

# Einfach. Vernünftig.

DFV Deutsche Familienversicherung AG  
**IFRS Unaudited Condensed Consolidated Interim  
Financial Statements as of and for the six-month period ended  
June 30, 2018**

**DFV Deutsche Familienversicherung AG**  
**Frankfurt am Main**

**Unaudited condensed consolidated interim financial  
statements in accordance with IFRS as of and for the six-month  
period ended June 30, 2018**

**Review Report**

Note: This pdf copy of the auditor's report for the consolidated financial statements is only a non-binding sample copy. Only the certified copy of the consolidated financial statements prepared and delivered in paper form is authoritative!

## List of Annexes

IFRS Unaudited Condensed Consolidated Interim Financial Statements as of and for the six-month period ended June 30, 2018

Review Report

General Terms of Engagement for German Public Auditors and Public Audit Firms

**DFV Deutsche Familienversicherung AG,  
Frankfurt am Main**

IFRS Unaudited Condensed Consolidated Interim Financial  
Statements as of and for the six-month period ended  
June 30, 2018

Consisting of:  
Balance sheet,  
Statement of comprehensive income,  
Statement of changes in equity,  
Statement of cash flow  
and Notes

## F. Financial Information

The English version of the condensed financial statement below is a translation of the original in German which had been reviewed by the external auditor.

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**Unaudited Condensed Consolidated Interim Financial Statements  
as of and for the six-month period ended June 30, 2018  
(prepared in accordance with IFRS on interim Financial Reporting  
(IAS 34)) of DFV Deutsche Familienversicherung AG**

# Consolidated balance sheet

Deutsche Familienversicherung AG, Frankfurt am Main  
Balance sheet as of and for the six-month period ended June 30, 2018

EUR	June 30, 2018	Dec. 31, 2017
<b>A. Intangible assets</b>		
I. Goodwill	0	0
II. Other intangible assets	9,321,193	9,319,918
<b>Sum A.</b>	<b>9,321,193</b>	<b>9,319,918</b>
<b>B. Investments</b>		
I. Loans	0	0
II. Financial investments available for sale	55,104,861	46,356,558
III. Financial investments at fair value through profit or loss	0	0
IV. Other investments	0	0
<b>Sum B.</b>	<b>55,104,861</b>	<b>46,356,558</b>
<b>C. Receivables</b>		
I. Receivables from direct insurance business		
1. to policyholders	553,068	517,482
2. to insurance brokers	154,102	604,971
	707,170	1,122,452
3. Other receivables	3,073,739	782,101
<b>Sum C.</b>	<b>3,780,909</b>	<b>1,904,554</b>
<b>D. Current bank accounts</b>	<b>5,022,142</b>	<b>5,510,342</b>



# Consolidated balance sheet

Deutsche Familienversicherung AG, Frankfurt am Main  
Balance sheet as of and for the six-month period ended June 30, 2018

EUR	June 30, 2018	Dec. 31, 2017
<b>E. Share of reinsurers in underwriting provisions</b>		
I. Unearned premiums	643,308	2,006,811
II. Actuarial reserves	26,727,252	22,029,558
III. Reserves for outstanding claims	4,509,079	5,374,759
IV. Other underwriting provisions	1,813	1,813
<b>Sum E.</b>	<b>31,881,452</b>	<b>29,412,941</b>
<b>F. Tax receivables</b>		
I. from current taxes	0	0
II. from deferred taxes	339,421	402,029
<b>Sum F.</b>	<b>339,421</b>	<b>453,527</b>
<b>G. Other assets</b>	<b>2,911,396</b>	<b>1,376,574</b>
<b>Total assets</b>	<b>108,361,375</b>	<b>94,282,915</b>



# Consolidated balance sheet

Deutsche Familienversicherung AG, Frankfurt am Main  
Balance sheet as of and for the six-month period ended June 30, 2018

EUR	June 30, 2018	Dec. 31, 2017
<b>A. Equity</b>		
I. Share capital	34,110,000	34,110,000
II. Share reserves	3,893,859	3,893,859
III. Retained earnings	-17,853,930	-19,335,094
IV. Other reserves		
1. Unrealized gains and losses	-821,553	-699,075
2. Reserve from currency conversion	0	0
<b>Sum IV.</b>	<b>-821,553</b>	<b>-699,075</b>
V. Consolidated net income for the year attributable to the shareholders of the parent company	12,886	1,481,243
<b>Sum A.</b>	<b>19,341,262</b>	<b>19,450,933</b>
<b>B. Gross underwriting provisions</b>		
I. Unearned premium reserve	2,646,174	4,338,025
II. Actuarial reserves	37,517,796	30,940,988
III. Reserves for outstanding claims	10,350,284	10,713,586
IV. Other underwriting provisions	833,182	818,921
<b>Sum B.</b>	<b>51,347,436</b>	<b>46,811,520</b>
<b>C. Other reserves</b>	625,929	484,487
<b>D. Liabilities</b>		
<b>I. Liabilities from direct insurance business</b>		
1. to policyholders	199,451	237,707
2. to insurance brokers	3,123,905	459,800
	<b>3,323,356</b>	<b>697,507</b>
<b>II. Other liabilities</b>	32,535,584	25,319,008
<b>Sum D.</b>	<b>35,858,940</b>	<b>26,016,515</b>
<b>E. Tax liabilities</b>		
I. from current taxes	348,414	315,744
II. from deferred taxes	839,393	1,203,716
<b>Sum E.</b>	<b>1,187,807</b>	<b>1,519,460</b>
<b>Total equity and liabilities</b>	<b>108,361,375</b>	<b>94,282,915</b>

# Consolidated statement of comprehensive income

Deutsche Familienversicherung AG, Frankfurt am Main

EUR	Jan. 1, 2018 – June 30, 2018	Jan. 1, 2017 – June 30, 2017
<b>I. Income statement</b>		
<b>1. Gross written premiums</b>		
a) Gross	30,190,217	35,860,777
b) Share of reinsurers	13,292,929	20,312,840
	<b>16,897,288</b>	<b>15,547,937</b>
<b>2. Change in unearned premiums</b>		
a) Gross	-1,691,852	1,074,006
b) Share of reinsurers	-1,363,503	927,385
	<b>-328,349</b>	<b>146,620</b>
<b>3. Net earned premiums</b>	<b>17,225,637</b>	<b>15,401,317</b>
<b>4. Investment income</b>	<b>-644,563</b>	<b>454,677</b>
thereof: from associated companies	0	0
<b>5. Other income</b>	76,250	392,383
<b>Total income</b>	<b>16,657,324</b>	<b>16,248,377</b>
<b>6. Claim payments to customers</b>		
a) Gross	18,974,773	19,463,182
b) Share of reinsurers	8,883,780	10,653,857
	<b>10,090,993</b>	<b>8,809,325</b>
<b>7. Expenses for insurance operations</b>		
a) Gross	10,999,758	12,982,757
b) Share of reinsurers	5,755,724	7,465,226
	<b>5,244,034</b>	<b>5,517,531</b>
<b>8. Other expenses</b>	1,158,797	1,405,156
<b>Total expenses</b>	<b>16,493,823</b>	<b>15,732,012</b>
<b>9. Operating result</b>	163,501	516,365
<b>10. Financing expenses</b>	0	0

# Consolidated statement of comprehensive income

Deutsche Familienversicherung AG, Frankfurt am Main

EUR	Jan. 1, 2018 – June 30, 2018	Jan. 1, 2017 – June 30, 2017
<b>11. Net income before income taxes</b>	<b>163,501</b>	<b>516,365</b>
<b>12. Income taxes</b>	<b>150,615</b>	<b>182,041</b>
<b>13. Net result</b>	<b>12,886</b>	<b>334,324</b>
thereof attributable to shareholders of the parent company	12,886	334,324
thereof attributable to minority interests	0	0
<b>II. Other results (recognized directly in equity)</b>		
<b>14. Unrealized gains and losses from investments</b>	<b>-122,478</b>	<b>-158,790</b>
<b>15. Currency conversion</b>	<b>0</b>	<b>0</b>
	<b>-122,478</b>	<b>-158,790</b>
<b>III. Comprehensive income</b>	<b>-109,592</b>	<b>175,534</b>

# Consolidated statement of changes in equity

Deutsche Familienversicherung AG, Frankfurt am Main

Consolidated statement of changes in equity in TEUR	Subscribed capital	Capital reserves	Retained earnings	Reserve from currency conversion	Reserve unrealized gains and losses	Group equity
<b>As of December 31, 2016</b>	<b>34,110</b>	<b>3,894</b>	<b>-19,335</b>	<b>0</b>	<b>-152</b>	<b>18,517</b>
Change in the scope of consolidation	0	0	0	0	0	0
Gains and losses recognized directly in equity	0	0	0	0	-159	-159
Consolidated net profit/loss	0	0	334	0	0	334
<b>Total group result</b>	<b>0</b>	<b>0</b>	<b>334</b>	<b>0</b>	<b>-159</b>	<b>176</b>
Paid dividends	0	0	0	0	0	0
<b>As of June 30, 2017</b>	<b>34,110</b>	<b>3,894</b>	<b>-19,001</b>	<b>0</b>	<b>-311</b>	<b>18,693</b>
<b>As of December 31, 2017</b>	<b>34,110</b>	<b>3,894</b>	<b>-17,854</b>	<b>0</b>	<b>-699</b>	<b>19,451</b>
Change in the scope of consolidation	0	0	0	0	0	0
Gains and losses recognized directly in equity	0	0	0	0	-122	-122
Consolidated net profit/loss	0	0	13	0	0	13
<b>Total group result</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>-122</b>	<b>-110</b>
Paid dividends	0	0	0	0	0	0
Capital increase	0	0	0	0	0	2,000
<b>As of June 30, 2018</b>	<b>34,110</b>	<b>3,894</b>	<b>-17,741</b>	<b>0</b>	<b>-821</b>	<b>19,341</b>

# Consolidated statement of cash flow

Deutsche Familienversicherung AG, Frankfurt am Main  
Cash flow statement

	June 30, 2018	June 30, 2017
1. Result for the period before extraordinary items	12,886	334,323
2. Change of gross underwriting provisions	2,067,405	1,356,733
3. Change of deposits retained and accounts payable as well as accounts receivable and accounts payable	2,478,940	6,561,015
4. Change of other receivables and liabilities	5,487,130	-640,701
5. Gains and losses on the disposal of investments	0	0
6. Change of other balance sheet items	-1,494,868	-461,643
7. Other non-cash expenses and income	707,634	743,102
<b>I. Cash flow from operating activities</b>	<b>9,259,127</b>	<b>7,892,829</b>
9. Proceeds from the sale and maturities of other investments	0	0
10. Payments from the acquisition of other investments	-8,972,237	-8,000,632
11. Other proceeds	-165,777	25,730
12. Other payments	-609,314	-305,549
<b>II. Cash flow from investment activities</b>	<b>-9,747,328</b>	<b>-8,280,452</b>
13. Proceeds from additional equity	0	0
14. Payments to company owners and minority shareholders	0	0
<b>III. Cash flows from financing activities</b>	<b>0</b>	<b>0</b>
Changes of cash funds	-488,201	-387,623
Cash funds at the beginning of the period	5,510,342	4,658,445
<b>Cash funds at the end of the period</b>	<b>5,022,141</b>	<b>4,270,822</b>

# Segment reporting

Deutsche Familienversicherung AG, Frankfurt am Main

## Balance sheet

	Supplementary health insurance		Property and Casualty insurance	
	Q2 2018 EUR	Q4 2017 EUR	Q2 2018 EUR	Q4 2017 EUR
<b>A. Intangible assets</b>				
I. Goodwill				
II. Other intangible assets	7,891,459.53	7,890,379.97	1,429,733.12	1,429,537.53
<b>Sum A.</b>	<b>7,891,459.53</b>	<b>7,890,379.97</b>	<b>1,429,733.12</b>	<b>1,429,537.53</b>
<b>B. Investments</b>				
I. Loans				
II. Financial investments available for sale	53,685,159.96	43,018,465.42	1,629,701.43	3,548,092.48
III. Financial investments at fair value through profit or loss				
IV. Other investments				
<b>Sum B.</b>	<b>53,685,159.96</b>	<b>43,018,465.42</b>	<b>1,629,701.43</b>	<b>3,548,092.48</b>
<b>C. Receivables</b>				
I. Receivables from direct insurance business				
1. to policyholders	332,546.81	87,953.32	220,521.36	429,528.41
2. to insurance brokers	108,223.42	347,889.01	42,462.10	257,081.74
	<b>440,770.23</b>	<b>435,842.32</b>	<b>262,983.46</b>	<b>686,610.16</b>
3. Other receivables	1,016,871.10	708,263.51	2,057,734.18	20,294.24
<b>Sum C.</b>	<b>1,457,641.32</b>	<b>1,144,105.84</b>	<b>2,320,717.65</b>	<b>706,904.39</b>
<b>D. Share of reinsurers in underwriting provisions</b>				
I. Unearned premiums	340,643.75	402,144.28	302,664.56	1,604,666.55
II. Actuarial reserves	26,727,252.24	22,029,557.69	–	–
III. Reserves for outstanding claims	1,979,096.99	1,748,070.37	2,529,981.76	3,626,689.01
IV. Other underwriting provisions	960.02	1,812.41	852.98	–
<b>Sum D.</b>	<b>29,047,953.00</b>	<b>24,181,584.75</b>	<b>2,833,499.30</b>	<b>5,231,355.56</b>
E. Other segment assets	6,447,440.85	5,245,346.87	649,914.47	1,627,196.74
<b>Sum segment assets</b>	<b>98,529,654.66</b>	<b>81,479,882.85</b>	<b>8,863,565.97</b>	<b>12,543,086.70</b>

# Segment reporting

Deutsche Familienversicherung AG, Frankfurt am Main

	Other		Consolidation		Total	
	Q2 2018 EUR	Q4 2017 EUR	Q2 2018 EUR	Q4 2017 EUR	Q2 2018 EUR	Q4 2017 EUR
A. Intangible assets						
I. Goodwill						
II. Other intangible assets	–	–	–	–	9,321,192.65	9,319,917.50
<b>Sum A.</b>	–	–	–	–	<b>9,321,192.65</b>	<b>9,319,917.50</b>
<b>B. Investments</b>						
I. Loans						
II. Financial investments available for sale	–	–	-210.000,00	-210.000,00	55,104,861.39	46.356.557,90
III. Financial investments at fair value through profit or loss					–	–
IV. Other investments					–	–
<b>Sum B.</b>			<b>-210.000,00</b>	<b>-210.000,00</b>	<b>55,104,861.39</b>	<b>46.356.557,90</b>
I. Receivables from direct insurance business						
1. to policyholders	–	–	–	–	553,068.17	517,481.73
2. to insurance brokers	3,416.80	–	–	–	<b>154,102.32</b>	<b>604,970.75</b>
	<b>3,416.80</b>	–	–	–	<b>3,073,738.78</b>	<b>782,100.79</b>
3. Other receivables	609,957.61	388,992.00	-610,824.11	-335.448,96	3,073,738.78	782.100,79
<b>Sum C.</b>	<b>613,374.41</b>	<b>388,992.00</b>	<b>-610,824.11</b>	<b>-335.448,96</b>	<b>3,780,909.27</b>	<b>1.904.553,27</b>
<b>D. Share of reinsurers in underwriting provisions</b>						
I. Unearned premiums	–	–	–	–	643,308.31	2.006.810,82
II. Actuarial reserves	–	–	–	–	26,727,252.24	22.029.557,69
III. Reserves for outstanding claims	–	–	–	–	4,509,078.75	5.374.759,38
IV. Other underwriting provisions	–	–	–	–	1,813.00	1.812,41
<b>Sum D.</b>	–	–	–	–	<b>31,881,452.30</b>	<b>29.412.940,31</b>
E. Other segment assets	1,175,604.45	416,400.97	–	–	8,272,959.77	7.288.944,58
<b>Sum segment assets</b>	<b>1,788,978.86</b>	<b>805,392.97</b>	<b>-820,824.11</b>	<b>-545,448.96</b>	<b>108,361,375.38</b>	<b>94,282,913.56</b>



	Supplementary health insurance		Property and Casualty insurance	
	Q2 2018 EUR	Q4 2017 EUR	Q2 2018 EUR	Q4 2017 EUR
<b>A. Gross underwriting provisions</b>				
I. Unearned premium reserves	1,219,251.34	1.187.577,95	1,426,922.20	3.150.447,20
II. Actuarial reserves	37,517,796.17	30.940.987,90	–	–
III. Reserves for outstanding claims	4,776,173.72	4.090.693,39	5,574,110.65	6.622.892,36
IV. Other underwriting provisions	821,561.65	815.017,21	11,620.69	3.904,11
<b>Sum A.</b>	<b>44,334,782.88</b>	<b>37.034.276,45</b>	<b>7,012,653.54</b>	<b>9.777.243,67</b>
B. Other reserves	507,659.47	291.633,25	51,173.05	103.312,74
C. Other segment liabilities	33,439,183.11	26.134.926,79	2,792,586.33	1.221.724,26
<b>Sum segment liabilities</b>	<b>78,281,625.45</b>	<b>63.460.836,49</b>	<b>9,856,412.92</b>	<b>11.102.280,67</b>

## Income statement

	Supplementary health insurance		Property and Casualty insurance	
	Q2 2018 EUR	Q2 2017 EUR	Q2 2018 EUR	Q4 2017 EUR
1. Gross written premiums from insurance business	28,994,257.65	25,383,306.28	1,195,959.33	10,477,470.40
2. Earned net premiums	14,458,756.29	11,690,148.23	2,766,881.00	3,711,168.38
3. Result Investment income	-439,065.34	-167,780.52	-84,021.16	-53,263.81
4. Other income	32,174.15	282,807.65	6,156.65	89,780.45
<b>Total income</b>	<b>14,051,865.11</b>	<b>11,805,175.35</b>	<b>2,689,016.80</b>	<b>3,747,685.03</b>
5. Claim payments paid to customers	8,797,524.24	7,009.983.72	1,293,468.62	1,799,341.1
6. Expenses for insurance operations	4,656,700.74	4,598,650.16	587,332.77	918,880.71
7. Other expenses	1,151,322.62	556,522.79	220,321.35	176,674.39
<b>Total expenses</b>	<b>14,605,547.60</b>	<b>12,165,156.67</b>	<b>2,101,122.74</b>	<b>2,894,896.27</b>
8. Operating result	-553,682.49	-359,981.32	587,894.06	852,788.76
9. Financing expenses	–	–	–	–
10. Net income before income taxes	-553,682.49	-359,981.32	587,894.06	852,788.76
11. Income tax	97,711.42	133,315.67	18,698.42	42,322.55
<b>12. Net result</b>	<b>-651,393.91</b>	<b>-493,296.99</b>	<b>569,195.64</b>	<b>810,466.21</b>

Interest income	2,911.42	1,030.39	293.48	302.71
Interest expense	246,466.67	326,534.82	24,844.32	95,928.62
Depreciation and amortization	634,495.26	1,217,111.98	63,958.35	357,560.25
Significant non-cash income (+) and expenses (–) *	–	-126,936.82	–	-37,291.19

\* with the exception of depreciation and amortization

	Other		Consolidation		Total	
	Q2 2018 EUR	Q4 2017 EUR	Q2 2018 EUR	Q4 2017 EUR	Q2 2018 EUR	Q4 2017 EUR
<b>A. Gross underwriting provisions</b>						
I. Unearned premium reserves	–	–	–	–	2,646,173.54	4.338.025,15
II. Actuarial reserves	–	–	–	–	37,517,796.17	30.940.987,90
III. Reserves for outstanding claims	–	–	–	–	10,350,284.37	10.713.585,75
IV. Other underwriting provisions	–	–	–	–	833,182.34	818.921,32
<b>Sum A.</b>	–	–	–	–	<b>51,347,436.42</b>	<b>46.811.520,12</b>
B. Other reserves	67,096.23	89,541.00	–	–	625,928.75	484.486,99
C. Other segment liabilities	1,425,802.26	514,771.52	-610,824.11	-335,448.97	37,046,747.58	27.535.973,60
<b>Sum segment liabilities</b>	<b>1,492,898.49</b>	<b>604,312.52</b>	<b>-610,824.11</b>	<b>-335,448.97</b>	<b>89,020,112.75</b>	<b>74.831.980,71</b>

## Income statement

	Other		Consolidation		Total	
	Q2 2018 EUR	Q2 2017 EUR	Q2 2018 EUR	Q4 2017 EUR	Q2 2018 EUR	Q4 2017 EUR
1. Gross written premiums from insurance business	–	–	–	–	30,190,216.98	35,860,776.68
2. Earned net premiums	–	–	–	–	17,225,637.29	15,401,316.61
3. Result from investments	-121,476.90	675,721.59	–	–	-644,563.40	454,677.26
4. Other income	5,901,131.09	4,422,359.04	-5,863,211.83	-4,402,564.67	76,250.38	392,382.47
<b>Total income</b>	<b>5,779,654.19</b>	<b>5,098,080.63</b>	<b>-5,863,211.83</b>	<b>-4,402,564.67</b>	<b>16,657,324.27</b>	<b>16,248,376.34</b>
5. Claim payments paid to customers	–	–	–	–	10,090,992.86	8,809,324.89
6. Expenses for insurance operations	–	–	–	–	5,244,033.51	5,517,530.87
7. Other expenses	5,650,364.53	5,074,523.50	-5,863,211.83	-4,402,564.67	1,158,796.67	1,405,156.01
<b>Total expenses</b>	<b>5,650,364.53</b>	<b>5,074,523.50</b>	<b>-5,863,211.83</b>	<b>-4,402,564.67</b>	<b>16,493,823.04</b>	<b>15,732,011.77</b>
8. Operating result	129,289.66	23,557.13	–	–	163,501.23	516,364.57
9. Financing expenses	–	–	–	–	–	–
10. Net income before income taxes	129,289.66	23,557.13	–	–	163,501.23	516,364.57
11. Income tax	34,205.25	6,402.96	–	–	150,615.09	182,041.18
<b>12. Net result</b>	<b>95,084.41</b>	<b>17,154.17</b>	<b>–</b>	<b>–</b>	<b>12,886.14</b>	<b>334,323.39</b>
Interest income	–	–	–	–	3,204.90	1.333,10
Interest expense	–	–	–	–	271,310.99	422.463,44
Depreciation and amortization	–	–	–	–	698,453.61	1.574.672,23
Significant non-cash income (+) and expenses (–) *	–	–	–	–	–	- 164.228,01

\* with the exception of depreciation and amortization

# Notes

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## A.1. General information

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### A.1.1. Bases of the report

The abbreviated interim consolidated financial statements of DFV Group are presented in accordance with IAS 34 and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

For existing and unchanged IFRS, the accounting, measurement, consolidation and disclosure principles applied to prepare the condensed consolidated interim financial statements are consistent with those applied to prepare the consolidated financial statements for the fiscal years 2017. The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of DFV Group for the 2017 fiscal year.

Pursuant to IFRS 4.13, IFRS 4 „Insurance Contracts“, which is currently still relevant for insurance companies, permits during a transitional phase, Phase I, to account and value underwriting items in principle according to the accounting provisions applied prior to the introduction of IFRS. Accordingly, in compliance with IFRS 4.25, DFV Familienversicherung AG applied the national accounting standards applicable to the accounting of insurance contracts under the German Commercial Code (HGB) and other additional accounting standards applicable to insurance companies. Pursuant to IFRS 4 an insurance company has to classify its contracts concluded with policyholders in regard to the assumption of underwriting risks and thus with respect to the applicability of IFRS 4.

The present condensed consolidated interim financial statements of DFV Group were released by resolution of the Executive Board on August 15, 2018.

### A.1.2. Recently adopted accounting provisions (first effective as of January 1, 2018)

IFRS 15, Revenue from contracts with customers

The regulations and definitions of IFRS 15 replace both the content of IAS 18 „Revenue“ and also of IAS 11 „Construction Contracts“ as well as the associated interpretations.

It is the core principle of IFRS 15 that an entity should recognize revenue in the amount at which consideration is expected for the transfer of goods or the rendering of services to customers. This core principle is implemented with a five-level framework model:

- Identification of the contract/contracts with a customer,
- Identification of the independent service obligations in the respective contract,
- Determination of the transaction price,
- Distribution of the transaction price among the service obligations of the contract,
- Revenue recognition upon fulfilment of the service obligations by the company.

DFV applied the new standard as of the defined effective date according to the rules of the modified retrospective approach.

Compared to other industries, DFV is not material affected by the new regulations, since the main sales revenues of an insurance company, the insurance premiums, has to be accounted in line with IFRS 4 and, from 2021, onwards in line with IFRS 17. As a non-manufacturing company, DFV is generally not affected by changes in accounting for production orders. Other income such as interest and rent have to be accounted for in accordance with standards such as IFRS 9 and IAS 17.

Remaining adopted accounting provisions

The following amended and revised standards were adopted by the DFV Group as of January 1, 2018:

- IFRS 2, Classification and measurement of share-based payment agreement
- IAS 40, Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

The adoption had no significant effect on the asset, financial and earnings situation of the DFV Group.

### A.1.3. Changes in measurement

DFV Familienversicherung AG has partially changed the measurement method for the gross provision for outstanding claims as of June 30, 2018. The reserve for claims incurred but not reported (IBNR) was previously determined using the so-called BAV method. INBR is determined using actuarial methods to provide a better and more realistic insight into the net assets and earnings situation of the DFV Group.

## A.2. Notes to the Consolidated Balance Sheet – Assets

### A.2.1. Development of sundry intangible assets

Development of sundry intangible assets in TEUR	Purchased software	Other intangible assets	Total	Purchased software	Other intangible assets	Total
	June 30, 2018	June 30, 2018	June 30, 2018	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2017
Gross book value December 31, previous year	12,151	1,222	13,373	12,126	816	12,942
Accumulated amortization December 31, previous year	3,417	636	4,053	2,771	561	3,332
Balance sheet value December 31 previous year / January 1 fiscal year	8,734	586	9,320	9,355	255	9,610
Additions	70	473	543	25	406	431
Disposals gross book values	0	-218	-218	0	0	
Depreciations	-427	-114	-542	-646	-75	-721
Disposals depreciations	0	218	218	0	0	
<b>Balance sheet value June 30, fiscal year/ December 31, previous year</b>	<b>8,376</b>	<b>945</b>	<b>9,321</b>	<b>8,734</b>	<b>586</b>	<b>9,320</b>

## A.2.2. Financial instruments – available for sale

Financial instruments – available for sale	June 30, 2018 TEUR	Dec. 31, 2017 TEUR
Not fixed interest		
- shares	10,514	7,675
- investment fund units	5	5
- other (incl. accounts)	42,286	36,376
	52,805	44,057
Fixed interest+call monies	2,300	2,300
<b>Total</b>	<b>55,105</b>	<b>46,357</b>

## Securities lending

At the time of reporting, no securities were lent.

## A.2.3. Share of reinsurers in underwriting provisions

Share of reinsurers in underwriting provisions in TEUR	June 30, 2018	Dec. 31, 2017
Unearned premiums	643	2,007
Actuarial reserve	26,727	22,030
Provisions for outstanding claims	4,509	5,375
Other underwriting provisions	2	2
<b>Total</b>	<b>31,881</b>	<b>29,413</b>

### A.2.3.1 Reinsurers' share of the development of unearned premiums

Reinsurers' share of the development of unearned premiums in TEUR	June 30, 2018	Dec. 31, 2017
<b>As of December 31, previous year / January 1, fiscal year</b>	<b>2,007</b>	<b>1,996</b>
Additions	643	2,007
Reversed/ claimed	2,007	1,996
<b>As of December 31, previous year / June 30, fiscal year</b>	<b>643</b>	<b>2,007</b>

### A.2.3.2 Reinsurers' share of the development of actuarial reserve

Reinsurers' Share of the Development of actuarial reserve in TEUR	June 30, 2018	Dec. 31, 2017
Actuarial reserve as of December 31, previous year	22,030	14,141
Addition	4,890	8,328
Reversal	193	439
Actuarial reserve as of June 30, fiscal year	26,727	22,030

### A.2.3.3 Reinsurers' shares in the development of the reserve for outstanding claims

Reinsurers' shares in the development of the reserve for outstanding claims in TEUR	June 30, 2018	Dec. 31, 2017
As of December 31, previous year / January 1, fiscal year	5,375	4,517
Claims expenses		
for the fiscal year	4,329	13,232
for previous years	-142	-182
<b>Total</b>	<b>4,186</b>	<b>13,050</b>
Minus payments		
for the fiscal year	2,361	8,921
for previous years	2,691	3,271
Total	5,052	12,192
As of December 31, previous year / June 30, fiscal year	4,509	5,375

### A.2.4. Receivables

Receivables in TEUR	June 30, 2018	Dec. 31, 2017
Receivables from direct insurance business	707	1,122
Of which to policyholders	553	517
Of which to insurance brokers	15	605
Accounts receivable from reinsurance business	2,726	89
<b>Receivables from insurance business</b>	<b>3,433</b>	<b>1,212</b>
Fringe benefits on long-term care	313	587
Other receivables	35	106
<b>Total</b>	<b>3,781</b>	<b>1,905</b>

## A.2.5. Tax deferral

Deferred tax assets in TEUR	June 30, 2018			Dec. 31, 2017		
	Total deferred tax assets	Thereof directly in equity	Thereof through profit or loss	Total deferred tax assets	Thereof directly in equity	Thereof through profit or loss
Intangible assets	0			0		0
Investments						
Financial instruments	243	243	0	141	141	
Derivative financial instruments	46	0	46	0		
Underwriting provisions	50	0	50	7		7
Sundries	0	0	0	254		254
	<b>339</b>	<b>243</b>	<b>96</b>	<b>402</b>	<b>141</b>	<b>261</b>

Deferred tax liabilities in TEUR	June 30, 2018			Dec. 31, 2017		
	Total deferred tax liabilities	Thereof directly in equity	Thereof through profit or loss	Total deferred tax liabilities	Thereof directly in equity	Thereof through profit or loss
Intangible assets	839		839	878		878
Investments						
Financial instruments	0	0	0	0		
Derivative financial instruments	0	0	0	0		
Underwriting provisions	0	0	0	0		
Sundries	0	0	0	326		326
	<b>839</b>	<b>0</b>	<b>839</b>	<b>1,204</b>	<b>0</b>	<b>1,204</b>

## A.2.6. Other assets

Other assets in TEUR	June 30, 2018	Dec. 31, 2017
Operating and office equipment	632	565
Prepaid expenses and accrued income	532	300
Accrued interest from investments	1,082	349
Tax prepayments	440	95
Sundry assets	225	68
<b>Total</b>	<b>2,911</b>	<b>1,377</b>



## A.3. Notes to the Consolidated Balance Sheet – liabilities –

### A.3.1. Underwriting provisions (gross)

Underwriting provisions (gross) in TEUR	June 30, 2018	Dec. 31, 2017
Unearned premium reserve	2,646	4,338
Actuarial reserve	37,518	30,941
Reserve for outstanding claims	10,350	10,714
Reserve for premium refunds	812	812
Other underwriting provisions	22	7
<b>Total</b>	<b>51,347</b>	<b>46,812</b>

#### A.3.1.1. Development of Unearned premium reserve

in TEUR	June 30, 2018	Dec. 31, 2017
As of December 31, previous year / January 1, fiscal year	4,338	4,887
Additions	2,646	4,338
Reversed/ claimed	4,338	4,887
<b>As of December 31, previous year / June 30, fiscal year</b>	<b>2,646</b>	<b>4,338</b>

#### A.3.1.2. Development of actuarial reserve

in TEUR	June 30, 2018	Dec. 31, 2017
<b>Actuarial reserve previous year</b>	<b>30,941</b>	<b>20,201</b>
Addition	6,083	10,806
Reversal	275	627
Interest share	769	562
<b>Actuarial reserve fiscal year</b>	<b>37,518</b>	<b>30,941</b>

The interest portion is determined from the respective actuarial interest from the fiscal year in relation to the mean value of the balance-sheet actuarial reserve of the previous year and the fiscal year.

### A.3.1.3. Development of the reserve for outstanding claims

in TEUR	June 30, 2018	Dec. 31, 2017
<b>As of December 31, previous year / January 1, fiscal year</b>	<b>10,714</b>	<b>9,480</b>
Claim expenses		
for the fiscal year	11,930	27,601
for previous years	453	193
<b>Total</b>	<b>12,384</b>	<b>27,794</b>
Minus payments		
for the fiscal year	6,564	19,778
for previous years	6,183	6,783
<b>Total</b>	<b>12,747</b>	<b>26,561</b>
<b>As of December 31, previous year / June 30, fiscal year</b>	<b>10,350</b>	<b>10,714</b>

### A.3.1.4 Development of the reserve for premium refunds

in TEUR	June 30, 2018	Dec. 31, 2017
<b>As of December 31, previous year / January 1, fiscal year</b>	<b>812</b>	<b>647</b>
Additions	0	472
Claim	0	308
<b>As of December 31, previous year / June 30, fiscal year</b>	<b>812</b>	<b>812</b>

### A.3.1.5 Other underwriting provisions

in TEUR	June 30, 2018	Dec. 31, 2017
Cancellation reserve	7	7
Provision for impending losses	0	0
Other underwriting provisions	14	0
<b>Total</b>	<b>22</b>	<b>7</b>

### A.3.2. Liabilities

in TEUR	June 30, 2018	Dec. 31, 2017
Receivables from direct insurance business	3,323	698
Thereof from policyholders	199	238
Thereof from insurance brokers	3,124	460
Accounts receivable from reinsurance business	68	299
Deposit liabilities for reinsured insurance business	28,523	23,176
<b>Receivables from insurance business</b>	<b>31,914</b>	<b>24,173</b>
Other Receivables	3,945	1,844
<b>Total</b>	<b>35,859</b>	<b>26,017</b>

## A.4. Notes on the Consolidated Income Statement

### A.4.1. Earned premiums

We refer to the income statement in regard to the written premiums, changes in unearned premiums and earned premiums (gross, reinsured and net).

### A.4.2. Result from investments

in TEUR	June 30, 2018	June 30, 2017
<b>Income from investments</b>		
Current income from investments	-543	468
Income from additions	0	0
Profits from changes in fair value	0	0
Profits from the disposal of investments	0	0
<b>Total</b>	<b>-543</b>	<b>468</b>
<b>Expenses for investments</b>		
Expenses for management of investments, other expenses	101	13
Depreciation and impairments on investments		0
Losses from changes in fair value	0	0
Losses from the disposal of investments	0	0
<b>Total</b>	<b>101</b>	<b>13</b>
<b>Result from investments</b>	<b>-644</b>	<b>455</b>

### A.4.3. Other income

in TEUR	June 30, 2018	June 30, 2017
Other technical income	10	334
Other non technical income	67	59
<b>Total</b>	<b>76</b>	<b>392</b>

### A.4.4. Insurance benefits

in TEUR	June 30, 2018	June 30, 2017
<b>Payments for insurance claims</b>		
Gross amount	12,747	13,395
Reinsurers' share	5,052	6,106
Net amount	7,695	7,288
<b>Change in reserve for outstanding claims</b>		
Gross amount	-363	68
Reinsurers' share	-866	6
Net amount	502	62
<b>Change in actuarial reserve</b>		
Gross amount	6,577	6,001
Reinsurers' share	4,698	4,542
Net amount	1,879	1,459
<b>Change in other underwriting provisions</b>		
Gross amount	14	0
Reinsurers' share	0	0
Net amount	14	0
<b>Expenses for premium refunds</b>		
Gross amount	0	0
Reinsurers' share	0	0
Net amount	0	0
<b>Total</b>	<b>10,091</b>	<b>8,809</b>

#### A.4.5. (Net) expenses for insurance operations

Expenses for insurance operations in TEUR	June 30, 2018	June 30, 2017
Acquisition costs	7,614	9,123
Administration expenses	3,385	3,860
Thereof minus: reinsurers' shares	5,756	7,465
<b>Total</b>	<b>5,244</b>	<b>5,518</b>

#### A.4.6. Other expenses

in TEUR	June 30, 2018	June 30, 2017
Other underwriting expenses	235	428
Deposit interest reinsurance	271	206
Fire protection tax	-46	156
Sundries underwriting expenses	10	66
Other non-underwriting expenses	924	977
Thereof supervisory board compensations	85	58
<b>Total</b>	<b>1,159</b>	<b>1,405</b>

## A.5. Other disclosures

### A.5.1. Financial instruments and determination of fair value (fair value hierarchy)

Disclosure of assets and liabilities according to levels (June 30, 2018) in TEUR	Level 1	Level 2	Level 3	Total
Shares in subsidiaries, joint ventures and associated companies	0.0	0.0	0	0
Financial instruments available for sale	55,105	0.0	0.0	55,105
Non-current assets held for sale	0.0	0.0	0.0	0.0
<b>Total of positive market values</b>	<b>55,105</b>	<b>0.0</b>	<b>25.0</b>	<b>55,105</b>
Shares in subsidiaries, joint ventures and associated companies	0.0	0.0	0.0	0.0
Financial instruments available for sale	0.0	0.0	0.0	0.0
Non-current assets held for sale	0.0	0.0	0.0	0.0
<b>Total of negative market values</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Disclosure of assets and liabilities according to levels (Dec. 31, 2017) in TEUR	Level 1	Level 2	Level 3	Total
Shares in subsidiaries, joint ventures and associated companies	0.0	0.0	0.0	0.0
Financial instruments available for sale	46,357	0.0	0.0	46,357
Non-current assets held for sale	0.0	0.0	0.0	0.0
<b>Total of positive market values</b>	<b>46,357</b>	<b>0.0</b>	<b>25.0</b>	<b>46,357</b>
Shares in subsidiaries, joint ventures and associated companies	0.0	0.0	0.0	0.0
Financial instruments available for sale	0.0	0.0	0.0	0.0
Non-current assets held for sale	0.0	0.0	0.0	0.0
<b>Total of negative market values</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### A.5.2. Disclosures to contingent liabilities

Purchase commitments exist from currency hedging transactions in the amount of TEUR 8,179.

No contingent liabilities exist as of the balance sheet date (June 30, 2018) in addition to the provisions recognized in the consolidated balance sheet that would have to be reported.

### A.5.3 Co-insurance contract for residential property insurance

With effect as of December 31, 2017, DFV Familienversicherung AG terminated a co-insurance contract for residential property insurance. This affects several items in the balance sheet and income statement. Gross written premiums as a result of the portfolio withdrawal in the first half of 2018 are negative (TEUR - 2,019) and result in a corresponding liability to insurance brokers. However, the proportional quota share reinsurance of 95% results in the net premium written in this class of insurance of only TEUR - 98 as well as a claim on the reinsurer in the amount of the written reinsurance premiums. A net earned premium of TEUR 125 in total obtained after the unearned premiums are reversed for gross (TEUR 1,520) and reinsurance (TEUR 1,297).

### A.5.4. Supplementary report

Significant events after the balance sheet date and neither reported in the consolidated income statement or balance sheet, haven't occurred.

Frankfurt am Main, August 15, 2018

DFV Deutsche Familienversicherung AG

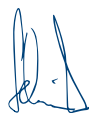
Executive Board



Dr. Stefan M. Knoll



Michael Morgenstern



Stephan Schinnenburg



Marcus Wollny



## Review Report

To DFV Deutsche Familienversicherung AG

We have reviewed the condensed consolidated interim financial statements – comprising consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, segment reporting and selected notes – of DFV Deutsche Familienversicherung AG for the period from 1 January 2018 to 30 June 2018. The preparation of the condensed consolidated financial statements in accordance with IFRS for interim financial reporting as applicable in the EU is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the condensed consolidated financial statements based on our review.

We have conducted our review of the condensed consolidated financial statements in accordance with the generally accepted German review standards of Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review such that we can exclude through critical evaluation, with reasonable certainty that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as applicable in the EU. A review is limited primarily to inquiries with company employees and analytical assessments and therefore does not provide the assurance that can be attained in an audit of financial statements. In accordance with our engagement we have not performed an audit, and therefore cannot issue an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as applicable in the EU.

Frankfurt am Main, 24 August 2018

WEDDING & Cie. GmbH  
Auditing Company

Johannes Wedding  
Auditor

# General Engagement Terms

for

## Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]  
as of January 1, 2017

### 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*) [Translators 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.