

**CG Drives & Automation Germany GmbH**  
Financial Statements and  
Independent Auditor's Report  
as of and for the year ended March 31, 2020



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#### **A. APPOINTMENT OF AUDITORS**

- 1 The management of CG Drives & Automation Germany GmbH, Wernigerode (the "Company" or "CG D&A"), appointed us to audit the Company's financial statements as of March 31, 2020, together with the underlying books and records.

The audit report was issued in accordance with the principles of the German auditing standard IDW PS 450.

Management is responsible for the financial statements and representations made to us. The purpose of the audit is, based on our audit procedures, to express an opinion on the financial statements.

We confirm that we are in compliance with all independence requirements in accordance with Article 321(4a) HGB.

The terms governing this engagement are set out in the General Engagements Terms for German Public Auditors and Public Audit Firms (Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version of January 1, 2017, which also govern our relations with third parties in the context of this engagement.

#### **B. OPINION ON THE ASSESSMENT OF THE SITUATION OF THE COMPANY BY THE MANAGING DIRECTOR**

- 2 Our opinion is based on management's evaluation of the company's situation as presented in the financial statements as of March 31, 2020. Furthermore, to evaluate the company's situation, we reviewed, among other things, the accounting system and the budget. A management report was permissibly not prepared.

Management has prepared the annual financial statements under the premise of continuing the business activities. Management's assessment is based on the budget for the financial year 2020/2021.

- 3 The net loss for the financial year 2019/2020 amounts at k€ 37.6 in comparison to a net profit of k€ 264.8 in the prior year.

The net loss mainly results from receivables from CG Power System Belgium (k€ 290.1), which were written-off due to the insolvency of the company.

The equity of k€ 1,576.4 corresponds to an equity ratio of 36,11 % (prior year: 25,93 %).

The solvency of the company was given in the year under review and until the time of the audit. At the balance sheet date, the company had cash and cash-equivalents amounting to k€ 460.8 (prior year: k€ 68.7).

- 4 Our assessment based on the findings of the audit to assess the situation of the company is consistent with that of management.

## **C. PURPOSE, NATURE AND EXTENT OF THE AUDIT**

### **I. PURPOSE OF THE AUDIT**

In accordance with the terms of the audit engagement, and Sec. 317 HGB ("Handelsgesetzbuch": German Commercial Code), we examined whether the books and records and the financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, comply with the relevant legal requirements.

Assessment criteria for our audit of the financial statements were the accounting provisions of Secs. 242 to 256a and Secs. 264 to 288 HGB and the special provisions of the GmbHG ("Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act). No additional accounting requirements result from the articles of incorporation and bylaws.

Management of CG Drives & Automation Germany GmbH is responsible for the books and records and the preparation of the financial statements in accordance with German commercial law as well as the explanations and documents provided to us. Our responsibility is to express an opinion on the financial statements based on our audit, including the books and records and the information and evidence provided to us.

### **II. NATURE AND EXTENT OF THE AUDIT**

- 5 The audit procedures were carried out in April 2020 at our office.

All requested explanations and evidence were provided to us. Management confirmed to us in a management representation letter that, in consideration of the generally accepted accounting principles included in the audited financial statements for the financial year ending March 31, 2020, all assets, liabilities, accruals, and special items of the company are included, all expenses and income transactions are recorded and all required information was provided.

We point out that the legal representatives are responsible for the financial accounting, the internal controls and the information given to us. Our task is to assess these documents, including the bookkeeping system, and the information provided in the context of a dutiful audit.

Our audit did not include an evaluation whether the continued existence of the company or the effectiveness and profitability of the management could be guaranteed.

We conducted our audit of the financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW - "Institute of Public Auditors in Germany").

Those standards require that the auditors, while exercising due diligence, plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements are detected with reasonable assurance. Therefore, a full audit is not required.

Our audit strategy is based on a risk-oriented audit approach. It requires a preliminary assessment of the business environment and the system of internal controls, information obtained from management regarding significant goals, strategies, and business risks, as well as analytical audit procedures to assess our audit risk.

As a result of our assessment, we identified the audit objectives and areas of focus, developed the audit strategy, as well as the nature and extent of our audit procedures.

In view of the Company's size and its transparent policies and procedures, we primarily performed substantive tests on this engagement. We concentrated on the following audit areas and performed the following audit procedures:

- Recognition and valuation of inventories
- Recognition and valuation of trade receivables
- Completeness and valuation of trade payables
- Recognition and completeness of cash and cash equivalents
- Accrual basis matching and measurement of revenue and cost of materials.

We also performed the following standard audit procedures:

- We have convinced ourselves of the correctness of the inventory of stocks
- We determined that trade receivables and payables are appropriately valued in the balance sheet by requesting balance confirmations for a sample
- We obtained confirmation from the Company's tax advisor on pending appeals, disputed tax assessment notices and existing tax risks
- We have reconciled bank account statements from the respective credit institutions

To gain comfort in the opening balances of the balance sheet, we agreed these to the prior year financial statements audited by us.

## **D. CONCLUSIONS UND EXPLANATIONS RELATING TO FINANCIAL REPORTING**

### **I. CORRECTNESS OF FINANCIAL REPORTING**

#### **1. Bookkeeping and other audited records**

- 6 According to our findings, the bookkeeping and the other audited documents comply with the statutory provisions. Based on our audit conclusion, all required transactions were recorded in a continuous, complete, and timely manner.

All requested explanations, as well as proof of assets through inventory records of assets and accounts payable (asset schedule, contracts, inventory records, bank statements, list of account balances) and other suitable records were provided.

Records management is organized in an orderly manner.

Data obtained from other audited documents are properly reflected in the books and records and the financial statements.

#### **2. Financial Statements**

- 7 The company is considered a small company according to § 267 (1) of the German Commercial Code (HGB). The balance sheet as of March 31, 2020 and the income statements for the financial year ended March 31, 2020 are properly generated from the company's books and records and, as well as the notes to the financial statements, are in accordance with German generally accepted accounting principles applicable to Limited Liability Companies, while taking into account the principles of generally accepted accounting practices.

To be comfortable with the opening balances of the balance sheet, we agreed these to the audited prior year financial statements.

The approach, the disclosure and the valuation of the line items included in the financial statements, as well as the notes to the financial statements, are consistent with the applicable regulatory requirements.

## **II. OVERALL FINANCIAL STATEMENT PRESENTATION**

- 8 In our opinion, the financial statements present fairly, in all material respects, the net assets and the financial position of the Company as of March 31, 2020, and the results of its operations, for the year then ended, in accordance with the accounting policies mentioned above and in accordance with accounting principles generally accepted in Germany.

Significant accounting policies used in preparing the financial statements are included in Annex I. They are in line with the significant accounting policies used to prepare the prior year financial statements.



**E. AUDITOR'S REPORT**

- 9 Based upon our audit procedures, we issued the following unqualified opinion on April 20, 2020

**INDEPENDENT AUDITOR'S REPORT**

To the CG Drives & Automation Germany GmbH, Wernigerode

**Audit Opinions**

We have audited the annual financial statements of CG Drives & Automation Germany GmbH which comprise the balance sheet as at March 31, 2020, and the statement of profit and loss for the financial year from April 1, 2019 to March 31, 2020, and notes to the financial statements, including the presentation of the recognition and measurement policies.

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 March 31, 2020 and of its financial performance for the financial year from April 1, 2019 to March 31, 2020 in compliance with German Legally Required Accounting Principles.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

**Basis for the Audit Opinions**

We conducted our audit of the annual financial statements in accordance with § 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 audit opinions on the annual financial statements.

**Responsibilities of the Executive Directors and the Supervisory Board 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 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.

**Auditor's Responsibilities for the Audit of the Annual Financial Statement**

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 as well as to issue an auditor's report that includes our audit opinions 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 § 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 statement.

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 statement, 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 [audit] 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 controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an [audit] 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 statement, if such disclosures are inadequate, to modify our respective [audit] 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.

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.”

We issue the preceding report in compliance with statutory regulations and the principles of proper reporting on audits.

Berlin, April 20, 2020

DOMUS AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft



sign. Zimdars  
German Public Auditor

sign. Fiolka  
German Public Auditor

# Anlagen

CG Drives & Automation Germany GmbH, Wernigerode  
Balance sheet as of 31 March 2020

| Assets |                               | 31 Mar 2020  | 31. Mar 2019 | Equity and Liabilities |                                                                 | 31 Mar 2020  | 31 Mar 2019 |
|--------|-------------------------------|--------------|--------------|------------------------|-----------------------------------------------------------------|--------------|-------------|
| A.     | Fixed assets                  |              |              | A.                     | Equity                                                          |              |             |
| I.     | Intangible assets             | 26,824.04    | 41           | I.                     | Subscribed capital                                              | 25,564.59    | 26          |
| II.    | Property, plant and equipment | 379,516.49   | 389          | II.                    | Capital reserves                                                | 225,354.89   | 225         |
| III.   | Financial assets              | 41,213.26    | 46           | III.                   | Profit carryforward                                             | 1,363,029.08 | 1,098       |
|        |                               |              |              | IV.                    | Net loss for the year (prior year: Net income)                  | -37,571.86   | 265         |
|        |                               | 447,553.79   | 476          |                        |                                                                 | 1,576,376.70 | 1,614       |
| B.     | Current assets                |              |              | B.                     | Provisions                                                      | 440,617.74   | 570         |
| I.     | Inventories                   | 894,551.52   | 1,246        | C.                     | Liabilities                                                     | 2,349,059.89 | 4,039       |
| II.    | Receivables and other assets  | 2,404,779.23 | 4,367        |                        | thereof for taxes: EUR 181,452.25 (prior year: EUR 195k)        |              |             |
| III    | Cash on hand and bank         | 460,822.31   | 68           |                        | thereof for social security: EUR 79.77 (prior year: EUR 453.43) |              |             |
|        |                               | 3,760,153.06 | 5,681        |                        |                                                                 |              |             |
| C.     | Prepaid expenses              | 85,327.40    | 66           |                        |                                                                 |              |             |
| D.     | Deferred tax assets           | 73,020.08    | 0            |                        |                                                                 |              |             |
|        |                               | 4,366,054.33 | 6,223        |                        |                                                                 | 4,366,054.33 | 6,223       |

**CG Drives & Automation Germany GmbH, Wernigerode**  
**Income statement for 2019/2020**

|                                                                                        | EUR                  | EUR | 2018/2019<br>EUR k |
|----------------------------------------------------------------------------------------|----------------------|-----|--------------------|
| 1. Revenue                                                                             | 17,160,591.66        |     | 17,412             |
| 2. Decrease/Increase in finished goods and work in process                             | 19,955.41            |     |                    |
| 3. Other operating income                                                              | 145,505.87           |     | 124                |
|                                                                                        | <u>17,326,052.94</u> |     | <u>17,536</u>      |
| 4. Cost of materials                                                                   |                      |     |                    |
| a) Cost of raw materials, consumables and supplies and of purchased merchandise        | 12,299,351.27        |     | 12,123             |
| b) Cost of purchased services                                                          | 642,519.70           |     | 850                |
| 5. Personnel expenses                                                                  |                      |     |                    |
| a) Wages and salaries                                                                  | 1,830,478.78         |     | 2,044              |
| b) Social security, pension and other benefit costs                                    | 471,754.30           |     | 440                |
| thereof for old-age pensions: EUR 11,7k (prior year: EUR 10,3 k)                       |                      |     |                    |
| 6. Amortization of intangible assets and depreciation of property, plant and equipment | 108,250.39           |     | 100                |
| 7. Other operating expenses                                                            | <u>1,980,733.79</u>  |     | <u>1,584</u>       |
|                                                                                        | 17,333,088.23        |     | <u>17,142</u>      |
| 8. Other interest and similar income                                                   | 1,238.28             |     | 1                  |
| 9. Interest and similar expenses                                                       | <u>1,684.07</u>      |     | <u>1</u>           |
| 10. Income taxes                                                                       | 21,269.22            |     | <u>122</u>         |
| 11. Earnings/-loss after taxes                                                         | -28,750.30           |     | 271                |
| 12. Other taxes                                                                        | <u>8,821.56</u>      |     | <u>6</u>           |
| 13. Net loss for the year (prior year: Net income)                                     | <u>-37,571.86</u>    |     | <u>265</u>         |

**NOTES to the financial statements as of 31 March 2020**

**CG Drives & Automation Germany GmbH  
Giesserweg 3, 38855 Wernigerode**

**I. General**

These financial statements were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB [“Handelsgesetzbuch”: German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG [“Gesetz betreffend die Gesellschaften mit beschränkter Haftung”: German Limited Liability Companies Act]. The Company is subject to the requirements for small corporations.

There were no fundamental changes in the exercise of valuation options compared to the prior year.

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

The Company is entered in the commercial register of Stendal local court under HRB no. 111447 as “CG Drives & Automation Germany GmbH” with its registered offices in Wernigerode.

**II. Accounting and valuation methods**

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Purchased and internally generated intangible assets are recognized at acquisition or production cost and are amortized over their useful lives if they have a limited life.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. Production cost includes directly allocable costs as well as required overheads and production-related depreciation expenses. Depreciation was recorded using the straight-line method and on the basis of the expected useful life of the assets.

With regard to financial assets, loans are disclosed at nominal value.

Inventories of raw materials, consumables and supplies are valued at the lower of average cost or market on the balance sheet date. Merchandise is recognized at cost or market.

Receivables and other assets were stated at their nominal value taking into account all recognizable risks.

Cash and cash equivalents were stated at their nominal value and comprise cash on hand and bank balances.

Expenses recorded before the balance sheet date that relate to a certain period after this date are posted under prepaid expenses.



Tax provisions and other provisions account for all uncertain liabilities. They are recognized at the settlement value deemed necessary according to prudent business judgment.

Prepayments received are stated at nominal value.

Liabilities were recorded at the settlement value.

### **Notes to the balance sheet**

#### Receivables from and liabilities to shareholders

There are no receivables from or liabilities to the shareholder.

#### Receivables by remaining term

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

Receivables from affiliates break consist of the following:

|                   |           |
|-------------------|-----------|
| Trade receivables | EUR 98.0k |
| Other receivables | EUR 49.9k |

The receivable due from CG Power System Belgium in the amount of EUR 290.0 k was adjusted in this year due to the insolvency of CG Power Systems Belgium.

#### Liabilities by remaining term

Liabilities due in more than one year amount to EUR 42.6k.

Liabilities to affiliates consist of the following:

Trade payables EUR 1,483,7k

CG Drives & Automation Sweden AB, as a sister company of CG Drives & Automation Germany GmbH, has declared a subordination to CG Drives & Automation Germany GmbH for receivables in the amount of TEUR 2,902. As of the balance sheet date, liabilities to CG Drives & Automation Sweden AB amounted to EUR 1,039 thousand.

### **Notes to the income statement**

#### Income relating to other periods

Income of EUR 2.0k was recognized from the reversal of provisions.

### **III. Additional notes**

There are other financial obligations resulting from rent and lease agreements amounting to EUR 1,442,7k.

The Company had 43 employees on average.

CG Power and Industrial Solutions Limited in Mumbai, India, prepares the consolidated financial statements for the largest group of companies.

CG International BV, Amsterdam, Netherlands, prepares the consolidated financial statements for the smallest group of companies.

The consolidated financial statements can be inspected at the registered offices of the respective companies.

**IV. Appropriation of profits and reserves**

In agreement with the shareholders, management proposes the following appropriation of profit:

The net loss for the financial year 2019/20 will be carried forward to new account.

**V. Other notes**

Disclosures on the members of the company boards:

The Company was managed by the following persons in the past fiscal year:

|                  |                                       |
|------------------|---------------------------------------|
| General manager: | Rainer Gessing                        |
|                  | Claes Bjäreholdt (since 28 May 2019)  |
|                  | Kapil Agrawal                         |
|                  | Mikael Samuelsson (until 28 Mai 2019) |

With regard to the disclosure of the managing director's salary for Mr. Gessing, we make use of Section 286 (4) HGB; the other managing directors did not receive any remuneration from CG D&A in the fiscal year.

Wernigerode, April 15 2020

Rainer Gessing

Claes Bjäreholdt

Kapil Agrawal

## **Regulatory Matters**

**Company:** CG Drives & Automation Germany GmbH

**Registered Office:** Wernigerode

**Company Foundation:** 2011

**Entry in the commercial register:** Local court Stendal HRB 111447

### **Articles of Incorporation:**

The articles of incorporation and bylaws dated September 30, 2011, and last amended on October 9, 2014, apply.

### **Objective of the Company:**

The objective of the Company is the manufacture, sale, maintenance and repair of electronic devices and facilities in the area of drive technology as well as conducting any business that is closely or otherwise related.

### **Fiscal Year:**

The Company's fiscal year begins on April 1 of a given year and ends on March 31 of the following year.

### **Shareholders:**

CG International BV, Amsterdam, Netherlands, is the sole shareholder of CG Drives & Automation Germany GmbH.

### **Executive bodies of the Company:**

Management and Shareholders

**Management:**

Herr Rainer Gessing, Wernigerode (Germany)

Herr Mikael Samuelsson, Sweden (until May 28, 2019)

Herr Claes Bjärholt, Schweden (since May 28, 2019)

Herr Kapil Agrarwal, Sweden

If only one general manager is appointed, he represents the Company alone. If more than one general manager is appointed, the Company is either represented by two general managers or by one general manager together with an authorized signatory.

Mr. Rainer Gessing holds sole power of representation.

**Shareholder Meetings:**

The following resolutions were adopted at the shareholder meeting on March 30, 2020:

- Approval of the financial statements as of March 31, 2019
- Exoneration of management for the fiscal year from April 1, 2018 to March 31, 2019
- Decision to carry forward net income of EUR 264,834.11 to new account
- The appointment of DOMUS AG as company auditors for the 2019/2020 financial year

**Taxation Matters**

The Company is subject to unlimited tax liability for corporate income tax, trade tax and VAT.

The assessment was conducted up to and including the 2018 (calendar year) assessment period and is subject to verification.

# 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.