



European Vaccine Initiative - EWIV, Heidelberg

Audit Report of the Annual Financial Statements
as of December 31, 2019

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For technical reasons, tables may contain rounding-off differences
in the amount of +/- one unit (EUR, % etc.).

1 AUDIT ENGAGEMENT

The management of the company

European Vaccine Initiative - EWIV, Heidelberg
- hereinafter called "EVI" or "Company" -

has chosen our company as their auditor for the financial year 2019. Thereupon, we were appointed auditors of the financial statements ending December 31, 2019, including the book-keeping system.

The audit, which is not prescribed by law, was conducted on the basis of the mandate issued by the management in accordance of sec. 316 and following of HGB.

We have prepared the following report on the nature, scope and results of our audit according to the generally accepted standards for reporting under IDW PS 450 n.F. to which the audited annual financial statements is attached to as appendices 1 to 3.

This report is addressed to the company European Vaccine Initiative - EWIV, Heidelberg.

We hereby confirm that, according to sec. 321 para. 4a of HGB, we have observed all applicable requirements of independence.

This engagement is governed by the "General Engagement Terms for Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften" in the edition from January 1, 2017, which are attached to this report as per appendix 5. Furthermore, as stated in clause 9 in the "General Engagement Terms for Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften", our professional liability is limited, also with respect to third parties.

2 GENERAL STATEMENT

2.1 Material uncertainty in connection with the continuation of the company's operations

According to sec. 321 para. 1 sentence 3 of HGB the auditor of the company's financial statements has to report about facts discovered in the course of the audit which could have a material effect on the future development or going concern of the company:

Due to the COVID19-epidemic, there are several projects funded by European and national institutions that are affected by the various blocking measures. EVI estimates that a total of 6 projects will experience delays of 3 to 12 months (6 months on average) and will require financing from EVI's own capital of about EUR 400,000.

For further information, please refer to the explanations in the notes under D. "Post audit notes on COVID19 going concern implications".

3 COPY OF AUDITOR'S OPINION

Based on the results of our audit, we issued the following unqualified auditor's opinion, dated April 17, 2020:

"INDEPENDENT AUDITOR'S REPORT

To European Vaccine Initiative - EWIV, Heidelberg

Audit opinion

We have audited the annual financial statements of European Vaccine Initiative - EWIV, Heidelberg, which comprise the balance sheet as at December 31, 2019, and the statement of profit and loss for the financial year from January 1, 2019, to December 31, 2019, and notes to the financial statements, including the presentation of the recognition and measurement policies.

In our 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 commercial partnerships within the meaning of § 264a HGB 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, 2019, to December 31, 2019 in compliance with German Legally Required Accounting Principles,

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the Audit Opinion

We conducted our audit of the annual financial statements and of the management report in accordance with § 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). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.

Material uncertainty in connection with the continuation of the company's operations

We refer to Note D. "Post audit notes on COVID19 going concern implications" in the notes to the financial statements, in which the legal representatives describe the effects of the COVID19 epidemic on the financial position of the company. As set out in Note D. "Post audit notes on COVID19 going concern implications" in the Notes, these events and circumstances indicate the existence of a material uncertainty that could cast significant doubt on the Company's ability to continue as a going concern and that poses a risk to the Company's ability to continue as a going concern within the meaning of § 322 Abs. 2 Satz [sentence] 3 HGB. Our audit opinion has not been modified with respect to this matter.

Other Information

The legal representatives are responsible for other information (Appendix 4). Other information includes, with the exception of the audited financial statements and our audit opinion, a balance sheet showing assets and liabilities by maturity, an income statement after appropriation of funds, a cash flow statement and notes.

Our opinion on the financial statements does not extend to the other information and accordingly we do not express an audit opinion or any other conclusion on these financial statements.

Our responsibility is to read the other information in connection with our audit and to express an opinion on whether the other information

- contain material inconsistencies with the annual financial statements or our audit findings, or
- appear to be substantially misrepresented elsewhere.

Responsibilities of the Executive Directors and the Finance and Risk Management Committee for the Annual Financial Statements

The executive directors 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 commercial partnerships within the meaning of § 264a HGB , 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 executive directors are responsible for such internal controls 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 executive directors 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 Finance and Risk Management Committee 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

Our 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 our [audit] opinions 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 § 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.

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

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 our [audit] opinions. 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 controls relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an [audit] opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern 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 we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective [audit] opinions. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We 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 we identify during our audit."

4 SUBJECT, NATURE AND SCOPE OF THE AUDIT

4.1 Subject of the audit

The subjects of our audit were the bookkeeping system for the financial year 2019 and the financial statements.

The financial statements have been prepared in accordance with the provisions of commercial law applying in Germany (sec. 242 to 256a of HGB) and in accordance with the supplementary regulations for corporations or specific trading partnerships imposed by sec. 264 to 288 of HGB.

The audit of non-accounting oriented statutory regulations lies only within our responsibilities as auditors to the extent that retroactive effects typically have an impact on the annual statements.

The detection and investigation of criminal acts, such as theft and fraud, and violations committed unrelated to accounting, did not form part of our engagement.

Our audit does not have to apply to whether the continuity of the audited company or the effectiveness and economic efficiency of the management can be assured (sec. 317 para. 4a of HGB).

4.2 Nature and Scope of the audit

Our audit was conducted in accordance with sec. 316 et seq. of HGB and the German policies of the institute of auditors (IDW).

We already described the main features of our auditing approach in the section Copy of auditor's opinion (cf. section 3). In addition, the following notes refer to our approach and audit execution:

- First of all, on the basis of a risk and system-oriented audit approach, we have developed an audit strategy which is based on knowledge of the business activities, on an assessment of the company's economic and legal environment, on the information furnished by the management board on the main goals, strategies and business risks, on analytical audit procedures for an appropriate estimation of accounting relevant risks for the company as well as on a fundamental estimation of the accounting-related internal control system. According to the identified risks, critical audit areas can be identified and appropriate key audit areas determined. During the course of the

audit, the evidence on the accounting and financial statements information is primarily obtained on a sample basis.

- We gain an understanding of the internal control system relevant for the audit in order to design audit procedures that are appropriate in these circumstances, but not with the aim of assessing the effectiveness of the company's internal control system.

We focused on the following areas:

- Internal controls related to payroll, cost allocation as well as the processes for the preparation of financial statements
- Accounting for donor contracts including the process in relation to the consortium of recipients
- Existence of liquid funds

In the course of our audit, we requested account balance confirmations from suppliers of the company. Concerning the suppliers, the selection of samples was made on the basis of the account balances at the closing date. Furthermore, we requested account balance confirmations from all banks with which the company had a business relationship in the financial year and at the end of the previous year.

Starting point of our audit were the annual financial statements as of December 31, 2018 which was audited by FALK GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Heidelberg, and provided with an unqualified auditor's opinion on April 5, 2019.

We have examined the opening balance sheet values to determine whether they have been properly taken over from the previous year's financial statements. We have performed additional audit procedures to obtain reasonable assurance that the opening balance sheet amounts not audited by us are free from material misstatement.

We believe that our audit provides a reasonable basis for our opinion.

With interruptions, we conducted our audit from February to April 2020 in the business premises of the company and subsequently in our office. The audit was completed on April 17, 2020.

The management provided all requested explanations and the supporting documentation, and, in accordance with professional practice, a signed letter of representation stating that the annual statements have been prepared taking into account all accounting obligated assets, commitments, risks, accruals and deferrals, expenses and revenues, including all necessary disclosures. Subsequent events of major importance after the end of the financial year which may go beyond those listed in the notes to the financial statements have not been identified.

5 CONCLUSION AND EXPLANATIONS REGARDING THE COMPANY'S ACCOUNTING

5.1 Accounting compliance

5.1.1 Bookkeeping and other audited documents

The company's operations have been conducted and the books kept in a proper manner. According to our findings, the accounts and all further audited records comply with the statutory provisions in all material respects, including the generally accepted accounting principles. All information taken from other audited documents shows a proper accounting, proper financial statements and a proper management report.

In the course of our audit, no criteria have been found indicating that the organizational and technical measures adopted by the company are not appropriate to guarantee the security of accounting-related data and IT systems.

5.1.2 Annual financial statements

Based on our audit, we believe that, in all material respects, the annual financial statements dated December 31, 2019 comply with all accounting-related applicable statutory provisions, including the generally accepted accounting principles.

The balance sheet and income statement have been set up according to the regulations of the German commercial law (HGB) and properly derived from the accounting system and the other audited records.

Based on the findings of our audit, the statutory recognition, presentation and measurement principles were fully applied.

The notes to the financial statements comply with the statutory provisions. The information in the notes is complete and accurate in all material respects.

5.2 Overall Assessment of the annual financial statements

5.2.1 Evaluation of the overall financial statement presentation

In our opinion, in accordance with German principles of proper accounting, the annual financial statements give a true and fair view of the asset position, financial position and results of operations of the company.

5.2.2 Significant accounting policies and methods

Details of the accounting policies and methods are listed in the notes which are attached to this report (appendix 3).

For a better understanding of the annual statements and in accordance with our obligation, we will describe below the significant accounting policies and methods and the influence of changes affecting the overall financial statement presentation (sec. 321 para. 2 sentence 4 of HGB):

- The accounting in relation to funds received from donors is carried out at nominal values net of possible future losses.
- Incurred operating expenses are allocated to individual projects on the basis of the entity's cost accounting. A compensating entry to income against the liabilities is accounted for on a regular basis in order to balance the incurred expenses of the entity. Consequently, the income of the entity invariably amounts to zero. Only certain projects allow indirect cost to be charged on a lump sum basis, normally as a percentage of the project related to direct expenses. In these cases the entity may indeed generate profits based on the difference between the actual indirect project cost as per the entity's cost accounting and the chargeable indirect cost as per the allowed lump sum amount.
- As a non profit organization the entity is not subject to taxation in Germany.

6 CONCLUSION

We have prepared the above report on the audit of the annual financial statements of European Vaccine Initiative - EWIV in accordance with the statutory regulations and the generally accepted standards for the issuance of audit reports for the audits of annual financial statements (IDW PS 450 n.F.).

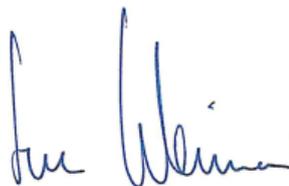
The unqualified auditor's opinion which we issued dated April 17, 2020, is included in this report in Section 3, "Copy of the Auditor's Opinion".

Frankfurt am Main, April 17, 2020

HSA Frankfurt GmbH
Wirtschaftsprüfungsgesellschaft



Ulrike Antosch
Wirtschaftsprüferin
[German Public Auditor]



Sven Weimar
Wirtschaftsprüfer
[German Public Auditor]

* * *

To publish or to circulate the financial statements in a deviant version from the audited version will require a subsequent statement on our part if our certification is quoted or reference is made to our audit; In particular, the reader is referred to sec. 328 of the German Commercial Code (HGB).

* * *

**APPENDICES
TO THE AUDIT REPORT**

European Vaccine Initiative, Heidelberg
Balance Sheet as of December 31, 2019

ASSETS

	31.12.2019 EUR	31.12.2018 EUR
A. Fixed Assets		
I. Tangible Assets		
1. Other equipment, office and plant equipment	<u>8.605,00</u>	<u>11.624,00</u>
	8.605,00	11.624,00
II. Financial Assets		
1. Long term securities	<u>500.000,00</u>	<u>0,00</u>
	<u>500.000,00</u>	<u>0,00</u>
	.....508.605,00	.....11.624,00
B. Currents Assets		
I. Receivables and other assets		
1. Other assets	<u>7.580,21</u>	<u>12.709,61</u>
	7.580,21	12.709,61
II. Cash in hand, cash in banks	<u>4.437.924,05</u>	<u>5.635.110,66</u>
	4.445.504,26	5.647.820,27
	.....17.227,73	.....8.666,55
C. Prepaid expenses		
	<u>4.971.336,99</u>	<u>5.668.110,82</u>

LIABILITIES AND EQUITY

	31.12.2019 EUR	31.12.2018 EUR
A. Equity		
I. Profit brought forward	2.032.705,31	2.231.164,52
II. Net income / net loss	<u>72.812,91</u>	<u>-198.459,21</u>
	.....2.105.518,22	.....2.032.705,31
B. Accruals		
1. Other accruals	<u>434.457,16</u>	<u>1.647.984,76</u>
	.....434.457,16	.....1.647.984,76
C. Liabilities		
1. Liabilities in relation to grants received from national governments	738.238,39	129.988,84
2. Liabilities in relation to grants received from European Union and other restricted grants	873.369,16	1.710.023,01
3. Trade payables	799.156,94	121.990,82
4. Other liabilities	20.597,12	25.418,08
thereof from taxes: kEUR 16 (prior year: kEUR 18)		
thereof from social security: kEUR 5 (prior year: kEUR 5)		
	<u>2.431.361,61</u>	<u>1.987.420,75</u>
	.....4.971.336,99	.....5.668.110,82

European Vaccine Initiative - EWIV, Heidelberg
Profit and Loss Statement for the financial year 2019

	2019 EUR	2018 EUR
1. Sales	11.085.715,84	7.855.403,46
2. Other operating income		
thereof from currency conversion:		
kEUR 318 (prior year: kEUR -24)	318.570,29	25.390,44
3. Cost of materials		
a) Purchased services	<u>-9.754.008,83</u>	<u>-6.217.099,76</u>
	-9.754.008,83	-6.217.099,76
4. Personal wages		
a) Wages and salaries	-751.033,88	-809.533,03
b) Social security costs	<u>-237.593,89</u>	<u>-226.605,49</u>
	-988.627,77	-1.036.138,52
5. Depreciation		
a) Depreciation on tangible fixed assets	<u>-7.615,45</u>	<u>-7.673,89</u>
	-7.615,45	-7.673,89
6. Other operating expenses		
thereof from currency conversion:		
kEUR 138 (prior year: kEUR 34)	<u>-581.221,17</u>	<u>-818.340,94</u>
7. Profit after taxes	<u>72.812,91</u>	<u>-198.459,21</u>
8. Net income / net loss	<u>72.812,91</u>	<u>-198.459,21</u>

Notes to the Financial Statements for the Business Year 2019

A. General information

European Vaccine Initiative-EWIV (EVI), Heidelberg, (Amtsgericht (Local Court) Mannheim, HRA 702787) is a European Economic Interest Grouping (EEIG) and thereby a non-profit organization.

The scope of the business is to identify and determine structural deficits within the research of vaccines for poverty related diseases which is supported by public funding. It is the objective of EVI to provide a mechanism, by which the development of experimental vaccines against poverty-related diseases (PRD) in Europe and in developing countries can be encouraged.

EVI supports the national and international research and development of PRD vaccines by financial and technical means including organizations that operate within this area. Additionally, EVI generates an environment to monitor the vaccines in the manufacturing process and clinical studies. Furthermore, EVI provides a panel for scientists and politicians who deal with research and development of vaccines.

The entity may be financed by grants, donations and assets inherited or received as a bequest or legacy, licenses of the exploitation of EEIG-related intellectual property rights capital proceeds or any other income.

B. Methods of accounting, valuation and foreign currency conversion

I. Methods of accounting and valuation

The financial statements as of December 31, 2019 have been prepared in accordance with the provisions of the German Commercial Code (HGB).

The financial statements are based on the balance sheet format according to Section 266 Paragraph 2 and 3 of the Commercial Code. The income statement was prepared according to the total cost method.

Tangible assets are capitalized at acquisition costs including additional expenses. Fixed assets have been depreciated in accordance with the straight-line method over their economical useful life's.

Financial assets are capitalized at acquisition costs.

Accounts receivable, if any, are valued at nominal value less individual allowances and lump sum allowance.

Other assets, cash in hand and cash in banks are valued at nominal value.

Prepaid expenses include payments made before the balance sheet date if they represent expenses for a specific periode aber that date.

Other accruals were set up for uncertain liabilities and impending losses. They contain all risks, which concern the expired business year and have been set up according to sound business judgment. They are valued at their respective settlement amounts.

Liabilities are valued at their respective settlement amounts.

II. Foreign currency conversion

Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. For assets and liabilities with a remaining term of less than one year this conversion method is carried out independent of Section 253 Paragraph 1 Sentence 1 and 252 Paragraph 1 No. 4 Half-Sentence 2 German Commercial Code.

C. Other particulars

Managing Director (Geschäftsführer) has been:

- Dr. Odile Leroy, until January 31, 2019
exclusive right of representation
authorized to act as principle and agent (self-contracting)
- Dr. Hilde Depraetere, since February 01, 2019 until December 31, 2019
exclusive right of representation
authorized to act as principle and agent (self-contracting)
- Dr. Ole Olesen, since January 1, 2020
exclusive right of representation
authorized to act as principle and agent (self-contracting)

Vice-Managing Director (Vice-Geschäftsführer) has been:

- Dr. Hilde Depraetere, since January 1, 2020
secondary exclusive right of representation
secondary authorized to act as principle and agent (self-contracting)

General partners on December 31, 2019:

- Stockholm University, Wenner Green Institute,
Department of Immunology, Stockholm/Sweden
- Ruprecht-Karls-Universität Heidelberg, Heidelberg/Germany
- The Jenner Vaccine Foundation, Oxford/England
- The Biomedical Primate Research Centre, Rijswijk/Netherlands
- The Netherlands Vaccine Institute, Bilthoven/Netherlands
- The Royal College of Surgeons in Ireland, Dublin/Ireland
- Institut Pasteur, Paris/France

General partners since January 1, 2020:

- Ruprecht-Karls-Universität Heidelberg, Heidelberg/Germany
- The Jenner Vaccine Foundation, Oxford/England
- The Biomedical Primate Research Centre, Rijswijk/Netherlands
- The Royal College of Surgeons in Ireland, Dublin/Ireland
- Institut Pasteur, Paris/France

Legal easements according to Sections 286, 288 German Commercial Code have been utilized.

The entity employed 12 employees in average over the business year.

D. Post audit notes on COVID19 going concern implications

European Vaccine Initiative has several projects funded by EDCTP, GHIT and IMI that are affected by the various lock downs for both staff working in their facilities and patients not able to travel nor attend clinical trials due to advancement of COVID19 trials over other. EVI estimate that in total 6 project will experience delays in terms of 3 to 12 months (in average 6 months) and will need financing from the equity of EVI to the tune of € 400,000. EVI is eligible to use part of the various government programs for costs reduction on payroll but, due to a general heavy work burden and new starting project as well as fundraising activities, EVI have decided to keep staff fully employed for the period thus accepting the potential loss or in other words will try see it as an investment in new activities. EVI will remain with a strong equity after 2020 and will work to recover the delay and earn in the full potential of the projects.

Heidelberg, April 17, 2020

signed: Dr. Ole Olesen
EVI Executive Director

Dr. Hilde Depraetere
EVI Vice-Managing Director

Ole F. Olesen

Hilde Depraetere

Other Information

- unaudited -

ADDITIONAL FINANCIAL PRESENTATION 2019

Table 1: Statement of financial position as of 31 December 2019

	Notes	EUR 2019	EUR 2018
Current assets			
Cash and cash equivalents:			
Cash and banks - key accounts		4,437,924.05	5,635,110.66
Total cash and cash equivalents		4,437,924.05	5,635,110.66
Current accounts and receivables:			
Other receivables		23,244.94	12,709.61
Financial and debtor receivables		1,563.00	8,666.55
Total current accounts and receivables		24,807.94	21,376.16
Total current assets		4,462,731.99	5,656,486.82
Non-current assets			
Tangible fixed assets, net		8,605.00	11,624.00
Long term securities	2	500,000.00	-
Total non-current assets		508,605.00	11,624.00
Total assets		4,971,336.99	5,668,110.82
Current liabilities			
Creditors	3	799,156.94	121,990.82
Accrued expenses	4	434,457.16	1,647,984.76
Other liabilities	5	20,597.12	25,418.08
Deferred income	6	1,611,607.55	1,840,011.85
Total current liabilities		2,865,818.77	3,635,405.51
Equity of organisation			
Operating result		72,812.91	(198,459.21)
Operating funds		2,032,705.31	2,231,164.52
Total equity of the organisation		2,105,518.22	2,032,705.31
Total equity and liabilities		4,971,336.99	5,668,110.82

Table 2: Statement of comprehensive income for the year as of 31 December 2019

	Notes	EUR 2019	EUR 2018
Income	7		
Turnover from sales		-	812.03
Public institutional funding:	7		
Governmental & international organisations		486,151.71	2,415,705.47
EU & IMI grants		7,462,293.70	3,305,080.47
EDCTP		3,152,851.96	2,134,617.52
Total public institutional funding	7	11,101,297.37	7,855,403.46
Other income net		302,988.76	24,578.41
Total income		11,404,286.13	7,880,793.90
Social mission expenditure			
Research & vaccine development expenditure:	8		
Governmental/agency funded development projects		486,151.71	1,781,955.96
EU-funded research and vaccine development projects		5,831,036.08	1,434,371.41
IMI funded research and vaccine development projects		1,631,257.62	1,876,302.71
EDCTP-funded research and vaccine development projects		3,152,851.96	2,134,617.52
Advocacy & communications expenses		12,148.50	107,551.41
Total social mission expenditure		11,113,445.87	7,334,799.01
Supportive social mission expenditure	8		
Training, quality assurance and project development		4,652.45	11,053.25
Fundraising		36,418.28	178,840.98
Governance		42,220.35	32,194.02
Total supportive social mission expenditure		83,291.08	222,088.25
Non-social mission expenditure	8		
General executive administration		134,736.27	522,365.85
Total non-social mission expenditure		134,736.27	522,365.85
Total expenditure		11,331,473.22	8,079,253.11
Operating surplus / (deficit)		72,812.91	(198,459.21)
Net surplus/ (deficit) for the year prior to allocations		72,812.91	(198,459.21)
Allocation / (release) to restricted operating funds in equity		-	-
Allocation / (release) to unrestricted operating funds in equity		(72,812.91)	198,459.21
Net surplus for the year after allocations		-	-

Table 3: Funds flow statement
For the year ended 31 December 2019 (with 2018 comparative figures)

Funds flow from operations	EUR 2019	EUR 2018
Net surplus (deficit) for the year	72,812.91	(198,459.21)
Depreciation of fixed assets	7,615.45	7,673.89
Increase (decrease) in other liabilities	(4,820.96)	(4,112.77)
(Increase) Decrease in other receivables	(7,171.12)	527,997.24
(Increase) Decrease in prepaid expenses	3,739.34	(2,421.30)
Increase (decrease) in creditors	677,166.12	(86,813.41)
Increase (decrease) in accrued expenses	(1,213,527.60)	892,578.51
Increase (decrease) in deferred income	(228,404.30)	(271,854.87)
Funds flow from operations	(692,590.16)	864,588.08
(Increase) Decrease of investments in tangible fixed assets	(4,596.45)	(3,893.89)
Funds flow from investing activities	(4,596.45)	(3,893.89)
(Increase) Decrease of investments in tangible fixed assets	(500,000.00)	-
Funds flow from investing activities	(500,000.00)	-
Cash increase (decrease)	(1,197,186.61)	860,694.19
Cash and cash equivalents – beginning of year	5,635,110.66	4,774,416.47
Cash and cash equivalents – end of year	4,437,924.05	5,635,110.66

Statement of changes in equity for the year ended 31 December 2019 (EUR)

Internally generated funds as of 31 December 2018	Opening balance	Allocation	Internal fund transfers	Closing balance
Paid-in capital	-	-	-	-
Surplus for the year	-	(198,459.21)	198,459.21	-
Restricted operating funds	1,986,207.95	-	-	1,986,207.95
Unrestricted operating funds	244,956.57	-	(198,459.21)	46,497.36
Capital of the organisation	2,231,164.52	(198,459.21)	-	2,032,705.31
Internally generated funds as of 31 December 2019				
Paid-in capital	-	-	-	-
Surplus (deficit) for the year	-	72,812.91	(72,812.91)	-
Restricted operating funds	1,986,207.95	-	-	1,986,207.95
Unrestricted operating funds	46,497.36	-	72,812.91	119,310.27
Capital of the organisation	2,032,705.31	72,812.91	-	2,105,518.22

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(a) General comment

EVI fully complies with the demands of German General Accepted Accounting Principles (GAAP) and continuously empowers its staff working on projects to participate in budget control and the control of spending. For an organisation of its size, EVI does much more controlling than legally required to meet the highest standards. EVI operates an extensive continuous internal control system of financial management to meet the highest standards for public fund management. EVI diversifies its financial tasks and, despite its relatively small Secretariat, ensures the extensive and detailed control of all transactions by staff in the Finance Unit, the Executive Director and the empowered project leaders. EVI carefully monitors its liquidity and plans its fundraising to meet liquidity targets years in advance as part of risk management. EVI operates SAP Business by Design as the main accounting tool with fully integrated features for project and general management. Thus, adding to the excellency of EVI. For the year of 2019, several improvements have been made while cutting costs for management.

Basis of accounting

The basis of accounting is in accordance with German GAAP. Other accounting policies are described in the EVI handbook, and rules of procedures together with relevant policies known and applied by EVI employees. The EVI accounting method is accrual based, with consideration of projects governed by external guidelines.

One major basis of accounting that should be mentioned is that EVI recognizes the accounting treatment prescribed by International Accounting Standard (IAS) 20, namely to recognise income through grants received at the time and up to the amount of expenditures allocated hereto, the residual amount of the grants received being recognised as deferred income.

The financial presentation in this report is based on the German GAAP & the German commercial code - Handelsgesetzbuch (HGB) statements which are the legal basis of the operation of the European Vaccine Initiative – EEIG. Additional notes forms basis of:

- a) Statement of financial position
- b) Statement of comprehensive income (activity-based method)
- c) Funds flow statement
- d) Statement of changes in equity
- e) Notes and additional performance report.

Negative amounts are shown within brackets as required by standard.

(b) Basis of preparation

The financial statements are presented in Euro (€), since the majority of EVI's activities are conducted in this currency (group functional and presentation currency). Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction.

The preparation of financial statements in conformity with German GAAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

(c) Funding parties in 2019

EVI is currently funded by Governmental agencies (CEPI / GHIT / WHO) and the European Union in addition to the EDCTP and IMI who are partly EU financed and private.

EVI is always open to new donors and other private funders, who share our vision of a world free of the burden of diseases of poverty or who perhaps want to support a good cause that combats poverty.

(d) Realised income policy

Public grants/donations received by EVI are posted on the balance sheet as deferred income. Grant-related expenditures are posted to the profit and loss (PNL), and - if eligible - are offset by corresponding amounts of income released from the deferred income. Only income generated from sales or other economic activity is directly recognised as income in the PNL.

An unconditional grant is recognised as revenue in the statement of comprehensive income when the grant becomes receivable. Any other grant which has performance, timing or other conditions is recognised in the statement of financial position as revenue once EVI has complied with the stipulated conditions. If the conditions have not yet been fully complied with, then this grant component is reported as a liability as disclosed. They are considered as unrestricted funds unless the donor stipulates a specific restriction. A reconciliation between donations received in cash and income recognised in the statement of comprehensive income is shown in note 6. Government grants are recognised as income for the allowable expenses incurred in the current year. At year end, the difference between the grant received and the cumulative expenses incurred continues

to be accounted for as a deferred income. . When the donor wishes to see a donation allocated to a specific cause, the donation is considered to be an allocated fund. Allocated funds that have not been used at the end of the year are presented in a separate section of the statement of financial position.

(e) Contributions in kind

Occasionally EVI receives donations in kind, primarily in the form of free use of goods or services or preferential discounts and funds used at the premises of the lead investigator. These contributions in kind are not stated in the statement of comprehensive income as this type of contribution is difficult to valorise.

(f) Payables

All payables of EVI are attributed to the financial statement in the cost-relevant year on the basis of accrual-based accounting. Payables are identified, evaluated and approved by the relevant project leaders for proof of deliverables and milestones. The Finance Unit then posts them accordingly to the respective accounts.

(g) Social mission expenditure

Social mission expenditures are expenses made with direct effect on targets, as defined within the statutory purposes of EVI, its vision and mission.

Expenditures and grants allocated for R&D and other scientific activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recorded on the basis of contracts with grantees. In the event that a portion of a grant is unspent at the year end, it is included under current liabilities. Expenses paid before year end for the following period are recorded as deferred expenses under current assets.

Regulatory and other uncertainties inherent in the development of new products in this sector preclude EVI from capitalising development costs.

(h) Investment income and interest receivable

Interests received on EVI funds are included in the PNL in the year for which it is attributable to.

(i) Primary and secondary commerce

EVI's primary focus is to develop vaccines against diseases of poverty. As a secondary activity, EVI may offer services and products in the form of lecturing, workshops and debates where needed as well as utilising to the full extent any surplus of product available.

(j) Funds accounting

Funds held by EVI are either:

- Core innovation funds – these are funds set aside for eligible EVI project relevant expenditures.
- Earmarked (restricted) funds – these are funds related to specific earmarked projects including EU/EDCTP and other similar projects

(k) Time recording

EVI operates on a daily basis a comprehensive time management recording system that fully lives up to the demands of public management with emphasis on transparency, accountability and accuracy. The system identifies every productive and non-productive hour by employees, which are segmented in defined dimensions in detail, and are posted to the accounting system as such.

(l) Budget planning

Budget planning is performed by the Finance Director each year – with the support of the project leaders who are responsible for reporting and planning their areas of responsibility in detail. The Finance Director receives and compiles the overall budget and presents it to the Executive Director who in turn reports the budget to the EVI-EEIG Board through a work plan proposal.

The annual work plan and budget are approved by the EVI-EEIG Board. They include funding for projects and part of projects subcontracted to partners and current expenditures required to achieve the objectives for the year. Budget revisions are approved by the EVI-EEIG Board on an ad-hoc basis. All expenditures incurred on behalf of a project or for any EVI activity are recorded on an accrual basis.

(m) Tangible fixed assets

Tangible fixed assets are separately presented in the financial statement at historic acquisition costs as well as the amount of accumulated depreciation. Depreciation is accounted by straight-line method of depreciation over the duration of useful live of the specific items.

The duration of useful lives is based on the German list of depreciation for wear and tear (Absetzung für Abnutzung (AfA))

(n) Credit risk, cash-flow management

EVI's liquid assets are maintained in low-risk short-term deposits. At the balance sheet date, there are no significant concentrations of credit risk. The maximum exposure is primarily represented by the carrying amounts of the financial assets in the balance sheet, including accounts receivable and cash.

(o) Provisions and accruals

A provision and accrual are recognised on the balance sheet when the organisation has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Amount and time of the settlement however bear a certain degree of uncertainty.

Provisions and accruals are measured according to the management's best estimates of the expenditure required to settle that obligation on the date of annual closure.

(p) Equity

Funds held by EVI as equity:

Equity is utilised as a strategic reserve for the funding of all activities of EVI in line with its statutory purposes, its vision and mission. EVI does not pay out any dividends or similar benefits to its shareholders as stipulated by the statutes of the organisation.

(q) Foreign currencies

Transactions in foreign currencies are translated into Euro at rates prevailing on the date of the transaction using xe.com, with the exception of Danish Kroner which is politically fixed at an exchange rate of 7.45 DKK/EUR. Monetary and non-monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Euros in accordance with the provisions of the German GAAP. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. EVI has, for the year 2019, made primary use of the following currencies: EUR, DKK, INR, USD, JPY, GBP and XOF. EVI are using hedging as a practical tool during budgeting of projects. Careful budget planning taking into account past and present exchange rates forms part of the hedging strategy to safeguard EVI against turmoil's. It's the policy of EVI to report costs at the exchange rate for the approved budget and only convert foreign exchange rate at a rate equal or better than the budget planning.

(r) Financial auditors

EVI is audited by HSA Frankfurt GmbH.

The auditor issues an annual financial audit report, which is made available in full to EVI-EEIG Board members and Board of Stakeholders, including all donors.

In addition, EVI has outsourced its internal audit to Prentis & Co, Cambridge, UK. Prentis & Co visited EVI offices December 2019 as part of conducting the internal audit for 2019 during the period from October until December.

(s) Post audit notes on COVID19 going concern implications

European Vaccine Initiative has several projects funded by EDCTP, GHIT and IMI that are affected by the various lock downs for both staff working in their facilities and patients not able to travel nor attend clinical trials due to advancement of COVID19 trials over other. EVI estimate that in total 6 project will experience delays in terms of 3 to 12 months (in average 6 months) and will need financing from the equity of EVI to the tune of € 400,000. EVI is eligible to use part of the various government programs for costs reduction on payroll but, due to a general heavy work burden and new starting project as well as fundraising activities, EVI have decided to keep staff fully employed for the period thus accepting the potential loss or in other words will try see it as an investment in new activities. EVI will remain with a strong equity after 2020 and will work to recover the delay and earn in the full potential of the projects.

Note - 2 Tangible fixed assets (EUR)
Net carrying amount 31/12/2018

Beginning of the period 01/01/2018	15,404.00
Additions	3,893.89
Disposals	-
End of the period 31/12/2018	19,297.89
Accrued amortization 2018	-
Accumulated amortization 2018	7,673.89
End of the period 31/12/2018	11,624.00

Net carrying amount 31/12/2019

Beginning of the period 01/01/2019	11,624.00
Additions	4,596.45
Disposals	-
End of the period 31/12/2019	16,220.45
Accrued amortization 2019	-
Accumulated amortization 2019	7,615.45
End of the period 31/12/2019	8,605.00

Note - 3 Creditors

	EUR 2019	EUR 2018
Creditors for grant linked payments	774,653.51	106,852.92
Other creditors	24,503.43	15,137.90
Total	799,156.94	121,990.82

Note - 4 Accrued expenses

	EUR 2019	EUR 2018
Accrued paid leave	79,867.71	89,219.34
Accrued payables (grants linked)	174,081.65	1,365,128.71
Accrued direct costs	26,011.67	38,936.71
Accrued indirect costs	140,100.04	154,700.00
Accrued other expenses	14,396.09	-
Total	434,457.16	1,647,984.76

Note - 5 Other Liabilities (EUR)
Carrying period as per 31/12/2018

Tax liabilities	18,497.15
Social charges liabilities	5,383.18
Other liabilities	1,537.75
Total Liabilities 31/12/2018	25,418.08

Carrying period as per 31/12/2019

Tax liabilities	15,646.33
Social charges liabilities	5,260.73
Other liabilities	(309.94)
Total Liabilities 31/12/2019	20,597.12

Note - 6 Deferred income
Cumulative refundable advances/grants committed to EVI as of 31 December 2019 as current deferred income

DONORS	Contract Currency	Total commitments in currency	Total commitments in Euro	Deferred Income 31-12-2018	Incoming payments	Outgoing transactions	Remains as deferred Income 31/12/2019
JP - GHIT	JPY	¥842,028,154.00	6,477,139.65	129,988.84	825,146.07	471,674.95	483,459.96
WHO	EUR	€ 17,695.20	17,695.20	-	17,695.20	17,695.20	-
CEPI	USD	\$5,235,392.28	4,502,437.36	-	398,431.07	143,652.64	254,778.43
EU - H2020	EUR	€ 24,212,992.39	24,212,992.39	819,803.65	3,119,295.17	3,751,738.52	187,360.30
EDCTP	EUR	€ 17,386,059.43	17,386,059.43	775,186.64	2,921,403.73	3,152,851.96	543,738.41
IMI	EUR	€ 16,128,429.00	16,128,429.00	115,032.72	1,658,495.35	1,631,257.62	142,270.45
TOTAL			68,724,753.03	1,840,011.85	8,940,466.59	9,168,870.89	1,611,607.55

(b) Balance overview of grants and reserves (EUR)

Donator/Grant	Type	Balance 31/12/2018	Incoming payments	Outgoing transactions	Balance 31/12/2019
JP GHIT / LEISHDNAVAX	Restricted	85,555.53	379,941.84	67,244.80	398,252.57
JP GHIT / SEmalvac2	Restricted	44,433.31	-	27,631.56	16,801.75
JP GHIT / PfRipr5	Restricted	-	445,204.23	376,798.59	68,405.64
WHO /* P2I-TDR	Restricted	-	17,695.20	17,695.20	-
CEPI / NIPAH	Restricted	-	398,431.07	143,652.64	254,778.43
EU TRANSVAC 2	Restricted	100,304.61	957,572.60	947,237.43	110,639.78
EU SHIGETEVAX	Restricted	-	2,079,297.57	1,991,723.55	87,574.02
EU SENET	Restricted	-	82,425.00	51,980.86	30,444.14
EU ZIKAVAX	Restricted	719,499.04	-	760,796.68	(41,297.64)
IMI FLUCOP	Restricted	2,781.05	-	17,177.14	(14,396.09)
IMI VAC2VAC	Restricted	112,251.67	1,658,495.35	1,614,080.48	156,666.54
EDCTP ShiGoRaVax	Restricted	-	2,596,240.11	2,289,038.05	307,202.06
EDCTP PREV-PKDL	Restricted	682,599.58	325,163.62	814,422.35	193,340.85
EDCTP MMVC	Restricted	92,587.06	-	49,391.56	43,195.50
EVI Equity Reserves	Core	2,032,705.31	72,812.91	-	2,032,705.31
Total core		2,032,705.31	72,812.91	-	2,032,705.31
Total restricted		1,840,011.85	8,940,466.59	9,168,870.89	1,611,607.55
Total EVI funds available		<u>3,872,717.16</u>	<u>9,013,279.50</u>	<u>9,168,870.89</u>	<u>3,644,312.86</u>

**Note - 7 Income / realised
(EUR)**
Funding used per project (restricted and unrestricted)

	WHO	CEPI	GHIT	EU	IMI
Governmental/agency vaccine development projects	18,924.72	143,652.64	323,574.35	-	-
Supportive Governmental/agency vaccine development costs	-	-	-	-	-
EU research & development projects	-	-	-	5,831,036.08	-
IMI research & development projects	-	-	-	-	1,631,257.62
EDCTP research & development projects	-	-	-	-	-
Executive administration	-	-	-	-	-
Internal allocations	-	-	-	-	-
Total income	18,924.72	143,652.64	323,574.35	5,831,036.08	1,631,257.62

	EDCTP	Reserve funds	Total Income pr. Activity	Surplus	Total Income
Governmental/agency vaccine development projects	-	-	486,151.71	-	486,151.71
Supportive Governmental/agency vaccine development costs	-	90,787.13	90,787.13	-	90,787.13
EU research & development projects	-	-	5,831,036.08	-	5,831,036.08
IMI research & development projects	-	-	1,631,257.62	-	1,631,257.62
EDCTP research & development projects	3,152,851.96	-	3,152,851.96	-	3,152,851.96
Executive administration	-	139,388.72	139,388.72	-	139,388.72
Internal allocations	-	-	-	72,812.91	72,812.91
Total income	3,152,851.96	230,175.85	11,331,473.22	72,812.91	11,404,286.13

Note - 8 Social & non-social mission expenditure	Notes	EUR 2019	EUR 2018
Governmental/agency funded research and development projects			
AMA1-DiCo		-	75,213.11
SEmalvac		-	(2,593.09)
SEmalvac 2		(11,152.11)	1,514,831.53
P21 - TDR		18,924.72	-
PfRipr5		395,284.49	-
NIPAH		143,652.64	-
LEISHDNAVAX		(60,558.03)	194,504.41
Supportive vaccine development costs		95,439.58	288,021.17
Total Governmental/agency funded research and development projects		581,591.29	2,069,977.13
EU funded research and development projects			
EDUFLUVAC		-	463,938.50
ZIKAVAX		760,796.68	758,939.00
SENET		51,980.86	-
SHIGETEVAX		4,071,021.11	-
TRANSVAC 2		947,237.43	211,493.91
Supportive project development costs		-	18,180.38
Total EU funded research and development projects		5,831,036.08	1,452,551.79
IMI funded research and development projects			
VAC2VAC		1,614,080.48	1,850,224.17
FLUCOP		17,177.14	26,078.54
Supportive project development costs		-	10,825.82
Total IMI funded research and development projects		1,631,257.62	1,887,128.53
EDCTP funded research & development projects			
PREV-PKDL		814,422.35	2,101,530.19
ShiGoRaVax		2,289,038.05	-
MMVC		49,391.56	33,087.33
Supportive project development costs		-	12,612.29
Total EDCTP funded research & development projects		3,152,851.96	2,147,229.81
Executive administration			
Executive administrative management cost		134,736.27	522,365.85
Total executive administration		134,736.27	522,365.85
Total of all projects related expenditure	(a)	11,331,473.22	8,079,253.11

(a) Breakdown R&D coordination expenditure for pre-clinical and clinical activities costs per purpose in 2019 – value of above EUR 5,000		
Projects	Partners	Expenditure 2019
PfRipr5	2 European and Japanese partners	374,659.95
VAC2VAC	13 European Partners	1,458,386.82
TRANSVAC 2	25 European Partners	644,218.80
ZIKAVAX	3 European Partners	551,492.24
PREV-PKDL	5 African & European Partners	667,800.59
ShiGoRaVax	4 African and European Partners	2,222,366.13
SHIGETEVAX	4 European, Asian and US partners	4,031,056.16
P2I – TDR	Duke University	8,714.43

(a) Presentation of EVI expenditures per nature of expenses	EUR 2019	EUR 2018
Payables – GHIT/EVI program related	169,973.66	1,560,742.99
Payables - EDCTP program related	2,890,166.72	1,978,246.22
Payables - EU program related	5,226,767.20	1,015,505.88
Payables - IMI program related	1,458,386.82	1,662,604.67
Payables - WHO program related	8,714.43	-
Salary cost (also includes in-house consultants)	988,627.77	1,036,138.52
Contract service expenses	100,853.93	77,592.55
Facility & equipment maintenance expenses	85,606.88	83,465.15
Equipment, hardware & software	7,615.45	7,673.89
Travel & meetings expenses	159,909.41	170,738.98
Other Direct expenses	157,425.29	332,286.09
Indirect Business expenses	63,277.57	133,496.41
Governance expenses	14,148.09	20,761.76
Total Expenses	11,331,473.22	8,079,253.11

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2017

DokID:

1. Scope of application

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

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

2. Scope and execution of the engagement

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

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

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

3. The obligations of the engaging party to cooperate

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

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

4. Ensuring independence

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

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

5. Reporting and oral information

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

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

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

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

7. Deficiency rectification

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

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translator's Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of *Wirtschaftsprüfer*: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.