheet total.
Current assets came to EUR 52,662k (prior year: EUR 36,307k). **Inventories** increased by EUR 827k on the prior year to EUR 3,032k (prior year: EUR 2,205k). The rise in current assets is mainly attributable to the increase in **receivables from affiliates** by EUR 13,795k to a total of EUR 44,665k (prior year: EUR 30,870k). **Trade receivables** decreased marginally and came to EUR 1,001k as of the balance sheet date (prior year: EUR 1,330k). **Other assets** increased by EUR 1,881k to EUR 3,375k as of the balance sheet date due to services not yet cross-charged (prior year: EUR 1,494k).
As of the balance sheet date, **bank balances** amounted to EUR 589k (prior year: EUR 408k).
Prepaid expenses rose by EUR 96k to EUR 184k (prior year: EUR 88k).

Financial and non-financial performance indicators

The performance indicators used across the entire Samvardhana 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. Samvardhana Motherson Group's goals of Vision 2020 can only be achieved if the Company manages to retain competent and committed employees in the long term as an attractive and responsible employer.

3. Forecast, opportunity and risk report

The IMF forecasts growth of global output of 3.3% for the current year. The growth rate will again be dominated by the developing and emerging countries in 2019. The IMF expects that the economies of these countries will grow by 4.4%. China as a driver of the global economy will achieve forecast growth of 6.3%. Fiscal measures in the form of tax relief are expected to support growth in China. India is particularly noteworthy. Growth of the Indian economy will accelerate according to the IMF's forecast (GDP growth: 7.3%). In Brazil, the economy will grow by 2.1% according to the forecast. GDP growth in Mexico is expected to be slightly weaker than in 2018 (up 1.6%).

A slowdown in economic growth is expected for the industrial countries in 2019. The IMF anticipates an increase of 1.8%. It is expected that growth in the European monetary union will level out again (GDP growth 2019: 1.3%). The effect of the fiscal measures should gradually weaken in the US. For 2019, the IMF expects a growth rate of 2.3%.

According to the forecasts of the German Association of the Automotive Industry (VDA), the global passenger car market will get back on track in 2019 and will grow slightly by 1%.

In the US, the VDA expects that the light vehicles market will maintain the high level of the past years. China saw interrupted growth in 2018. For 2019, the VDA again anticipates slight growth in this automotive hotspot (up 2%). Europe is expected to maintain its currently very high level.

Against the backdrop of the growth forecast, we anticipate the stable development of the Group to be sustained in the current fiscal year.

With regard to the trading business, the Company expects a slight increase in revenue in 2019 compared to the reporting period and anticipates revenue of EUR 12,913k. If the cost structure remains unchanged, we expect to generate EBIT of EUR 50k and earnings before taxes of EUR 42k. We forecast cash profit of EUR 46k.

In the Chairman’s Office, the Company expects to once again be confronted by an increasing cost structure in 2019, particularly due to the further expansion of the workforce to support the continued growth of the Company. In this connection, the Company plans to generate revenue of EUR 12,921k and earnings before taxes of EUR 312k. The Company budgets EBIT of EUR 407k and forecasts cash profit of EUR 1,154k.

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, 22 July 2019

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.