

DEMOCRACY REPORTING INTERNATIONAL GGMBH

BERLIN

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2015

(Translation – the German text is authoritative)

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CONTENTS

	<u>Page</u>
A. Engagement	1
B. General findings	
I. Position of the Company	2
C. Performance of the audit	
I. Subject of the audit	2
II. Nature and scope of the audit	2
D. Findings regarding accounting records	
I. Bookkeeping system and other audited records	4
II. Annual financial statements	4
E- Accounting disclosures	
I. Overall assertion	5
II. Presentation of net assets, financial position and results of operations	5
III. Accounting options and management judgement	6
IV. Critical appraisal of the annual financial statements	6
F. Copy of the Auditor's Report	7
G. Conclusion	8

APPENDICES

- I. Balance Sheet as of 31 December 2015
- II. Income Statement for the Period from 1 January to 31 December 2015
- III. Notes to the financial statements 2015
- IV. Auditors' Report
- V. General Terms of Engagement

A. ENGAGEMENT

The Management of

DEMOCRACY REPORTING INTERNATIONAL GGMBH, BERLIN,

in the following referred to as the “Company”, engaged us to audit the annual financial statements as of 31 December 2015 on a voluntary basis pursuant to sections 316 et seq. of the German Commercial Code (HGB).

This engagement and our liability, also in relation to third parties, is governed by the General Terms of Engagement for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms) as amended on 1 January 2002, which are attached to this report as Appendix V. The maximum liability is defined in accordance with No. 9 of the General Engagement Terms and the supplementary written arrangements. Our liability in relation to third parties is governed by No. 1 (2) and No. 9 of our General Terms of Engagement.

We have prepared the following report on the nature and scope as well as on the result of our audit, to which the audited annual financial statements are attached as Appendices I (balance sheet), II (income statement) and III (notes). At the beginning of the report we have included an opinion on the management’s assessment of the Company’s position and a summary of other audit results and the copy of our Auditor’s Report. The performance of the audit and our findings are presented below.

This report is addressed to the Company. We prepared this report in accordance with the IDW auditing standard 450.

In accordance with Section 321 (4a) HGB, we confirm that we conducted our audit of the annual financial statements with due regard to the applicable provisions on professional independence.

B. GENERAL FINDINGS

I. Position of the Company

The Company chose not to prepare a management report as permitted by law. The annual financial statements were prepared under the assumption that the Company will continue as a going concern. The assessment of the Company's position in the balance sheet, income statement and notes is reasonable and has been appropriately determined. According to the results of our audit and the knowledge obtained, the assessment of the Company's position is appropriate in terms of scope and accurate in terms of content.

C. PERFORMANCE OF THE AUDIT

I. Subject of the audit

We have audited the annual financial statements, together with the accounting system of Democracy Reporting International gGmbH for financial year ended on 31 December 2015. The Company is a small company as defined in section 267 (1) HGB and therefore not subject to statutory audits as defined in section 316 (1) HGB. The audit as of 31 December 2015 was a voluntary audit. Basis of our audit were the audited previous year's annual financial statements as of 31 December 2014.

The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law and the supporting documentation and evidence provided to us, are the responsibility of the Company's Management. Our responsibility is to express an opinion on the annual financial statements, including the bookkeeping system, and the supporting documentation and evidence based on our audit.

The audit of compliance with other legal provisions formed part of our engagement only to the extent those had an impact on the annual financial statements.

II. Nature and scope of the audit

We conducted our audit of the annual financial statements in accordance with sections 316 et seq. HGB and the German 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 financial statements in accordance with [German] principles of proper accounting are detected with reasonable assurance. The audit includes examining, on a test basis, evidence supporting the disclosures in the books and records and the annual financial statements. The audit includes assessing the accounting and classification principles used and significant estimates made by the managing directors, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

We conducted the audit from April to June 2016 in the Company's business premises and in our offices and completed the audit on 6 June 2016. The supporting documentation for our audit consisted of the books and records, vouchers and other documents made available by the Company.

We determined our audit procedures according to the results of our assessing the accounting-related internal control system. We performed tests of details, where necessary; these consisted primarily of analytical audit procedures (tests of reasonableness) or sample testing of business transactions and inventories (voucher testing).

For the audit of the assets and liabilities of the Company, we reviewed agreements, inventory records and bank statements and obtained balance confirmations of receivables from and liabilities to business partners and banks, with which the Company has business relations or checked payment details.

Management and the responsible representatives provided us with all the information and evidence required for the audit. Management confirmed in its customary letter of representation that all assets, commitments, risks and accruals to be recognised were taken into account in the accounting records and the annual financial statements for financial year 2015, that all expense and income items were included and that all the information required was disclosed.

D. FINDINGS REGARDING ACCOUNTING RECORDS

I. Bookkeeping system and other audited records

The Company's tax adviser maintained the Company's books and records in financial year 2015 in her Berlin office using the electronic data processing software on her computer.

According to our findings, the chart of accounts used ensures that the bookkeeping data are classified in a clear order. The transactions are recognised completely, consistently and timely. The voucher system complies with the statutory provisions.

II. Annual financial statements

The Company is required under sections 264 et seq. HGB to prepare annual financial statements and to have them published in accordance with section 325 HGB. The Company is a small corporation within the meaning of section 267 (1) HGB. The Company chose to abstain from some of the size-related exemptions permitted when preparing its annual financial statements.

The Company opened its books and records for financial year 2015 with the previous year's balance sheet figures. The annual financial statements were appropriately derived from the inventory and the bookkeeping system.

The asset and liability items were properly recognised and measured in accordance with principles which have remained unchanged from the previous year. As regards the details on the accounting policies used reference is made to the disclosures in the notes (Appendix III). The Company supported its assets and liabilities by the following documentation:

Fixed assets are recorded in the asset accounting system by their type and value. Depreciation and amortisation is calculated separately for each asset every year. The values in the asset accounting system are identical to the carrying amounts in the annual financial statements.

Inventories are physically counted and measured by taking stock at a date differing from the balance sheet date. Inventories are part of the annual financial statements.

Receivables and other assets are individually determined and recognised on an ongoing basis. Evidence for trade receivables and receivables from shareholders in the balance sheet is provided by the sub-ledgers, for the other assets by the post-year end transactions against these accounts in the general ledgers.

Provisions are compiled annually and measured individually.

Trade payables are derived from sub-ledgers. Evidence for other liabilities is provided by the post-year end balance sheet transactions against these accounts in the general ledgers.

The items in the annual financial statements are classified and measured in accordance with the provisions of the German Commercial Code (HGB). The Company presented the accounting policies used in the notes to the financial statements.

The notes (Appendix III) include the disclosures required by law accurately and completely.

E- ACCOUNTING DISCLOSURES

I. Overall assertion

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

II. Presentation of net assets, financial position and results of operations

The annual financial statements (Appendices I, II and III) present the Company's net assets, financial position and results of operations.

III. Accounting options and management judgement

As regards the accounting policies used, please see our disclosures made in the notes (Appendix III) in accordance with section 284 (2) No. 1 HGB. The notes do not reflect any accounting policy changes from the previous year.

IV. Critical appraisal of the annual financial statements

The Company closes its financial year 2015 with net income for the year of € 67.897,66. Our audit did not result in any changes to the use of accounting options or management judgement nor in any grooming transactions that would materially affect the Company's net assets, financial position and results of operations.

F. COPY OF THE AUDITOR'S REPORT

Based on the final results of our audit we issued the following unqualified auditor's report dated 6 June 2016 (Appendix IV):

"Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes, together with the bookkeeping system, of Democracy Reporting International gGmbH, Berlin, for the financial year from 1 January to 31 December 2015. 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 legal representatives. 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 HGB 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 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-related 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 the legal representatives, 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 findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of

the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.”

G. CONCLUSION

We have prepared this report on the audit of the annual financial statements for the financial year 2015 of Democracy Reporting International gGmbH, Berlin, in compliance with legal requirements and German generally accepted standards for the issuance of long-form audit reports for the audits of financial statements (IDW AUS 450).

The unqualified opinion which we expressed on 6 June 2016 is presented under “Copy of the Auditor’s Report” in section F of this report.

Frankfurt/Main, 6 June 2016

Beeh & Happich GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft



Johann Peter Klein
Wirtschaftsprüfer (German Public Auditor)

Democracy Reporting International gGmbH
Berlin

Balance sheet as of 31 December 2015

ASSETS	31/12/2015		31/12/2014	EQUITY AND LIABILITIES	31/12/2015		31/12/2014
	€	€	€		€	€	€
A. Fixed assets				A. Equity			
Tangible fixed assets				I. Subscribed capital	25.000,00		25.000,00
Other equipment, operating and office equipment		25.129,00	15.630,00	./. Treasury shares	-4.388,00		-4.388,00
					20.612,00		20.612,00
				II. Revenue reserves	280.083,28		180.083,28
				III. Net retained profits	34.428,09		66.530,43
						335.123,37	267.225,71
B. Current assets				B. Provisions			
I. Receivables and other assets				Other provisions		46.321,00	24.395,80
1. Trade receivables	451.258,48		249.333,87				
2. Other assets	13.366,50		55.244,22	C. Liabilities			
		464.624,98	304.578,09	1. Trade payables	275.012,53		173.165,72
II. Cash-in-hand, balances with banks		748.420,91	442.833,56	- of which maturing in more than one year € 0,00 (previous year: € 0,00)			
		1.213.045,89	747.411,65	2. Other liabilities	51.348,78		22.578,60
				- Of which taxes: € 11.923,43 (previous year: € 8.308,39)			
C. Prepaid expenses		9.384,21	22.859,28	- of which relating to social security: € 0,00 (previous year: € 720,90)			
				- of which maturing in more than one year € 0,00 (previous year: € 0,00)			
						326.361,31	195.744,32
				D. Deferred income		539.753,42	298.535,10
		1.247.559,10	785.900,93			1.247.559,10	785.900,93

Democracy Reporting International gGmbH
Berlin

Income statement for the period
from 1 January to 31 December 2015

	2015		2014
	€	€	€
1. Sales		324.550,43	1.519.057,95
2. Other operating income		3.243.095,82	1.499.980,31
		<u>3.567.646,25</u>	<u>3.019.038,26</u>
3. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased merchandise	0,00		-13,50
b) Cost of purchased services	<u>8.460,70</u>		<u>166.523,03</u>
		8.460,70	166.509,53
4. Personnel expenses			
a) Wages and salaries	964.639,42		634.895,55
b) Social security, post-employment and other employee benefit costs	<u>133.897,28</u>		<u>2.328,87</u>
		1.098.536,70	637.224,42
5. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets		20.757,03	10.936,02
6. Other operating expenses		2.371.847,74	2.003.321,26
- of which currency translation losses € 0,00; (previous year: € 2.201,90)			
7. Other interest and similar income		0,00	188,85
8. Interest and similar expenses		0,00	0,00
9. Result from ordinary activities		<u>68.044,08</u>	<u>201.235,88</u>
10. Taxes on income		146,42	40,60
11. Net income for the year		<u>67.897,66</u>	<u>201.195,28</u>
12. Retained profit brought forward		66.530,43	15.335,15
13. Appropriation to other revenue reserves		100.000,00	150.000,00
14. Net retained profits		<u>34.428,09</u>	<u>66.530,43</u>

DEMOCRACY REPORTING INTERNATIONAL GGMBH

BERLIN

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2015

I. General information

Democracy Reporting International gGmbH is classified as a small company under section 267 (1) of the German Commercial Code (HGB). The Company made use of some of the size-related exemptions permitted by the HGB.

These annual financial statements have been prepared generally by maintaining the classification and measurement policies applied to the previous year's financial statements.

II. Accounting policies

The annual financial statements of Democracy Reporting International gGmbH were prepared on the basis of the accounting policies set out in the HGB as amended by the German Accounting Law Modernisation Act (*Bilanzrechtsmodernisierungsgesetz* - BilMoG). In addition, the provisions of the GmbH-Act (German Limited Liability Companies Act) were observed as well.

Fixed assets are recognised at cost less depreciation or amortisation. The assets are depreciated or amortised on a straight-line basis over their expected useful lives.

Low-value assets costing not more than € 410.00 are fully written off in the year of acquisition. They are presumed to be immediately disposed of.

Trade receivables and other assets, cash funds and prepaid expenses are recognised at their principal amounts. All receivables have residual terms of one year or less.

Other provisions are recognised to cover all identifiable liabilities in the settlement amount expected to be required in accordance with prudent business judgment.

Trade payables, other liabilities and deferred income are recognised at their settlement amounts.

III. Information and explanation on the balance sheet

Democracy Reporting International gGmbH
Berlin

Summary of fixed assets as of 31 December 2015

	Cost				Accumulated depreciation				Book value	
	01.01.2015	Additions	Retirement	31.12.2015	01.01.2015	Additions	Retirement	31.12.2015	31.12.2015	31.12.2014
	€	€	€	€	€	€	€	€	€	€
Fixed assets										
Tangible fixed assets										
Other equipment, operating and office equipment	37.964,02	30.690,03	624,89	68.029,16	22.334,02	20.757,03	190,89	42.900,16	25.129,00	15.630,00

All receivables are due in less than one year.

On proposal of the managing director the financial statements as of 31 December 2015 were set up under the consideration of the allocation of € 100.000,00 from retained earnings to surplus reserves. The remaining retained earnings of € 34.428,09 shall be carried forward. Final decision on the allocation of profits will be made by the shareholders of the company.

Deferred income relates to the deferral of prepaid grants.

IV. Other disclosures

Managing director entitled to represent the Company alone is:

- Mr. Michael Meyer, Berlin

Mr. Meyer is exempted from the limitations imposed by section 181 of the German Civil Code (BGB).

Berlin, 6 June 2016

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes, together with the bookkeeping system, of Democracy Reporting International gGmbH, Berlin, for the financial year from 1 January to 31 December 2015. 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 legal representatives. 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 HGB 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 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-related 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 the legal representatives, 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 findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

Frankfurt am Main, 6. June 2016

Beeh & Happich GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft



Johann Peter Klein
Wirtschaftsprüfer (German Public Auditor)

The use of the above auditor's report other than with our report on the audit needs our prior approval. The publishing or circulation of the financial statements and/or management report in other version than audited (including translations) needs our prior opinion if our auditor's report is quoted or our audit is mentioned. We refer to section 328 of the German Commercial Code (HGB).

[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. Ensuring independence

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. Protection of the Wirtschaftsprüfer's intellectual property

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 towards third parties and data security

(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.