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SMR Automotive Mirror Systems Holding Deutschland GmbH Stuttgart

Short-form audit report
Annual financial statements
31 March 2020

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft



Translation from the German language

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General Engagement Terms

Note:

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



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

Independent auditor's report

To SMR Automotive Mirror Systems Holding Deutschland GmbH

Opinion

We have audited the annual financial statements of SMR Automotive Mirror Systems Holding Deutschland GmbH, Stuttgart, which comprise the balance sheet as of 31 March 2020, and the income statement for the fiscal year from 1 April 2019 to 31 March 2020, and notes to the financial statements, including the recognition and measurement policies presented therein.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 March 2020 and of its financial performance for the fiscal year from 1 April 2019 to 31 March 2020 in compliance with German legally required accounting principles.

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.

Basis for the opinion

We conducted our audit of the annual financial statements 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” 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 opinion on the annual financial statements.

Responsibilities of the executive directors for the annual financial statements

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 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.

Auditor's responsibilities for the audit of the annual financial statements

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 to issue an auditor's report that includes our opinion on the annual financial statements.

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.



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, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements 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 this system 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 or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.



Translation from the German language

- 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

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, 19 June 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Göhner
Wirtschaftsprüfer
[German Public Auditor]

Filev
Wirtschaftsprüfer
[German Public Auditor]

SMR Automotive Mirrors Systems Holding Deutschland GmbH, Stuttgart
Balance sheet as of 31 March 2020

Assets	31 Mar 2020 EUR	31 Mar 2019 EUR	Equity and liabilities	31 Mar 2020 EUR	31 Mar 2019 EUR
A. Fixed assets			A. Equity		
Financial assets			1. Subscribed capital	25,400.00	25,400.00
1. Shares in affiliates	8,062,137.41	8,062,137.41	2. Capital reserves	53,669,222.77	70,898,823.26
2. Loans to affiliates	24,407,144.86	23,545,394.24	3. Loss brought forward	-34,931,031.09	-48,273,034.32
3. Equity investments	3,176,900.84	3,176,900.84	4. Net income for the year	16,358,806.82	13,342,003.23
	35,646,183.11	34,784,432.49		35,122,398.50	35,993,192.17
B. Current assets			B. Provisions		
I. Receivables and other assets			1. Tax provisions	3,721,716.40	3,309,485.00
1. Receivables from affiliates	16,673,327.59	12,080,003.10	2. Other provisions	388,268.64	441,891.81
2. Other assets	1,855,055.85	1,739,417.26		4,109,985.04	3,751,376.81
	18,528,383.44	13,819,420.36	C. Liabilities		
II. Cash on hand, bank balances	349,162.39	469,885.16	1. Trade payables	5,541.31	0.00
			2. Liabilities to affiliates	15,285,654.09	9,320,465.98
			3. Other liabilities	150.00	8,703.05
				15,291,345.40	9,329,169.03
	54,523,728.94	49,073,738.01		54,523,728.94	49,073,738.01

SMR Automotive Mirrors Systems Holding Deutschland GmbH, Stuttgart
Income statement for the fiscal year from 1 April 2019 to 31 March 2020

	31 Mar 2020 EUR	EUR	31 Mar 2019 EUR
1. Other operating income		206,916.65	401,811.70
2. Other operating expenses	-545,148.14		-129,783.31
3. Income from equity investments	3,876,740.50		5,860,170.26
4. Income from profit and loss transfer agreement	13,352,433.06		7,113,451.00
5. Income from loans classified as fixed financial assets	1,029,851.18		1,103,903.25
6. Other interest and similar income	528,888.26		883,549.12
7. Interest and similar expenses	-160,738.18		-19,824.00
8. Income taxes	<u>-1,930,136.51</u>		<u>-1,871,274.79</u>
		<u>16,151,890.17</u>	<u>12,940,191.53</u>
9. Earnings after taxes = net income for the year		<u>16,358,806.82</u>	<u>13,342,003.23</u>

SMR Automotive Mirror Systems Holding Deutschland GmbH, Stuttgart

Notes to the financial statements for the fiscal year from 1 April 2019 to 31 March 2020

A. General

The Company is entered in the Stuttgart commercial register under HRB no. 725239.

The financial statements for the fiscal year have been prepared in accordance with the accounting principles 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 Company meets the size criteria for micro-entities as defined by Sec. 267a (1) HGB. The Company made use of some exemptions from individual disclosures in the notes to the financial statements provided by Sec. 274a HGB and Sec. 288 HGB.

The income statement was classified using the nature of expense method.

B. Accounting policies

Shares in affiliates and **equity investments** are valued at the lower of cost or net realizable value.

Shares in affiliates are valued at nominal value or the lower of net realizable value.

Receivables from and liabilities to affiliates result from clearing transactions with other affiliates, which are due in less than one year. They mainly relate to cash pooling, profit/loss transfer and trade clearing transactions.

Other assets are generally stated at nominal value. Appropriate bad debt allowances are made to cover any discernible risks that they may not be collectible; non-collectible receivables are written off.

Cash and cash equivalents were valued at nominal value.

Tax provisions and other provisions appropriately account for identifiable risks and contingent liabilities. They are recorded at the amounts required according to prudent business judgment.

Liabilities to affiliates and **other liabilities** are recorded at their settlement amount.

Receivables and liabilities in **foreign currency** are recorded using the respective exchange rate on the transaction date. Exchange losses and gains, which occur up to the cut-off date by realization or valuation with the closing rate, are recognized in profit or loss if the residual term is less than one year. If the residual term is more than one year, the realization principle applies.

C. Notes to the balance sheet

The following shares in affiliates are recorded under **financial assets**:

Name	Shares in %	Currency	Investment value in EUR	Equity	Net income/net loss for the year
SMR Automotive Beteiligungen Deutschland GmbH ²⁾ Stuttgart	100	EUR	25,000	747,463.28	0.00 ¹⁾
SMR Automotive Mirrors Stuttgart GmbH ²⁾ Stuttgart	100	EUR	78,500	25,000.00	0.00 ¹⁾
SMR Grundbesitz GmbH & Co. KG ²⁾ Stuttgart	93.07	EUR	51,700	2,334,640.83	396,023.39
SMR Automotive Modules Korea Ltd., Cheougwen, South Korea ³⁾	89.86 ⁵⁾	KRW	1	4,026,780,00 0.00	6,774,593,133.00
SMR Automotive (Langfang) Co. Ltd., Langfang, China ⁴⁾	100	RMB	7,906,936	109,856,106. 56	-7,756,710.96

Ningbo SMR Huaxiang ⁴⁾ Automotive Mirrors Co. Ltd, Ningbo, China	50	RMB	3,176,901	100,000,000 .00	85,956,436.02
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¹⁾ Profit and loss transfer agreement; ²⁾ As of 31 March 2019; ³⁾ As of 31 March 2019; ⁴⁾ As of 31 December 2018; ⁵⁾ The Company holds treasury shares of 10.14%

Loans totaling EUR 24,407k (prior year: EUR 23,545k) were granted to affiliates, in particular to SMR Automotive Mirrors Parts and Holdings UK Limited, Portchester, UK, which received EUR 24,407k (prior year: EUR 23,545k).

Receivables from affiliates of EUR 16,716k (prior year: EUR 12,080k) mainly comprise receivables from profit and loss transfer.

As in the prior year, all **other assets** are due within one year.

The **subscribed capital**, which has been fully paid in, amounts to EUR 25.4k.

In the current fiscal year, payments of EUR 17,230k were made to the parent company SMR Automotive Mirrors Parts and Holdings UK Limited, Portchester, UK, from the **capital reserves**.

Other provisions mainly include provisions for the costs of preparing the financial statements and outstanding invoices.

As in the prior year, all **liabilities** are due within one year.

Liabilities to affiliates of EUR 15,286k (prior year: EUR 9,320k) contain liabilities from clearing transactions and liabilities from cash pooling.

D. Notes to the income statement

Other operating income

This item contains exchange rate gains of EUR 28k (prior year: EUR 13k). In addition, provisions of EUR 178k were reversed.

Other operating expenses

This item comprises exchange rate losses of EUR 57k (prior year: EUR 0k) and service fees of EUR 387k (prior year: EUR 0k).

Income from loans classified as fixed financial assets

This item includes interest income from affiliates of EUR 1,030k (prior year: EUR 1,104k).

Other interest and similar income

This item includes interest income from affiliates of EUR 529k (prior year: EUR 884k).

Other interest and similar expenses

This item consists of interest expenses related to taxes of EUR 135k (prior year: EUR 0k).

Income taxes

Tax expenses contain expenses for income taxes of EUR 1,739k (prior year: EUR 1,643k). Furthermore, foreign withholding taxes of EUR 191k (prior year: EUR 228k) are included.

E. Contingent liabilities

The Company is jointly and severally liable for the liabilities of Samvardhana Moterson Automotive Systems Group B.V., Amsterdam, Netherlands (SMRP B.V.), in connection with the senior secured notes (EUR 100m) concluded in June 2015, senior secured notes (USD 400m) concluded in July 2016, senior secured notes (EUR 300m) concluded in June 2017, the revolving credit facility agreement (EUR 500m) concluded in June 2017 as well as its increase in August 2018 (EUR 75m) and the term loan (USD 60m) concluded in September 2018. As of the reporting date, the liabilities from the revolving credit facility agreement were valued at EUR 62m.

Furthermore, the Company is jointly and severally liable for the liabilities of USD 63m of SMP Automotive Systems México S.A. de C.V., Puebla, Mexico, liabilities of BRL 40m of SMP Automotive Produtos Automotivos do Brasil Ltda., Brazil, of CNY 40m of SMR AUTOMOTIVE (Langfang) Co. LTD., Langfang, China and THB 0.085m of SMR Automotive Systems (Thailand) Limited, Thailand.

SMR Automotive Mirror Systems Holding Deutschland GmbH, Stuttgart, has provided the following collateral in this context:

- Pledging of all existing and future bank accounts (pursuant to account pledge agreement)

We anticipate the probability of claims being brought under the contingent liabilities to be low on account of the current business development of SMRP B.V. and its subsidiaries.

F. Other notes

The **general managers** of the Company in fiscal year 2019/2020 up until the preparation of the financial statements were:

The general manager with individual powers of representation was:

- Sehgal, Laksh Vaaman, New Delhi, India, entrepreneur, CEO/Chairman

As general manager with the right to enter into transactions on behalf of the Company acting as an agent of third parties:

- Heuser, Andreas; Bad Soden-Salmünster, attorney, Head of Chairman's Office Samvardhana Motherson Group Europe/Americas, Bruchköbel, Germany, Head of Samvardhana Motherson Reflectec GmbH, Stuttgart, Germany, executive board member Samvardhana Motherson Peguform GmbH, Freiburg i.Br.

In accordance with Sec. 286 (4) HGB, remuneration of management has not been disclosed.

Shareholder and group relationships

SMR Automotive Mirrors Parts and Holding UK Limited, Portchester, UK, is the **sole shareholder**.

The **consolidated financial statements for the largest group of companies**, in which the Company is incorporated, are prepared by Motherson Sumi Systems Ltd., Noida, India. The consolidated financial statements can be obtained from the following address: 2nd Floor, F-7, Block B-1, Mohan Cooperative Industrial Estate, Mathura Road, New Delhi – 110044, India, or on the Group's webpage:

<https://www.motherson.com/annual-reports.html>.

The **consolidated financial statements for the smallest group of companies**, in which the Company is incorporated, are prepared by Samvardhana Motherson Automotive Systems Group B.V., Amsterdam, Netherlands.

The consolidated financial statements can be obtained from the following address: Hoogoordreef 15, 1101 BA Amsterdam, Netherlands.

Stuttgart, 19 June 2020

Laksh Vaaman Sehgal
(General manager)

Andreas Heuser
(General manager)

SMR Automotive Mirror Systems Holding Deutschland GmbH, Stuttgart
Statement of changes in fixed assets for the fiscal year from 1 April 2019 to 31 March 2020

	Acquisition and production cost			31 Mar 2020	Accumulated amortization, depreciation and impairment			Book values	
	1 Apr 2019	Additions	Disposals		1 Apr 2019	Depreciation for the current period	31 Mar 2020	31 Mar 2020	31 Mar 2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR k
Financial assets									
1. Shares in affiliates	8,062,137.41	0.00	0.00	8,062,137.41	0.00	0.00	0.00	8,062,137.41	8,062
2. Loans to affiliates	23,545,394.24	1,863,858.11	1,002,107.49	24,407,144.86	0.00	0.00	0.00	24,407,144.86	23,545
3. Equity investments	3,176,900.84	0.00	0.00	3,176,900.84	0.00	0.00	0.00	3,176,900.84	3,177
	<u>34,784,432.49</u>	<u>1,863,858.11</u>	<u>1,002,107.49</u>	<u>35,646,183.11</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>35,646,183.11</u>	<u>34,784</u>
	<u>34,784,432.49</u>	<u>1,863,858.11</u>	<u>1,002,107.49</u>	<u>35,646,183.11</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>35,646,183.11</u>	<u>34,784</u>



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.

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.