

**Financial Statements**

according to the  
German Commercial Code

for the Fiscal Year from  
January 1 to December 31, 2019

of

**Pyrum Innovations AG,  
Dillingen / Saar**

## **CONTENT**

**Independent Auditor's Report**

## **APPENDICES**

- 1 Balance Sheet as of December 31, 2019**
- 2 Income Statement for the Fiscal Year from January 1 to December 31, 2019**
- 3 Notes to the Financial Statements for the Fiscal Year from January 1 to December 31, 2019**
- 4 General Conditions for Wirtschaftsprüfer (CPA) and Wirtschaftsprüfungsgesellschaften (accounting firms) as of January 1, 2017**

[note: This is a translation of the German original. Solely the original text in German language is authoritative. If necessary, translator's comments are made between square brackets]

## Independent Auditor's Report

To Pyrum Innovations AG  
Dillingen / Saar

### Opinion

I have audited the Annual Financial Statements of Pyrum Innovations AG, Dillingen / Saar, which comprise the balance sheet as at December 31, 2019 and the statement of income for the financial year from January 1 to December 31, 2019 and the Notes to the Financial Statements, including the recognition and measurement policies presented therein.

In my opinion, on the basis of the knowledge obtained in the audit, the accompanying Annual Financial Statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the company as at December 31, 2019 and of its financial performance for the financial year from January 1 to December 31, 2019 in compliance with German Legally Required Accounting Principles.

Pursuant to section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], I declare that my audit has not led to any reservations relating to the legal compliance of the Annual Financial Statements.

### Material Uncertainty concerning the Company's Ability to Continue as a Going Concern

I refer to section 2.2. in the Notes to the Financial Statements where the legal representatives describe that Pyrum Innovations AG is still in an expected lasting loss situation the duration of which will also depend on the further course of the pandemic control measures. As explained in section 2.2., these events and circumstances indicate a material uncertainty which may constitute significant doubt about the company's ability to continue as a going concern and which is an existential risk in the sense of section 322 (2) sentence 3 HGB. My audit opinion with regard to this issue is not modified.

### Basis for the Opinion

I conducted my audit of the Annual Financial Statements in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). My responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of my auditor's report. I am independent of the company in accordance with the requirements of German commercial and professional law, and I have fulfilled my other German professional responsibilities in accordance with these requirements. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on the Annual Financial Statements.

## **Responsibilities of the Legal Representatives and the Supervisory Board for the Annual Financial Statements**

The legal representatives are responsible for the preparation of the Annual Financial Statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles. In addition, the legal representatives are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the Annual Financial Statements.

## **Auditor's Responsibilities for the Audit of the Annual Financial Statements**

My objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes my opinion on the Annual Financial Statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Financial Statements.

I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control system relevant to the audit of the Annual Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the company.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- Conclude on the appropriateness of the legal representatives' use of the going con-

cern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the Annual Financial Statements or, if such disclosures are inadequate, to modify my respective opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements present the underlying transactions and events in a manner that the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Eschborn, July 17, 2020

[original version signed by:]

[original version: professional seal]

Christian Hecht  
Wirtschaftsprüfer [German Public Accountant]

**Pyrum Innovations AG**  
**Dillingen/ Saar**

Financial Statements  
for the Fiscal Year ended  
December 31, 2019

ASSETS	Current Year EUR	Prior Year EUR	LIABILITY AND EQUITY	Current Year EUR	Prior Year EUR
<b>A. Noncurrent Assets</b>			<b>A. Equity</b>		
I. Noncurrent Intangible Assets			I. Subscribed Capital	2,313,211.00	2,221,800.00
Acquired Rights and Licenses on such Rights	3,964.00	4,444.00	II. Capital Reserve	3,331,098.18	1,981,871.82
II. Property, Plant, and Equipment			III. Accumulated Losses	-3,686,083.67	-1,899,350.07
1. Buildings on Leasehold Property	20,806.00	22,301.00	Total Equity	1,958,225.51	2,304,321.75
2. Technical Equipment and Machines	4,965,309.00	2,760,997.00	<b>B. Provisions and Accrued Liabilities</b>		
3. Other Equipment, Plant and Office Equipment	532,018.00	352,451.00	Other Provisions and Accrued Liabilities	2,127,063.66	1,944,796.22
4. Advances paid and Assets under Construction	592,577.10	817,944.03	<b>C. Liabilities</b>		
	<u>6,110,710.10</u>	<u>3,953,693.03</u>	1. Liabilities to Banks	431,556.04	289,758.83
III. Noncurrent Financial Assets			2. Liabilities Trade	2,083,185.48	259,356.89
Other Loans	287,670.56	281,992.70	3. Other Liabilities	<u>742,239.34</u>	<u>20,650.57</u>
Total Noncurrent Assets	6,402,344.66	4,240,129.73		<u>3,256,980.86</u>	<u>569,766.29</u>
<b>B. Current Assets</b>				<u>7,342,270.03</u>	<u>4,818,884.26</u>
I. Inventories					
1. Raw Materials and Supplies	44,633.20	15,000.00			
2. Work in Progress	81,100.00	0.00			
3. Finished Goods	24,941.63	63,600.00			
	<u>150,674.83</u>	<u>78,600.00</u>			
II. Receivables and other Current Assets					
1. Receivables Trade	33,236.27	28,830.02			
2. Other Current Assets	145,235.98	52,340.38			
	<u>178,472.25</u>	<u>81,170.40</u>			
III. Cash at Hand and in Bank	608,112.75	414,603.60			
Total Current Assets	937,259.83	574,374.00			
<b>C. Deferred Expenses</b>	2,665.54	4,380.53			
	<u>7,342,270.03</u>	<u>4,818,884.26</u>			

## INCOME STATEMENT for the Fiscal Year from January 1 to December 31, 2019

**Pyrum Innovations AG**  
**Dillingen/ Saar**

	Current Year EUR	Prior Year EUR
1. Revenues	169,725.23	27,860.82
2. Increase/Decrease of Finished Goods	24,941.63	0.00
3. Increase/Decrease of Work in Progress	17,500.00	23,500.00
4. Other own Work Capitalized	2,740,923.87	802,422.32
5. Other Operating Income	652,683.52	190,463.35
6. Expenses for Materials		
a) Expenses for Raw Materials and Supplies and for purchased goods	2,190,674.40	289,012.74
b) Expenses for Purchased Services	<u>129,996.25</u>	<u>182,168.21</u>
	2,320,670.65	471,180.95
7. Personnel Expenses		
a) Wages and Salaries	1,039,361.30	781,989.15
b) Social Security Contributions and Expenses for old-age procurement and assistance	<u>189,483.24</u>	<u>146,343.50</u>
	1,228,844.54	928,332.65
8. Depreciation on Intangible Noncurrent Assets and Property, Plant, and Equipment	944,748.17	740,167.18
9. Other Operating Expenses	815,820.46	816,662.06
10. Income from Noncurrent Loans	8,430.00	0.00
11. Other Interest and similar Income	77.96	89.76
12. Interest and similar Expenses	87,592.99	77,661.48
13. Taxes from Income	<u>0.00</u>	<u>-93,130.00</u>
<b>14. Result after Tax</b>	-1,783,394.60	-1,896,538.07
15. Taxes other than Income Taxes	3,339.00	2,812.00
	<u>-1,786,733.60</u>	<u>-1,899,350.07</u>
<b>16. Net Loss of the Year</b>	-1,786,733.60	-1,899,350.07
17. Losses carried Forward	<u>-1,899,350.07</u>	0.00
	<u>-3,686,083.67</u>	<u>-1,899,350.07</u>
<b>18. Accumulated Losses</b>	<u>-3,686,083.67</u>	<u>-1,899,350.07</u>

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## Notes to the Financial Statements for the Fiscal Year 2019

### 1. General Disclosures to the Financial Statements

#### Disclosures for Identification Purposes according to the Trade Registry Court

The following information is entered in the commercial register at the balance sheet date:

Company name according to the registry court:	Pyrum Innovations AG
Principal office according to the registry court:	Dillingen/Saar
Registry section:	Commercial register Abt. B
Registry court:	Saarbrücken
Registry number.:	104458

### 2. Disclosure to Accounting and Valuation Methods

#### 2.1 Accounting, Valuation and Classification Principles

The annual financial statements are compiled in accordance with the accounting regulations set forth for business corporations in the German Commercial Code (sec. 242 et seq. Handelsgesetzbuch – HGB -), under particular consideration of the special accounting regulations for stock corporations. For the notes to the financial statements, the exemptions for small corporations were used.

Acquired intangible assets were recognized at purchase cost and, if they have a limited useful life, reduced by scheduled depreciation. Self-generated intangible assets were not capitalized.

Property, plant and equipment is recognized at acquisition or production cost and, if they have a limited useful life, reduced by scheduled depreciation.

Direct material costs, direct and overhead production costs, the depreciation of the fixed assets used for the provision of the service as well as an appropriate portion of the administrative overhead costs, were included in the production costs. Interest on borrowed capital is not included in the production costs.

The scheduled depreciation was carried out on a straight-line basis, based on the expected useful life of the assets.

Low-value fixed assets up to EUR 800,00 were depreciated completely in the year of the acquisition.

The noncurrent financial assets were recognized at acquisition cost. Impairment allowances to the lower fair value were not necessary.

Raw materials, consumables and supplies were capitalized at their acquisition costs. Work in progress and finished goods were stated at their production costs.

Receivables and other assets were capitalized at their nominal value and valued considering all identifiable risks.

The other provisions were recognized for all uncertain liabilities and for expected losses from onerous contracts. In doing so, all identifiable risks were taken into account. Based on prudent business judgement, the provisions were valued at the amount that is necessary to fulfill the respective obligation. The costs at the probable future point in time of settlement were considered. Provisions that are expected to be settled more than one year after the balance sheet date, have been discounted. The estimated remaining terms used here are based on the management's expectations regarding the probable future utilization, in particular the medium-term planning for the plant construction. The term-dependent discount rates determined by the Deutsche Bundesbank were used for discounting. The expense from discounting as well as interest effects from changes in interest rates and a changed estimate of the terms are recorded in total as interest expense.

Deferred taxes were accounted for and valued in accordance with sec. 274 of the German Commercial Code. Deferred tax assets and liabilities are set off. According to the option in sec. 274 para 1 sentence 2 of the German Commercial Code, a net deferred tax asset balance is not recognized in the balance sheet.

Liabilities were recognized at the settlement amount.

Revenues are recognized upon delivery of the product or upon completion of the service rendered.

## **2.2 Ability to Act as a Going Concern**

The Company incurred large net losses in the financial years 2018 and 2019 as it continued to expand and improve its recycling facility. In 2019, a significant improvement to the pyrolysis plant was completed and a tire shredder plant was added to the overall plant. The tire shredder plant has been in regular operation since November 2019, and the entire plant since May 2020, generating sustainable revenues.

However, the operation of the current plant and the research and development projects acquired will not yet be sufficient to achieve a positive result for the company as a whole. This requires the execution of the planned plant construction contracts, some of which have already been commissioned. These projects have been delayed since the turn of the year, mainly due to the measures to combat the pandemic. The Executive Board of Pyrum AG expect work on customer projects to resume in the last quarter of 2020 at the earliest and predominantly from the first half of 2021 onwards. Due to the current and possible future restrictions on pandemic control in Germany and in the countries where the plants are located, these estimates are subject to uncertainty. Further delays may result in an existential risk for Pyrum AG.

Due to the situation described above, Pyrum AG will probably still generate a negative result in the 2020 financial year and only achieve positive results from 2021 onwards. The Executive Board expect that Pyrum AG will be able to continue its business activities due to its capital and liquidity resources as well as the steady earnings contributions from plant operations.

## **2.3 Changes of Accounting, Valuation and Classification Methods compared to the Previous Year**

There were no changes to the accounting, valuation and classification methods.

## **3. Disclosures to the Balance Sheet**

### **3.1 Development of the Share Capital and the Capital Reserve**

The capital reserve amounted 1,981,871.82 EUR as of 31<sup>st</sup> December 2018.

The premium of 1,349,226.36 earned from the capital increase against cash contribution in the extraordinary general meeting of January 29, 2019 was recognized in the capital reserves.

### 3.3 Disclosures to the Liabilities

The amount of the liabilities with a remaining term of up to one year is 1,026.390.92 EUR (previous year: 377,320.37 EUR).

The amount of the liabilities with a remaining term of more than one year and less than five years is 2,238,589.94 EUR (previous year: 192,445.92 EUR).

The amount of the liabilities with a remaining term of more than five years is 11,401.89 EUR (previous year: 0.00 EUR).

The liabilities to banks are secured in the amount of 252,664.09 EUR by assignment of fixed assets. For liabilities of 178,891.95 EUR a cash backing was provided.

Accounts payables trade in the amount of 1,918,680.01 EUR are secured by retention of ownership title or assignments by way of security to fixed assets.

The other liabilities include liabilities from taxes in an amount of 16,566.38 EUR (previous year 16,084.35 EUR) and liabilities for social security in an amount of 10,200.36 EUR (previous year 2,534.53 EUR).

### 3.4 Other Financial Obligations Not Recognized in the Balance Sheet

In addition to the liabilities shown in the balance sheet, there are other financial obligations.

<u>Obligations from rental and leasing contracts:</u>	<u>TEUR</u>
payable in 2020	99
payable in 2021	90
payable in 2022	59
in subsequent years	<u>31</u>
	279

The order commitment from a purchase contract for system components until May 2022 is 5,000 TEUR.

Contingent liabilities arising from the cooperation agreements exist in the amount of 428 TEUR. The executive board of Pyrum Innovations AG estimate the probability that claims will be made against the company from these contingent obligations as remote.

### 3.5 Income Statement

The expenses for old-age procurement amount to 9,803.00 EUR (previous year: 7,248.00 EUR).

The interest expenses include interest expenses from the present value capitalisation of provisions in the amount of 31,214.27 EUR (previous year: 62,724.87 EUR).

#### **4. Other Disclosures**

##### **4.1 Headcount of Employees**

The average headcount of employees in the company during the year was 20.

##### **4.2 Names of the Members of the Executive Board and the Supervisory Board**

Executive board: Name

Chair: Pascal Klein

: Michael Kapf

Supervisory board: Name

Chair: Alf Schmidt

Deputy Chair: Manfred Alt

Further members: Jürgen Opitz  
Jürgen Fischer

##### **4.3 Granting of Loans and Advances to Members of Governing Bodies**

A short-term loan of 63,370.83 EUR was granted in April 2019 to the executive board member Pascal Klein. The loan is unsecured and bears 1% p.a. interest. It was paid back already in May 2019 until a remaining amount of 3,424.25 EUR and was fully paid at the date of the completion of the financial statements.

##### **4.4 Signatures of the Executive Board**

Dillingen/Saar, 10th July 2020

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Pascal Klein

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Michael Kapf

# 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.