



English translation¹ of the

Report
on the
audit of the annual financial statements
for the financial year
from 1 April 2017 to 31 March 2018
of
Designit Germany GmbH
Munich

¹ Only the German original version of the report is authoritative and binding. No liability is assumed as to the accuracy of the translation.



AUDITOR'S REPORT

To Designit Germany GmbH, Munich.

We have audited the annual financial statements – consisting of the balance sheet, the profit and loss account as well as the notes to the annual financial statements – including the accounting records of Designit Germany GmbH, Munich, for the financial year from 1 April 2017 to 31 March 2018. The accounting records and the preparation of the annual financial statements in accordance with the requirements of German commercial law are the responsibility of the company's legal representatives. Our responsibility is to express – on the basis of our audit – an opinion on the annual financial statements including the accounting records of the company.

We conducted our audit of the annual financial statements in accordance with sec. 317 HGB and the generally accepted German auditing standards promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer – IDW*). Those standards require that the audit is planned and performed in such way that misstatements and violations materially affecting the picture of the net assets, financial position and results of operations presented by the annual financial statements (in compliance with the principles of proper accounting) are identified with a reasonable degree of certainty. Knowledge of the company's business activities and the economic and legal environment as well as expectations as to possible misstatements are taken into account in the determination of audit procedures. In the framework of the audit, the effectiveness of the accounting-related internal control system and the supporting documents for the accounting entries and the annual financial statements have largely been assessed on the basis of samples. The audit includes an assessment of the accounting principles applied and of the significant estimates made by the company's legal representatives as well as of the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit of the annual financial statements including the accounting records has not led to any reservations.

Without qualifying this opinion, we draw attention to the remarks in the report on the audit of the annual financial statements for the financial year from 1 April 2017 to 31 March 2018. In section 2 of the report, it is stated that the company's ability to continue as a going concern depends on the Letter of Comfort of Designit A/S, Copenhagen (Denmark) remaining in force.

In our opinion, based on the findings of our audit, the annual financial statements of Designit Germany GmbH, Munich, comply with the statutory requirements and give a true and fair view of the company's net assets, financial position and results of operations in accordance with the principles of proper accounting.

Munich, 18 May 2018

invra Treuhand AG
Wirtschaftsprüfungsgesellschaft

Handwritten signature of Manfred Ettinger in black ink.

Manfred Ettinger
vereidigter Buchprüfer
(sworn auditor)

Handwritten signature of Tobias Sengenberger in black ink.

Tobias Sengenberger
Wirtschaftsprüfer
(auditor)

BALANCE SHEET AS AT 31 MARCH 2018

ASSETS

	€	31/03/2018 €	31/03/2017 €
A. Fixed assets			
I. Intangible assets			
Purchased concessions, industrial property rights and similar rights and assets		0.00	2,779.00
II. Tangible assets			
1. Other equipment, operating and office equipment	72,443.00		131,782.00
2. Advance payments made and assets under construction	<u>246,431.48</u>		<u>0.00</u>
		<u>318,874.48</u>	<u>131,782.00</u>
Total fixed assets		318,874.48	134,561.00
B. Current assets			
I. Inventories			
Services not yet billable		1,699,297.97	627,854.12
II. Receivables and other assets			
1. Trade receivables	135,341.41		701,288.85
2. Receivables from affiliated companies	0.00		13,006.82
3. Other receivables and assets	<u>199,372.87</u>		<u>200.00</u>
		334,714.28	714,495.67
III. Cash-in-hand, cheques, bank balances		<u>5,147.86</u>	<u>161,777.75</u>
Total current assets		2,039,160.11	1,504,127.54
C. Prepaid expenses			
Discount		18,652.43	21,096.33
D. Deficit not covered by equity		<u>2,282,851.60</u>	<u>1,638,371.07</u>
		<u>4,659,538.62</u>	<u>3,298,155.94</u>

BALANCE SHEET AS AT 31 MARCH 2018

EQUITY AND LIABILITIES

	€	31/03/2018 €	31/03/2017 €
A. Equity			
I. Subscribed capital		25,000.00	25,000.00
II. Losses brought forward		-1,663,371.07	-1,730,758.13
III. Annual net loss (p.y.: annual net profit)		-644,480.53	67,387.06
Deficit not covered by equity		<u>2,282,851.60</u>	<u>1,638,371.07</u>
Total equity		0.00	0.00
B. Provisions			
Other provisions		1,085,984.30	1,179,665.56
C. Liabilities			
1. Advance payments received on orders	1,098,774.34		420,448.66
2. Trade payables	12,495.00		83,327.23
3. Liabilities to affiliated companies	2,369,288.11		1,509,960.49
4. Other liabilities	<u>92,996.87</u>		<u>104,754.00</u>
		<u>3,573,554.32</u>	<u>2,118,490.38</u>
		<u>4,659,538.62</u>	<u>3,298,155.94</u>

PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR
FROM 1 APRIL 2017 TO 31 MARCH 2018

	€	01/04/2017 - 31/03/2018 €	01/04/2016 - 31/03/2017 €
1. Turnover		4,280,569.64	4,806,519.55
2. Increase in finished goods and work in progress as well as services not yet billable		1,071,443.85	329,221.63
3. Other operating income		853,383.34	1,017,242.65
4. Cost of materials Cost of purchased services		330,611.11	601,400.54
5. Personnel expenses			
a) Wages and salaries	3,454,835.63		3,189,391.09
b) Social benefits	<u>542,247.86</u>		<u>419,891.24</u>
		3,997,083.49	3,609,282.33
6. Amortisation and depreciation of fixed intangible and tangible assets		69,955.64	59,557.66
7. Other operating expenses		2,366,168.05	1,744,009.05
8. Interest payable and similar expenses		<u>86,059.07</u>	<u>71,347.19</u>
9. Earnings before tax		<u>-644,480.53</u>	<u>67,387.06</u>
10. Annual net loss (p.y.: annual net profit)		<u>-644,480.53</u>	<u>67,387.06</u>

English translation¹ of the
NOTES
to the annual financial statements
of
Designit Germany GmbH
for the
financial year
from 1 April 2017 to 31 March 2018

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I. General principles

Designit Germany GmbH is based in Munich and registered with the commercial register of the Local Court (*Amtsgericht*) of Munich under no. HR B 171246.

The annual financial statements of Designit Germany GmbH as at 31 March 2018 were prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch – HGB*) and the Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung – GmbH-Gesetz*). The option to report compulsory information was exercised so as to include all mandatory information in the notes to the annual financial statements.

As at the balance sheet date, the company classifies as a small corporation (*kleine Kapitalgesellschaft*) within the meaning of sections 264 and 267 subs. 1 HGB.

The present annual financial statements have been principally prepared by applying the same classification and valuation principles for small corporations set out in the German Commercial Code (sections 265 subs. 1 sentence 2, 266 et seqq. HGB) that were applied in the preparation of the annual financial statements of the previous year.

II. Accounting and valuation principles

1. General remarks

The recognition and valuation principles that were applied in the previous annual financial statements have been applied consistently.

The preparation of the annual financial statements has been based on the going concern assumption.

2. Fixed assets

Intangible assets

Intangible assets are valued at acquisition cost. The scheduled amortisations are generally calculated using the straight-line method on the basis of the useful life of the assets.

Tangible assets

Tangible assets are carried at acquisition or production cost – reduced by scheduled depreciation.

Tangible assets are depreciated using the straight-line method or based on the reducing balance method over their useful life.

Assets with acquisition costs below or equal to €410.00 are immediately booked as expenses according to sec. 6 subs. 2 Income Tax Act (*Einkommenssteuergesetz* – EStG).

In previous years, the compound item scheme according to sec. 6 subs. 2a EStG was applied.

The application of these fiscal rules has, in our opinion, no material impact on the net assets, financial position and results of operations of the company.

Fiscal simplification rules and options are exercised.

3. Current assets

The current asset items are valued at acquisition or production cost, unless a lower value is permitted or required.

Inventories

Work in progress is valued at average acquisition cost, production cost or at the lower fair value at the balance sheet date.

Receivables

Receivables and other assets are reported at their nominal value. Identifiable credit risks are taken into account by means of appropriate value adjustments of individual items.

4. Provisions

Provisions for identifiable risks, uncertain liabilities and anticipated losses have been made in the necessary amount assessed on the basis of prudent business judgment.

5. Liabilities

Liabilities are reported at the amount repayable.

III. Explanatory notes to the balance sheet and profit and loss account

Balance sheet

Assets

Current assets

Breakdown of receivables and other assets:

	31/03/2018		31/03/2017	
	Total	of which with a remaining term of more than 1 year	Total	of which with a remaining term of more than 1 year
	K€	K€	K€	K€
Trade receivables	135	-	701	-
Receivables from affiliated companies	-	-	13	-
- of which from shareholders:	(-)	(-)	(-)	(-)
Other assets	199	-	-	-
	334	-	714	-

Equity

As at the balance sheet date, the subscribed capital of the company amounts to €25,000.00 and has been paid in the full amount.

The balance sheet of the company as at 31 March 2018 shows a deficit not covered by equity that amounts to €2,282,851.60. According to the accounts, the company is thus technically overindebted. In order to avoid overindebtedness, the shareholder (Designit A/S, Denmark) has issued a subordination agreement in relation to its receivables.

Furthermore, Designit A/S has issued a guarantee statement according to which the company will receive sufficient funding in case of the existence of technical grounds for insolvency in order to avoid the grounds for insolvency.

Equity and liabilities

Subscribed capital

The subscribed capital of the company amounting to €25,000.00 has not changed in the financial year from 1 April 2017 to 31 March 2018.

Provisions

In accordance with sec. 288 HGB, the company refrains from notes to other provisions.

Liabilities

Breakdown of the liabilities as at the balance sheet date based on their term:

	31/03/2018			31/03/2017		
	Total	of which with a remaining term of		Total	of which with a remaining term of	
		up to 1 year	up to more than 5 years		up to 1 year	of more than 5 years
	K€	K€	K€	K€	K€	K€
Advance payments received on orders	1,099	1,099	-	420	420	-
Trade payables	12	12	-	83	83	-
Liabilities to affiliated companies	2,369	2,361	8	1,510	650	860
- of which to shareholders:	(2,325)	(2,325)	(-)	(1,488)	(1,488)	(-)
Other liabilities	93	93	-	105	105	-
of which						
- from taxes	(69)	(69)	(-)	(98)	(98)	(-)
- for social security	(12)	(12)	(-)	(7)	(7)	(-)
	<u>3,573</u>	<u>3,565</u>	<u>8</u>	<u>2,118</u>	<u>1,258</u>	<u>860</u>

IV. Other information

Company bodies

The company's managing director as at the balance sheet date was Mr Wolfgang Steiner, Munich.

Financial obligations

The total amount of the financial obligations arising from rental and leasing agreements and other obligations is insignificant.

Munich, 18 May 2018

Sd/-
The Management
Designit Germany GmbH

DEVELOPMENT OF FIXED ASSETS FROM 1 APRIL 2017 to 31 MARCH 2018

	Acquisition costs				As at 31.03.2018
	As at 1.4.2017	Additions	Reallocations	Disposals	
	€	€	€	€	
Fixed assets					
I. Intangible assets					
Purchased concessions, industrial property rights and similar rights and assets	28.416,96	0,00	0,00	28.416,96	0,00
II. Tangible assets					
1. Other equipment, operating and office equipment	406.701,91	58.517,64	0,00	270.979,78	194.239,77
2. Advance payments made and assets under construction	0,00	246.431,48	0,00	0,00	246.431,48
	406.701,91	304.949,12	0,00	270.979,78	440.671,25
	435.118,87	304.949,12	0,00	299.396,74	440.671,25

As at 1.4.2017 €	Amortisation and depreciation				As at 31.03.2018 €	Book values	
	Additions €	Write-ups €	Disposals €	As at 31.03.2018 €		As at 31.03.2017 €	
25.637,96	2.779,00	0,00	28.416,96	0,00	0,00	2.779,00	
274.919,91	67.664,64	0,00	220.787,78	121.796,77	72.443,00	131.782,00	
0,00	0,00	0,00	0,00	0,00	246.431,48	0,00	
274.919,91	67.664,64	0,00	220.787,78	121.796,77	318.874,48	131.782,00	
300.557,87	70.443,64	0,00	249.204,74	121.796,77	318.874,48	134.561,00	