Annual financial statements as of and for the period January 1, 2013 to December 31, 2013 (German GAAP, *HGB*) (audited)

Income Statement for the period from 1 January to 31 December 2013

	2013		2012	
	EUR	**EUR**	**EUR**	**EUR**
1. Sales		0,00		6.045,11
2. Other operating income		703.723,60		1.175.654,73
3. Cost of materials				
a) Costs of supplies and purchased merchandise	-53.778,66		-312.818,98	
b) Costs of purchased services	-4.251.669,10	-4.305.447,76	-4.119.930,04	-4.432.749,02
4. Personnel expenses				
a) Wages and salaries	-1.547.782,49		-2.833.014,27	
b) Social security and post employment costs	-234.454,68	-1.782.237,17	-413.015,13	-3.246.029,40
–of which in respect of retirement provisions EUR 64,117.56 (in the prior year EUR 65,718.64)–				
5. Amortisation of intangible fixed assets and depreciation of tangible fixed assets		-313.722,16		-270.044,44
6. Other operating expenses		-4.545.131,19		-8.042.691,05
7. Other interest and similar income		869.278,27		863.250,61
–of which from affiliated companies EUR 860,000.64 (in the prior year EUR 839,667.33)–				
8. Write-downs of long-term financial assets		-50.000,00		-5.380.433,48
9. Interest and similar expenses		-672.480,20		-354.569,55
10. Results of ordinary operations		-10.096.016,61		-19.681.566,49
11. Taxes on income		0,00		-656.018,40
12. Net loss		-10.096.016,61		-20.337.584,89
13. Loss carryforward		-71.205.643,21		-50.868.058,32
14. Net accumulated losses		-81.301.659,82		-71.205.643,21

Balance Sheet as at 31 December 2013

Assets

			31.12.2013		31.12.2012	
			EUR	**EUR**	**EUR**	**EUR**
A.	**Fixed assets**					
	I.	**Intangible fixed assets**				
		Similar rights acquired for consideration, licenses and software		100.868,06		66.917,18
	II.	**Tangible fixed assets**				
		1. Buildings on third-party land	34.556,02		42.391,17	
		2. Other equipment, operating and office equipment	285.987,09	320.543,11	883.202,57	925.593,74
	III.	**Long-term financial assets**				
		1. Shares in affiliated companies	1,00		1,00	
		2. Participations	3.450,00	3.451,00	3.450,00	3.451,00
				424.862,17		995.961,92
B.	**Current assets**					
	I.	**Inventories**				
		Supplies		0,00		17.423,21
	II.	**Receivables and other assets**				
		1. Trade receivables	0,00		4.867,10	
		2. Receivables from affiliated companies	728.063,01		730.236,01	
		3. Other assets	610.474,74	1.338.537,75	259.728,37	994.831,48
	III.	**Cash-in-hand and bank balances**		4.421.392,00		7.556.027,84
				5.759.929,75		8.568.282,53
C.	**Prepaid expenses**			96.155,97		119.523,34
D.	**Deficit not covered by equity**			4.077.534,09		0,00
	Net accumulated losess of which deficit not covered by equity EUR 4,077,534.09 (in the prior year EUR 0.00)					
				10.358.481,98		9.683.767,79

Equity and liabilities

			31.12.2013	31.12.2012
			EUR	**EUR**
A.	**Equity**			
	I.	**Share capital**	25.528.929,00	25.528.929,00
		Contingent capital: EUR 5,714,159.00 (in the prior year EUR 1,406,467.00)		
	II.	**Capital reserves**	51.467.571,73	50.930.754,73
	III.	**Revenue reserves**		
		Legal reserves	227.625,00	227.625,00
	IV.	**Net accumulated losses**	-77.224.125,73	-71.205.643,21
		–Net accumulated losses EUR 81,301,659.82 (in the prior year EUR 71,205,643.21)– –of which deficit not covered by equity EUR 4,077,534.09 (in the prior year EUR 0.00)– refer to D. Assets		
			0,00	5.481.665,52
B.	**Provisions**			
	1.	Pension provision	321.037,41	281.818,57
	2.	Tax provision	2.444.990,75	2.346.710,75
	3.	Other provisions	1.375.691,99	1.179.278,86
			4.141.720,15	3.807.808,18
C.	**Liabilities**			
	1.	Bonds –of which convertible EUR 5,346,000.00–	5.346.000,00	0,00
	2.	Trade payables	837.668,04	304.976,81
	3.	Payables to affiliated companies	0,00	31.972,86
	4.	Other liabilities –of which taxes EUR 22,713.95	33.093,79	57.344,42

(in the prior year EUR 34,653.05)–		
	6.216.761,83	394.294,09
	10.358.481,98	9.683.767,79

NOTES to the Financial Statements for the Financial Year from 1 January to 31 December 2013

I. General information

The annual financial statements of Probiodrug AG were prepared using the accounting policies and measurement methods prescribed by the Handelsgesetzbuch ((German) Commercial Code or „HGB“) applying the Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetzes) (BilMoG) as well as the complementary regulations of the (German) Stock Corporation Act.

In accordance with Section 267 HGB, Probiodrug AG is a small capital corporation. In preparing the notes to the 2013 financial statements, use was made of the size related exemptions allowed in accordance with Section 274a and Section 288 (1) HGB.

There were no changes to the form of presentation when compared with the prior year.

Going concern principle

As at 31 December 2013 the Company had a deficit not covered by equity amounting to EUR 4,078k. The creditors to whom the convertible bonds with a nominal amount of EUR 5,346k were issued in the financial year just ended each issued qualified letters of subordination. As such, overindebtedness from a legal perspective does not exist.

As a result of the resolution to issue convertible bonds in July 2013 as well as the increase in these convertible bonds as resolved in May 2014, the Company was able to secure additional funding which provide for the Company’s further development at least into the third quarter of 2014. In order to continue the ongoing research and development projects additional funding will, at the latest, be required at this point. Management is currently pursuing an additional financing round for the fall of 2014. If this is not achieved, the Company’s further development will be endangered.

If extensive adjustments are made to the cost structures, the Company’s projections show that, without a successful financing round, the liquidity would be sufficient through the end of 2015. The afore mentioned projections are based on the assumption that no cash outflows will be required with respect to the potential additional tax claims of the fiscal authorities for the year 2004. Probiodrug has filed a lawsuit at the Finanzgericht contesting the potential back taxes. A ruling has not yet been made. A stay of execution for the contested decisions has been granted.

This risk was provided for in the financial statements by recording an appropriate provision. Should significant payments be required for the back taxes being contested in the financial courts, the Company’s ability to continue as a going concern would be endangered.

II. Accounting policies and measurement methods

Fixed assets

Tangible and intangible fixed assets were measured at their acquisition costs reduced by scheduled depreciation and amortisation.

The scheduled depreciation and amortisation was calculated on the straight-line basis considering the expected useful life of the underlying asset within the entity on the bases of the official depreciation tables in accordance with tax regulations.

A cumulative item was recorded in accordance with Section 6 (2a) EStG (German Income Tax Act) for moveable fixed assets acquired during the fiscal year with acquisition costs between EUR 150.00 and EUR 1,000.00. This item is depreciated on the straight-line basis in the year of acquisition as well as over the four subsequent years. The disposal of the low value fixed assets is recorded after five years. In total, the cumulative item is of minor importance.

If the acquisition cost for an individual item did not exceed EUR 150.00, this item was immediately recorded as an expense.

Due to the permanent impairment of tangible and intangible fixed assets extraordinary amortisation and depreciation amounting to EUR 86k (in the prior year EUR 0k) was recorded.

Extraordinary write-offs of additions to long-term financial assets, amounting to EUR 50k were recorded. As was the case in the prior year, the shares in affiliated companies were recorded with a notional memo value of EUR 1.00.

Current assets

The supplies recorded in the prior year were measured at their acquisition costs.

Receivables and other assets were measured at their nominal value less necessary valuation adjustments giving consideration to all identifiable risks. No foreign currency receivables existed at the balance sheet date.

The cash-in-hand and bank balances were measured at their nominal values.

The valuation of accounts denominated in a foreign currency was on the basis of the mean average exchange rate at the balance sheet date.

Prepaid expenses comprise payments made prior to the balance sheet date, which represent expenses for a specific period after the balance sheet date.

Equity

The Company's equity is recorded at its nominal value.

Provisions

Provisions are recorded at the settlement amounts deemed necessary when applying prudent business judgement. Future price and cost increases were given consideration.

Long-term provisions with a term of more than 12 months are discounted in accordance with Section 253 (2) sentence 1 HGB.

The measurement of the pension provisions is based on the „projected unit credit" - method (PUC method). Probiodrug made use of the allowed alternative treatment whereby the average market interest rate of the previous seven business years as published by the Deutsche Bundesbank (German Federal Reserve), which results from an assumed remaining term of 15 years, was applied as the discount rate. The biometric calculation used was provided by the 2005 G mortality tables of Prof. Dr. Klaus Heubeck (‚Richttafeln 2005 G' von Klaus Heubeck). The parameters applied in the calculation are presented in the explanations on the balance sheet.

Liabilities

Liabilities are recorded at their settlement amounts. Liabilities in a foreign currency are recorded at the mean average exchange rate in effect on the balance sheet date.

The existing liabilities are not secured.

Income statement

In accordance with Section 275 (2) HGB, the Company again elected the total cost method of presentation.

III. Explanations on the balance sheet

Long-term financial assets and receivables from affiliated companies

The shares in affiliated companies relate to Ingenium Pharmaceuticals GmbH, Munich ("Ingenium").

The shareholding amounts to 100 %. In the most recent financial statements available, as at 31 December 2012, Ingenium shows a deficit not covered by equity amounting to EUR 10,445k as well as a net loss of EUR 2,224k.

Of the receivables from affiliated companies (EUR 728k; in the prior year EUR 730k), EUR 725k (in the prior year EUR 725k) comprise loans receivable from Ingenium including accrued interest thereon as well as EUR 3k of receivables from the granting of phantom stocks. All of these receivables have a remaining term of less than one year.

As a result of the deficit not covered by equity at year end as well as the continued dependence of Ingenium on the financing of Probiodrug due to Ingenium's insufficient own sales, the valuation of the shares held in Ingenium (acquisition costs of EUR 5,430k) as well as the receivables from Ingenium GmbH (EUR 10,981k) were assessed at year-end.

After considering all valuation relevant factors, an additional impairment expense of EUR 360k had to be recorded in financial year 2013. This led to a total reduction in the presented value of the receivables from affiliated companies on the balance sheet amounting to EUR 10,253k. In addition, Probiodrug waived its claim to interest receivable of EUR 500k for the year 2013. Extraordinary write-downs amounting to EUR 50k were recorded against the additions to long-term receivables during the financial year. Due to their value being permanently impaired, the shares of Ingenium were written down to a notional memo value of EUR 1.00 in financial year 2013.

Other assets

Without exception, the other assets all have a remaining term of up to one year. They primarily consist of receivables from the sale of tangible fixed assets (EUR 507k; in the prior year EUR 0k), receivables from the fiscal authorities (EUR 50k; in the prior year EUR 202k) as well as subsidies receivable (EUR 26k; in the prior year EUR 31k).

Share capital

As at 31 December 2013, the subscribed capital amounted to EUR 25,528,929.00 and is unchanged in comparison with the prior year. It is broken down into 3,414,375 registered no par value common shares (bearer shares), 3,095,837 registered voting preference shares of the Series A as well as 19,018,717 registered voting preference shares of the Series B.

The mathematical par value per share amounts to EUR 1.00.

Convertible bonds

At the shareholders' meeting held on 22 July 2013 it was resolved that registered convertible bonds with a total nominal value of at least EUR 5,000k and up to a maximum of EUR 7,000k with a term through 31 December 2014, at the longest until 31 December 2015, broken down into convertible bonds be issued to existing shareholders of Probiodrug AG or to affiliated companies of existing shareholders of Probiodrug AG. To the extent that the afore mentioned entitled parties do not make use of their subscription rights, the convertible bonds may be issued to selected employees or Company advisors.

The convertible bonds are non-interest bearing and provide conversion rights for new, registered no par value preferred shares of the series B2 proportionally representing EUR 1.00 of the share capital. The issuance of the convertible bonds was realised on 16 August 2013 with a nominal value of EUR 5,346k.

The convertible bonds issued are mandatorily convertible bonds which are presented in the financial statements as at 31 December 2013 at their settlement value of EUR 5,346k on the line item „Bonds“. From an economic perspective, the compensation for the right to acquire shares, which is included in the issuance amount, is the non-interest bearing nature of the bonds. On the basis of an interest rate appropriate for the term, compensation amounting to EUR 537k was estimated and recorded in the capital reserves in accordance with Section 272 (2) Nr 2 HGB. No use was made of the option to capitalise in accordance with Section 250 (3) sentence 1 HGB for the disagio resulting from difference between the issue price of the bonds (without compensation for the conversion right) of EUR 4,809k and the settlement value of the bonds. Accordingly, costs corresponding with the fees are included on the line item „Interest and similar expenses“.

Contingent capital I/2008

As at 31 December 2013, the contingent capital I/2008 is unchanged amounting to EUR 67,800.00. EUR 67,120.00 (in the prior year EUR 67,120.00) are reserved as a result of the distribution of option rights.

The contingent capital I/2008 secures the option rights which were distributed in conjunction with the Stock Option Program 2007. A new distribution of options on the basis of this program is no longer possible.

The contingent capital increase will only be carried out to the extent that the beneficiaries of the stock options make use of their buying option. The new shares resulting from the exercise of the stock options will participate in earnings from the beginning of the financial year in which the rights are exercised. In addition to employees of the Company and affiliated companies for whom, as per Section 194 (3) AktG no disclosures are required, the following members of the management board are permitted to acquire the following number of shares:

Dr. Konrad Glund, Halle, up to 5,472 common shares,

Prof. Dr. Hans-Ulrich Demuth, Halle, up to 5,472 common shares,

Dr. Hendrik Liebers, Leipzig, up to 12,768 common shares

Contingent capital II/2008

As at 31 December 2013, the contingent capital II/2008 is unchanged at EUR 101,700.00. Of this amount, EUR 100,815.00 (in the prior year EUR 100,815.00) are reserved as a result of the issuance of options.

The contingent capital II/2008 serves to secure the option rights distributed in conjunction with the Stock Option Program 2007. A new issuance of options under this program is no longer possible.

The contingent capital increase will only be carried out to the extent that the beneficiaries make use of their buying options. The new shares resulting from the exercise of the stock options will participate in earnings from the beginning of the financial year in which the rights are exercised. In addition to employees of the Company and affiliated companies for whom, as per Section 194 (3) AktG no disclosures are required, the following members of the management board are permitted to acquire the following number of shares:

Dr. Konrad Glund, Halle, up to 8,208 preferred shares of the Series A,

Prof. Dr. Hans-Ulrich Demuth, Halle, up to 8,208 preferred shares of the Series A,

Dr. Hendrik Liebers, Leipzig, up to 19,152 preferred shares of the Series A

Contingent capital 2010/I

The contingent capital 2010/I as at 31 December 2013 was unchanged at EUR 1,236,967.00. Of this amount, EUR 515,403.00 (in the prior year EUR 515,403.00) are reserved as a result of the issuance of options.

The contingent capital 2010/I was established by virtue of the resolution of the Annual General Meeting of the shareholders on 18 May 2010. The Company’s share capital was contingently increased by a nominal value of up to EUR 1,236,967 by the issuance of up to 1,236,967 registered common shares subject to transfer restrictions. The contingent capital increase provides for the redemption of stock options in accordance with Section 192 (2) No. 3 AktG which were issued in conjunction with the Stock Option Program 2010 (in the version of the resolutions of the Annual General Meeting of the shareholders on 18 May 2010). The empowerment of the management board to issue new options was, by resolution of the Annual General Meeting of the shareholders on 31 October 2012, limited in time through 31 October 2013. A new issuance of options under this program is no longer possible.

The contingent capital increase will only be carried out to the extent that the beneficiaries of the stock options make use of their buying rights. The new shares resulting from the exercise of the stock options will participate in the earnings from the beginning of the financial year in which the rights are exercised. In addition to employees of the Company and affiliated companies for whom, as per Section 194 (3) AktG no disclosures are required, the following members of the management board are permitted to acquire the following number of shares:

Dr. Konrad Glund, Halle, up to 171,801 common shares,

Prof. Dr. Hans-Ulrich Demuth, Halle, up to 171,801 common shares and

Dr. Hendrik Liebers, Leipzig, up to 171,801 common shares

Contingent capital 2013/I

By resolution of the Annual General Meeting of the shareholders on 22 July 2013, the Company's share capital was contingently increased (contingent capital 2013/I) by EUR 4,307,692.00 to secure the conversion rights respectively conversion obligations associated with the convertible bonds which were issued on the basis of a resolution of the Annual General Meeting of the shareholders on the same day. In principle, the convertible bonds are due on 31 December 2014; an extension to 31 December 2015 is possible. The supervisory board's approval for the issuance of convertible bonds was granted on 22 July 2013.

Contingent capital 2014

By resolution of the Annual General Meeting of the shareholders on 16 May 2014 the Company's share capital was contingently increased by EUR 3,692,300.00 to grant conversion rights respectively obligations for convertible bonds issued on the basis of a resolution of the Annual General Meeting of the shareholders on the same date (contingent capital 2014). The convertible bonds are, at the latest, due on 31 December 2015. The approval of the supervisory board for the issuance of the partially convertible bonds was given on 30 April 2014.

Authorised capital 2011/II

By resolution of the Annual General Meeting of the shareholders on 20 September 2011, the authorised capital 2011/II was established. Probiodrug's management board is empowered, with the approval of the supervisory board, to increase the Company's share capital by issuing up to an additional 207,807 new registered no-par value preference shares of the Series (B) in one or a number of steps in consideration for cash of up to EUR 207,807.00 in the period through 31 December 2013. A subscription right of the shareholders for the authorised capital 2011/II is prohibited. The management board is empowered to establish the further details with respect to the implementation of the increase in capital from the authorised capital 2011/II.

No capital increase was carried out utilising the authorised capital 2011/II.

Capital reserves

As at 31 December 2013 the capital reserves amount to EUR 51,467,571.73 (in the prior year EUR 50,930,754.73). With respect to the change in the capital reserves during the financial year refer to the explanations regarding the convertible bonds.

Revenue reserves

The amount of EUR 227,625.00 is included in the legal reserves in accordance with Section 150 (2) AktG and is unchanged in comparison with the prior year.

Net accumulated losses

The retained loss as at 31 December 2013 includes the loss carryforward of EUR 71,205,643.21.

Provision for taxes

As per the audit report of the tax office Halle/Saale dated 25 June 2009 on the tax audit carried out in 2008, the 2004 operating income was retroactively increased by approximately EUR 10,010k.

On 5 October 2009, the Company filed an appeal against the changed assessments for 2004 corporate income tax and the solidarity tax contribution. In 2008 the Company already recorded the risk resulting from the assessments within the tax provision in accordance with the prudence principle. In a ruling with respect to the appeal issued by the fiscal authorities in September 2013, the assessment notice with respect to corporate income tax and the solidarity surcharge for 2004 was changed and the tax obligation was reduced slightly. Other than that, the appeal was denied. In addition, in October 2013 an amended municipal tax assessment notice for the assessment period 2004 was issued.

The afore mentioned risks including the accrued interest thereon were given consideration by increasing the tax provision by EUR 98k as at 31 December 2013 to EUR 2,445k.

A lawsuit was filed against the changed assessment notices. A ruling has not yet been issued. A stay of execution was granted for the assessment notices in dispute.

Provision for pensions

The calculation of the pension provision was carried out using the so called “projected unit credit" method (PUC method) which, from an economic perspective, provides for the appropriate presentation of the pension commitment. Probiodrug made use of the allowed alternative treatment whereby the average market interest rate of the previous seven business years, which results from an assumed remaining term of 15 years, as published by the Deutsche Bundesbank (German Federal Reserve), was used as the discount rate. As at 31 December 2013 this amounted to 4.88 %. A further parameter applied in the calculation was a pension progression rate of 1.5 %.

During the financial year personnel expenses in conjunction with the pension obligations amounting to EUR 64k (in the prior year EUR 66k) as well as interest expense of EUR 42k (in the prior year EUR 38k) were recorded. Interest expense includes income on the assets used to fund the obligation in the amount of EUR 5k (in the prior year EUR 10k) which is presented as a net amount.

As at 31 December 2013, the cash surrender value of the covering assets corresponds with the pledged entitlement to the life insurance amounting to EUR 574k (in the prior year EUR 517k). In accordance with Section 246 (2) HGB, this amount was off-set with the settlement amount of the pension provision which amounted to EUR 895k (in the prior year EUR 799k). The recorded pension provision amounted to EUR 321k (in the prior year EUR 282k).

Liabilities

As was the case in the prior year, the liabilities as at the balance sheet date all have a remaining term of up to one year.

IV. Explanations on the income statement

Other operating income

The other operating income includes income attributable to other periods amounting to EUR 248k (in the prior year EUR 439k).

The other operating income includes income from exchange rate differences amounting to EUR 3k (in the prior year EUR 6k).

Other operating expenses

The other operating expenses include expenses attributable to other periods amounting to EUR 79k (in the prior year EUR 103k).

The other operating expenses include expenses from exchange rate differences amounting to EUR 13k (in the prior year EUR 9k).

V. Other disclosures

Subsidies

Probiodrug AG received public subsidies for projects up to and including financial year 2013. In addition, subsidies were granted by the Investitionsbank Saxony-Anhalt as well as the (German) Federal Ministry of Education and Research (Bundesministerium für Bildung und Forschung). Some of the subsidies carry the condition of the right to review.

Recommendation for disposition of results

The management board recommends that the results be handled as follows:

The net accumulated losses amount to EUR 81,301,659.82. This amount will be carried forward.

Disclosures with respect to executive bodies

Management Board

During the financial year just ended, the Company's business was directed by the members of the management board:

Dr. Konrad Glund (Dipl. Biochemiker (degreed biochemist)) - Spokesperson

Prof. Dr. Hans-Ulrich Demuth (Dipl.-Biologe (degreed biologist)) (until 31 January 2013)

Dr. Hendrik Liebers (Dipl.-Biologe (degreed biologist), Dipl. Kaufmann (degreed businessman)).

All of the above have the authority to represent the Company on their own. Furthermore, Prof. Dr. Demuth was released from the constraints of Section 181 BGB (Bürgerliches Gesetzbuch; German Civil Code).

Supervisory Board

The following members of the supervisory board were appointed:

Dr. Claus Braestrup (biochemist)– until 21 January 2013 Chairman (until 28 February 2013)

Dr. Dinnies v. der Osten (Kaufmann (degreed businessman)) – Deputy Chairman

Dr. Erich Platzer (medical doctor)- Chairman from 22 January 2013

Dr. Axel Polack (medical doctor) (until 7 July 2013)

Prof. Dr. Georg Frank (chemist)

Dr. Jonathan Turner (biologist) (until 1 April 2013)

Dr. Oliver Litzka (biologist)

Dallas Webb (analyst) (until 12 September 2013)

Dr. Jörg Neermann (biotechnologist)

Halle, 15 July 2014

Dr. Konrad Glund Dr. Hendrik Liebers

Auditor‘s Report on the Annual financial statements as of and for the period January 1, 2013 to December 31, 2013 (German GAAP, HGB)

The following auditor’s report in accordance with section 322 German Commercial Code (*Handelsgesetzbuch, HGB*) refers to the annual financial statements, comprising the balance sheet, the income statement, the notes to the financial statements, and the management report of Probiodrug AG, Halle /Saale for the financial year 2013 from 1 January to 31 December 2013. With the exception of the excerpt of the management report presented in this Prospectus, the management report of Probiodrug AG, Halle /Saale for the financial year 2013 is not included in this prospectus. The above-mentioned auditor’s report and financial statements are both translations of the respective German-language originals.

To Probiodrug AG, Halle

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, and the management report of Probiodrug AG, Halle for the financial year from 1 January to 31 December 2013. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the Company’s articles of incorporation are the responsibility of the Company’s Management Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the 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 and in the management report 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, the annual financial statements and the management report 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 Board, as well as evaluating the overall presentation of the annual financial statements and management report. 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 the provisions of the Company's articles of incorporation 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. The management report is consistent with the annual financial statements and, as a whole, provides a suitable view of the Company’s position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion we refer to the explanation in the management report. In the section ‘‘Risks” it is explained that the ability of the entity to continue as a going concern is endangered if significant payments are required with respect to the lawsuit pending with the fiscal courts with respect to the back payments for taxes.

Leipzig, 15 July 2014

KPMG AG

Wirtschaftsprüfungsgesellschaft

(original German version signed by:)

Dr. Flascha	Daut
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)