

ANNUAL AUDIT REPORT

as of December 31<sup>st</sup>, 2018

Hexaware Technologies GmbH

Frankfurt am Main

Auditor`s Certificate and Final Remarks

I have audited the financial statements, the company`s books and the management`s report of Hexaware Technologies GmbH for the fiscal year 01/01/ – 12/31/2018 and have issued an unqualified opinion:

“I have audited the annual financial statement, together with the bookkeeping systems and the management report of the Hexaware Technologies GmbH for the business year from 01/01/ to 12/31/2018.

The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German Commercial Code (HGB) and supplementary provisions in the articles of incorporation agreement are the responsibility of the Company`s management. My responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on my audit.

I conducted my audit of the annual financial statements in accordance with § 317 HGB (German Commercial Code) and the generally accepted standards for the audit of financial statements published by the Institut der Wirtschaftsprüfer (IDW). These standards require that I plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. I believe that my audit provides a reasonable basis for my opinion.

The audit has not led to any reservations.

In my opinion, the annual financial statements agree to the laws applicable, the articles of association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. On the whole, the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development."

The audit report has been prepared in accordance with the generally accepted principles for audit reports (IDW PS 450) published by the Institute of Chartered Accountants.

I refer to § 328 HGB (German Commercial Code).

Dreieich, January 22<sup>nd</sup>, 2019



Rüdiger M. Klönk

Certified Public Auditor

## Balance Sheet as of 12/31/2018

## Hexaware Technologies GmbH, Frankfurt am Main

<u>ASSETS</u>	<u>31.12.2018</u>	<u>31.12.2017</u>	<u>SHAREHOLDER'S EQUITY and LIABILITIES</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	€	€		€	€
<b>A. <u>FIXED ASSETS</u></b>			<b>A. <u>SHAREHOLDER'S EQUITY</u></b>		
I. Intangible Assets			I. Share Capital, registered	180.900,00	180.900,00
1. Software	0,00	2.297,30	II. Profit carried forward	3.646.986,02	3.453.678,42
II. Tangible Assets			III. Profit for the year	<u>233.491,02</u>	<u>193.307,60</u>
1. Furnitures and fixtures, office equipment	3.556,80	5.846,04		4.061.377,04	3.827.886,02
III. Financial Assets			<b>B. <u>ACCRUALS</u></b>		
1. Shares in affiliated companies	<u>2.500,00</u>	<u>2.500,00</u>	1. Other accruals	726.251,54	906.534,82
	6.056,80	10.643,34	<b>C. <u>LIABILITIES</u></b>		
<b>B. <u>CURRENT ASSETS</u></b>			1. Payments received on accounts of orders	195.636,04	329.849,87
I. Inventories			- of which due within one year: € 195,636.04 (prev.year: € 329,849.87)		
1. Work in progress	72.764,17	202.541,67	2. Accounts payable trade	397.344,97	91.762,86
II. Receivables and other assets			- of which due within one year: € 416,861.11 (prev.year: € 91,762.86)		
1. Accounts receivable trade	1.702.129,59	2.370.384,28	3. Liabilities affiliated companies	19.471,41	34.204,72
2. Other assets	149.977,21	127.520,68	- of which due within one year: € 83,908.06 (prev.year: € 34,204.72)		
III. Bank deposit	<u>3.700.523,05</u>	<u>2.700.775,65</u>	4. Other liabilities	<u>246.675,20</u>	859.127,62
	5.552.629,85	5.198.680,61	- of which due within one year: € 256,033.39 (prev.year: € 238,488.27)		
<b>C. <u>PREPAID EXPENSES</u></b>	15.305,38	16.860,94	- Liabilities, taxes: € 232,669.42 (prev.year: € 237,681.34)		
			- Liabilities, social security: € 21,097.90 (prev.year: € 806.93)		
	<u>5.646.756,20</u>	<u>5.428.726,56</u>		<u>5.646.756,20</u>	<u>5.428.726,56</u>

Profit and Loss Statement  
for the period

01.01. - 31.12.2018

Hexaware Technologies GmbH, Frankfurt am Main

	2018		2017
	€	€	€
1. Sales		10.275.373,64	9.277.176,83
2. Decrease of work in process (prior year: decrease)		<u>-129.777,50</u>	<u>-28.530,98</u>
3. Gross revenue for the period		10.145.596,14	9.248.645,85
4. Other income		72.018,46	-219.154,23
of which currency translation gains			
€ 68,518.46 (prior year: loss € 219,154.23)			
5. Cost of purchased services		5.485.628,50	3.638.638,50
6. Payroll expenses			
a) Salaries and wages	3.178.855,76		3.815.217,87
b) social security	<u>528.985,37</u>	3.707.841,13	<u>606.085,36</u> 4.421.303,23
7. Depreciation			
a) on fixed assets		6.390,48	10.484,15
8. Other operating expenses		<u>666.263,47</u>	<u>656.758,14</u>
		351.491,02	302.307,60
9. Taxes on income		<u>118.000,00</u>	<u>109.000,00</u>
10. Net income after tax		233.491,02	193.307,60
11. Profit for the year		<u><u>233.491,02</u></u>	<u><u>193.307,60</u></u>

Hexaware Technologies GmbH, Frankfurt am Main  
Commercial Register of the Frankfurt am Main District Court, HRB 52325

Notes to the Financial Statements 2018

1. Application of the Accounting Directives Law (BiRiLiG)

The annual financial statements of our company have been prepared in compliance with the Accounting Law Modernization Act, applicable since May 29<sup>th</sup>, 2009.

In 2010 the law has been applied for the first time.

The prior year`s figures have not been reclassified.

We are a small company according to § 267 (1) HGB.

To improve clarity, all legal comments on the balance sheet as well as on the profit and loss account positions are given in the notes on the financial statement.

2. Accounting Principles and Valuation Methods

Intangible assets acquired are valued at original costs, less scheduled depreciation. They are written down within 3 years using the linear method.

The valuation of tangible assets is based on acquisition or manufacturing costs.

The scheduled amortisation of fixed assets is charged over the anticipated useful life of 3 to 5 years for other assets, using the straight line method.

Additions to movable fixed assets were depreciated on a pro rata temporis basis.

Low value items with a cost of purchase of up to € 800 have been written off immediately. Assets with a cost of purchase of more than € 800 are written off by straight-line method on the basis of the actual useful life.

In case of receivables and other assets, valuation is based in principle on nominal amounts.

Risks, which were recognizable up to the balance sheet completion date and possible liabilities, were taken into account by adequate provisions.

In general, liabilities have been stated at the amount repayable.

Receivables and liabilities in foreign currencies are converted at the spot rate of the business transaction date.

As of December 31<sup>st</sup>, 2018 receivables were capitalized at their lowest value on the basis of the buying rate, and liabilities at their highest value on the basis of the selling rate of the balance sheet date.

### 3. Notes to the Balance Sheet

The balance sheet item Liabilities affiliated companies includes trade payables to the amount of k€ 20.

Other liabilities include tax liabilities of k€ 233 and social security liabilities of k€ 14.

### 4. Other information

#### Number of employees

Employees on average in 2018: 46

#### Other financial obligations 2019 - 2023: Rent T€ 695

#### Name and corporate domicile of the parent company, which issues the consolidated financial statements for the biggest affiliated group:

Hexaware Technologies Ltd., Mumbai, India

The consolidated statements are published in Mumbai.

Frankfurt am Main, January 21<sup>st</sup>, 2019

The Management

2. Cash flow statement

The cash flow statement shows major financing transactions and the cash flow for the fiscal year ending December 31<sup>st</sup>, 2018.

	<u>2018</u> k€	<u>2017</u> k€
<u>I. Cash Flow</u>		
1. <u>Cash -Flow</u>		
Profit for the year	233	193
+ Depreciation on fixed assets	7	10
+ Decrease of accruals	-181	172
= <u>Cash flow for the year</u>	<u>59</u>	<u>375</u>
2. <u>Modification of funds from operating activities</u>		
+ Decrease of receivables and other assets (prior year increase)	684	-488
+ Increase of liabilities (prior year increase) except accruals	259	425
	<u>943</u>	<u>-63</u>
<u>Cash flow from operating activities</u>	<u>1.002</u>	<u>312</u>
<u>II. Investments in fixed assets</u>		
- Additions to fixed assets	-2	-4
	<u>-2</u>	<u>-4</u>
<u>III. Cash position</u>		
Cash at the beginning of the business year	2.701	2.393
+ Changes of cash position (Total I und II)	1.000	308
= <u>Cash at the end of the business year</u>	<u>3.701</u>	<u>2.701</u>

BALANCE SHEET accounts

as of 31.12.2018

ASSETS

A. Fixed Assets

<u>Account</u>	<u>31.12.2018</u> €	<u>31.12.2017</u> €
<u>I. Intangible Assets</u>		
1. Software		
0027 Computer Software	<u>0,00</u>	<u>2.297,30</u>
<u>II. Tangible Assets</u>		
1. Office equipment, furnitures, fixtures		
0400 Computer & Printer	1.521,17	1.061,43
0410 Office Equipment	0,00	985,11
0485 Small Value Items Pool 2014	0,00	320,65
0486 Small Value Items Pool 2015	1.186,06	2.372,10
0487 Small Value Items Pool 2017	849,57	1.106,75
	<u>3.556,80</u>	<u>5.846,04</u>
<u>III. Financial Assets</u>		
1. Shares in affiliated companies		
0502 Investment in affiliates	<u>2.500,00</u>	<u>2.500,00</u>
<u>B. Current Assets</u>		
<u>I. Inventories</u>		
3970 Work in progress	0,00	202.541,67
7080 Unfinished Jobs	<u>72.764,17</u>	<u>0,00</u>
	<u>72.764,17</u>	<u>202.541,67</u>

<u>Account</u>	<u>31.12.2018</u>	<u>31.12.2017</u>	
	€	€	
<u>II. Receivables and other assets</u>			
1. Accounts receivable trade			
1400	Accounts receivable	1.752.997,15	2.421.251,84
0998	Doubtful debts	-50.867,56	-50.867,56
		<u>1.702.129,59</u>	<u>2.370.384,28</u>
2. Other assets			
1500	Other assets	7.735,00	0,00
1501	Allianz Insurance Payable	0,00	6.593,15
1525	Deposits	22.500,00	0,00
1530	Receivable from personnel	19.227,76	17.675,49
1540	Tax overpayments 2017	58.346,81	45.460,81
1541	Tax overpayments 2014	17.931,72	0,00
1543	Tax overpayments 2016	20.529,32	57.584,13
1600	A/P trade (Sollposten)	295,50	207,10
1740	Salary payable account	3.411,10	0,00
		<u>149.977,21</u>	<u>127.520,68</u>
<u>III. Bank deposit</u>			
1210	Dresdner Bank -Kto 91294300	1.940.312,41	1.015.707,70
1215	Commerzbank Kto 91294301 US\$	1.744.591,77	1.669.449,08
1230	Dresdner Bank Kto. 912 943 84	15.618,87	15.618,87
		<u>3.700.523,05</u>	<u>2.700.775,65</u>
<u>C. Prepaid expenses</u>			
0980	Accrued income	<u>15.305,38</u>	<u>16.860,94</u>

SHAREHOLDER'S EQUITY AND  
LIABILITIES

<u>Account</u>	<u>31.12.2018</u> €	<u>31.12.2017</u> €
<u>A. Shareholder's equity</u>		
<u>I. Share capital</u>		
0800 Paid-up capital	<u>180.900,00</u>	<u>180.900,00</u>
<u>II. Profit carried forward</u>		
0860 Retained earnings prior year	<u>3.646.986,02</u>	<u>3.453.678,42</u>
<u>III. Profit for the year</u>		
Profit for the year	<u>233.491,02</u>	<u>193.307,60</u>
Total amount shareholder's equity:	<u>4.061.377,04</u>	<u>3.827.886,02</u>
<u>B. Accruals</u>		
<u>1. Other accruals</u>		
0966 Provision for duty to retain records	5.000,00	5.000,00
0970 Provision for Other Expenses	489.830,62	643.504,62
0971 Provision for Vacation	185.220,92	214.530,20
0977 Provision for B/S & Audit fees	46.200,00	43.500,00
	<u>726.251,54</u>	<u>906.534,82</u>
<u>C. Liabilities</u>		
<u>1. Customer advances</u>		
1719 Advance billings	<u>195.636,04</u>	<u>329.849,87</u>
<u>2. Accounts payable trade</u>		
1600 A/P trade	397.344,97	89.916,20
1702 AP personnel	0,00	1.846,66
	<u>397.344,97</u>	<u>91.762,86</u>

<u>Account</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	€	€
<u>3. Liabilities, affiliated companies</u>		
0701 Hexaware Tech. Ltd.- Mexico	8.973,26	4.114,76
0715 Hexaware Tech. Ltd.- Chennai	10.499,75	-4.690,61
0716 Hexaware Tech. Ltd.- Mumbai	-1,60	26.715,00
0719 Hexaware Tech. Ltd.- Pune	0,00	7.302,25
0721 Hexaware Tech. Ltd.- UK	0,00	763,32
	<u>19.471,41</u>	<u>34.204,72</u>
<u>4. Other liabilities</u>		
1741 Wage tax payable	64.593,65	67.585,62
1743 AP Soc.Security	14.005,78	806,93
1548 VAT Deductable following year	-7.210,16	-6.295,47
1571 VAT Deductable -7%	-1.293,51	-869,61
1576 VAT Deductable -19%	-350.666,06	-161.785,71
1577 VAT Deductable § 13b UStG 19%	-783.921,82	-605.457,21
1588 Import VAT	0,00	-216,63
1776 VAT Collected -19%	1.895.686,35	1.803.541,80
1780 VAT Prepayment	-1.219.289,85	-1.278.243,66
1781 VAT Deposit -1/11	-149.151,00	-186.035,00
1787 VAT § 13b UStG 19%	783.921,82	605.457,21
	<u>246.675,20</u>	<u>238.488,27</u>

Summary of profit and loss accounts

01.01. - 31.12.2018

<u>Account</u>	<u>2018</u> €	<u>2017</u> €
<u>1. Sales</u>		
8000 Advance Billings	134.213,83	-307.924,12
8336 Non taxable other services	164.930,47	144.421,15
8338 Non taxable turnover third countries	175.248,43	120.092,73
8400 Sales Revenue -19% VAT	9.970.796,80	9.503.492,51
8721 Revenue deductions VAT 19%	-169.815,89	-182.905,39
8736 Cash discounts, granted	0,00	-0,05
	<u>10.275.373,64</u>	<u>9.277.176,83</u>
<u>2. Decrease or decrease in work in process</u>		
8970 Change work in progress	<u>-129.777,50</u>	<u>-28.530,98</u>
<u>3. Income from disposal of items of fixed assets</u>		
8820 Rev. Sales tnglb fxdassets 19%VAT	<u>3.500,00</u>	<u>0,00</u>
<u>4. Other income</u>		
2660 Difference-in-Exchange(Gain/Loss)	<u>68.518,46</u>	<u>-219.154,23</u>
	<u>68.518,46</u>	<u>-219.154,23</u>
<u>5. Cost of purchased services</u>		
3100 Outside Services	334.888,74	254.520,00
3101 Outside Services- Endata	1.261.392,30	717.222,74
3123 Outside Services EU 19%	0,00	18.721,00
3125 Outside Services- HTL (§ 13b)	3.889.325,63	2.648.174,76
3850 Customs charges	21,83	0,00
	<u>5.485.628,50</u>	<u>3.638.638,50</u>
<u>Account</u>	<u>2018</u> €	<u>2017</u> €
<u>6. Payroll expenses</u>		
<u>a ) Salaries and wages</u>		
4120 Salaries	3.211.444,61	4.040.307,46
4121 Bonus/ Provision	-32.588,85	-225.089,59
	<u>3.178.855,76</u>	<u>3.815.217,87</u>

<u>Account</u>	<u>2018</u>	<u>2017</u>
	€	€
<u>b) Social security</u>		
4130 Employer Cont. -S. Security	515.157,29	588.041,84
4138 Employer's Liability contribution	13.352,06	17.220,50
4140 Voluntary S. Sec. contrib. wage tax free	476,02	823,02
	<u>528.985,37</u>	<u>606.085,36</u>
 Total of payroll expenses	 <u>3.707.841,13</u>	 <u>4.421.303,23</u>
 <u>7. Depreciation</u>		
<u>a) on fixed assets</u>		
4830 Depreciation	4.370,09	8.504,31
4855 Imm. Write off low value assets	805,70	294,00
4862 Depreciation Pool	1.214,69	1.685,84
	<u>6.390,48</u>	<u>10.484,15</u>
 <u>8. Other business expenses</u>		
<u>a) Room expenses</u>		
4210 Rent	69.800,90	63.202,53
4240 Gas, current, water	1.080,74	1.933,74
4250 Cleaning Expenses	4.844,33	3.356,14
	<u>75.725,97</u>	<u>68.492,41</u>
 <u>b) Insurance premiums, fees and contributions</u>		
4139 Compensation charge SchwerbehindertenG	5.280,00	11.200,00
4360 Insurances	8.815,88	11.113,38
4380 Subscriptions	34.516,51	64.795,61
4396 Deductable default fines/ penalty payments	459,81	0,00
4397 Non Deductable default fines/ penalty payments	564,00	0,00
	<u>49.636,20</u>	<u>87.108,99</u>
 <u>c) Repair and maintenance</u>		
4805 Repairs office equipment	131,28	331,22
4806 Maintenance cost for hard & software	6.098,01	5.602,68
4809 Other repairs and maintenance	232,01	0,00
	<u>6.461,30</u>	<u>5.933,90</u>

<u>Account</u>	<u>2018</u>	<u>2017</u>
	€	€
<u>d) Selling expenses</u>		
4600 Marketing Expenses	27.540,30	13.077,06
4630 Presents up to value of € 35	338,32	722,27
4635 Presents non deductible	800,00	0,00
4651 Oth exp lim deductblty (dedctbl prtn)	69,71	0,00
4652 Expns lim dedctblty (non-dedctbl prtn)	29,87	0,00
4653 Business courtesies	2.317,56	29.737,64
4654 Entertainment costs- non deductible	9.202,36	6.379,12
4655 Business expenses- non deductible	10.107,42	4.431,36
4660 Travel Expenses	162.706,49	173.062,57
4661 Travel Exp. Sales people & support staff	57.021,29	8.650,87
4663 Employee travel expenses, cost of travel	386,10	0,00
	<u>270.519,42</u>	<u>236.060,89</u>
<u>e) Distribution costs</u>		
4730 Outgoing freights	1.769,73	1.394,71
	<u>1.769,73</u>	<u>1.394,71</u>
<u>f) Various operating expenses</u>		
4142 Recruitment expenses	37.525,00	24.675,00
4900 Other operating expenses	940,97	1.038,38
4910 Post/Courier	221,70	144,50
4920 Telephone	24.138,27	29.443,51
4925 Fax and internet costs	419,04	807,44
4930 Office Expenses	3.307,05	1.905,67
4940 Newspapers, Books	727,75	283,99
4944 Training fees	0,00	808,30
4950 Legal and Consultancy Exp.	42.671,05	85.318,87
4951 Translation Expenses	398,60	0,00
4955 Bookkeeping Costs	43.553,38	33.600,00
4956 Payroll expenses	7.222,80	7.568,60
4957 Audit expenses	26.530,00	25.462,00
4964 Expenses for licences	61.489,87	11.312,65
4970 Bank Charges	12.905,37	10.962,33
	<u>262.050,85</u>	<u>233.331,24</u>

<u>Account</u>	<u>2018</u> €	<u>2017</u> €
<u>g) Losses on write-downs or on disposals of current assets and transfers to valuation allowances on receivables</u>		
2451 Doubtful debts	0,00	24.436,00
<u>h) Miscellaneous other operating expenses</u>		
2382 Donations to charity	100,00	0,00
Total of other business expenses	<u>666.263,47</u>	<u>656.758,14</u>
<u>9. Taxes on income</u>		
2200 Corporate income tax	50.542,00	31.144,00
4320 Trade tax	67.458,00	77.856,00
	<u>118.000,00</u>	<u>109.000,00</u>

[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.