MOTHERSON TECHNO PRECISION GmbH (formerly: MOTHERSON ORCA PRECISION TECHNOLOGY GmbH) Bad Dürrheim

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

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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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 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 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 MOTHERSON TECHNO PRECISION 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, 27 June 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Göhner	Ptack
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Translation from the German language

MOTHERSON TECHNO PRECISION GmbH
(formerly: MOTHERSON ORCA PRECISION TECHNOLOGY GmbH), Bad Dürrheim
Balance sheet as of 31 December 2018

Assets

	31 Dec 2018	31 Dec 2017
	EUR	EUR
A. Fixed assets		
I. Intangible assets		
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	37.456,00	50.942,00
II. Property, plant and equipment		
1. Plant and machinery	700.908,00	831.435,00
2. Other equipment, furniture and fixtures	256.867,00	215.930,00
3. Prepayments and assets under construction	382.759,01	16.971,60
	1.340.534,01	1.064.336,60
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
	1.380.960,88	**1.118.249,47**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	599.376,86	440.457,81
2. Work in process	302.176,43	379.970,02
3. Finished goods	461.955,66	538.646,08
	1.363.508,95	1.359.073,91
II. Receivables and other assets		
1. Trade receivables	1.111.612,02	1.131.614,45
2. Receivables from affiliates	5.246.461,25	5.649.241,87
3. Other assets	63.162,18	212.850,11
	6.421.235,45	6.993.706,43
III. Cash on hand and bank balances	42.502,41	135.449,59
	7.827.246,81	**8.488.229,93**
C. Prepaid expenses	**10.033,57**	**16.690,01**
	9.218.241,26	**9.623.169,41**

Equity and liabilities

	31 Dec 2018	31 Dec 2017
	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	-3.973.894,30	-4.033.286,31
IV. Net loss for the year (prior year: net income)	-181.375,58	59.392,01
	948.523,80	**1.129.899,38**
B. Provisions		
1. Tax provisions	0,00	37.500,00
2. Other provisions	317.190,37	249.411,83
	317.190,37	**286.911,83**
C. Liabilities		
1. Trade payables	440.507,75	557.498,53
2. Liabilities to affiliates (thereof to shareholders: EUR 7,465k; prior year: EUR 6,724k)	7.470.627,47	7.618.705,55
3. Other liabilities (thereof from taxes: EUR 28k; prior year: EUR 25k) (thereof related to social security: EUR 8k; prior year: EUR 2k)	41.391,87	30.154,12
	7.952.527,09	**8.206.358,20**
	9.218.241,26	**9.623.169,41**

MOTHERSON TECHNO PRECISION GmbH
(formerly: MOTHERSON ORCA PRECISION TECHNOLOGY GmbH), Bad Dürrheim
Income statement for the fiscal year from 1 January to 31 December 2018

		1 Jan-31 Dec 2018 EUR
1.	Revenue	8.850.711,37
2.	Decrease (prior year: increase) in finished goods and work in process	-154.484,01
3.	Total operating performance	8.696.227,36
4.	Other operating income (thereof for currency translation: EUR 9k; prior year: EUR 15k)	21.606,80
5.	Cost of materials	
	a) Cost of raw materials, consumables and supplies	2.386.489,32
	b) Cost of purchased services	1.590.357,86
		3.976.847,18
6.	Personnel expenses	
	a) Wages and salaries	2.116.836,59
	b) Social security	429.136,41
		2.545.973,00
7.	Amortization of intangible assets and depreciation of property, plant and equipment	260.865,80
8.	Other operating expenses (thereof for currency translation: EUR 21k; prior year: EUR 36k)	2.114.841,41
9.	Interest and similar income (thereof from affiliates: EUR 184k; prior year: EUR 196k)	183.798,43
10.	Interest and similar expenses (thereof to affiliates: EUR 171k; prior year: EUR 159k)	174.241,52
11.	Earnings after taxes	-171.136,32
12.	Other taxes	10.239,26
13.	**Net loss for the year (prior year: net income)**	**-181.375,58**

1 Jan-31 Dec 2017
EUR
7.426.340,67
150.469,95
7.576.810,62
45.292,03
2.035.719,58
806.243,92
2.841.963,50
2.160.668,16
407.901,14
2.568.569,30
131.313,63
2.010.743,13
196.005,52
159.104,60
106.414,01
47.022,00
59.392,01

MOTHERSON TECHNO PRECISION GmbH
(formerly: MOTHERSON ORCA PRECISION TECHNOLOGY GmbH),
Bad Dürrheim

Notes to the financial statements for fiscal year 2018

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 2018 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 35% (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 19k as of the balance sheet date (prior year: EUR 20k). 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. The Company took out loans for USD 2,487k from the majority shareholder and extended the proceeds from these loans to MOTHERSON TECHNO PRECISION MEXICO S.A de C.V, San Luis Potosi, Mexico. Therefore, the **hedge** included a receivable of USD 1,070k and a liability of EUR 1,070k 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 219k, 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*

As on the prior year's balance sheet date, all **trade receivables** and **other assets** as of the balance sheet date 31 December 2018 are due within one year.

Receivables from affiliates of EUR 5,246k (prior year: EUR 5,649k) relate to loans extended to MOTHERSON TECHNO PRECISION MEXICO S.A de C.V. of EUR 4,858k (prior year: EUR 5,413k). EUR 1,235k of the total loan receivable has a residual term of less than one year (prior year: EUR 0k). EUR 3,623k of the total loan receivable has a residual term of more than one year (prior year: EUR 5,413k). 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 2018 EUR k	31 Dec 2017 EUR k
Warranties/outstanding customer debts	74	42
Employee-related obligations	149	138
Other provisions	94	69
Total	317	249

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 2018)	Total amount	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**

Type of liability (31 December 2017)	Total amount	Due in < 1 year	Due in > 1 to 5 years	Due in > 5 years
	EUR k	EUR k	EUR k	EUR k
Trade payables	557	557	0	0
Liabilities to affiliates	7,619	956	6,663	0
Other liabilities	30	30	0	0
	8,206	**1,543**	**6,663**	**0**

Liabilities to affiliates (EUR 7,471k; prior year: EUR 7,619k) result from loan liabilities to the sole shareholder (EUR 7,409k; prior year: EUR 6,678k) and liabilities from clearing transactions (EUR 62k; prior year: EUR 940k). Liabilities to the sole shareholder amount to EUR 7,465k (prior year: EUR 6,724k).

Other liabilities mainly pertain to wage tax liabilities (EUR 28k; prior year: EUR 25k) and social security liabilities (EUR 8k; prior year: EUR 2k).

D. Notes to the income statement

Other operating income includes income relating to other periods of EUR 12k (prior year: EUR 25k).

E. Other notes

Average headcount in fiscal year 2018:

	2018	2017
Salaried employees	14	18
Part-time employees	0	0
Wage earners	46	38
Part-time employees		
Total	60	56

The Company's **general manager in fiscal year 2018 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 2018 break down as follows:

Other financial obligations	Total	Due in		
		up to one year	one to five years	more than five years
	EUR k	EUR k	EUR k	EUR k
- from land lease agreements	2,464	274	1,095	1,095
thereof to affiliates	1,255	139	558	558
- from other lease and rental agreements	63	26	37	0
thereof to affiliates	0	0	0	0
	2,527	300	1,132	1,095
Prior year	2,797	297	1,131	1,369

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 amounts to USD 29k. The rental agreement expires in February 2021. Taking into account the remaining contractual term, the Company is liable for around USD 0.8m. 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. In the current fiscal year, MSSL GmbH acquired the shares (4.9% of the share capital) of SK Service GmbH, Villingen-Schwenningen.

Subsequent events

There were no events of particular financial significance after the balance sheet date.

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 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, 27 June 2019

MOTHERSON TECHNO PRECISION GmbH

Jens Cordes
(General manager)

MOTHERSON TECHNO PRECISION GmbH (formerly: MOTHERSON ORCA PRECISION TECHNOLOGY GmbH), Bad Dürrheim
Statement of changes in fixed assets for fiscal year 2018

	Acquisition and production cost				Accumulated amortization, depreciation and write-downs			Net book values	
	1 Jan 2018	Additions	Reclassifications	31 Dec 2018	1 Jan 2018	Additions	31 Dec 2018	31 Dec 2018	31 Dec 2017
I. Intangible assets									
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	121.547,90	555,00	0,00	122.102,90	70.605,90	14.041,00	84.646,90	37.456,00	50.942,00
II. Property, plant and equipment									
1. Plant and machinery	1.152.196,76	28.887,64	16.800,00	1.197.884,40	320.761,76	176.214,64	496.976,40	700.908,00	831.435,00
2. Other equipment, furniture and fixtures	852.830,42	111.547,16	0,00	964.377,58	636.900,42	70.610,16	707.510,58	256.867,00	215.930,00
3. Prepayments and assets under construction	16.971,60	382.587,41	-16.800,00	382.759,01	0,00	0,00	0,00	382.759,01	16.971,60
	2.021.998,78	523.022,21	0,00	2.545.020,99	957.662,18	246.824,80	1.204.486,98	1.340.534,01	1.064.336,60
III. Financial assets									
1. Shares in affiliates	2.870,87	0,00	0,00	2.870,87	0,00	0,00	0,00	2.870,87	2.870,87
2. Securities classified as fixed assets	100,00	0,00	0,00	100,00	0,00	0,00	0,00	100,00	100,00
	2.970,87	0,00	0,00	2.970,87	0,00	0,00	0,00	2.970,87	2.970,87
	2.146.517,55	523.577,21	0,00	2.670.094,76	1.028.268,08	260.865,80	1.289.133,88	1.380.960,88	1.118.249,47

MOTHERSON TECHNO PRECISION GmbH
(formerly: MOTHERSON ORCA PRECISION TECHNOLOGY GmbH),
Bad Dürrheim

Management report for fiscal year 2018

A. Business development in 2018

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 6-spindle machines, in particular for the automotive industry. Its customers comprise system suppliers (first tier), whose worldwide locations are supplied by the Company. The Company's products can be found in the fields of fuel management, emission management and brake technology in the commercial vehicle sector. It manufactures products for fuel supply, fuel preparation and fuel injection systems as well as for emission control systems.

MOTHERSON TECHNO PRECISION GmbH is part of the Samvardhana Motherson Group (SMG), a family-run group of companies from India. The Samvardhana Motherson Group currently has over 135,000 employees worldwide and generated revenue of more than USD 10.5b in fiscal year 2017/2018. The revenue data for fiscal year 2018/2019, ended 31 March 2019, will be published shortly.

Monthly management reporting implemented throughout the entire Group serves as a control 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

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 decline in industrial production in Germany, protests of the yellow vests 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%). 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.

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

In Western Europe, the passenger car market reached a volume of 14.2 million 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 (Worldwide Harmonized Light Vehicles Test Procedure) 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 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 23.2 million 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.

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 1.4 million light vehicles.

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.

Forecast regarding the economy and automotive market

The IMF (International Monetary Fund) 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.

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 8.9m in fiscal year 2018. Revenue in the prior year came to EUR 7.4m, which corresponds to an increase in revenue of around 19%. Production revenue increased by EUR 844k compared to the prior year, services to MTPMEX by EUR 210k and cost allocations of machinery and equipment by EUR 370k. Budget revenue for fiscal year 2018 amounted to EUR 7.9m and was thus exceeded. By contrast, profit (earnings after taxes) of EUR 380k was missed by a wide margin. At EUR 8.6m, revenue already realized and extended to reflect the current order backlog at the end of fiscal year 2019 is lower than the prior-year figure, as no further machine purchases are planned for MTPMEX in 2019. Export business accounted for a share of 72% in 2018 and thus essentially remained unchanged.

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

	2018	Share of total revenue	2017	Share of total revenue
Revenue, Germany	2,485	28%	2,295	31%
Revenue, European Union	4,011	45%	3,312	45%
Revenue, rest of the world	2,355	27%	1,819	24%
Total revenue	8,851		7,426	

b. Assets, liabilities and financial position

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 TECHNOPRECISION 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 slightly compared to the prior year from EUR 9,623k to EUR 9,218k. The equity ratio declined from 11.7% to 10.3% in 2018 as a result of the net loss for the year.

The decrease in total assets resulted from the drop in receivables and lower cash and cash equivalents. By contrast, fixed assets increased.

Overall, inventories (EUR 1,364k; prior year: EUR 1,359k) remained almost unchanged on the prior year. Receivables and other assets decreased by EUR 572k in total. The largest share of EUR 403k results from the decline in receivables from affiliates. Trade receivables decreased by EUR 20k. 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 increased by EUR 276k overall, mainly due to an increase in “prepayments and assets under construction”. At the end of 2018, two new lathes were purchased for EUR 325k, which were not yet ready for use by the end of the year.

A decrease in trade payables and in liabilities to affiliates was recorded on the equity and liabilities side of the balance sheet. Loans for the financing of new investments resulted in an increase in liabilities to the shareholder of EUR 741k.

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

In fiscal year 2018, the Company generated positive cash flow from operating activities of EUR 49k (prior year: EUR +340k).
The negative cash flow from investing activities of EUR -1,427k (prior year: EUR -220k) result from investments made. In particular, the Company invested in two lathes (EUR 310k), a blast machine (EUR 58k), a new telephone system (EUR 41k) and a new measuring instrument (EUR 60k). At the beginning of 2018, the Company paid EUR 891k for the machinery acquired in 2017 following the termination of the machine lease agreements.
The positive cash flow from financing activities of EUR 1,285k (prior year: EUR -130k) is attributable to shareholder loans of the same amount.
Overall, the Company's cash and cash equivalents decreased by EUR 93k to EUR 43k.

c. Financial performance

The Company generated a negative result after taxes of EUR 171k in fiscal year 2018 (prior year: post-tax profits of EUR 106k). The Company clearly missed the earnings target set in its planning (EUR 380k) by EUR 551k.

	2018	Share of total operating performance	2017	Share of total operating performance	Effect on earnings
Total operating performance	8,696		7,577		
Cost of materials	-3,977	45.7%	-2,842	37.5%	
Gross profit	4,719	54.3%	4,735	62.5%	-16
Personnel expenses	-2,546	29.3%	-2,569	33.9%	23
Amortization, depreciation and write-downs	-261	3.0%	-131	1.7%	-130
Other income/expenses (incl. financial result)	-2,084	24.0%	-1,929	25.5%	-155
Earnings after taxes	-171	-2.0%	106	1.4%	

The ratio of cost of materials to total operating performance of 45.7% increased by 8.2 percentage points compared to the prior year. Total operating performance rose by 14.8%, even though gross profit decreased by EUR 16k. Costs of raw materials, consumables and supplies remained unchanged at around 27% of total operating performance. A quality issue resulted in additional sorting expenses of EUR 235k (2.7% of total operating performance), which are included in the cost of materials. Moreover, the EUR 370k higher income from cost allocations led to an increase in the ratio of cost of materials to total operating performance, as it was allocated at a margin of 5%.

Personnel expenses decreased by EUR 23k. Due to the difficult conditions on the labor market, the Company hired contract workers to realize an increase in revenue.

The rise in other income/expenses (incl. the financial result) is mainly due to higher expenses for contract workers (EUR 289k), increased freight and packaging expenses (EUR 80k), higher legal and consulting fees (EUR 21k) as well as increased training expenses (EUR 20k). By contrast, lease expenses for production machines decreased (EUR 320k).

d. Personnel

As of the balance sheet date, the Company had 64 employees (prior year: 56) (including part-time employees, casual staff and trainees). The headcount was built up by 8 employees due to the higher revenue.

e. Investments

Capital expenditure on property, plant and equipment totaled EUR 524k in fiscal year 2018. This was largely attributable to a EUR 325k investment in two new lathes. In addition to the machines, the Company invested in a new measuring instrument (EUR 50k), a blast machine (EUR 66k) and a new telephone system (EUR 35k). Moreover, prepayments were already made at the end of 2018 for the modification of individual robots (EUR 25k). Investments were financed via shareholder loans.

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 achieved an increase in revenue of 19% in 2018; production revenue rose by 12%. The forecast for 2019 predicts an increase in revenue of around EUR 8.2m with earnings after taxes of EUR 366k. We have reached an important milestone in our strategic development with the follow-up orders from new customers gained in 2016/17. At present, we are discussing further business areas with a new customer, such as alternative drive systems (e-bikes).

The implementation of qualification systems for production employees and the further development of internal training modules are expected to strengthen the workforce and provide incentives to win new employees. The workforce will be expanded further depending on revenue growth. This continues to be both an important and a critical aspect, as the regional labor market is running at virtually full employment. MOTHERSON TECHNO PRECISION GmbH plans to engage intensively with the topic of lean management in 2019 to strengthen its location.

We expect the increase in economic growth that is forecast for 2019 to have a positive impact on our business development. Based on incoming requests from both existing and new customers, we anticipate that the Bad Dürrheim location will secure additional orders, enabling us to expand production.

MOTHERSON TECHNO PRECISION GmbH plans to make investments of around EUR 0.5m. Its priority will be the fencing of its property to increase the security of the Company as well as the automation of production steps.

Based on the Company’s stable liquidity and equity situation, there are currently no discernible liquidity risks. In addition, the Company will continue to increase its investments in education and training to compensate the shortage of skilled personnel.
The continued dependency on a large customer poses a corresponding risk for MOTHERSON TECHNO PRECISION GmbH, although its share of revenue decreased from 41% in the prior year to 30% due to winning new customers.

According to the Group, the business relationship with this customer is not material.

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 and the favorable equity situation in coming years, we consider the Company’s ability to continue as a going concern to be secure.

Bad Dürrheim, 27 June 2019

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.