

Cologne, May 17, 2016
- 54010/K -

**Sun Pharmaceuticals Germany GmbH,
Leverkusen**

Report on the Audit
of the Annual Financial Statements as at March 31, 2016

- TRANSLATED VERSION OF THE GERMAN ORIGINAL -

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A. Audit Engagement

1 Corporate Management of

**Sun Pharmaceuticals Germany GmbH,
Leverkusen,**
- hereinafter referred to as "company" -

have engaged us to audit the annual financial statements, under inclusion of the company's accounting records for the financial year ending March 31, 2016. We have accepted this engagement under the terms of our confirmation letter, dated April 21, 2016.

Preparing accounting records and the annual financial statements, in accordance with provisions of German Commercial Law, is the responsibility of the company's corporate management. Our responsibility is to express an opinion, based on our audit, on the annual financial statements.

2 We have accepted this audit engagement on the basis of the Terms and Conditions of Engagement for Auditors and Auditing Firms (Wirtschaftsprüfer: German equivalent of certified public accountant, Wirtschaftsprüfungsgesellschaft: audit firm) as amended on January 1, 2002 and published by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW - Institute of Public Auditors in Germany), which are attached to this report as Appendix 6. Our responsibility - also with respect to third parties - is governed exclusively by the aforementioned terms and conditions.

3 We confirm in accordance with section 321 para. 4a of the German Commercial Code (HGB) that, in performing our audit of the financial statements, we have observed the applicable regulations relating to independence.

4 We have reported on our audit in accordance with section 321 of the German Commercial Code (HGB) and the principles of proper reporting on audits (IDW audit standard 450). Our report consists of a

main section, which includes all material findings in summarized form, and

6 appendices, which constitute a material part of our report.

B. Fundamental Findings

Company's situation

Comments on the assessment of the Company's situation

- 5 The Company's legal representatives have elected not to prepare a management report, as permitted by section 264 (1) sentence 4 HGB (German Commercial Code). The preparation of a management report as envisaged by the Articles of Association was also dispensed with.

In this case, the statutory auditor is not under a duty pursuant to section 321 (1) sentence 2 HGB to render an opinion on the legal representatives' assessment of the position of the company, which would otherwise find expression in the Management Report pursuant to section 289 HGB. The accounts were correctly prepared on the going concern assumption.

C. Objective, Nature and Scope of the Audit

- 6 The company's accounting records and the annual financial statements constitute the subject matter of our audit.

The Company is classified as a small-sized entity within the meaning of section 267 of the Commercial Code (HGB). For the purpose of the annual financial statements it applies the German generally accepted accounting principles of the HGB.

Our audit has been conducted in accordance with Article 317 of the German Commercial Code and the generally accepted auditing standards (IDW PS 201 and all further auditing standards as applicable). We have examined whether the financial statements are in compliance with the statutory regulations and any additional regulations within the Articles of Association and adhere to the general principles of proper accounting. Compliance with other statutory provisions only forms part of the statutory audit of the financial statements to the extent that such provisions themselves in turn would normally affect the financial statements. The audit is not designed to specifically discover and investigate criminal offences such as, for example, fraud or misappropriation of funds, or to determine whether breaches of regulations unrelated to financial statements and the accounting function have been committed.

- 7 We have conducted a risk orientated audit. This implies that the risk of errors or violations of accounting regulations is an essential criterion for determining the nature and scope of our audit procedures. In order to enable us to pass judgement on the legality and the proper nature of accounting, we have, first of all, on the basis of our knowledge of the company's business activities and their legal and commercial environment, taken the risk of error pertaining to the various financial statement items into account.

We planned our audit procedures on the basis of this risk assessment. In doing so, we took into account the economic significance of the audit areas and the nature of the organization of the company's accounting system. The substantive tests encompassed the assessment of plausibility and the audit of evidence on individual transactions.

We conducted our main audit in April/May 2016 in the company's office. Our audit focussed on:

- Existence and valuation of the merchandise
- Evidence and evaluation of trade accounts receivable
- Completeness and evaluation of accruals.

The audit report was subsequently completed in our offices. We documented the nature and scope of our audit procedures in our working papers. Explanations and documentation required for the audit were readily made available to us by the directors as well as the staff they designated as our contacts.

- 8 According to the **management representation letter** provided to us by the directors, all business transactions requiring accounting have been recorded in the books, the information provided to us was complete and all assets, obligations and risks subject to accounting requirements have been taken into account in the financial statements.

D. Findings regarding the accounting

1. Compliance with regulations on accounting

1.1. Accounting system

9 As audit documents were available to us, in addition to the financial statements, the books, inventory listings, receipts, contracts, and other documentation requested by us.

10 The accounting function and records comply with legal requirements and standards of orderly accounting. We have not discovered deficiencies in the audited documents.

The requisite accounting records, invoices and other documents required to gain an understanding of the Company's accounting function are available for inspection and are kept in accordance with standards of proper accounting. Assets and liabilities could be substantiated. We determined that the accounting function complies with statutory regulations and the principles of orderly accounting.

11 The principles of proper accounting when using computer systems have also been observed, according to our audit findings. Our findings show that data processing equipment and applications software function reliably.

1.2. Annual financial statements

12 The opening balance sheet of the company was prepared as of incorporation date on March 31, 2015 and was not audited. We have assured ourselves of the fact that the assets and liabilities were recorded correctly in the opening balance sheet, with the result that the income of the reporting period was not materially compromised.

13 The annual balance sheet as at March 31, 2016 and the profit and loss statement for the period from April 1, 2015 to March 31, 2016 have been properly derived from the accounting records. The classification corresponds to the provisions of the German Commercial Code. The assets were evidenced to us by means of statements of balances and securities, stocktaking lists, confirmations of balances, registers, index files, copies of correspondence and other documents, which, taken as a whole, constitute the legally prescribed inventory.

The company's annual financial statements were prepared in accordance with sections 242 to 256 HGB and the supplementary provisions of sections 264 to 288 HGB.

Valuation of the assets and liabilities was in accordance with the provisions of the German Commercial Code. The accounting and valuation methods applied by the company are presented in the notes to the financial statements (Appendix 3). They are unchanged in comparison to the previous year. The principle of consistency in the exercise of valuation methods and the use of elective rights was observed.

- 14 The **notes** to the financial statements comply with the legal requirements. The notes to the financial statements meet all legal requirements and include all required disclosures, information about, explanations and justifications of the disclosure, accounting and valuation methods employed for the individual items of the balance sheet and the income statement as well as all requisite supplemental disclosures. We have audited the detailed information in connection with the corresponding items in the financial statements and in preparing the figures for the reporting and, where needed, have explained them in greater detail.

2. Overall statement of the annual financial statements

2.1. Findings concerning the overall statement of the annual financial statement

- 15 According to the results of our audit under due consideration of German generally accepted accounting principles the financial statements give a true and fair view of the net assets situation, results of operation and cash flow of the company. Supplemental explanatory notes are not required.
- 16 In the course of our audit, we did not identify any changes to the valuation fundamentals (choice of accounting and valuation options and use of discretionary powers) or measures which change the factual framework and have a material effect on the company's assets, financial, and earnings position.

Appendix 5 contains details of the legal and tax fundamentals.

2.2. Significant valuation principles

- 17 Accounting policies and valuation principles are disclosed in the notes to the financial statements (part of Enclosure 3) in accordance with the German Commercial Code.

In addition, we address the material estimates in the provisions as follows:

- 18 The other provisions are recognised for all risks perceived up to the preparation reference date and for uncertain liabilities, in the amount that appears necessary according to sound business judgment. They relate as to k€ 2,010 to a new discount agreement with a health insurer and take into account the risk of the return of merchandise sold in connection with this discount agreement. With regard to the initial stocking-up undertaken in this respect, the wholesalers were granted the right to return the purchased merchandise at no cost during a period of six months. For reasons of prudence, the risk of return was depicted in the full amount. Furthermore, a provision for health insurer discounts amounting to k€ 934 (previous year: k€ 527) was recognised. This provision comprises the discounts probably to be granted to the discount agreement partners in future. Since in some cases the discount partners settle up with the company only once a year, the probable discounts to be granted have to be estimated as at March 31, 2016.

3. Economic matters

- 19 The company distributes pharmaceutical products primarily in Germany.

The company is part of the Sun Pharmaceutical Industries group, which is the largest pharmaceutical manufacturer in India and is one of the five largest generic drug manufacturers worldwide. All medicinal products sold by the company must comply with the approval and quality regulations of the German and European regulatory authorities.

The main emphasis of business activities is the purchase and sale of generic drugs which are obtained from affiliated companies mainly from India.

In the German market, the company takes part in the tendering procedures of statutory health insurers.

Up to February 29, 2016, Sun conducted its business in rented premises in Kirchgarten. Since December 1, 2015, business has already been conducted to a large extent by the staff of Basics GmbH in the premises at Leverkusen.

E. Reproduction of the Auditor's Opinion

20 In accordance with the final results of our audit of the Annual Financial Statements at March 31, 2016 of Sun Pharmaceuticals Germany GmbH, Leverkusen, we have issued the following

"Auditor's Opinion

To Sun Pharmaceuticals Germany GmbH, Leverkusen

We have audited the annual financial statements - comprising the balance sheet, the income statement and the financial statements - together with the bookkeeping system of Sun Pharmaceuticals Germany GmbH, Leverkusen, for the business year from April 1, 2015 to March 31, 2016. 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 section 317 German Commercial Code and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting oriented internal control system and the evidence supporting the disclosures in the books and records and the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the annual financial statements. 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 knowledge gained from our audit, the annual financial statements comply with the legal requirements and, under consideration of the German principles of proper accounting, give a true and fair view of the net assets, financial position and results of operations of the Company."

We hereby submit this audit report in accordance with section 321 HGB and the principles of proper reporting on audits.

If these annual financial statements are published in any form other than the confirmed version attached as an annex to this report, we will be required to submit further comments in cases where our opinion is quoted or reference is made to our audit; please refer to section 328 HGB for further information.

Cologne, May 17, 2016
- 54010/K -

Roever Broenner Susat Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Graf von Kanitz
Wirtschaftsprüfer

Koerner
Wirtschaftsprüfer

Appendices

Sun Pharmaceuticals Germany GmbH, Leverkusen

Balance sheet as of March 31, 2016

Assets

A. Fixed Assets			
Tangible fixed assets			
Other assets, plant, machinery and office equipment			
B. Current Assets			
I. Inventories			
Finished goods			
II. Accounts receivable and other assets			
1. Trade accounts receivable			
- thereof due to affiliated companies:			
€ 173,828.21 (prior year: € 86,976.17) -			
2. Other current assets			

4,549.54

III. Cash in hand and at banks**C. Deferred Charges and prepaid expenses****D. Deficit not covered by equity**

Liabilities and Shareholders' Equity

	Status on 31/03/2016 €	Status on 31/03/2015 €
A. Shareholders' Equity		
I. Capital subscribed	25,000.00	25,000.00
II. Accumulated losses	-2,744,121.73	-2,798,320.38
III. Deficit not covered by equity	2,719,121.73	2,773,320.38
	0.00	0.00
B. Provisions		
Other accruals	3,226,608.39	954,909.78
C. Liabilities		
1. Trade Liabilities	4,231,371.45	2,158,319.08
- thereof due to affiliated companies:		
€ 4,231,330.85 (prior year: € 2,107,650.12) -		
- thereof with a remaining period of up to one year:		
€ 4,231,371.45 (prior year: € 2,107,650.12) -		
2. Liabilities towards shareholders	3,615,974.45	2,382,704.19
- thereof with a remaining period of up to one year:		
€ 0.00 (prior year: € 9,890.00) -		
3. Other liabilities	342,977.68	80,273.44
- thereof from taxes: € 340,691.96		
(prior year: € 77,987.72) -		
- thereof from social security:		
€ 2,284.04 (prior year: € 2,285.72) -		
- thereof with a remaining period of up to one year:		
€ 342,977.68 (prior year: € 77,987.72) -		
	8,190,323.58	4,621,296.71
	11,416,931.97	5,576,206.49

Sun Pharmaceuticals Germany GmbH, Leverkusen

**Profit and Loss Account
for the period from April 1, 2015 to March 31, 2016**

	€	€	2014/2015 €
1. Sales		3,463,729.99	6,335,682.49
2. Gains on the disposal of property, plant and equipment		5,421.85	17,004.19
3. Cost of goods			
Cost of raw materials, supplies and trading stock		-1,701,060.95	-4,519,418.48
4. Personnel expenses			
a) Wages and salaries	-693,666.66		-769,274.06
b) Social security	-117,242.20		-143,560.56
- thereof for pensions: € 0.00 (prior year: € 0.00) -			
		-810,908.86	
5. Depreciation on intangible and tangible assets		-38,693.05	-31,703.17
6. Other operating expenses		-804,702.36	-697,325.29
7. Interest Income		0.29	45.83
8. Other interest and similar expenses		-58,270.26	-60,968.51
- thereof to affiliated companies: € 58,270.26 (prior year: € 60,968.51) -			
9. Operating result		<u>55,516.65</u>	<u>130,482.44</u>
10. Other taxes		-1,318.00	0.00
11. Net income/Net loss		<u>54,198.65</u>	<u>130,482.44</u>
12. Losses carried forward		-2,798,320.38	-2,928,802.82
13. Accumulated losses		<u><u>-2,744,121.73</u></u>	<u><u>-2,798,320.38</u></u>

**Sun Pharmaceuticals Germany GmbH,
Leverkusen**

**Notes to financial statement for the financial year
from April 1, 2015, to March 31, 2016**

I. General information

The financial statement as of March 31, 2016, was drawn up with due regard to the provisions of the German Commercial Code (HGB) as contained in the German Accounting Law Modernization Act (BilMoG) that are applicable to small corporations within the meaning of Article 267, paragraph 1, in conjunction with the provisions of the German Private Limited Companies Act (GmbHG).

II. Accounting and valuation principles

The valuation of the **intangible and tangible assets** is effected at purchase prices reduced by scheduled depreciation or at the lower value to be attributed at the balance sheet date. The linear depreciation was computed on the basis of the ordinary (fiscal) useful life. For additions, the depreciation is computed pro rata temporis.

The **inventories** are valued with due regard to the lower-of-cost-or-market rule, either at purchase prices or the lower value to be attributed at the balance sheet date.

The valuation of the **accounts receivable**, the **other assets** as well as the **liquid funds** is carried out at nominal value.

Prepayments and accrued income are reported at nominal value.

The **sundry accruals** allow for any recognizable risks and contingent liabilities at the date the financial statement is drawn up and are reported at the performance amount required by reasonable financial assessment.

The **obligations** are carried as liabilities at settlement value.

III. Notes to financial statements

1. Current assets

The **accounts receivable** and the **other assets** are all due within less than one year.

2. Sundry accruals

Sundry accruals comprise the following substantial items:

	k€
Risk of repurchase	2,010
Invoices not yet received	1,147
Human resources	62
Financial statement costs	<u>8</u>
	<u>3,227</u>

The invoices not yet received relate in particular to outstanding settlements in connection with discount agreements made with various health insurance providers (k€ 934).

3. Accounts payable

With the exception of the liabilities to the shareholder (k€ 3,615), all liabilities are due within less than one year

4. Other financial obligations

As at March 31, 2016, there are other financial obligations from rental and lease agreements to the amount of k€ 7.

IV. Notes to profit and loss account

The profit and loss account has been classified applying the nature of expense method according to Article 275, paragraph 2 HGB.

V. Other information

1. Staff

The company's staff comprised nine employees on an annual average.

2. Management

During the financial year under review,

Mr. Harin Parmanand Mehta, businessman, Mumbai (India)

Mrs. Hellen de Kloet, pharmacist, Bennebroek, Netherlands (from January 19, 2016)

were appointed as directors.

The company takes advantage of the option provided by Article 286, paragraph 4 HGB.

3. Balance sheet over-indebtedness

As at March 21, 2016, the company's liabilities exceed its assets. There is, however, no over-indebtedness within the meaning of German insolvency law because the shareholder Alkaloida Chemical Company ZRT, as well as an affiliated company, have both subordinated their receivables. On March 31, 2016, the receivables of the shareholder amounted to € 3,615,974.45 and those of the affiliated company to € 3,531,679.07.

4. Disposition of earnings

The Board of Directors recommends that the annual net profit of € 54,198.65 should be carried forward to new account.

5. Group affiliation

The company belongs to the group of companies of Sun Pharmaceutical Industries Ltd., Mumbai (India) which will draw up consolidated financial statements. These statements can be inspected at <http://www.sunpharma.com/investors/annualreports>.

Leverkusen, April 28, 2016

Sun Pharmaceuticals Germany GmbH
Leverkusen

Hellen de Kloet
Director

Harin Mehta
Director

In accordance with the final results of our audit of the Annual Financial Statements at March 31, 2016 of Sun Pharmaceuticals Germany GmbH, Leverkusen, we have issued the following

Auditor's Opinion

To Sun Pharmaceuticals Germany GmbH, Leverkusen

We have audited the annual financial statements - comprising the balance sheet, the income statement and the financial statements - together with the bookkeeping system of Sun Pharmaceuticals Germany GmbH, Leverkusen, for the business year from April 1, 2015 to March 31, 2016. 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 section 317 German Commercial Code and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting oriented internal control system and the evidence supporting the disclosures in the books and records and the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the annual financial statements. 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 knowledge gained from our audit, the annual financial statements comply with the legal requirements and, under consideration of the German principles of proper accounting, give a true and fair view of the net assets, financial position and results of operations of the Company.

Cologne, May 17, 2016

Roever Broenner Susat Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Graf von Kanitz
Wirtschaftsprüfer

Koerner
Wirtschaftsprüfer

Legal and fiscal situation

Name of company:	Sun Pharmaceuticals Germany GmbH		
Place of registration:	Leverkusen		
Object of the company:	The sale, import, export and marketing of pharmaceutical, chemical and medical products.		
Commercial Register:	District Court of Cologne - HRB 85786		
Partnership Agreement:	Version dated August 11, 2008, most recently amended on July 31, 2015		
Capital and shareholder:	<table> <tr> <td>Alkaloida Chemical Company ZRT, Hungary</td> <td style="text-align: right;">€ <u>25,000.00</u></td> </tr> </table>	Alkaloida Chemical Company ZRT, Hungary	€ <u>25,000.00</u>
Alkaloida Chemical Company ZRT, Hungary	€ <u>25,000.00</u>		
Management:	<p>Hellen de Kloet, Bennebroek (Netherlands) Harin Parmanand Mehta, Mumbai (India)</p> <p>The directors were granted the power of sole representation. They are exempted from the provisions of section 181 BGB.</p>		
Financial year:	April 1 to March 31 of the following year		
Shareholders' Meeting:	<p>An ordinary shareholders' meeting took place on February 29, 2016; the following resolutions were passed:</p> <ol style="list-style-type: none"> 1. The annual financial statements of Sun Pharmaceuticals Germany GmbH as at March 31, 2015 are adopted. 2. The profit for the year 2014/2015 amounting to € 130,482.44 is carried forward to new account. 3. Discharge is granted to the company's directors. 		
Tax status:	The company is registered with the Leverkusen Tax Office under the tax number 230/5717/3167.		

[Translator's notes are in square brackets]

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services – not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

4. Client's duty of non-interference

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

6. Confidentiality – see paragraph 29 of the German Commercial Code

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations – especially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

7. Transmission of the Wirtschaftsprüfer's professional statement

(1) The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

(2) The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

8. Correction of deficiencies

(1) Where there are deficiencies, the client is entitled to subsequent fulfillment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfill [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfill [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

(2) The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties – by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

9. Liability

(1) The liability limitation of § ["Article"] 323 (2) ["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.

(2) Liability for negligence; An individual case of damages

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million; this also applies if liability to a person other than the client should be established. An individual case of damages 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 without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) Preclusive deadlines

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence.

The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.

10. Supplementary provisions for audit engagements

- (1) A subsequent amendment or abridgement of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.
- (2) If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.
- (3) The client has a right to 5 copies of the long-form report. Additional copies will be charged for separately.

11. Supplementary provisions for assistance with tax matters

- (1) When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client – especially numerical disclosures – are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.
- (2) The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records – especially tax assessments – material to meeting the deadlines, so that the Wirtschaftsprüfer has an appropriate time period available to work therewith.
- (3) In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:
 - a) preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client
 - b) examination of tax assessments in relation to the taxes mentioned in (a)
 - c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
 - d) participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)
 - e) participation in Einspruchs- und Beschwerdeverfahren [appeals and complaint procedures] with respect to the taxes mentioned in (a).

In the afore-mentioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

- (4) If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements the work mentioned under paragraph 3 (d) and (e) will be charged separately.
- (5) Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation, and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:
 - a) the treatment of nonrecurring tax matters, e. g. in the field of estate tax, capital transactions tax, real estate acquisition tax
 - b) participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and
 - c) the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners or shareholders, sale of a business, liquidations and the like.

- (6) To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisites nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

12. Confidentiality, secrecy and data protection

- (1) Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.
- (2) The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.
- (3) The Wirtschaftsprüfer is entitled – within the purposes stipulated by the client – to process personal data entrusted to him or allow them to be processed by third parties.

13. Default of acceptance and lack of cooperation on the part of the client

If the client defaults in accepting the services offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

14. Remuneration

- (1) In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays: sales tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.
- (2) Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

15. Retention and return of supporting documentation and records

- (1) The Wirtschaftsprüfer retains, for ten years, the supporting documents and records in connection with the completion of the engagement – that had been provided to him and that he has prepared himself – as well as the correspondence with respect to the engagement.
- (2) After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

16. Applicable law

Only German law applies to the engagement, its conduct and any claims arising therefrom.