

TRANSLATION

**Garpa Garten & Park Einrichtungen GmbH
Escheburg**

**FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
FOR 2017**



Hanseatische Mittelstands Treuhand GmbH
Wirtschaftsprüfungsgesellschaft
Hamburg

GARPA GARTEN & PARK EINRICHTUNGEN GMBH, ESCHEBURG

BALANCE SHEET AS AT 31. DECEMBER 2017

ASSETS

| | 31.12.2017 EUR | 31.12.2016 EUR |
|---|----------------------|----------------------|
| A. FIXED ASSETS | | |
| I. Intangible Assets | | |
| 1. Concessions, industrial and similar rights and assets, licenses in such rights | 122.338,37 | 176.202,59 |
| 2. Prepayments | <u>132.552,73</u> | <u>117.489,98</u> |
| | 254.891,10 | <u>293.692,57</u> |
| II. Tangible Assets | | |
| 1. Land, land rights and buildings, including buildings on third-party land | 35.549,09 | 50.430,18 |
| 2. Other Equipment, factory and office equipment | <u>552.315,59</u> | <u>579.843,09</u> |
| | 587.864,68 | <u>630.273,27</u> |
| III. Financial Assets | | |
| Shares in affiliated companies | <u>15.576,32</u> | <u>15.576,32</u> |
| | <u>15.576,32</u> | <u>15.576,32</u> |
| | 858.332,10 | 939.542,16 |
| B. CURRENT ASSETS | | |
| I. Inventories | | |
| 1. Finished goods and merchandise | 11.466.530,38 | 13.469.171,55 |
| 2. Prepayments | <u>10.000,00</u> | <u>0,00</u> |
| | 11.476.530,38 | 13.469.171,55 |
| II. Receivables and other assets | | |
| 1. Trade receivables | 699.398,78 | 540.213,19 |
| 2. Receivables from affiliated companies | 920.475,50 | 492.056,00 |
| 3. Other Assets | <u>858.527,28</u> | <u>1.059.244,30</u> |
| | 2.478.401,56 | <u>2.091.513,49</u> |
| III. Cash-in-hand, bank balances an cheques | <u>1.095.896,71</u> | <u>535.109,81</u> |
| | 15.050.828,65 | 16.095.794,85 |
| C. PREPAID EXPENSES | <u>29.382,15</u> | <u>51.954,30</u> |
| | <u>15.938.542,90</u> | <u>17.087.291,31</u> |

GARPA GARTEN & PARK EINRICHTUNGEN GMBH, ESCHEBURG

BALANCE SHEET AS AT 31. DECEMBER 2017

SHAREHOLDERS' EQUITY AND LIABILITIES

| | 31.12.2017 EUR | 31.12.2016 EUR |
|---|----------------------|----------------------|
| A. SHAREHOLDERS' EQUITY | | |
| I. Subscribed Capital | 5.000.000,00 | 5.000.000,00 |
| II. Revenue Reserves | 2.500.000,00 | 2.500.000,00 |
| III. Retained Profits brought forward | 1.286.393,58 | 1.286.393,58 |
| IV. Net Income for the year | <u>2.413.051,89</u> | <u>1.473.021,11</u> |
| | 11.199.445,47 | 10.259.414,69 |
| B. PROVISIONS | | |
| 1. Provisions for taxes | 92.600,00 | 18.800,00 |
| 2. Other Provisions | <u>2.747.339,48</u> | <u>2.289.205,23</u> |
| | 2.839.939,48 | 2.308.005,23 |
| C. LIABILITIES | | |
| 1. Liabilities to banks | 0,00 | 2.701.360,46 |
| 2. Trade Payables | 1.640.930,13 | 1.502.061,00 |
| 3. Liabilities to affiliated companies | 0,00 | 179.142,29 |
| 4. Other Liabilities | 258.227,82 | 137.307,64 |
| - of which relating to social security and similar obligations: EUR 9.753,39 (previous year: EUR 12.087,10) | | |
| - of which taxes: EUR 99.119,25 (previous year: EUR 95.179,36) | | |
| | <u>1.899.157,95</u> | <u>4.519.871,39</u> |
| | <u>15.938.542,90</u> | <u>17.087.291,31</u> |

GARPA GARTEN & PARK EINRICHTUNGEN GMBH, ESCHEBURG
PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR 2017

| | 2017 EUR | 2016 EUR |
|---|----------------------------|----------------------------|
| 1. Turnover | 36.485.458,05 | 33.893.729,38 |
| 2. Other operating income | 353.186,03 | 74.373,30 |
| 3. Cost of materials | <u>-14.682.092,31</u> | <u>-13.492.034,87</u> |
| 4. Gross Profit | 22.156.551,77 | 20.476.067,81 |
| 5. Personnel Expenses | | |
| a) Wages and salaries | -4.122.384,57 | -3.869.589,35 |
| b) Social Security, post-employment and other employee benefit costs | <u>-679.785,71</u> | <u>-703.481,35</u> |
| | -4.802.170,28 | -4.573.070,70 |
| 6. Depreciation | -270.629,87 | -285.104,51 |
| 7. Other operating expenses | <u>-13.563.162,18</u> | <u>-13.508.867,31</u> |
| 8. Operating income | 3.520.589,44 | 2.109.025,29 |
| 9. Other interests and similar income | 25.115,74 | 22.573,90 |
| - thereof discounted provisions: EUR15.076,76 (previous year: EUR 18.241,44) | | |
| - of which from affiliated companies:EUR 9.561,17 (previous year: EUR 4.212,19) | | |
| 10. Interest payable and similar expenses | -38.400,87 | -40.675,80 |
| - of which to affiliated companies: EUR 6.549,78 (previous year: EUR 12.410,42) | | |
| 11. Taxes on income | <u>-1.094.252,42</u> | <u>-617.902,28</u> |
| 12. Income after tax | <u>2.413.051,89</u> | <u>1.473.021,11</u> |
| 13. Net income for the year | <u>2.413.051,89</u> | <u>1.473.021,11</u> |

Garpa Garten & Park Einrichtungen GmbH

Escheburg

Notes for the 2017 financial year

A. General information

The company is registered with HRB 350GE at the district court Lübeck.

The financial statements for the year ended 31 December 2017 have been prepared in accordance with the accounting rules of the German Commercial Code (HGB) and the GmbH Act. The affiliated company Garpa Garden & Furniture Ltd. London, UK, is reflected in the accounts at cost of acquisition for 100% of the shares. This subsidiary is taking advantage of exemption from audit according to section 479a of the Companies Act 2006.

As a medium-sized limited company, we have made use of the simplification options under sec. 288 HGB.

The classification of the financial statements is in accordance with the provisions in sections 266 and 275 (2) HGB.

B. Accounting methods

The income statement is prepared in accordance with the total cost method.

Information that may be disclosed either in the balance sheet or in the notes is contained in the notes.

C. Valuation methods

ASSETS

Fixed assets

Intangible assets, property, plant and equipment and financial assets are valued at cost and, insofar as they are depreciable, are valued after deduction of regular amortisation and depreciation charges. The regular amortisation and depreciation charges are determined on the basis of the straight-line method.

Low-value non-current assets costing up to € 410.00 net are written off in full in the year of acquisition in accordance with sec. 6 para. 2 EStG (German Income Tax Act).

Current assets

Inventories are valued at cost of acquisition or production or replacement cost if lower. Appropriate adjustments were made for used, damaged or items of reduced marketability and display items.

In addition, writedowns were made for slow-moving items.

Inventories subject to product-related writedowns and new merchandise were not subject to writedowns for slow-moving.

Receivables and other assets are reported at par after deduction of specific and general bad debt provisions.

EQUITY and LIABILITIES

Provisions

Provisions are set up at the amount deemed necessary to settle the respective obligations on the basis of reasonable commercial judgment. Long-term provisions are discounted at a matching interest rate.

Liabilities

Liabilities are reported at their settlement amount.

Currency translations

The balance sheet and income statement of the Zurich branch was translated at the middle selling rate. At the balance sheet date, foreign currency receivables were translated at the middle spot rate.

D. Information on single items in the financial statements

Fixed assets

The classification and changes in the single fixed assets are shown in the schedule of fixed assets.

Shares in affiliated Companies

The company holds all the shares in Garpa Garden & Furniture Ltd., registered in London, UK, which has subscribed capital equivalent to T€ 16. In 2016, a profit of T€ 11 was reported.

Receivables and other assets

The reported receivables from affiliated companies include T€ 780 (Previous Year: T€ 478) receivables from shareholders. These are mainly receivables from loans (T€ 600) and the VAT tax group (T€ 180).

All receivables and other assets have remaining terms up to one year.

Equity

The profit carried forward (€ 1,286,393,58) reported as at 31 December 2017 changed as follows:

| | € |
|--|----------------------|
| As at 1 January 2016 | 1,286,393.58 |
| Net profit 2016 | <u>1,473,021.11</u> |
| Retained earnings as of 31 December 2016 | 2,759,414.69 |
| Profit distribution in 2017 | <u>-1,473,021.11</u> |
| As at 31 December 2017 | <u>1,286,393.58</u> |

Other provisions

Other provisions were for the most part set up for staff obligations and warranties.

Liabilities

All liabilities have a remaining term of less than one year. Apart from normal collateral or collateral arising by operation of law, no liens or similar forms of security have been granted.

Supplementary information

Other financial liabilities not disclosed in the balance sheet within the meaning of sec. 285 no. 3 HGB consist of rental and leasing contracts in the amount of T€ 3,813, of which T€ 2,207 relates to the sole shareholder. Of the amounts to be paid, T€ 1,682 is due in 2018 (T€ 736 of which is owed to the sole shareholder).

The company is liable for a loan of Garpa Holert Handelsgesellschaft GmbH Co. KG in the amount of T€ 2,800 (31 December 2017: T€ 2,590). A claim is not expected, as the debtor can take the repayment on schedule.

E. Other information

Financial instruments

At the balance sheet date, there were fourteen forward buy contracts with Deutsche Bank AG for USD 1,000,000.00 each and thirteen forward buy contracts for USD 500,000.00 each at USD/EUR exchange rates between 1.1275 and 1.3250.

There are a further four forward sell contracts with Deutsche Bank AG for CHF 500,000.00 each at CHF/EUR rates between 1.0130 and 1.0785 and two forward sell contracts with Joh. Berenberg, Gossler & Co. KG for CHF 500,000.00 each at CHF/EUR rates between 1.2081 and 1.2151.

No provisions were made in the balance sheet for the above forward exchange transactions, as payment obligations and receipts exist in the same amounts at about the same dates (anticipative hedging within the meaning of sec. 254 HGB). The net hedge presentation method is applied.

Post-balance-sheet report

No reportable events took place after the balance sheet date.

Shareholder

Garpa Holert Handelsgesellschaft mbH & Co. KG, Escheburg, is the sole shareholder, who is, furthermore, part of the consolidated financial statements of the DK Premium Brands Holding AG, Zurich/Switzerland.

Employees

The company had 101 employees on average over the year (previous year: 104), 44 were part-time workers (previous year: 43).

Management

In the reporting year, the managing directors were:

Graduate in business administration, Oliver Michels, Hamburg (until 31 December 2017)

Master of business administration (FH) Thorsten Rief, Hamburg (from 1 Oktober 2017)

No information is provided on the overall remuneration of the managing directors in accordance with sec. 286 para. 4 HGB.

Advisory board

In the 2017 financial year, the following persons were members of the purely advisory board:

Katja Holert (chairman), Hamburg

Thomas Nowak, Hamburg

Proposal on the appropriation of the profit

It is intended to distribute the profits in the amount of € 2,413,051,89 to Garpa Holert Handelsgesellschaft mbH & Co. KG.

Escheburg, March 5, 2018

Garpa Garten & Park Einrichtungen GmbH

Management

signed Thorsten Rief

GARPA GARTEN & PARK EINRICHTUNGEN GMBH, ESCHEBURG

SCHEDULE OF FIXED ASSETS 2017

| | HISTORICAL COSTS | | | | ACCUMULATED DEPRECIATION | | | | CARRYING AMOUNT | |
|--|---------------------|-------------------|---------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|-------------------|-------------------|
| | January 1 2017 | Acquisition | Disposal | December 31 | January 1 2017 | Annual | Disposal | December 31 | December 31 | December 31 |
| | EUR | EUR | EUR | 2017 | EUR | Depreciation | EUR | 2017 | 2017 | 2018 |
| INTANGIBLE ASSETS | | | | | | | | | | |
| Concessions, industrial and similar rights and assets, licences | | | | | | | | | | |
| In such rights | | | | | | | | | | |
| Software | 783,540.61 | 5,982.97 | 485,705.49 | 303,828.09 | 607,338.02 | 59,687.82 | 485,535.92 | 181,489.72 | 122,338.37 | 176,202.59 |
| Prepayments | 117,489.98 | 15,082.75 | - 0.00 | 132,552.73 | 0.00 | 0.00 | 0.00 | 0.00 | 132,552.73 | 117,489.98 |
| | <u>901,030.59</u> | <u>21,065.72</u> | <u>485,705.49</u> | <u>436,380.82</u> | <u>607,338.02</u> | <u>59,687.82</u> | <u>485,535.92</u> | <u>181,489.72</u> | <u>254,891.10</u> | <u>293,692.57</u> |
| TANGIBLE ASSETS | | | | | | | | | | |
| Land, land rights and buildings, including buildings on third-party land | 508,875.67 | 0.00 | 184,037.25 | 324,838.42 | 458,245.49 | 14,865.09 | 184,021.25 | 288,089.33 | 35,549.09 | 50,430.18 |
| Other equipment, factory and office equipment | 5,683,992.82 | 205,851.48 | 3,919,811.84 | 1,978,232.88 | 5,104,149.73 | 186,077.18 | 3,875,359.82 | 1,423,917.07 | 552,315.59 | 579,843.09 |
| | <u>6,192,868.49</u> | <u>205,851.48</u> | <u>4,097,848.89</u> | <u>2,303,071.08</u> | <u>5,562,395.22</u> | <u>210,942.25</u> | <u>4,060,331.07</u> | <u>1,713,006.40</u> | <u>587,864.68</u> | <u>630,273.27</u> |
| FINANCIAL ASSETS | | | | | | | | | | |
| Shares in affiliated companies | 15,578.32 | 0.00 | 0.00 | 15,578.32 | 0.00 | 0.00 | 0.00 | 0.00 | 15,578.32 | 15,578.32 |
| | <u>15,578.32</u> | <u>0.00</u> | <u>0.00</u> | <u>15,578.32</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>15,578.32</u> | <u>15,578.32</u> |
| | <u>7,108,276.40</u> | <u>226,907.20</u> | <u>4,583,354.38</u> | <u>2,752,828.22</u> | <u>6,169,733.24</u> | <u>270,828.87</u> | <u>4,545,866.99</u> | <u>1,894,496.12</u> | <u>858,332.10</u> | <u>939,542.18</u> |

Management Report
for the 2017 financial year
of Garpa Garten & Park Einrichtungen GmbH, Escheburg

1. Basis of the company

Company structure

Garpa has been the leading supplier of high-quality garden and park furniture in the German-speaking countries for many years. It sells its products by direct mail order through annual catalogues and branches in Vienna, Austria and in Zurich, Switzerland. In the UK, Garpa Garden & Park Furniture Ltd. serves the English market.

In the past, the business was split into two separate companies. Garpa is the operating company. The sole shareholder, Garpa Holert Handelsgesellschaft mbH & Co. KG, is the holding company, who sold 75% of the outstanding shares to the DK Premium Brands AG, Zurich/Switzerland effective from September 1st 2014. Since May 4th 2017 the company holds 76% of the shares.

2. Business report

Performance

Due to extensive marketing operations the amount of incoming orders has been above the level of 2016. The moderate increase in selling prices was once again well received by the market. As in previous years, the company made huge efforts in product development, quality assurance and communications to maintain the high standards and strengthen its lead over competitors.

Earnings

The gross profit was higher than in previous and in absolute terms increased by T€ 1,680 (8.2%). Operative income amounted to T€ 3,520, which represented a rise of T€ 1,411 compared to the previous year.

Assets, liabilities and financial position

Inventories decreased by T€ 2,003. At the reporting date the company had no bank liabilities. Liabilities to suppliers increased by T€ 139. These compare to liquid funds, which increased by T€ 1,096.

The equity ratio rose to 70,3 % (previous year: 60,0%). 90,09% of all the non-current assets and inventories reported by Garpa were financed by the company's own funds at the balance sheet date (previous year: 71.2%).

Garpa was at all times able to meet its financial obligations and will be able to do so in the future.

3. Branch office report

There are two branch offices for sales and distribution in Vienna/Austria and Zurich/Switzerland.

4. Forecast, opportunity and risk report

Opportunities and Risks

Risk detection, measuring and controlling are based on the applied risk-control-system, that contains the elements operative risk control and an internal control-system for early recognition of threats affecting going concern. Risk management aims to find a well-balanced opportunity/risk ratio.

Every risk is described by the operative risk control in detail. The risks are evaluated according to their economic impact and their probability of occurring. Counteractive measures are defined.

Product development and the optimization of marketing measures take advantage of sales opportunities and minimize sales risks. Therefore it is made use of the sole shareholders' abilities and market connection.

For the protection against financial risks planning and controlling tools for the companies' liquidity are used. The cash flow calculation is permanently monitored by the liquidity controlling system. Furthermore the company owns adequate credit lines.

Trade receivables are assured by creditworthiness evaluations, trade credit insurances and an effective accounts receivable management system.

To hedge currency risks, the company regularly enters into hedging transactions in respect of its foreign currency payment obligations.

Supply shortages are prevented by an intense technical and economical support of new and long-standing supplier relationships. Dependencies from single suppliers are counter measured by systematic sourcing of potential alternative suppliers. The sourcing contains voluntary self-disclosures, service descriptions and audits.

Quality risks are reduced by a permanent quality controlling of the production processes.

IT risks are decreased by investments that improve the reliability and exchange outdated systems gradually.

The sum of all risks named is evaluated as control- and manageable by the management, today. Furthermore management cannot find additional material risks that could have a negative impact on the current situation of operations, net assets and the financial position.

Outlook

Garpa aims to further strengthen its special position as a premium brand in the German-language home markets by introducing innovative product developments, by using high-class marketing instruments and by expanding sales activities especially in the hospitality market in the coming years.

In 2018 we plan a growth in sales and earnings, which is similar to the reporting year, because of our belief in our strength and our good customer relations.

Escheburg, March 5, 2018

Garpa Garten & Park Einrichtungen GmbH


signed Thorsten Rief

Audit Opinion

We have audited the financial statements – comprising balance sheet, income statement and notes – including the bookkeeping and the management report of Garpa Garten & Park Einrichtungen GmbH for the financial year from 1 January to 31 December 2017. The bookkeeping and the preparation of the financial statements and the management report in accordance with German commercial law are the responsibility of the Company's representatives. Our responsibility is to express an opinion on the annual financial statements, including the bookkeeping, and on the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the "Institut der Wirtschaftsprüfer" (IDW). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and result operations in the financial statements and the management report in accordance with principles of proper accounting 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 the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping, financial statements and 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 the legal representatives as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements of Garpa Garten & Park Einrichtungen GmbH comply with the law and give a true and fair view of the net assets, financial position and result of operations of the Company having due regard to generally accepted accounting principles. The management report is consistent with the financial statements and on the whole gives a true and fair view of the Company's position and suitably presents the opportunities and risks of future development.

Hamburg, March 12, 2018

Hanseatische Mittelstands Treuhand GmbH
(audit firm)

signed
Astrid Busch
Wirtschaftsprüferin

signed
Dr. H.-W. Kortmann
Wirtschaftsprüfer

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.

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.

5. 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.

6. 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.

7. 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.

8. 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.