



TRANSLATION – AUDIT REPORT

Financial Statements as of March 31, 2015

Ranbaxy GmbH
Leverkusen, Germany

The English language text below is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

KPMG AG Wirtschaftsprüfungsgesellschaft

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To Ranbaxy GmbH, Leverkusen, Germany

1 Audit Engagement

By letter dated April 27, 2015, the management of

Ranbaxy GmbH, headquartered in Leverkusen, Germany
– hereinafter also referred to as "Company" –

engaged us to audit the financial statements for the financial year from April 1, 2014, to March 31, 2015, together with the accounting records.

This audit report has been prepared in accordance with the principles of Audit Standard 450 promulgated by the German Institute of Public Auditors [IDW].

We confirm that we have conducted our audit in compliance with the applicable independence regulations in accordance with Section 321 (4a) of the German Commercial Code [HGB].

Please refer to Appendices 2 and 3 for the Company's business profile and legal status.

The terms governing this engagement are set out in the General Terms and Conditions of Engagement for Auditors and Auditing Firms (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) as amended on January 1, 2002, which are attached to this report as Appendix 4. Our liability is governed by Clause 9 of the General Engagement Terms. Our liability towards third parties is defined under Clauses 1 (2) and 9 of the General Engagement Terms.

2 Performance of the Audit

2.1 Scope of the audit

We have audited the financial statements of Ranbaxy GmbH, of Leverkusen, Germany, including the accounting records, for the financial year ended March 31, 2015. The management of the Company is responsible for

- maintenance of the books and records,
- preparing the financial statements in accordance with the regulations of German commercial law, and also for
- the explanations and evidence provided to us.

Our responsibility is to express an opinion on these financial statements based on our audit.

An audit of financial statements only covers compliance with other legal regulations to the extent that these other legal regulations can be expected to have an impact on the financial statements.

In preparing its financial statements, the Company made use of the reporting simplifications for micro-entities.

2.2 Nature and scope of audit procedures

We conducted our audit of the financial statements in accordance with Section 317 of the German Commercial Code [HGB] and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. The objective of our risk-oriented audit approach is to ensure that the statements made in the financial statements of Ranbaxy GmbH, of Leverkusen, Germany, provide a reliable basis for decisions made by users of these financial statements.

We planned and based our audit on an understanding of our client's business and an assessment of company-specific risks as well as accounting-related processes and controls of the Company.

We assessed their impact on the financial statements by taking account of the principle of materiality, and as a result established the following audit focus areas:

- Audit of prior-year information,
- Existence and measurement of trading goods,
- Identification and measurement of trade receivables,

- Completeness of other provisions.

In terms of its scope, the Company's internal control system is well-adapted to the small number and complexity of transactions. We sufficiently familiarized ourselves with the execution of these transactions and with the management's approach to business risks.

Our audit procedures consisted mainly of tests of details on a sample basis and analytical reviews of items in the financial statements. We also obtained confirmations by the tax consultants and banks working for the Company, and from customers and suppliers in random samples on the basis of an intentional selection.

In the course of the audit of the opening balance sheet figures, we have critically analyzed the prior year's financial statements and performed additional tests of details for selected opening balance sheet items.

We concluded our audit with an overall evaluation of the audit results as well as the financial statements. This overall assessment was then used for issuing our audit opinion, the auditor's report. Together with the audit report, the auditor's report forms an integral part of our reporting on the audit performed.

We performed our audit (with interruptions) in the month of April 2015, concluding on April 28, 2015.

All explanations and evidence requested by us were provided. The management confirmed in writing that the accounting records and financial statements are complete.

3 Findings Concerning Accounting Records and Financial Reporting

3.1 Accounting records and related documents

The Company's accounting records have been properly kept and maintained. The accounting records and related documents are properly authorized, sufficiently explained and filed in an orderly manner. Based on our findings, the accounting records and related documents comply with German statutory requirements.

Based on our audit, we found that the Company's organizational and technical measures taken to ensure security of the accounting-relevant data and IT systems were appropriate.

3.2 Financial statements

The financial statements as of March 31, 2015, presented to us for audit were properly derived from the Company's accounting records and related documents. The opening balance sheet figures were properly carried forward from the prior-year financial statements. The statutory regulations concerning recognition, disclosure and valuation were observed.

The balance sheet and the income statement were prepared in accordance with the provisions of German commercial law governing the accounting of limited-liability companies, including generally accepted accounting principles.

Size-related reporting simplifications for micro-entities have been correctly applied in the preparation of the Company's financial statements.

4 Opinion on the Overall Presentation of the Financial Statements

4.1 Explanatory notes concerning the overall presentation

After the reporting date for financial statements was moved from December 31 to March 31 of each year to harmonize Group reporting, during the prior year the management instituted a short financial year for the period from January 1 through March 31, 2014. As a result, in many respects – and particularly as concerns the income statement – the comparability of the financial statements under report here with those for the prior year is limited.

The exercise of accounting and valuation options as well as accounting judgments for the following financial statement items has a material effect on the Company's net assets, financial position and results of operations:

Other provisions have been recognized for all discernible risks and contingent liabilities at an amount which is in line with reasonable commercial judgment. KEUR 2,817 of this amount (prior year: KEUR 1,471) mainly concerns a provision for health insurance rebates. The provision includes the estimated rebates that must be granted to contracting parties. Because in some cases contracting parties to which rebates are granted settle with the Company only once a year, the projected rebates to be granted must be estimated on March 31, 2015. The Company based its estimates on the provision for rebates on statistical market data provided by an independent third party for the 2014/15 financial year.

4.2 Conclusion on the overall presentation of the financial statements

In the financial statements as of March 31, 2015, the Company exercised accounting and valuation options that were by and large consistent with the prior year. The most significant instances of judgment from the point of view of the overall assertion consist of the provision for rebates that have to be granted to contractual parties in the future.

Based on an overall consideration of the accounting policies described above, and taking into account the reporting simplifications for micro-entities, we are of the opinion that the financial statements provide a true and fair view of the Company's net assets, financial position and results of operations in accordance with German generally accepted accounting principles.

5 Auditor's Report

We have issued the following unqualified auditor's report:



Auditor's Report

To Ranbaxy GmbH, Leverkusen, Germany

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, of Ranbaxy GmbH, of Leverkusen, Germany, for the financial year from April 1, 2014, to March 31, 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 management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code [HGB] and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to 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 management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the 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 Ranbaxy GmbH, of Leverkusen, in accordance with German principles of proper accounting.

”

Düsseldorf, Germany, April 28, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Dr. Uhde
Wirtschaftsprüfer
[German Public Auditor]

Körwer
Wirtschaftsprüfer
[German Public Auditor]

Appendices

Appendix 1

Financial Statements as of March 31, 2015

1.1 Balance Sheet

1.2 Income Statement

Ranbaxy GmbH, Leverkusen, Germany

Balance sheet as of March 31, 2015

ASSETS

	Mar. 31, 2015 EUR	Mar. 31, 2014 EUR
A. Current assets		
I. Inventories		
Merchandise	160,973.75	170,202.69
II. Receivables and other assets		
1. Trade receivables	1,274,856.23	489,173.38
2. Receivables from affiliated companies	0.00	16,199.51
- thereof from shareholders: EUR 0.00 (PY: EUR 16,199.51) -		
	1,274,856.23	505,372.89
III. Cash and cash equivalents	<u>2,951,681.58</u>	<u>853,288.51</u>
	<u>4,387,511.56</u>	<u>1,528,864.09</u>

LIABILITIES

	Mar. 31, 2015	Mar. 31, 2014
	EUR	EUR
A. Equity		
I. Subscribed capital	25,000.00	25,000.00
III. Earnings carried forward	0.00	-1,065.40
IV. Net income (loss) for the year	0.00	1,065.40
	<u>25,000.00</u>	<u>25,000.00</u>
B. Provisions		
Other provisions	<u>2,835,161.25</u>	<u>1,473,495.00</u>
C. Liabilities		
- all with a remaining term of up to one year -		
1. Trade payables	6.91	6.91
2. Liabilities to affiliated companies	1,527,343.40	30,362.18
- thereof to shareholders: EUR 1,527,343.40 (PY: EUR 4,353.00) -		
	<u>1,527,350.31</u>	<u>30,369.09</u>
	<u>4,387,511.56</u>	<u>1,528,864.09</u>

Ranbaxy GmbH, Leverkusen, Germany

Income Statement for the Period from April 1, 2014, to March 31, 2015

	Apr. 1, 2014-Mar. 31, 2015	Jan. 1- Mar. 31, 2014
	EUR	(Short FY) EUR
1. Revenue	1,663,079.46	93,898.05
2. Cost of materials		
Cost of purchased goods	-680,231.67	-92,761.80
3. Other operating expenses	-54,979.92	-9,041.29
--thereof from currency translation EUR 8,635.66 (PY: EUR 0.00)--		
4. Expenses (PY: income) from profit and loss transfer agreement	<u>-927,867.87</u>	<u>8,970.44</u>
5. Profit (loss) from continuing operations	<u>0.00</u>	<u>1,065.40</u>
6. Net income (loss) for the year	<u><u>0.00</u></u>	<u><u>1,065.40</u></u>

Business Profile

Field of activity	<p>Ranbaxy GmbH sells pharmaceutical products.</p> <p>The Company belongs to the Sun Pharmaceutical Group, which is the largest drug manufacturer in India and ranks among the five largest manufacturers of generics in the world. The Company launched its commercial activities during the 2013 financial year. All medicines sold by Ranbaxy GmbH must comply with the eligibility and quality requirements of the German and European regulatory authorities.</p> <p>The Company sells its merchandise exclusively in Germany.</p>
Important business relationships	<p>The Company's activities revolve around the purchase and sale of generics, which are bought from affiliated companies located primarily in India.</p> <p>The Company participates in tenders initiated by statutory health insurance companies in the German market.</p> <p>A profit and loss transfer agreement is in place with the Parent Company, Basics GmbH, and dates to 2012.</p> <p>Ranbaxy has no employees of its own. Instead, an agency agreement was concluded with Basics GmbH on June 13, 2013. In that agreement, the Parent Company covenants to manage the business operations of its subsidiary with its own material and human resources. In return, each month it receives remuneration in the amount of a percentage of net sales after discounts.</p>
Business premises	<p>The business of Ranbaxy GmbH is managed by Basics GmbH in premises rented from the latter in Leverkusen. For the storage of its merchandise and processing of its shipping, it utilizes the services of a logistics company that belongs to the Daiichi-Sankyo Group and that, until March 25, 2015, ranked among the affiliated companies.</p>

Legal Status

Date of formation	In accordance with the articles of association, the Company was formed on November 9, 2012.
Registered name	Ranbaxy GmbH
Registered office	Leverkusen, Germany
Bylaws/articles of association	Last amended on December 12, 2013.
Commercial register	District Court [Amtsgericht] of Cologne, Germany, under Commercial Register entry no. HRB 77014 (last entry was made on July 1, 2014; last Commercial Register excerpt is dated April 8, 2015).
Object of the Company	The object of the Company is the manufacture and the sale of pharmaceutical products.
Financial year	<p>The financial year begins on April 1 of each year and ends on March 31 of the following year.</p> <p>The annual shareholders' meeting held on December 12, 2013, amended the articles of association such that, effective April 1, 2014, the financial year will extend from April 1 until March 31 of the following year.</p> <p>The transition period from January 1 through March 31, 2014, constituted a short financial year. This amendment was entered to the Commercial Register on January 7, 2014.</p>
Share capital	EUR 25,000.00; sole shareholder as of the balance sheet date is Basics GmbH, of Leverkusen, Germany.

Prior year's financial statements	<p>By shareholder resolution dated September 17, 2014,</p> <ol style="list-style-type: none">(1) the unaudited financial statements as of March 31, 2014, were approved;(2) the net loss before profit or loss transfer in the amount of EUR 8,970.44 was transferred to the General Partner in accordance with the profit and loss transfer agreement following an offset of the loss carryforward amount;(3) the actions of management were formally approved for the short financial year from January 1 to March 31, 2014.
Size of the Company	<p>As of March 31, 2015, the Company is a micro-entity as defined by Section 267a (1) in conjunction with Section 267 (4) sentence 1 of the German Commercial Code [HGB].</p>
Affiliated companies	<p>Ranbaxy Group/Sun Pharma Group</p> <p>Effective March 25, 2015, the Company is part of the group of companies of Sun Pharmaceuticals Group. The uppermost parent company that issues the consolidated financial statements for the largest and smallest group of companies is Sun Pharmaceutical Industries Limited, of Mumbai, India.</p> <p>All of the companies in a parent-subsidary relationship with this company are considered affiliated companies.</p> <p>Up until the sale in March, the Ranbaxy Group belonged to Daiichi Sankyo Co., Ltd., of Tokyo, Japan.</p>
Group affiliation	<p>The Company is included in the consolidated financial statements of Sun Pharmaceutical Industries Limited, of Mumbai, India.</p>

Intercompany agreements

On December 12, 2012, a control and profit and loss transfer agreement (PLTA) was concluded with the Parent Company, Basics GmbH, of Leverkusen, Germany, which owns 100 % of the shares, effective January 1, 2012; this agreement was entered into the Commercial Register on December 27, 2012. Under the agreement, Ranbaxy GmbH has an obligation to transfer to Basics GmbH its entire net income prior to profit transfer, less a loss carryforward from the prior year, subject to the formation or disposal of reserves. In turn, Basics GmbH has an obligation to balance out any net loss incurred by Ranbaxy GmbH during the life of the agreement.

The PLTA was amended by agreement dated December 12, 2013. The annual shareholders' meeting approved the amendment that same day. The amendment provides that, subject to the written-form requirement and the requirement of a six-month period of notice, the transferring company may terminate the PLTA in the ordinary course of business, effective at the end of a financial year, yet with termination not to take effect before the end of December 31, 2017. If the agreement is not terminated, the period of notice remains the same and the agreement is automatically extended by an additional year. The supplement to the agreement was entered to the Commercial Register for Ranbaxy GmbH on December 20, 2013. The agreement remains in effect at this time.

Managing directors

During the 2014/15 financial year, the Company's managing directors were:

- Neeraj Sharma, London, Great Britain (until May 14, 2014),
- Venu Madhav, Leverkusen, Germany (from May 14, 2014).

The managing director is authorized to represent the Company individually with the authority to conclude legal transactions in the managing director's own name or as a legal representative of a third party on behalf of the Company.

The change in management was entered to the Commercial Register on July 1, 2014.

-
- Authorized representatives
- Hilmar Kerper, Mettmann, Germany,
 - Ahmed Banjaddi, Leverkusen, Germany.

The authorized representatives ("Prokurist") are authorized to represent the Company jointly with a managing director or another authorized representative.

Tax status

The Company is registered at the tax office of Leverkusen, under the tax identification number 230/5701/1303.

Joint trade, corporate and sales tax filing status exists with Basics GmbH, of Leverkusen, Germany.

Appendix 4

General Engagement Terms

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.