

Onward Technologies GmbH

Frankfurt am Main

Report on the preparation of the annual financial statements
as of 31st March 2020

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A. COMPILATION ENGAGEMENT

The management board of

**Onward Technologies GmbH,
Frankfurt am Main**
("Company")

engaged us, Warth & Klein Grant Thornton AG, to prepare the annual financial statements as of March 31, 2020 based on accounting records maintained by us as well as the vouchers and inventory records additionally made available to us, which in accordance with our engagement we did not audit, as well as taking into consideration the information disclosed to us.

We performed this engagement for the preparation of the annual financial statements without assessments between May and June 2020 in Frankfurt am Main.

The duty of the preparation of the annual financial statements lay with the statutory representatives of the Company. They were also tasked with deciding on the exercise of all formal and material arrangement options connected with the preparation.

Based on the size categories set out in Section 267a German Commercial Code (HGB), the Company is a micro entity.

The engagement issued to us to prepare the annual financial statements encompassed all activities necessary for preparing the German Commercial Code-compliant annual financial statements - comprising the balance sheet, income statement and information on the balance sheet - on the basis of the accounts and the inventory as well as the information obtained concerning recognition, presentation and measurement issues together with the accounting policies to be applied having performed the closing entries.

Our reporting is addressed to company.

We undertook the preparation of the annual financial statements in accordance with the IDW Standard issued by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany - "IDW"): Principles for the preparation of annual financial statements (IDW S7). We prepared the following report detailing the performance of the engagement and issued a attestation in respect of it. We observed IDW S7 in the preparation of the report.

Our terms of engagement provide that any reference to the preparation of the annual financial statements may only be made in connection with the complete annual financial statements issued by us.



This report on the preparation of the annual financial statements is solely intended to form a basis for decision-making by the executive bodies of the undertaking and it may not be used for any other purpose, so therefore we do not assume any responsibility, liability or other such obligations vis-à-vis third parties unless we have concluded a written agreement with the party concerned.

It is agreed that the "General Terms of Engagement of German Public Auditors and Public Audit Firms" in the version of 1 January 2017, appended in Annex shall apply to this mandate and our responsibilities, including those in relation to third parties. The maximum amount of liability is set according to No. 9 of the General Engagement Terms. No. 1 para 2 and No. 9 of the General Engagement Terms apply with respect to third parties.



B. OBJECT, NATURE AND SCOPE OF THE PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS PREPARATION

I. Object of the annual financial statements preparation activities

Irrespective of the nature of our engagement, the object of the preparation of the annual financial statements were those activities necessary for preparing the balance sheet, income statement and information on balance sheet, as prescribed by law, on the basis of the accounts and the inventory as well as the information obtained concerning the accounting policies to be applied having performed the closing entries.

The preparation engagement did not include decisions concerning the exercise of material and formal accounting options, particularly those concerning recognition, presentation and measurement options as well as discretionary decisions. They are based on information from the client.

The same applied for decisions concerning the application of exemptions for the annual financial statements of micro corporations.

The annual financial statements were prepared in accordance with the statutory commercial code provisions and the generally accepted accounting principles.

Our engagement concerning the preparation of the annual financial statements based on the documentation provided and taking into account the information received and the closing entries performed did not extend to the appraisal of the appropriateness and functionality of internal controls or the orderliness of the accounts. The scope of our engagement particularly did not include the appraisal of the inventories, cut off or the recognition and measurement.

II. Nature and scope of the annual financial statements preparation activities

If not set out in this report on the preparation of the annual financial statements, the details of the nature, scope and result of our preparation activities undertaken during the performance of the engagement can be found on our working papers.

Where closing postings are made, e.g. the calculation of depreciation and amortization, value adjustment and provisions, these are performed on the basis of the documentation presented without any appraisal of their accuracy.



The management board of Onward Technologies GmbH and the other information providers produced all information and supporting documents willingly. By way of a standard declaration of completeness, the statutory representatives confirmed to us in writing that all accountable business transactions had been recorded, that in the annual financial statements presented all recognisable assets, liabilities (obligations, risks etc.), accrued and deferred items and special items were taken into consideration, that all expenses and income were recorded and all requisite information provided.

C. LEGAL AND FINANCIAL BASIS**I. Legal details**

Company:	Onward Technologies GmbH
Legal form:	GmbH
Established on:	28.05.2012
Registered address:	Frankfurt am Main
Adress:	Kirchnerstraße 4 60311 Frankfurt am Main
Court of registration:	Frankfurt am Main
Register court number:	94601
Articles of association/ company constitution:	Valid in the current version, dated 28th May 2012 with the change of the fiscal year of the company (§4) according to the shareholders' meeting on November 06, 2015.
Financial year:	1st April to 31st March
Duration of the Company:	unlimited
Object of the company:	The development, the licensing and trade with IT solutions as well as all related activities, especially consulting activities.
Subscribed capital:	EUR 25.000,00 Subscribed capital is fully paid to the company.
Shareholders:	Onward Technologies Ltd. with shares of 100%
Management board:	Jigar Mehta (appointment as managing director with entry in commercial register on December 23, 2016)

There were no other material changes to the legal arrangements following the closing key date.



II. Tax details

Competent tax office: Frankfurt am Main V-Höchst

Tax ID number: 047 240 75601

By reason of its activities the Company is subject to corporate income tax, trade tax and value-added tax.

The Company is subject to the standard VAT regime within the definition of Sections 16 to 18 German Value Added Tax Act (UStG).

The business enterprise is subject to trade tax in accordance with Section 2 Para. 1 German Trade Tax Act (GewStG).

The tax returns were submitted to the tax office up to and including 2018; notices of assessment have been issued in this regard.

D. FINDINGS AND COMMENTARY OF THE FINANCIAL ACCOUNTING

I. Vouchers, accounting records and inventory records

The Company has a duty to keep accounts in accordance with Section 238 German Commercial Code (HGB).

The accounts were prepared using our IT system. The software used for this purpose, Kanzlei-Rechnungswesen pro from DATEV eG in Nuremberg, fulfils the requirements for proper financial accounting and the preparation of the annual financial statements.

Asset accounting was also prepared using our IT system. The software used for this purpose, fulfils the criteria for proper asset accounting.

The payroll accounting were prepared using our IT system. The software used for this purpose, fulfils the requirements for proper payroll accounting.

With regard to our preparation engagement without assessments, it is not possible for us to make findings regarding the orderliness of the vouchers, accounting records and inventory records presented to us.

II. Annual financial statements

The annual financial statements were prepared on our IT systems. The software used for this purpose, Kanzlei-Rechnungswesen pro from DATEV eG in Nuremberg, fulfills the requirements for proper financial accounting and the preparation of the annual financial statements.

The provisions of the German Commercial Code (Sections 266 and 275 HGB) were to be applied for the classifications used in the annual financial statements.

E. RESULT OF THE ACTIVITIES AND ATTESTATION

In accordance with the conclusive result of our preparation activities, on 29th June 2020 we issued the following attestation, reproduced here, to the annual financial statements of the Onward Technologies GmbH, Frankfurt am Main, for the financial year from 1st April 2019 to 31st March 2020 contained in the Annexes app. 1 to app. 7:

Attestation report on preparation by the auditing company

To Onward Technologies GmbH

In accordance with the terms of our engagement, we have prepared the below annual financial statements – comprising the balance sheet, income statement and information on the balance sheet– of Onward Technologies GmbH for the financial year from 1st April 2019 to 31st March 2020 in accordance with the provisions of German Commercial Law and supplementary provisions of the articles of association.

The basis of preparation were the accounting records maintained by us and the additional vouchers and inventory records provided to us, which we have not audited in accordance with the terms of our engagement, as well as the information provided to us.

The accounting records and the preparation of the inventory records and the annual financial statements in accordance with the provisions of German Commercial Law and supplementary provisions of the articles of association are the responsibility of the company's management.

We have performed our engagement in accordance with the IDW (Institute of Public Auditors in Germany) Standards for the Preparation of Annual Financial Statements (IDW S7). This engagement comprises the preparation of the balance sheet and income statement, as well as the information on the balance sheet to the financial statements, on the basis of the accounting records, the inventory records and the accounting policies required to be applied.

In addition, we would like to point out that the effects of a longer lasting COVID 19 pandemic can lead to a rapid, unexpected and significant impairment of the business activities, financial position and operating results of the Onward group of companies, to which Onward Technologies GmbH also belongs.

As stated in the information on the balance sheet, these events and circumstances indicate the existence of a material uncertainty that could cast significant doubt on the Company's ability to continue as a going concern and that poses a risk to its continued existence.

Frankfurt am Main, 30th June 2020

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft



Nicole Krawitschke
RA / FA StR
Partner



ppa. Sabine Trommer
Steuerberaterin
Senior Manager

APPENDICES

Balance sheet as of 31.03.2020

Onward Technologies GmbH

ASSETS

Equity and liabilities

	31.03.2020 EUR	31.03.2019 EUR		31.03.2020 EUR	31.03.2019 EUR
A. Fixed assets			A. Equity		
Tangible fixed assets			I. Subscribed capital	25.000,00	25.000,00
Other equipment, operating and office equipment	1.978,00	2.550,00	II. Capital reserves	324.165,00	324.165,00
B. Current assets			III. Accumulated losses brought forward	399.572,42-	351.647,94-
I. Inventories			IV. Net loss for the financial year	90.033,83-	47.924,48-
Orders in progress	33.542,00	91.985,00	Deficit not covered	140.441,25	50.407,42
II. Receivables and other assets			Book equity	0,00	0,00
1. Trade receivables	174.900,71	79.491,05	B. Provisions		
2. Other assets	36.345,74	8.300,00	Other provisions	17.795,26	85.934,66
	<u>211.246,45</u>	<u>87.791,05</u>	C. Liabilities		
III. Cash-in-hand, central bank balances, bank balances and cheques	26.003,90	18.546,61	1. Trade payables	7.711,31	1.695,75
C. Deficit not covered by equity	140.441,25	50.407,42	- of which due within one year EUR 7.711,31 (EUR 1.695,75)		
			2. Liabilities to affiliated companies	382.146,84	144.754,79
			- of which due within one year EUR 382.146,84 (EUR 144.754,79)		
			3. Other liabilities	5.558,19	18.894,88
			- of which taxes EUR 3.344,49 (EUR 18.894,88)		
			- of which due within one year EUR 5.558,19 (EUR 18.894,88)		
	<u>413.211,60</u>	<u>251.280,08</u>		<u>413.211,60</u>	<u>251.280,08</u>

Income statement from 01.04.2019 to 31.03.2020

Onward Technologies GmbH

	EUR	Financial year EUR	Prior year EUR
1. Sales		1.056.878,88	1.292.071,36
2. Decrease in orders in progress		<u>58.443,00-</u>	<u>19.445,00</u>
3. Gross revenue for the period		998.435,88	1.311.516,36
4. Other operating income			
a) Income from reversal of provisions	1.511,63		3.786,55
b) Miscellaneous other operating income	<u>37.251,69</u>	38.763,32	<u>1.629,31</u> 5.415,86
- of which currency translation gains EUR 364,66 (EUR 413,07)			
5. Cost of materials			
Cost of purchased services		670.759,18-	946.529,15-
6. Personnel expenses			
a) Wages and salaries	250.700,02-		225.721,38-
b) Social security, post-employment and other employee benefit costs	<u>58.772,64-</u>	309.472,66-	<u>49.840,78-</u> 275.562,16-
7. Depreciation, amortisation and write-downs			
Amortisation and write-downs of intangible fixed assets and depreciation and write downs of tangible fixed assets		572,00-	1.049,00-
8. Other operating expenses			
a) Occupancy costs	26.920,22-		24.461,50-
b) Insurance premiums, fees and contributions	1.537,93-		1.190,00-
c) Advertising and travel expenses	6.200,08-		6.511,55-
d) Miscellaneous operating costs	111.725,20-		108.937,01-
e) Miscellaneous other operating expenses	<u>34,83-</u>	146.418,26-	<u>616,33-</u> 141.716,39-
- of which currency translation losses EUR -34,83 (EUR -616,33)			
9. Interest and similar expenses		<u>10,93-</u>	<u>0,00</u>
10. Net income/net loss after tax		90.033,83-	47.924,48-
11. Net loss for the financial year		90.033,83-	47.924,48-

Information on balance sheet as of 31.03.2020**Onward Technologies GmbH**

Information on the balance sheet**Information for conveying a better insight into the net assets, financial position and results of operations**

The following additional information should be noted when evaluating the economic situation:

Due to insufficient initial sales, that cannot be finally assessed, and the present subordination agreement dated June 30, 2020, Onward Technologies GmbH is dependent on the business development of the Onward Technologies Ltd. group of companies with regard to its own net assets, financial position, results of operations and available liquidity. According to the audit report 2019/2020 published on June 22, 2020, Onward Technologies Ltd. expects that the COVID 19 pandemic will have an impact on the business development of Onward Technologies Ltd., its operating results, cash flows and financial position, but the full impact can still be determined at this point in time. The potential impact of a prolonged pandemic, as described in this audit report mentioned above, could have a rapid, unexpected and material adverse effect on the business, financial position and operating results of Onward Technologies Ltd.

Group to which the company belongs

Onward Technologies GmbH is integrated into the consolidated financial statements of its majority shareholder / sole stockholder of Onward Technologies Ltd.

Onward Technologies Ltd. prepares the consolidated financial statements for the smallest consolidated group.

Signature of the Management Board

Date

Signature

List of accounts of balance sheet as of 31st March 2020

Onward Technologies GmbH

ASSETS

Account	Designation	Financial year EUR	Prior year EUR
	Other equipment, operating and office equipment		
0410	Office equipment	4,00	153,00
0420	Office fittings	1.974,00	2.397,00
0480	Low-value assets	0,00	0,00
		1.978,00	2.550,00
	Orders in progress		
7095	Orders in progress	33.542,00	91.985,00
	Trade receivables		
1400	Trade receivables	174.900,71	79.491,05
	Other assets		
1525	Security deposits	4.800,00	4.800,00
1530	Receivables from employees (payroll)	5.000,00	3.500,00
1549	Reclaimed corporate income tax	26.499,49	0,00
1600	Trade payables	46,25	0,00
		36.345,74	8.300,00
	Cash-in-hand, central bank balances, bank balances and cheques		
1210	Deutsche Bank account No.: 0808032700	0,00	18.546,61
1220	DE04 5007 0024 08080327 01 New	26.003,90	0,00
		26.003,90	18.546,61
	Deficit not covered by equity		
	Deficit not covered by equity	140.441,25	50.407,42
	Total assets	413.211,60	251.280,08

List of accounts of balance sheet as of 31st March 2020

Onward Technologies GmbH

Equity and liabilities

Account	Designation	Financial year EUR	Prior year EUR
	Subscribed capital		
0800	Subscribed capital	25.000,00	25.000,00
	Capital reserves		
0840	Capital reserves	324.165,00	324.165,00
	Accumulated losses brought forward		
0860	Retained profits bef apprprtn net profit	241.485,94	241.485,94
0868	Accumlted losses bef apprprtn net prft	<u>641.058,36</u>	<u>593.133,88</u>
		399.572,42-	351.647,94-
	Net loss for the financial year		
	Net loss for the financial year	90.033,83-	47.924,48-
	Deficit not covered		
	Deficit not covered	140.441,25	50.407,42
	Other provisions		
0965	Provisions for personnel expenses	7.906,36	8.085,83
0970	Other provisions	3.938,90	70.848,83
0977	Provsns period-end closing/ audit costs	<u>5.950,00</u>	<u>7.000,00</u>
		17.795,26	85.934,66
	Trade payables		
1600	Trade payables	7.711,31	1.695,75
	of which due within one year		
	EUR 7.711,31 (EUR 1.695,75)		
1600	Trade payables		
	Liabilities to affiliated companies		
1631	Trd pybls to affltd comp due w/in1 y	382.146,84	144.754,79
	of which due within one year		
	EUR 382.146,84 (EUR 144.754,79)		
1631	Trd pybls to affltd comp due w/in1 y		
	Other liabilities		
1400	Trade receivables	158,18	0,00
1571	Deductible input tax, 7%	22,56-	36,78-
1576	Deductible input tax, 19%	7.090,74-	4.629,64-
1577	Dedctbl inpt tax sec 13b UStG 19%	153.692,80-	191.796,90-
1741	Wage and church tax payables	2.872,65	2.111,18
1748	Liabltys for expensesof employees	2.055,52	0,00
1776	VAT, 19%	76.730,87	149.142,41
1780	VAT prepayments	<u>61.492,63-</u>	<u>114.699,33-</u>
		140.481,51-	159.909,06-
Carry forward		407.653,41	232.385,20

List of accounts of balance sheet as of 31st March 2020

Onward Technologies GmbH

Equity and liabilities

Account	Designation	Financial year EUR	Prior year EUR
Carry forward		407.653,41 140.481,51-	232.385,20 159.909,06-
	Other liabilities		
1781	VAT prepayments 1/11	8.137,00-	13.136,00-
1787	VAT under section 13b UStG, 19%	153.692,80	191.796,90
1790	VAT, previous year	340,86	143,04
1791	VAT, earlier years	<u>143,04</u>	<u>0,00</u>
		5.558,19	18.894,88
	of which taxes		
	EUR 3.344,49 (EUR 18.894,88)		
1571	Deductible input tax, 7%		
1576	Deductible input tax, 19%		
1577	Deductible input tax sec 13b UStG 19%		
1741	Wage and church tax payables		
1776	VAT, 19%		
1780	VAT prepayments		
1781	VAT prepayments 1/11		
1787	VAT under section 13b UStG, 19%		
1790	VAT, previous year		
1791	VAT, earlier years		
	of which due within one year		
	EUR 5.558,19 (EUR 18.894,88)		
1400	Trade receivables		
1571	Deductible input tax, 7%		
1576	Deductible input tax, 19%		
1577	Deductible input tax sec 13b UStG 19%		
1741	Wage and church tax payables		
1748	Liabilities for expenses of employees		
1776	VAT, 19%		
1780	VAT prepayments		
1781	VAT prepayments 1/11		
1787	VAT under section 13b UStG, 19%		
1790	VAT, previous year		
1791	VAT, earlier years		
	Total Equity and liabilities	413.211,60	251.280,08

List of accounts of income statement from 01.04.2019 to 31.03.2020

Onward Technologies GmbH

Account	Designation	Financial year EUR	Prior year EUR
	Sales		
8336	Tax-exemt other serv. s. 18b UStG	466.777,05	376.186,68
8338	Tax-exempt sales 3rd country	186.255,25	130.923,00
8400	Revenue, 19% VAT	<u>403.846,58</u>	<u>784.961,68</u>
		1.056.878,88	1.292.071,36
	Decrease in orders in progress		
8977	Inventory changes – orders in progress	58.443,00	19.445,00
	Income from reversal of provisions		
2735	Income from reversal of provisions	1.511,63	3.786,55
	Miscellaneous other operating income		
2660	Currency translation gains	364,66	413,07
2749	Refunds AAG	93,33	1.216,24
8606	Other operating income f. affltd comp.	<u>36.793,70</u>	<u>0,00</u>
		37.251,69	1.629,31
	of which currency translation gains		
	EUR 364,66 (EUR 413,07)		
2660	Currency translation gains		
	Cost of purchased services		
3125	Serv. suppl foreign contr. 19% i.t. /VAT	670.759,18	946.529,15
	Wages and salaries		
4120	Salaries	250.700,02	225.721,38
	Social security, post-employment and other employee benefit costs		
4130	Statutory social security expenses	55.107,64	48.195,93
4138	Contrib. to occup. health/safety agency	5,00	1.428,95
4140	Vol. social benfts not subj to wage tx	100,00	0,00
4169	Relocation costs	<u>3.560,00</u>	<u>215,90</u>
		58.772,64	49.840,78
	Depreciation, amortisation and write-downs		
	Amortisation and write-downs of intangible fixed assets and depreciation and write downs of tangible fixed assets		
4830	Depreciation of tangible fixed assets	572,00	1.049,00
	Occupancy costs		
4210	Rent (immovable property)	26.700,00	24.041,91
4240	Gas, electricity, water	<u>220,22</u>	<u>419,59</u>
		26.920,22	24.461,50
Carry forward		29.475,14	69.330,41

List of accounts of income statement from 01.04.2019 to 31.03.2020

Onward Technologies GmbH

Account	Designation	Financial year EUR	Prior year EUR
	Carry forward	29.475,14	69.330,41
	Insurance premiums, fees and contributions		
4380	Contributions	1.316,80	1.190,00
4396	Late filing penalties/ admin. fines	<u>221,13</u>	<u>0,00</u>
		1.537,93	1.190,00
	Advertising and travel expenses		
4660	Employee travel expenses	1.447,18	78,04
4663	Employee travel expnses, cost of travel	4.610,87	6.433,51
4664	Employee trav. expn, addnl substnc costs	<u>142,03</u>	<u>0,00</u>
		6.200,08	6.511,55
	Miscellaneous operating costs		
4910	Postage	146,52	0,00
4920	Telephone	323,07	121,47
4925	Fax and Internet costs	398,90	517,96
4930	Office supplies	248,70	0,00
4950	Legal and consulting costs	82.129,88	83.229,83
4955	Bookkeeping costs	19.058,75	15.883,50
4957	Period-end closing and audit costs	8.332,50	7.030,75
4970	Incidental monetary transaction costs	700,20	2.040,50
4971	Service Charges	<u>386,68</u>	<u>113,00</u>
		111.725,20	108.937,01
	Miscellaneous other operating expenses		
2150	Currency translation losses	34,83	616,33
	of which currency translation losses EUR 34,83 (EUR 616,33)		
2150	Currency translation losses		
	Interest and similar expenses		
2118	Interest on rcvbls/ payables accounts	10,93	0,00
	Net loss for the financial year		
	Net loss for the financial year	90.033,83	47.924,48

Statement of movements of non-current assets as of 31st March 2020

Onward Technologies GmbH

	Carrying amount 01.04.2019	Additions	Disposals	Transfers	Depreciations	Reversals	Carrying amount 31.03.2020
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Fixed assets							
Tangible fixed assets							
Other equipment, operating and office equipment	2.550,00	0,00	0,00	0,00	572,00	0,00	1.978,00
Total tangible fixed assets	2.550,00	0,00	0,00	0,00	572,00	0,00	1.978,00
Total fixed assets	2.550,00	0,00	0,00	0,00	572,00	0,00	1.978,00

[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.