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CG Drives & Automation Germany GmbH Wernigerode

Audit report
Financial statements
31 March 2017

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft



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Engagement Terms, Liability and Conditions of Use
General Engagement Terms

Note: Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures (units of currency, percentages, etc.).



A. Audit engagement

In accordance with a resolution approved at the shareholder meeting on 29 March 2017, the management of CG Drives & Automation Germany GmbH, Wernigerode (the "Company" or "CG D&A"), engaged us to audit the Company's financial statements as of 31 March 2017, together with the underlying books and records.

We observed the applicable independence requirements during our audit.

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften" [German Public Auditors and Public Audit Firms] dated 1 January 2017, which are attached to this report, are applicable to this engagement and also govern our relations with third parties in the context of this engagement. In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties and the other provisions of the enclosed "Engagement Terms, Liability and Conditions of Use."

Our report complies with the Generally Accepted Standards for the Issuance of Long-Form Audit Reports for the Audits of Financial Statements (IDW AuS 450) issued by the Institute of Public Auditors in Germany, Düsseldorf ["Institut der Wirtschaftsprüfer in Deutschland e.V.": IDW].

This audit report is addressed to CG Drives & Automation Germany GmbH, Wernigerode.

B. Purpose, nature and scope of the audit

Purpose of the audit

During our audit in accordance with 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 is responsible for the books and records, the accounting-related internal control system and the financial statements as well as the explanations and documents provided to us. It is our responsibility to assess these documents and this information during our audit performed in accordance with professional standards.

Nature and scope of the audit

Our audit was performed in accordance with the provisions of Sec. 317 et seq. HGB and the German generally accepted standards for the audit of financial statements as issued by the IDW.

Those standards require that we plan and perform the audit to provide reasonable assurance that the books and records and the financial statements do not contain any significant inaccuracies or infringements.

The object of our audit of the financial statements is therefore to identify such inaccuracies and infringements of legally required accounting principles which might materially affect the presentation of a true and fair view of the Company's net assets, financial position and results of operations in accordance with German principles of proper accounting (Sec. 264 (2) HGB).

The basis of our risk-oriented audit methodology is the development of an audit strategy. This strategy is based on the assessment of the economic and legal environment of the Company, its goals, strategies and business risks. The size and complexity of the Company as well as the effectiveness of its accounting-related internal control system are also considered when developing this strategy. The findings made were taken into account in choosing and determining the scope of the analytical procedures (plausibility tests) and substantive testing of assets and liabilities, recognition, disclosure and valuation in the financial statements. The audit program, which is specifically tailored to the Company, determines the key elements of the audit, the nature and scope of audit procedures as well as the timing and staffing of the audit. This approach is based on the principles of risk assessment and materiality.

In view of the Company's size and its transparent policies and procedures, we mainly performed substantive tests in this engagement. We chose to focus on the following audit areas and conducted the following key audit procedures:

- Analysis of the process related to the preparation of the financial statements
- 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 took part in the physical inventory count in Wernigerode.
- We determined that trade receivables and payables are appropriately valued in the balance sheet by requesting balance confirmations for a sample chosen using statistical selection criteria.
- We obtained a written report from the Company's tax advisor on pending appeals, disputed tax assessment notices and existing tax risks.
- We obtained bank confirmations and requested and received confirmation from lawyers regarding pending litigation.
- For those items of the financial statements for which we could not rely on (tested) business processes or for which controls are not performed, we performed balance reconciliation procedures as well as an analysis of movements shortly before or after the balance sheet date, taking into account the relevant documents, e.g., contracts, correspondence, etc.

We were provided with all the explanations and supporting documents requested. In a letter of representation submitted to us, management confirmed the completeness of these explanations and documents and of the books and records and the financial statements.

C. Findings on the financial reporting

I. Compliance of the financial reporting

1. Prior-year financial statements and management report

The prior-year financial statements were approved by the shareholder meeting on 14 October 2016.

The shareholder meeting approved a resolution to carry forward the net income for the year to new account.

The prior-year financial statements and management report were published (*Bundesanzeiger* [German Federal Gazette] dated 15 February 2017).

2. Books and records and other audited documents

The organization of the books and records, the accounting-related internal control system, the data flow and vouchers allow complete, accurate, timely and orderly recognition and recording of business transactions.

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

According to our findings, the Company's books and records comply with the legal requirements.

3. Financial statements

The Company meets the size criteria for small corporations. The financial statements and the accounting and valuation methods applied comply with the legal requirements.

Based on the prior-year balance sheet audited by us, the financial statements were correctly compiled from the books and records and other audited documents.

The disclosures in the notes to the financial statements are complete and accurate.

II. Overall picture conveyed by the financial statements

1. Significant valuation bases

We refer to the Company's disclosures in the notes to the financial statements (exhibit 3) with respect to the significant valuation bases (accounting and valuation principles used by the Company as well as factors relevant for the valuation of assets and liabilities) in the year under review.

2. Overall assessment

Based on our audit, which was carried out in accordance with professional standards, and in consideration of the significant accounting and valuation bases discussed, we are of the opinion that the financial statements as a whole 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.

D. Audit opinion

We issued the following opinion on the financial statements:

“To CG Drives & Automation Germany GmbH, Wernigerode,

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system of CG Drives & Automation Germany GmbH, Wernigerode, for the fiscal year from 1 April 2016 to 31 March 2017. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law are the responsibility of the Company’s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we 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 are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records and the annual financial statements are examined 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. We believe that our audit provides a reasonable basis for our opinion.



Translation from the German language

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements 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. "

Dresden, 27 April 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Fleischer
Wirtschaftsprüfer
[German Public Auditor]

Weindorf
Wirtschaftsprüfer
[German Public Auditor]

CG Drives & Automation Germany GmbH, Wernigerode
Balance sheet as of 31 March 2017

Assets	31 Mar 2016		Equity and liabilities	31 Mar 2016	
	EUR	EUR k		EUR	EUR k
A. Fixed assets			A. Equity		
I. Intangible assets	38,763.61	82	I. Subscribed capital	25,564.59	26
II. Property, plant and equipment	256,080.74	289	II. Capital reserves	225,354.89	225
III. Financial assets	135,570.38	138	III. Profit carryforward	805,044.22	645
			IV. Net income for the year	100,729.42	160
	<u>430,414.73</u>	<u>509</u>		1,156,693.12	1,056
B. Current assets			B. Provisions	454,486.17	584
I. Inventories	1,045,077.94	651			
II. Receivables and other assets	3,264,037.59	3,932	C. Liabilities	3,665,001.23	3,865
III. Cash on hand and bank balances	484,640.47	379	thereof for taxes: EUR 199,613.25 (prior year: EUR 147k)		
			thereof for social security: EUR 0.03 (prior year: EUR 0k)		
	<u>4,793,756.00</u>	<u>4,962</u>			
C. Prepaid expenses					
	<u>52,009.79</u>	<u>34</u>			
	<u>5,276,180.52</u>	<u>5,505</u>		<u>5,276,180.52</u>	<u>5,505</u>

CG Drives & Automation Germany GmbH, Wernigerode
Income statement for 2016/2017

	EUR	EUR	2015/2016 EUR k
1. Revenue	15,344,297.22		14,596
2. Increase in finished goods and work in process	149,346.74		0
3. Other operating income	188,761.70		498
		15,682,405.66	15,094
4. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased merchandise	11,489,091.10		9,907
b) Cost of purchased services	249,173.01		550
5. Personnel expenses			
a) Wages and salaries	1,813,336.46		2,389
b) Social security, pension and other benefit costs	328,030.86		325
thereof for old-age pensions: EUR 0.00 (prior year: EUR 4k)			
6. Amortization of intangible assets and depreciation of property, plant and equipment	137,949.48		134
7. Other operating expenses	1,498,287.58		1,519
		15,515,868.49	14,824
8. Other interest and similar income	20,231.02		19
thereof from affiliates: EUR 10,920.88 (prior year: EUR 14k)			
9. Interest and similar expenses	48,923.05		48
thereof to affiliates: EUR 48,111.24 (prior year: EUR 47k)			
		-28,692.03	-29
10. Income taxes		31,607.64	73
11. Earnings after taxes		106,237.50	168
12. Other taxes		5,508.08	8
13. Net income for the year		100,729.42	160

NOTES to the financial statements as of 31 March 2017

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.

Exhibit 3

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.

III. 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 down as follows:

Trade receivables	EUR 142k
Other receivables	EUR 145k

Liabilities by remaining term

Liabilities due in more than one year come to EUR 117k.

Liabilities to affiliates break down as follows:

Trade payables	EUR 3,028k
Other liabilities	EUR 83k

CG Drives & Automation Sweden AB, Helsingborg, Sweden, as the co-subsiidiary of CG Drives & Automation Germany GmbH, has issued a letter of subordination to CG Drives & Automation Germany GmbH for receivables amounting to EUR 2,902k. Obligations to CG Drives & Automation Schweden AB come to EUR 2,620k as of the balance sheet date.

IV. Notes to the income statement

Revenue

Comparability with the prior-year figure is limited due to the first-time application of the definition of revenue pursuant to BilRUG ["Bilanzrichtlinie-Umsetzungsgesetz": German Act to Implement the EU Accounting Directive] in accordance with Sec. 277 (1) HGB in the fiscal year 2016/2017. Had the new definition been applied to the item, the prior-year figure for revenue would have totaled EUR 14,758k.

Income relating to other periods

Income of EUR 94k was recognized from the reversal of provisions.

V. Other notes

There are other financial obligations resulting from rent and lease agreements amounting to EUR 779k.

The Company had 32 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.

VI. Appropriation of profits and reserves

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

The net income for the fiscal year 2016/17 will be carried forward to new account.

VII. 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
Mikael Samuelson
Venkateswaran Sundaram

Wernigerode, 21 April 2017

Rainer Gessing

Mikael Samuelson

Venkateswaran Sundaram

CG Drives & Automation Germany GmbH, Wernigerode Legal background

1. Legal position of the Company

CG Drives & Automation Germany GmbH, Wernigerode, is entered in the commercial register of Stendal district court under HRB no. 111447. An excerpt from the commercial register dated 4 April 2017 with the latest amendments dated 25 April 2016 (new general managers) was made available to us.

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

Purpose of the Company

The purpose 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 1 April of a given year and ends on 31 March of the following year.

Shareholders

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

Management and company representatives

Management:

Mr. Rainer Gessing, Wernigerode
Mr. Mikael Samuelsson, Höllviken (Sweden)
Mr. Venkateswaran Sundaram, Nerul (India)

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 resolutions

The following resolutions were adopted at the shareholder meeting on 14 October 2016:

- Approval of the financial statements as of 31 March 2016
- Decision to carry forward net income of EUR 159,642.47 to new account
- Exoneration of management for the fiscal year from 1 April 2015 to 31 March 2016

The following resolution was adopted at the shareholder meeting on 29 March 2017:

- Appointment of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditor for the fiscal year 2016/2017.

2. Significant contracts

Master supply agreement

A master supply agreement for the period 1 January 2014 to 31 December 2014 and an order value of EUR 100k was agreed between the Company and Rittal GmbH & Co. KG, Herborn. The agreement is extended by one year at a time unless terminated in writing observing a notice period of at least one month.

The agreement had not been terminated as of 31 March 2017.

Marketing agreement

CG D&A concluded a marketing agreement with CG Drives & Automation Sweden AB, Helsingborg (Sweden), dated 1 April 2015 to distribute products of CG Drives & Automation Sweden AB. Certain sources of revenue are invoiced using a cost-plus method, which is adjusted each quarter. The agreement was concluded for a period of three years and does not have a special termination policy.

3. Tax background

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 2015 (calendar year) assessment period and is subject to verification.

The most recent tax field audit covered the years 2011 to 2014 and was completed in the 2015/2016 year under review. The findings were considered in the financial statements as of 31 March 2017.



Translation from the German language

Engagement Terms, Liability and Conditions of Use

In the audit report, the auditors summarize the results of their work, reporting in particular to those bodies of the Company responsible for its oversight. By documenting material audit findings, the audit report supports the bodies responsible in overseeing the Company. For this reason, the report - notwithstanding any right of third parties based on special legal provisions to receive or inspect it - is addressed exclusively to the bodies of the Company for internal use.

Our work is based on our engagement agreement for the audit of this financial reporting and the "General Engagement Terms for Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften" [German Public Auditors and Public Audit Firms] as issued by the Institute of Public Auditors in Germany ["Institut der Wirtschaftsprüfer": IDW] on 1 January 2017.

This audit report is solely intended to serve as a basis for decisions of bodies of the Company and must not be used for purposes other than those intended. We therefore assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the audit report and/or audit opinion to reflect events or circumstances arising after the audit opinion was issued unless required to do so by law.

It is the sole responsibility of anyone taking note of the information contained in this audit report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translator's 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.