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CRH Finance Germany GmbH Düsseldorf

Audit report
Annual financial statements and management report
31 December 2017

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft





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Terms and conditions of engagement, liability and restrictions on use
General Terms of Engagement

Note: For technical reasons of calculation, tables and references may contain deviations from the exact mathematical values due to rounding differences (monetary units, percentages etc.)



List of abbreviations

EU Audit Regulation	Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014
CRH	CRH plc, Dublin/Ireland
CRH Finance	CRH Finance Germany GmbH, Düsseldorf
CRH Finance Ltd.	CRH Finance Ltd., Dublin/Ireland
CRH Deutschland	CRH Deutschland GmbH, Kruft
HGB	German Commercial Code
OPTERRA	OPTERRA Beteiligungsgesellschaft mbH, Leipzig

Comment [A1]: We have decided to include this abbreviation as it appears so frequently in the text it makes sense to include it there. As it refers to a German law, English speakers wouldn't understand the abbreviation.



A. Audit assignment

By resolution of the shareholders' meeting of 21 December 2017, the management of CRH Finance Germany GmbH, Düsseldorf (hereinafter referred to in short as the "Company" or "CRH Finance") engaged us to audit the annual financial statements as of 31 December 2017, including the underlying accounting and the management report.

Our General Terms of Engagement for Auditors and Audit Firms of 1 January 2017, which are enclosed as an annex to this audit report, apply to this engagement and also in relation to third parties. We refer additionally and in particular to the provisions on liability contained in Section 9 therein and the exclusion of liability to third parties, and to the further provisions of the enclosed annex "Terms and Conditions of Engagement, Liability and Restrictions on Use".

This audit report has been prepared for the Company.



B. Audit certificate

We issued the following opinion on the annual financial statements and management report:

“Certificate of the independent auditor

To CRH Finance Germany GmbH

Report on the audit of the annual financial statements and management report

Opinions

We have audited the annual financial statements of CRH Finance Germany GmbH, Düsseldorf – which comprise the balance sheet as at 31 December 2017, profit and loss statement, cash flow statement, statement of changes in equity for the financial year from 1 January 2017 to 31 December 2017 and the notes to the financial statements – including the accounts presentation and assessment methods. In addition, we have also audited the management report of CRH Finance Germany GmbH for the financial year from 1 January 2017 to 31 December 2017.

In our opinion, on the basis of the knowledge obtained in the audit:

- ▶ The enclosed consolidated financial statements comply, in all material respects, with the requirements of German commercial law and with the generally accepted German accounting principles, give a true and fair view of the assets, liabilities and financial position of the Company as of 31 December 2017 and of its earnings position for the financial year from 1 January 2017 to 31 December 2017, and
- ▶ The enclosed management report as a whole provides appropriate true and fair view of the Company's position. In all material respects, this management report is consistent with the financial statements, complies with German legal requirements and presents the opportunities and risks of future development accurately.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the financial statements and of the management report.



Basis for our audit opinion

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as the “EU Audit Regulation”) and in compliance with generally accepted German principles for audits of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report” Section of our audit report. We are independent of the Company in accordance with the requirements of European law and German commercial law and the rules of the profession, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) lit. (f) EU Audit Regulation, we declare that we have not provided any services other than auditing, which are prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters relating to the annual financial statements

Key audit matters are such matters that, at our dutiful discretion, had prime importance in the audit of the annual financial statements for the current reporting period. We have determined that there were no key audit matters to be mentioned in our audit certificate.

Responsibility of the legal representative for the annual financial statements and the management report

The legal representatives are responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law and for ensuring that the annual financial statements, in compliance with these requirements, give a true and fair view of the asset, financial and earnings position of the Company. In addition, the legal representatives are responsible for such internal control, as they have determined to be required to enable the preparation of annual financial statements free from – intentional or unintentional – material false statements.



In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. Furthermore, they have responsibility where appropriate for disclosing, as applicable, matters related to going concern. In addition, they are responsible for balancing the Company's going concern, provided that no factual or legal circumstances are opposed, on the basis of the accounting principles.

Furthermore, the legal representatives are responsible for the preparation of the management report that, as a whole, provides appropriate true and fair view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) they have considered to be necessary to enable the preparation of a management report in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from – intentional or unintentional – material false statements, and whether the management report as a whole provides appropriate true and fair view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and accurately presents the opportunities and risks of future development, as well as to issue an audit certificate that includes our opinions on the annual financial statements and on the management report.



Sufficient certainty is a high level of certainty, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with generally accepted German principles for audits of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material false statement. False statements can arise from fraud or error and are considered material if they could, individually or cumulatively, be reasonably expected to influence the economic decisions of the addressees taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material false statements in the annual financial statements and of the management report, whether made by intent or by error, structure and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material false statements made by intent is higher than for that for incorrectness, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;
- ▶ evaluate the appropriateness of accounting methods used and the reasonableness of estimate values presented and related disclosures made by the legal representatives;



- ▶ draw conclusions as to the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, as to whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's going concern. If we conclude that a material uncertainty exists, we are required in the audit report to draw attention to the related disclosures in the annual financial statements and the management report or, if such disclosures are inadequate, we are required to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the asset, financial and earnings position of the Company in compliance with the generally accepted German accounting principles;
- ▶ evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides;
- ▶ perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the forward-looking statements, and evaluate the proper derivation of the forward-looking statements from these assumptions. We do not express a separate opinion on the forward-looking statements nor on the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the forward-looking statements.



We discuss with the persons responsible for governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the persons responsible for governance with a statement that we have complied with the relevant impartiality requirements, and discuss with them all relationships and other matters that may reasonably be thought to bear on our impartiality, and where applicable, the related safeguards.

From the matters discussed with the persons responsible for governance, we determine those matters that were of the greatest importance in the audit of the annual financial statements of the current period and which are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditors by the annual general meeting on 21 December 2017. We have been the auditors of CRH Finance Germany GmbH without interruption since the 2014 financial year.

We declare that the opinions expressed in this audit report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Responsible auditor

The auditor responsible for the audit is Holger Forst.”



C. General findings

Findings on the assessment of the financial position by the legal representative

In our opinion, based on our audit findings, we consider the presentation and assessment of the Company's financial position and its expected development provided by the legal representative in the annual financial statements and the management report to be accurate.

Course of business and position of the Company

The following aspects should be highlighted, in particular:

- ▶ Since 2013, CRH Finance has been integrated in the EMTN (Euro Medium Term Notes) Programme of the Group parent company CRH. In 2014, for the first time, it placed a bond guaranteed by CRH in the amount of €600 million with various German stock exchanges and the stock exchange in Dublin, Ireland, for over-the-counter trading.
- ▶ Significant expense items during the past financial year are the guarantee fees falling due under the guarantee agreement with CRH (€4,080,000), as well as interest expense for the bond (€10,500,000).
- ▶ With further investment opportunities arising for the funds lent to CRH Finance Ltd., the issued loan was recalled by mutual agreement on 29 May 2017 and a new loan with a term of five years was granted to OPTERRA on the same day.
- ▶ The significantly positive result prior to profit and loss transfer that was forecast in the 2016 management report was successfully achieved in 2017 as a result of this long-term loan.



- ▶ As at the balance sheet date, cash and cash equivalents of CRH Finance amounted to €36,992,000, including the cash pool portfolio of €24,389,000, bank balances of €17,465,000, and short-term liabilities to banks of €4,862,000 resulting from the accrued interest.
- ▶ The equity ratio for 2017 was 2.0% (previous year: 2.0%).
- ▶ The annual net profit of €6,371,000 was transferred to the parent company CRH Deutschland through the profit and loss transfer agreement.

Company's expected development

The expected development of the Company presented in the management report is based on assumptions containing a certain margin of discretion. We consider this presentation to be plausible. In this regard, reference is made in particular to the following key statements:

- ▶ Due to the long-term loan in place since the 2016 financial year, liquid funds are nearly fully reinvested and, as a result, the management currently does not perceive there to be any further investment opportunities at this time.
- ▶ The management is relying on a positive reinvestment result over the 7-year term of the bond.
- ▶ The Company is expecting a clearly positive result for 2017, based on its granting of the loan to OPTERRA.
- ▶ Based on the parent company's good credit rating, the management deems the risks for CRH Finance arising from the general development of the building materials sector to be low.



D. Subject matter, nature and scope of the audit

I. Subject matter of the audit

Within the scope of our engagement, we audited the accounting, the annual financial statements – consisting of the balance sheet, profit and loss statement, cash flow statement, statement of changes in equity and the notes – and the management report in accordance with Section 317 of the German Commercial Code (HGB) to verify their compliance with the applicable statutory provisions.

The decisive assessment criteria employed for our audit of the annual financial statements were the accounting regulations of Sections 242 to 256a and Sections 264 to 288 HGB, as well as the special regulations of the GmbH-Gesetz [German Law on Companies with Limited Liability]. There are no supplementary accounting requirements set out in the articles of association. The criteria for auditing the management report were the provisions of Section 289 HGB.

II. Nature and scope of the audit

We conducted our audit in accordance with Section 317 et seqq. HGB and the EU Audit Regulation taking into consideration the generally accepted German standards for the audit of financial statements issued by the Institut der Deutschen Wirtschaftsprüfer (IDW).

The audit did not cover whether the continuation of the audit company as a going concern or the effectiveness and economic viability of the management can be assured.

The basis of our risk and process-orientated audit approach is the development of an audit strategy. This strategy is based on an assessment of the economic and legal environment of the Company, its goals, strategies and business risks, which we assess on the basis of critical success factors. The audit of the - internal accounting control system and its effectiveness is supplemented by process and data analyses, which we conduct with the aim of determining their influence on relevant items in the annual financial statements, thus allowing us to assess the error risks and our audit risks.



The findings from our process audits and the internal accounting control systems have been taken into consideration for the selection and determining the scope of our analytical audit procedures (plausibility assessments), and the individual audits of inventory evidence and the recognition, reporting and valuation of items in the annual financial statements. In our customised company audit program, we have determined the main focus of our audit, the nature and scope of our audit activities, the timetable for the audit and the employees to be used. In the process, we have consistently considered the principles of materiality and risk orientation, and have therefore reached our opinions predominantly on the basis of random sampling. The quantitative materiality limit established by us for the financial statements as a whole amounts to EUR 320,000; in establishing which materiality threshold is relevant for the group of counterparties, we have considered what type of company is involved, its current life cycle phase, the sector in which it operates, its financing and whether it is making a profit.

For the year under review, we have performed system audits in the following scope:

	Scope of system audits			
	comprehensive	extensive	predominant	noteworthy
Preparation of annual financial statements			X	

In all other respects, we have carried out substantive audit procedures.

There is no significant change in the audit approach used for individual balance sheet items from that used the previous year.

In addition to the particular key audit matters set out in our audit report, our audit program focused on the following among other aspects:

- ▶ analysis of the process of preparing the annual financial statements;
- ▶ audit of the recognition, valuation and reporting of loans to affiliates;
- ▶ audit of the recognition and reporting of the bond;



- ▶ audit of the recognition, valuation and reporting of receivables from and liabilities to affiliated companies;
- ▶ audit of the information in the management report, in particular regarding forecasts.

In addition, we carried out, inter alia, the following standard audit procedures:

- ▶ We compared receivables from and liabilities to affiliated companies with the accounting entries of the counterparts as at the balance sheet date.
- ▶ We obtained banking confirmations from banks.
- ▶ We requested and received the confirmation of lawyers concerning pending legal disputes.

We performed our audit in September 2017, and in January and March 2018 up until 12 April 2018.

During the term of the audit, we were in regular contact with the Company's management.

We received all explanations and evidence that we requested. The Management issued a written declaration of the completeness of these explanations and evidence, together with the accounting, the annual financial statements and the management report.



III. Impartiality

In our audit of the annual financial statements, we have observed the applicable regulations regarding independence. Furthermore, we declare, pursuant to Article 6 (2) lit. a) EU Audit Regulation that the audit firm and partners, senior managers and managers conducting the statutory audit are independent from the audited entity.

Any tax consulting services in the sense of Article 5 (1) subparagraph 2 lit. a) points i) and iv) to vii) EU Audit Regulation or valuation services in the sense of Article 5 (1) subparagraph 2 lit. f) EU Audit Regulation provided by us or another member of the global network of EY companies do not have any direct effect, either individually or cumulatively, or only have an insignificant impact on the audited financial statements. In particular, the provision of such tax consulting services in the financial year under review did not lead to a significant reduction in domestic profits to be declared for tax purposes, nor has this led to a significant portion of the profit being transferred abroad without there being an economic requirement for the Company for such a move beyond obtaining a tax benefit.



E. Findings on the rendering of accounts

I. Correctness of the accounting

In our opinion, based on the knowledge gained in the audit, the accounts have been kept in accordance with the statutory provisions. The information extracted from other audited documents has resulted in a correct presentation in the accounting, annual financial statements and the management report.

As summarised result of our audit, which covered:

- ▶ the correctness of the components comprising the financial statements and their derivation from the accounts,
- ▶ the correctness of the information provided in the notes,
- ▶ the observation of regulations regarding recognition, reporting and valuation,
- ▶ the observation of all statutory provisions applicable to accounting including the generally accepted accounting principles and all regulations depending on size, legal form or economic purpose, and
- ▶ the observation of the articles of association where these concern accounting,

we issued the audit certificate restated in Section B.

In anticipation of the relevant requirements becoming applicable, the Company has made use of the simplification provided for under Section 285 no. 17 HGB and has omitted disclosures and itemisation of the total fee charged by the auditor of the financial statements for the financial year.



II. Overall view presented in the annual financial statements

1. Relevant valuation bases

We make the following statements regarding the accounting and assessment methods used, and regarding the decisive factors in the assessment of assets and debts and effects resulting from changes to these methods:

Loans are posted in the financial assets at their nominal value.

The bond issued is posted to liabilities at the amount to be repaid. Any interest accrued by the balance sheet date is posted under liabilities to banks.

In all other respects, we make reference to the statements in the notes on additional bases for evaluation.

During the course of our audit, we did not have any reservations regarding the accounting and assessment methods used.

2. Summarised assessment

Based upon our duly conducted audit, we are of the opinion that the annual financial statements as a whole present a true and fair view of the asset, financial and earnings position of the Company, which reflects the actual circumstances, in accordance with the generally accepted accounting principles.



F. Concluding comments

We issue the foregoing report on our audit of the annual financial statements and management report of CRH Finance Germany GmbH, Düsseldorf for the financial year from 1 January to 31 December 2017 in accordance with Section 321 HGB and the EU Audit Regulation, in observation of the generally accepted German principles for audit reports, as promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf (IDW PS 450 new version).

The auditor responsible for the audit is Holger Forst.

Cologne, 12 April 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Forst
Auditor

Flore
Auditor

CRH Finance Germany GmbH, Düsseldorf
Balance sheet as at 31 December 2017

Annex 1

Assets	EUR	EUR	31.12.2016 EUR '000	Liabilities	EUR	EUR	31.12.2016 EUR '000
A. Non-current assets				A. Equity			
Financial assets				I. Subscribed capital	1,500,000.00		1,500
Loans to affiliates	578,400,000.00		576,000	II. Capital reserve	11,109,027.53		11,109
B. Current assets					12,609,027.53		12,609
I. Receivables and other assets				B. Provisions			
Receivables from affiliated companies	26,330,436.24		32,919	Other provisions	13,000.00		7
II. Cash in hand and bank balances	17,465,388.65		6,444	C Liabilities			
C. Prepaid expenses	1,659,296.00		2,121	1. Bonds	600,000,000.00		600,000
of which debt discount EUR 537,497.99 (previous year: EUR 687,000)				2. Liabilities toward banks	4,861,643.81		4,862
				3. Trade payables	0.00		6
				4. Liabilities toward affiliated companies of which toward the shareholder EUR 6,371,449.55 (previous year: EUR 0,000)	6,371,449.55		0
					611,233,093.36		604,868
	<u>623,855,120.89</u>		<u>617,484</u>		<u>623,855,120.89</u>		<u>617,484</u>

CRH Finance Germany GmbH, Düsseldorf
Profit and loss statement for the financial year 2017

Annex 2

	<u>EUR</u>	<u>EUR</u>	2016 EUR '000
1. Other operating income		2,727.11	1
2. Other operating expenses		4,562,938.42	4,565
3. Other interest and similar income, of which from affiliated companies EUR 21,431,660.85 (previous year: EUR 9.977,000)	21,431,660.86		9,977
4. Interest and similar expenses	<u>10,500,000.00</u>		<u>10,500</u>
		10,931,660.86	-523
5. Profit (loss) after tax		<u>6,371,449.55</u>	<u>-5,087</u>
6. Income transferred based on profit-and-loss transfer agreement		-6,371,449.55	0
7. Loss compensated based on profit and loss transfer agreement		<u>0.00</u>	<u>5,087</u>
8. Profit (loss) for the year		<u>0.00</u>	<u>0</u>

CRH Finance Germany GmbH, Düsseldorf
Cash flow statement

Annex 3

	2017	2016
	EUR '000	EUR '000
1. Cash flow from operating activities		
Annual profit (loss) prior to profit (loss) transfer	6,371	-5,087
Increase (+)/decrease (-) in provisions	6	0
Increase/decrease (-) in trade receivables and other assets	8,075	10,734
Increase/decrease (-) in trade payables and other liabilities	-6	2
Interest expense (+)/income (-)	-10,932	523
Non-cash expenses (-) and income (+)	1,941	4,450
Cash flow from operating activities	<u>5,455</u>	<u>10,622</u>
2. Cash flow from investment activities		
Disbursement of loan	-578,400	-576,000
Payments received on the loan	576,000	0
Interest received	19,491	5,527
	<u>17,091</u>	<u>-570,473</u>
3. Cash flow from financing activities		
Paid interest	<u>-10,500</u>	<u>-10,500</u>
Cash flow from financing activities	<u>-10,500</u>	<u>-10,500</u>
4. Cash and cash equivalents at the end of the period		
Changes in cash and cash equivalents with effect on cash flow (subtotals 1 - 3)	12,046	-570,351
Cash and cash equivalents at the beginning of the period	<u>24,946</u>	<u>595,297</u>
Cash and cash equivalents at the end of the period	<u>36,992</u>	<u>24,946</u>
5. Composition of cash and cash equivalents		
Liquid funds	17,465	6,444
Cash pool portfolio	24,389	23,364
Short-term liabilities to banks	-4,862	-4,862
Cash and cash equivalents at the end of the period	<u>36,992</u>	<u>24,946</u>

CRH Finance Germany GmbH, Düsseldorf
Statement of changes in equity

Annex 4

	Subscribed Capital EUR	Capital reserves EUR	Generated equity EUR	Equity EUR
01.01.2016	1,500,000.00	11,109,027.53	0.00	12,609,027.53
Profit (loss) for the year	0.00	0.00	0.00	0.00
31.12.2016	1,500,000.00	11,109,027.53	0.00	12,609,027.53
Profit (loss) for the year	0.00	0.00	0.00	0.00
31.12.2017	1,500,000.00	11,109,027.53	0.00	12,609,027.53

CRH Finance Germany GmbH, Düsseldorf Notes for 2017

General notes

These annual financial statements were drawn up in accordance with Section 242 et seqq. and Section 264 et seqq. HGB, as well as in accordance with the applicable regulations of the GmbH-Gesetz [German Law on Companies with Limited Liability]. The regulations for large capital companies pursuant to Section 267(3) sentence 2 HGB in conjunction with Section 264d HGB apply.

The profit and loss statement is structured in accordance with the total expenditure format.

A control and profit and loss transfer agreement exists with the shareholder CRH Deutschland GmbH, Krufft.

Content of the commercial register

The Company is entered with the name CRH Finance Germany GmbH and registered office in Düsseldorf under number HRB 66176 in the commercial register of the Local Court of Düsseldorf.

Accounting and valuation methods

The loans granted, which are included under **financial assets**, are recognised at their nominal values.

The items **receivables** and **other assets** and **cash in hand and bank balances** are recognised at nominal value.

Outgoing payments made prior to the balance sheet date, which represent expenses for a certain time after this date, are shown as **prepaid expenses** on the assets side.

Annex 5

The item **other provisions** takes into account all contingent liabilities and impending losses from pending business transactions. These are shown in the amount repayable according to reasonable commercial assessment (i.e. including future costs and price increases).

Liabilities are recognised at the settlement amount.

Deferred taxes are not to be shown on the balance sheet at the level of CRH Finance Germany GmbH due to fiscal consolidation.

Notes to the balance sheet

Financial assets

The development of financial assets is shown on the last page of the Notes. The lending of €587,400,000 is an interest-bearing loan granted to an affiliated company with final maturity date on 29 May 2022.

Receivables and other assets

As in the previous year, all receivables and other assets have a residual term of no more than one year.

Receivables from the shareholder amounted to €24,390,000 (previous year: €28,468,000), of which €24,389,000 (previous year: €23,364,000) was attributable to the cash pool. In the previous year, €5,087,000 was also attributable to the loss absorption entitlement of CRH Deutschland GmbH.

Receivables totalling €1,941,000 (previous year: €4,451,000) relate to interest from loans.

Bank balances

Bank balances amount to €17,465,000 (previous year: €6,444,000) and result primarily from the positive interest result.

Prepaid expenses

This includes a debt discount of €537,000 (previous year: €687,000).

Equity

Due to the profit and loss transfer agreement concluded with CRH Deutschland GmbH, the equity of the Company remained unchanged from the previous year at €12,609,000.

Provisions

Other provisions concern outstanding invoices for the auditing of the annual financial statements and outstanding invoices for consulting services.

Annex 5

Liabilities

The residual terms of the liabilities are presented in detail in the schedule of liabilities.

in €'000

Type of liability	Residual term			Total	
	< 1 year	1 to 5 years	> 5 years	31.12.2017	31.12.2016
1. Bonds (previous year)	0 (0)	600,000 (600,000)	0 (0)	600,000	600,000
2. Liabilities toward banks (previous year)	4,862 (4,862)	0 (0)	0 (0)	4,862	4,862
3. Liabilities toward affiliated companies (previous year)	6,371 (0)	0 (0)	0 (0)	6,371	0

All liabilities are uncollateralised with the exception of the bond described below.

In its role as intra-group financing company of the Group parent company CRH plc, Dublin, Ireland, the Company placed a fixed-interest bond guaranteed by CRH plc onto the market in 2014 (ISIN XS1088129660, WKN A12T54). The total volume of the bond is €600 million, the smallest tradable unit being €100,000. The bond has a term of seven years, pays interest at 1.75% and is repayable on 16 July 2021. The bond is being offered over-the-counter, both in Germany (on a non-organised market) and in Ireland (on the organised market). CRH plc guarantees repayment of the bond by its maturity date in 2021.

Liabilities to affiliates amount to €6,371,000 (previous year: €0), which relate solely to the profit and loss transfer obligation toward its shareholder for 2017.

Contingent liabilities, off-balance sheet transactions and other financial obligations

The Company does not have any contingent liabilities, off-balance sheet transactions or other financial obligations.

Business transactions with related companies and persons

No business transactions were agreed on conditions other than normal market conditions with related companies and persons in the financial year under review.

Notes to the profit and loss statement

Other operating expenses

The other operating expenses totalled €4,563,000 (previous year: €4,565,000) and largely concerned guarantee fees payable to CRH plc and expenditure from the use of prepaid expenses for costs in connection with the placement of the bond.

Financial result

As a result of the investment of received funds, **interest income** of €21,432,000 (previous year: €9,977,000) was generated during the 2017 financial year. **Interest expenses** from the placement of the bond totalled €10,500,000 in 2017 (previous year: €10,500,000).

Annex 5

Other information

Members of the Management

The Managing Director during the reporting period is Mr Dirk Kùßner.

Mr Kùßner has power of sole representation of the Company and is, according to the Commercial Register, exempted from the restrictions of Section 181 HGB. Mr Kùßner's salary as Managing Director is not disclosed because he not employed by the Company.

Employees

As in the previous year, the Company had no employees.

Group relationships

The shareholder of CRH Finance Germany GmbH is CRH Deutschland GmbH, Kruft. The parent company of the largest group of consolidated entities is CRH plc, Dublin, Ireland. CRH plc. prepares annual consolidated financial statements, in which CRH Finance Germany GmbH is included, in accordance with EC directives. These annual consolidated financial statements are translated into German and published by CRH Deutschland GmbH in the German Federal Gazette [Bundesanzeiger].

Report of significant events after the balance sheet date

No transactions of particular importance with material effects on the assets, liabilities, financial position or financial performance have occurred after the balance sheet date.

Auditing and consulting fees (disclosure pursuant to Section 285 no. 17 HGB)

Disclosures concerning the fees charged by the auditor of the annual financial statements are not provided because the Company is included in the consolidated financial statements of CRH plc, Dublin, Ireland. A combined statement of the fees charged will be included therein.

Audit committee (information pursuant to Section 324 HGB)

The essential purpose of the Company CRH Finance Germany GmbH is the participation in the EMTN (Euro Medium Term Notes) programme of the Group's parent company CRH plc. The entire EMTN Programme is thus monitored by the audit committee of CRH plc.

Düsseldorf, 28 March 2018

Managing Director
Dirk Küssner

	Purchasing and manufacturing costs				Accumulated depreciations				Book values	
	01.01.2017 EUR	Additions EUR	Disposals EUR	31.12.2017 EUR	01.01.2017 EUR	Additions EUR	Disposals EUR	31.12.2017 EUR	31.12.2017 EUR	31.12.2016 EUR '000
Financial assets										
Loans to affiliates	576,000,000.00	587,400,000.00	576,000,000.00	587,400,000.00	0.00	0.00	0.00	0.00	587,400,000.00	576,000

Düsseldorf, 28 March 2018
CRH Finance Germany GmbH

Dirk Küßner
Managing Director

**CRH Finance Germany GmbH, Düsseldorf
Management Report for 2017**

A. Essential company information

1. CRH Finance Germany GmbH

CRH Finance Germany GmbH is an intra-group financing company belonging to the internationally operating Irish group of companies CRH, which is one of the world's leading construction materials companies. CRH Finance Germany GmbH issues bonds, raises loans and other financing instruments, grants loans, and acquires and holds participating interests.

The registered office of the Company is in Düsseldorf.

2. Course of business

Taking into consideration the business objectives of the Company, its position is dependent to the greatest possible extent on the external financing and reinvestment possibilities available within the Group.

Since 2013, CRH Finance Germany GmbH has been integrated in the EMTN (Euro Medium Term Notes) programme of the Group parent company CRH plc, Dublin, Ireland, and the Company successfully issued a bond guaranteed by CRH plc for the first time in 2014 in the amount of €600 million on various German stock exchanges, and the stock exchange in Dublin, Ireland, for over-the-counter trading at very favourable conditions. With alternative investment opportunities arising for the funds lent to CRH Finance Ltd., the issued loan was recalled by mutual agreement and a new loan with a term of five years and identical interest conditions was granted to OPTERRA Beteiligungsgesellschaft mbH, Leipzig (another affiliate in the Group).

3. Realisation of the previous year's forecast

Our forecast that a significant positive result prior to the transfer of profits to CRH Deutschland GmbH could be achieved in 2017 through the issuing of a long-term loan proved to be correct.

B. Economic report

1. Earnings position

The profit (loss) before profit transfer for the 2017 financial year shows a profit of €6,371,000 (previous year: -€5,087,000). The main expense items are the guarantee fees incurred under the guarantee agreement with CRH plc of €4,080,000 (previous year: €4,080,000) and interest expense of €10,500,000 (previous year: €10,500,000). By granting a long-term loan to CRH Finance Ltd. and respectively OPTERRA Beteiligungsgesellschaft mbH throughout the whole year now, investment interest in the amount of €21,432,000 (previous year: €9,977,000) was earned, which was considerably higher than the expenses and therefore compensated for the overall expenditure for the placement of the bond throughout its entire term.

The profit for the year of €6,371,000 (previous year: loss of €5,087,000) will be transferred to the parent company CRH Deutschland GmbH through the existing profit and loss transfer agreement.

2. Net assets

The balance sheet of CRH Finance Germany GmbH shows receivables from the shareholder of €24,390,000 (previous year: €28,468,000), of which €24,389,000 (previous year: €23,364,000) is attributable to the cash pool and €0 (previous year: €5,087,000) to receivables in connection with profit and loss transfer. Receivables in the amount of €1,941,000 (previous year: €4,451,000) relate to interest from lending. Under prepaid expenses, the Company is capitalising a debt discount of €537,000 (previous year: €687,000), as well as additional accruals in connection with the bond issue.

Due to the profit and loss transfer agreement, equity was constant in comparison to the previous year, and the equity ratio remained unchanged at 2.0%.

Borrowed capital amounted to €11,246,000 (previous year: €604,875,000), of which €6,371 (previous year: €0) was allocated to the profit and loss transfer obligation, €13,000 (previous year: €7,000) was attributable to other provisions for outstanding invoices, €600,000,000 (previous year: €600,000,000) to bonds, €4,862,000 (previous year: €4,862,000) to accrued interest and €0 (previous year: €6,000) to trade payables.

3. Financial position

As at the balance sheet date, cash and cash equivalents amounted to €36,992,000 (previous year: €24,946,000), consisting of bank balances of €17,465,000 (previous year: €6,444,000), the cash pool portfolio of €24,389,000 (previous year: €23,364,000), and short-term liabilities toward bondholders in the amount of €4,862,000 for accrued interest (previous year: €4,862,000).

Liquidity was and continues to be guaranteed at all times by virtue of the membership in the cash pool of the CRH Group.

4. Management system

The focus of the Company's management is on covering all the costs of the placed bond, including placement costs, guarantee fees, interest and other charges during the entire term of the bond. To this end, the relationship between the overall costs of the bond and the aggregate yield from reinvestment over the term of the bond is used at each time of reinvestment in order to manage the Company.

5. Financial and performance indicators

The main key financial figures for the last two years are set out in the following table:

		<u>2017</u>	<u>2016</u>
EBITDA ¹⁾	€ '000	-4,560	-4,564
Effective debt ²⁾	€ '000	-567,451	-565,512
Equity ratio ³⁾	%	2.0	2.0

1) Profit (loss) before interest, tax and depreciation

2) Borrowed capital – short-term receivables – liquid funds

3) Equity capital/total capital

We base our internal company management on performance indicators, e.g. the annual profit (loss) calculated in accordance with the provisions of commercial law (before profit/loss transfer), the cash flow from operating activities, the cash flow from investment activities, and the cash flow from financing activities. The annual profit (before profit transfer) is significantly more positive because a long-term loan was granted for the whole year for the first time in 2017. The cash flow from investment activities also developed positively accordingly (2017: €17,091,000; 2016: -€570,473,000). The cash flow from financing activities remains stable at €10,500,000 due to interest payments for the bond.

C. Report of significant events after the balance sheet date

No transactions of special importance with material effects on the asset, financial and earnings position have occurred after the balance sheet date.

We are currently not aware of any developments or risks that might jeopardise the Company's going concern or have a significant, long-term influence on the asset, financial and earnings position. Existing risks are taken into account by financial precautions included in the balance sheet.

D. Forecast, opportunities and risk report

1. Forecast for 2018

We assess the expected development of the Company to be positive.

The long-term loan granted from available funds at a favourable interest rate has ensured that income over the 7-year term of the bond will lead to a positive reinvestment result. The management is therefore anticipating a further positive result before profit transfer in 2018, at the same level as the previous year.

2. Opportunities

The increased acquisition activity planned by the Group in the coming years will create new investment opportunities for the Company within the Group. These will arise, in particular, in regions where the general interest rate is higher than in Germany. In addition, the Company may well benefit from any general long-term rise in interest rates over the next few years. At the end of the reporting period, restructuring measures pursuant to company law started to be implemented within the Group.

3. Risk report

The risks of the Company are essentially found in the general development of the construction materials sector in the individual regions, which, in the case of performance negative development, will lead to limited acquisition activity by the Group, meaning fewer reinvestment opportunities and an increase of the general credit risk of future borrowers. Because loans are granted exclusively within the Group and thanks to the good creditworthiness of the parent company, however, this risk can be classified as low. Furthermore, all losses are compensated by the shareholder.

Annex 6

In order to minimise the investment risks, the Company draws on the expertise of the Group Treasury Department, which advises the management on matters such as adequate interest rates and investment risks. Furthermore, the Company is incorporated as an independent company in the risk management system of the Group and obliged to comply with the work instructions and guidelines that are in place, in particular the Treasury Policy for Operations. Due to the fact that loans are granted exclusively within the Group, all information concerning the respective borrower is always available. This is checked by the Group Treasury Department prior to granting a loan.

E. Internal control and risk management system for the accounting process

The Company maintains an internal control system. Because our parent company, CRH plc, is listed on a US stock exchange, SOX compliance is checked within our Company. Furthermore, the group continues to maintain integrated systems for the early recognition of risks linked to the accounting process, such as accounting guidelines, organisation and control of accounting and the process for the preparation of financial statements, approval ceilings, regular reporting, investment and liquidity plans, and access rules for the IT system. Compliance with the internal control system is monitored, among others, by the Internal Audit Department. There are control processes governing accounting for all transactions (the four eyes principle).

Düsseldorf, 28 March 2018

Management Board

Dirk Kießner



CRH Finance Germany GmbH, Düsseldorf
Legal information

1. Key corporate information

CRH Finance Germany GmbH is entered in the Commercial Register of Düsseldorf under number HRB 66176. A current commercial register extract dated 22 January 2018, with the last entry dated 17 November 2014, was available to us.

The articles of association dated 22 August 2000 were completed revised on 7 July 2011. They were last amended by shareholders' resolution of 25 June 2013.

Purpose of the Company

The purpose of the Company is acting as a financing company and the issuing of bonds, raising of loans and other financing instruments, the granting of loans and acquisition and holding of participating interests etc., insofar as these activities do not require a permit.

Financial year

The financial year is the calendar year.

Share capital

The share capital of the Company is EUR 1,500,000.00 and has been paid in fully. CRH Deutschland GmbH, Krufft, is the sole shareholder.



Annex 7

Management Board and representation

Management Board

Dirk Küßner, Neuss

Mr Küßner is has power of sole representation of the Company and is exempted from the restrictions of Section 181 German Civil Code (BGB), as entered in the Commercial Register.

Representation

Ms Anneruth Ernst has been granted power of procuration. Ms Ernst is empowered to represent the Company jointly with a managing director.

Key shareholder resolutions

The shareholders' meeting on 21 December 2017 formally approved the annual financial statements as at 31 December 2016 and the actions of the management in the financial year ended.

The same shareholders' meeting appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditor for the 2017 financial year.

2. Material contracts

Control and Profit and Loss Transfer Agreement with CRH Deutschland GmbH

A Control and profit and Loss Transfer Agreement was concluded with CRH Deutschland GmbH as the controlling company in December 2000, with the agreement coming into effect on 1 January 2001.

Pursuant to this agreement, the Company is obliged to transfer its entire profits to CRH Deutschland GmbH or CRH Deutschland GmbH is obligated analogous to Section 302 German Stock Companies Act (AktG) to compensate any annual loss incurred during the term of the agreement to the extent that such is not compensated by withdrawing amounts from reserves accrued during the contractual term. The agreement was initially concluded for a fixed term of five years. Due to the fact that the agreement is automatically extended for one year, unless terminated by one of the contracting partners at the latest one year before its expiry, the agreement will currently remain in force until at least 31 December 2018.

The shareholders' meeting of CRH Germany GmbH approved the Control and profit and Loss Transfer Agreement in December 2000.

Section 2 of the Control and profit and Loss Transfer Agreement was amended in the shareholders' meeting of 10 November 2014. The amendment concerns the current case law pertaining to Section 302 AktG. This amendment was recorded on 17 November 2014.

Guarantee Fee Agreement

On 16 July 2014, the Company concluded a Guarantee Fee Agreement with CRH plc, Dublin, Ireland. Pursuant to this agreement, CRH plc guarantees repayment of the bond on the maturity date on 16 July 2021. In return for this guarantee, an annual "guarantee fee" of 0.68% of the bond is payable per year.

Cash pooling with CRH Deutschland GmbH

The Company is integrated in the cash pooling of CRH Deutschland GmbH.

Loan Agreement

The Company concluded a Loan Agreement with OPTERRA Beteiligungsgesellschaft GmbH, Leipzig, on 29 May 2017 for a maximum sum of €600,000,000.00. Of this sum, €587,400,000.00 was drawn down as at the balance sheet date. The loan accrues interest of 3.66% p.a. and its final maturity date is on 29 May 2022.

3. Tax position

CRH Finance Germany GmbH is registered with the Mayen Tax Office under tax ID number 29/678/01606.

Tax returns up to and including 2015 have been submitted to the Tax Office and these have already been assessed. The tax assessment notices as of the 2012 financial year are still subject to the reservation of subsequent tax audit.

The last external tax audit covered the years 2008 to 2011 and was completed during the course of the 2015 financial year. The tax audit report is dated 21 September 2015. The reservation of a subsequent tax audit contained on the assessment notices for the years 2008 to 2011 has now been lifted.

CRH Deutschland GmbH is the controlling entity of CRH Finance Germany GmbH in terms of corporation, trade and value-added tax laws.



Terms and conditions of engagement, liability and restrictions on use

The auditor summarises the results of his work in the audit report specifically for those executive bodies of the Company that are responsible for its supervision. The purpose of the audit report is to support the supervision of the Company by the competent executive body by documenting significant audit findings. Therefore, irrespective of any rights of third parties to receive or inspect it prescribed by specific statutory provisions, the audit report is addressed exclusively to these executive bodies of the Company for internal use within the Company.

Our work is subject to our engagement confirmation letter for the auditing of these accounts, including the "General Terms of Engagement for Auditors and Audit Firms issued by the Institut der Wirtschaftsprüfer in the version dated 1 January 2017.

This audit report is intended exclusively to form the basis for decisions by the Company's executive bodies and it is not to be used for any other purposes than those intended. We therefore accept no responsibility, liability or other obligations in relation to third parties, unless we have concluded a written agreement to the contrary with the third party or if such an exclusion of liability proved to be invalid.

We expressly point out that we do not update the audit report and/or the audit certificate with regard to events occurring or circumstances arising after the issuance of the audit certificate, unless a statutory obligation to do so applies.

Anyone who obtains knowledge of the information contained in this audit report is alone responsible for deciding whether and in which form he considers this information useful and suitable for his purposes, and whether the information is to be expanded, verified or updated by his own research.

General Terms of Engagement for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2017

1. Scope of application

(1) These Terms of Engagement apply to contracts between German auditors or audit firms – hereinafter collectively referred to as “Auditors” – and their clients concerning audits, advising and other assignments, unless expressly agreed otherwise or mandated by law.

(2) Third parties may derive claims from contracts between Auditors and clients only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these Terms of Engagement 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 Auditor does not assume any management functions in connection with his services. The Auditor is not responsible for the use or implementation of the results of his services. The Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for business audit engagements, the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation changes subsequent to the release of the final professional statement, the Auditor is not obligated to refer the client to changes or any consequences resulting therefrom.

3. The obligations of the client to cooperate

(1) The client shall ensure that all documents and further information necessary for the performance of the engagement are provided to the 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 Auditor's work. The client will also designate suitable persons to provide information.

(2) Upon the request of the Auditor, the client 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 Auditor.

4. Ensuring independence

(1) The client shall refrain from anything that compromises the independence of the Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or assuming an executive or non-executive role, and to offers to accept engagements on their own account.

(2) Were the performance of the engagement to compromise the independence of the 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 Auditor in other engagements, the Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the 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. Unless agreed otherwise, verbal statements and explanations by the Auditor are binding only when they are confirmed in writing. Statements and information of the Auditor outside of the engagement are always non-binding.

6. Distribution of an Auditor's professional statement

(1) The distribution to a third party of professional statements of the Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the Auditor acting for the client requires the Auditor's written consent, unless the client is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use of the Auditor's professional statements by the client for promotional purposes and disclosure of the Auditor acting for the client is prohibited.

7. Deficiency rectification

(1) In the event of any deficiencies, the client is entitled to specific subsequent performance by the Auditor. The client 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 client may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, subsequent non-performance, unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The client must assert a claim for the rectification of deficiencies in text form 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 an Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the Auditor at any time. Misstatements, which may call into question the results contained in an Auditor's professional statement, entitle the Auditor to withdraw such statement – also any statements made to third parties. In such cases, the Auditor should first hear the client, if practicable.

8. Confidentiality in relation to third parties, data protection

(1) Pursuant to the law (Sec. 323 (1) HGB, Sec. 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer], Sec. 203 StGB [German Criminal Code]), the Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or coming to his knowledge in the course of his professional work, unless the client releases him from this confidentiality obligation.

(2) When processing personal data, the Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to Sec. 323 (2) HGB, apply.

(2) Insofar as neither a statutory limitation of liability nor an individual contractual limitation of liability applies, the liability of the Auditor for damage compensation claims of any other kind, except for damages resulting from injury to life, body or health and for damages that constitute a producer's liability for compensation pursuant to Sec. 1 ProdHaftG [German Product Liability Act], for an individual case of damages caused by negligence is limited to €4 million pursuant to Sec. 54 a (1) No. 2 WPO.

(3) The Auditor is entitled to invoke demurs and defences based on the contractual relationship with the client also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the Auditor due to the Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

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(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 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 Auditor is limited to €5 million. The limitation to five times 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 client has been informed of this consequence. This does not apply to claims for damages resulting from tortious act, culpable injury to life, body or health as well as for damages that constitute a producer's liability for compensation pursuant to Sec. 1 ProdHaftG. The right to invoke defences of limitation remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the client subsequently amends the financial statements or management report audited by an Auditor and accompanied by an auditor certificate, he may no longer use this audit certificate.

If the Auditor has not issued an audit certificate, a reference to the audit conducted by the Auditor in the management report or any other public reference is permitted only with the Auditor's written consent and with a wording authorised by him.

(2) If the Auditor revokes the audit certificate, it may no longer be used. If the client has already used the audit certificate, he must give notification of the revocation upon the Auditor's request.

(3) The client has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance with tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the Auditor is entitled to use, as a correct and complete basis, the facts provided by the client – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to inform the client of any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the Auditor has explicitly accepted a corresponding engagement. In this case, the client must provide the Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the Auditor has an appropriate lead-time.

(3) Unless 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 client
- 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 Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the Auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, unless agreed otherwise in writing.

(5) Insofar as the 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 text form.

(6) Work on special individual issues relating to income tax, corporation tax, trade tax, valuation assessments for property units, wealth tax, as well as all issues relating to value added 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-organisations, capital increases and reductions, business reorganisations related to insolvency, joining and exit of owners, sale of a business, liquidations and similar, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual value added 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 value added tax allowances have been identified. No warranty is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the Auditor and the client may be via e-mail. In the event that the client does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the client will inform the Auditor in text form accordingly.

13. Remuneration

(1) In addition to his claims for fees, the Auditor is entitled to claim reimbursement of his expenses; value added 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 clients are liable as joint and several debtors.

(2) If the client is not a consumer, then a set-off against the Auditor's claims for remuneration and reimbursement of expenses is permissible only for undisputed claims or claims found valid by final and absolute judgment.

14. Dispute Settlement

The Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (Verbraucherschlichtungsstelle) within the meaning of Sec. 2 of the German Act on Consumer Dispute Settlements (Verbraucherstreitbeilegungsgesetz).

15. Applicable law

The contract, the performance of the services and all resulting claims are exclusively governed by German law.