Energy Community, Vienna

Auditor's report on the
Financial Statements
as of December 31, 2008

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Ernst & Young
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1. ENGAGEMENT AND EXECUTION OF THE AUDIT

1.1. Audit assignment

According to the “Energy Community procedures for the establishment and implementation of budget, auditing and inspection”, the Accounting Officer has to establish the accounts no later than March 31 of each year. The annual accounts have to be validated by the Director. The Director shall designate an independent External Auditor to audit the annual financial statements of the organization. The External Auditor shall submit the audit report no later than eight months after the end of the financial year to which they relate. On the basis of the report, the Ministerial Council discharges the Director until December 31 of the year following the audited financial year (Compare Articles 79 to 83).

Article 70 of these procedures defines that the financial statements of the Energy Community shall be drawn up in accordance with the following accounting principles:

- Going concern
- Prudence
- Consistent accounting methods
- Comparability of information
- Materiality
- No netting
- Fair presentation
- Accrual-based accounting

According to Article 73, the Accounting Officer of the Energy Community shall adopt accounting rules and methods which take account of the internationally accepted accounting standards for the public sector, and if necessary of the rules applied by the public authorities of the domicile country or European Communities. The accounting officer adopted the International Public Sector Accounting Standards (IPSAS) for the periods beginning July 1, 2007.
We were nominated to be the auditor by the Director of the Energy Community Secretariat, representing

the Energy Community, Vienna

(in the following referred to as "Energy Community" or "organization") for the fiscal year 2008, ending on December 31, 2008.

On October 22, 2008 we received the audit assignment in response to our offer concerning the audit of the financial year 2008. We confirmed our understanding of the audit assignment through our written confirmation dated October 24, 2008 which was signed by the Director on February 9, 2009.

1.2. Execution of the audit

The audit was conducted from February 09, 2009 to February 11, 2009 at the premises of the organization.

Our audit was based on books, papers and other records of the organization. The requested evidence and clarifications has been supplied to us by Mrs. Mag. Bozena Mazur (Head of Finance and Administration) and Mrs. Emica Divic (Accounting Officer) on behalf of the organization completely and without hesitation.

1.3. Nature and scope of the audit

The audit has been performed in accordance with § 269 UGB (Austrian GAAP) and the principles of commercial law and revision of the chamber of the certificated public auditors according to the principles for a duly auditing process (Expert opinion KFS/PG1 "Grundsätze ordnungsgemäßer Durchführung von Abschlussprüfungen nach den Vorschriften des Rechnungslegungsgesetzes" and KFS/PG2 "Grundsätze ordnungsgemäßer Berichterstattung bei Abschlussprüfungen nach den Vorschriften des Rechnungslegungsgesetzes").
Nature and scope of the audit were defined considering the principles of materiality and efficiency.

In accordance with Article 73 of the “Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection”, the Energy Community applies the International Public Sector Accounting Standards (IPSAS).

In accordance with Article 81 of the “Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection” the audit includes a review of the internal Management Rules of the Energy Community and its operational implementation.

The detection and revelation of fraudulent acts was not part of the audit.

1.4. General Conditions of Contract

For the execution of the auditing assignment and our responsibility, also with reference to third parties, the adapted "General Conditions of Contract for Audits of Annual Accounts (AAB 2008)" apply. These terms, elaborated by the board of the Chamber of Auditors and the board of the Austrian Federal Economical Chamber, are attached to this report.

1.5. Representation Letter

The Director of the Energy Community certified in a written representation letter that all assets and liabilities, untaxed reserves, accruals, liabilities, deferred items, all expenses and gains as well as contingencies have been reflected and all necessary specifications (comments in the balance and income statement) are included in the financial statements as of December 31, 2008.
2. LEGAL MATTERS AND ORGANIZATION

2.1. Organizational Structure

Legal form: International Organization

Name of the organization: Energy Community

Location: Am Hof 4, Level 5, 1010 Wien

Funding: The funds necessary for operation are mainly provided by the Parties of the Treaty establishing the Energy Community. The Republic of Austria contributes through bearing the organization’s rental expenses.

Tasks of the Organization: The tasks of the organization are defined in Article 2 of the Treaty establishing the Energy Community. According to this Article, the Energy Community shall organize relations between the Parties and create a legal and economic framework in relation to the Network Energy (including the electricity and gas sectors falling within the scope of the European Community Directives 2003/54/EC and 2003/55/EC) in order to

- Create a stable regulatory and market framework capable of attracting investments in gas networks, power generation, and transmission and distribution networks, so that all Parties have access to the stable and continuous energy supply that is essential for economic development and social stability,
- Create a single regulatory space for trade in Network Energy that is necessary to match the geographic extent of the concerned product markets,
- Enhance the security of supply of the single regulatory space by providing a stable investment climate,
- Improve the environmental situation in relation to Network Energy and related energy efficiency, foster the use of renewable energy, and set out the conditions for energy trade in the single regulatory space,
- Develop Network Energy market competition on a broader geographic scale and exploit economies of scale.
2.2. Important agreements

The organization's main legal and funding basis is the Treaty establishing the Energy Community which was signed by the Parties in Athens on October 25, 2005. According to Article 97, the Treaty is concluded for a period of 10 years from the date of entry into force.

Annex IV of the Treaty establishes - in connection with Procedural Act 2006/05/MC-EnC - that the Contracting Parties contribute with the following rates to the budget of the Energy Community:

<table>
<thead>
<tr>
<th>Country</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Community</td>
<td>98,10 %</td>
</tr>
<tr>
<td>Republic of Albania</td>
<td>0,1 %</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>0,3 %</td>
</tr>
<tr>
<td>Republic of Croatia</td>
<td>0,5 %</td>
</tr>
<tr>
<td>Former Yugoslav Republic of Macedonia</td>
<td>0,1 %</td>
</tr>
<tr>
<td>Republic of Montenegro</td>
<td>0,1 %</td>
</tr>
<tr>
<td>Republic of Serbia</td>
<td>0,7 %</td>
</tr>
<tr>
<td>United Nations Interim Administration Mission in Kosovo</td>
<td>0,1 %</td>
</tr>
</tbody>
</table>

The Agreement between the Energy Community and the Republic of Austria regarding the seat of the Secretariat of the Energy Community was concluded on May 29, 2007 and became effective on July 1, 2007 (except for the Article 12 which entered into force on September 1, 2007). Through this Agreement the Republic of Austria recognizes the international juridical personality of the Energy Community. Moreover, the Agreement gives freedom from taxation and customs duties to the organization and exemption from social security to the organization and its officials.

Article 22 of the Agreement stipulates that the assets of the association "interim Energy Community for South East Europe Secretariat (iECS), Vienna", together with its claims and liabilities are passed to the Energy Community.

The contract concluded with the Republic of Austria and the predecessor of the Energy Community ("interim Energy Community for South East Europe Secretariat (iECS), Vienna") as of January 11, 2006 determined the refund of rental expenses by the Republic of Austria. Although the legal structure of the Secretariat changed, the Republic of Austria continued to pay for the rent during the financial year 2008.
Besides the agreements explicitly mentioned above, the following contracts exist as of December 31, 2008:

- employment agreements,
- lease contract for office premises,
- insurance contracts,
- purchase of office furniture and investment in leasehold improvements,
- creating and maintaining IT - infrastructure,
- relaunch of the association's website,
- costs for arranging events (including accommodation, transport and other costs),
- legal and consulting services.

2.3. Institutions of the Energy Community
(Compare Title V of the Treaty establishing the Energy Community)

Institutions of the Energy Community:

The Ministerial Council
The Permanent High Level Group
The Regulatory Board
The Electricity Forum
The Gas Forum
The Secretariat
The Budget Committee (Established by a Procedural Act of the Ministered Council)

Ministerial Council:

The Ministerial Council consists of one representative of each Contracting Party and two representatives of the European Community. The Ministerial Council shall ensure that the objectives set out in the Treaty establishing the Energy Community are attained.

The Presidency shall be held in turn by each Contracting Party for a term of six months.

Article 74 of that Treaty establishes that the Ministerial Council shall adopt the budget of the Energy Community by Procedural Act every two years.
The Permanent High Level Group: The Permanent High Level Group (PHLG) consists of one representative of each Contracting Party and two representatives of the European Community.

The PHLG shall among other tasks prepare the work of the Ministerial Council and give assent to technical assistance requests by international donor organizations.

The Regulatory Board: The Regulatory Board is composed of one representative of the Regulator of each Contracting Party. The Regulatory Board shall among other tasks advise the Ministerial Council or the Permanent High Level Group on the details of statutory, technical and regulatory rules and issue recommendations on cross-border disputes involving two or more Regulators.

The Fora: The Fora is composed of representatives of all interested stakeholders (industry, regulators, industry representative groups, consumers). The Fora shall advise the Energy Community.

The Secretariat: The Secretariat comprises a Director and such staff members as the Energy Community may require. The Secretariat shall provide administrative support to the Ministerial Council, the Permanent High Level Group, the Regulatory Board and the Fora. The seat of the Secretariat is in Vienna.

The Budget Committee: The Budget Committee as established by Article 22 of the Procedural Act on Energy Community Procedures for the Establishment and Implementation of Budget Auditing and Inspection supervises and advises the Director in the financial management of the operations of the Energy Community and, in case of disagreement with the Director, reports to the Ministerial Council.
2.4. Management of the Energy Community

In accordance with Article 69 of the Treaty establishing the Energy Community, the Secretariat shall be managed by the Director to be appointed by the Ministerial Council. Based on the proposal of the European Commission presented to the Ministerial Council during its meeting of November 17, 2006, Mr. Slavtcho Neykov was appointed as a Director of the Energy Community Secretariat for a fixed term of three years, starting November 18, 2006 (Procedural Act 2006/06/MC-EnC).

2.5. Employees of the Energy Community

As of December 31, 2008 the Energy Community employed 16 staff members. In accordance with Point 4.2 of the "Staff Regulations of the Energy Community" the Director appointed the other staff members and signed the employment agreements on behalf of the Energy Community. The Staff Regulations of the Energy Community are an integral part of the Employment Agreements. According to point 9.1 of the Staff Regulations salaries are paid 12 times a year and comprise all of the employee's claims regarding compensation.
3. PROCEDURAL ACTS OF THE MINISTERIAL COUNCIL

The Ministerial Council (Chapter 2.3) shall adopt its internal rules of procedure by Procedural Act. Until the time of the Audit, the Ministerial Council adopted the following Procedural Acts:

- 2006/01/MC-EnC: MC Decision of 17 November 2006 on adoption of Internal Rules of Procedures of the Ministerial Council of the Energy Community,
- 2006/02/MC-EnC: MC Decision of 17 November 2006 on adoption of Rules for Recruitment, Working Conditions and Geographical Equilibrium of the Secretariat’s Staff of the Energy Community,
- 2006/03/MC-EnC: MC Decision of 17 November 2006 on adoption of the Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection,
- 2006/04/MC-EnC: MC Decision of 17 November 2006 on adoption of Procedural Rules on Acceptance of Countries as Observers to the Energy Community and on Rights and Obligations of Observers,
- 2006/05/MC-EnC: MC Decision of 17 November 2006 on the implementation of Annex IV of the Treaty establishing the Energy Community with respect to Bulgaria and Romania becoming Participants of the Energy Community,
- 2006/06/MC-EnC: MC Decision of 17 November 2006 on appointment of a Director of the Energy Community,
- 2006/07/MC-EnC: MC Decision of 29 June 2007 on adoption of the budget of the Energy Community for 2007
- 2007/05/MC-EnC: MC Decision of 18 December 2007 on adoption of budget of the Energy Community for 2008-2009,
- 2007/07/MC-EnC: MC Decision of 18 December 2007 on the acceptance of Georgia as an Observer,
- 2008/01/MC-EnC: Discharge of the Director of the Secretariat of 27 June 2008
- 2008/02/MC-EnC: on the implementation of Comission Decision of 9 November 2006 amending Annex to Regulation 1228/2003
- 2008/03/MC-EnC: MC of 11 December 2008 on the implementation to the oil sector of certain provisions of the Treaty and the creation of an Energy Community Oil Forum
4. TAX MATTERS

According to Article 10 of the Agreement between the Energy Community and the Republic of Austria regarding the Seat of the Secretariat of the Energy Community, the Energy Community and its property shall be exempt from all forms of taxation. All transactions in which the Energy Community is involved and all documents recording such transactions are exempt from all taxes, recording charges and court fees. However, the Energy Community shall not cede or transfer assets within two years after acquisition to third parties in the Republic of Austria. Moreover, the Energy Community shall be exempt from the obligation to pay employer’s contributions to the Family Burden Equalization Fund or an instrument with equivalent objectives.

Article 11 of the Agreement mentioned above stipulates, that the Energy Community and the officials of the Secretariat (staff members) shall be exempt from all compulsory contributions to any social security scheme of the Republic of Austria.
5. AUDITOR’S REPORT (TRANSLATION)

Report on the Financial Statements
We have audited the accompanying financial statements of Energy Community, Vienna, for the
financial year from January 1, 2008 to December 31, 2008. These financial statements comprise
the statement of financial position as at December 31, 2008, and the statement of financial per-
formance, statement of changes in net assets/equity and cash flow statement for the year ended
December 31, 2008, and a summary of significant accounting policies and other explanatory
notes to the financial statements.

Management’s Responsibility for the Financial Statements
The Company’s management is responsible for the preparation and fair presentation of these fi-
nancial statements in accordance with International Public Sector Accounting Standards (IPSAS).
This responsibility includes: designing, implementing and maintaining internal control relevant to
the preparation and fair presentation of financial statements that are free from material mis-
statement, whether due to fraud or error; selecting and applying appropriate accounting policies;
and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We
conducted our audit in accordance with laws and regulations applicable in Austria and in accor-
dance with International Standards on Auditing, issued by the International Auditing and Assur-
ance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those
standards require that we comply with ethical requirements and plan and perform the audit to
obtain reasonable assurance whether the financial statements are free from material misstate-
ment.

An audit involves performing procedures to obtain audit evidence about the amounts and disclo-
sures in the financial statements. The procedures selected depend on the auditor’s judgment, in-
cluding the assessment of the risks of material misstatement of the financial statements, whether
due to fraud or error. In making those risk assessments, the auditor considers internal control
relevant to the entity’s preparation and fair presentation of the financial statements in order to
design audit procedures that are appropriate in the circumstances, but not for the purpose of ex-
pressing an opinion on the effectiveness of the entity’s internal control. An audit also includes
evaluating the appropriateness of accounting policies used and the reasonableness of accounting
estimates made by management, as well as evaluating the overall presentation of the financial
statements. We believe that the audit evidence we have obtained is sufficient and appropriate to
provide a basis for our audit opinion.
Opinion

Our audit did not give rise to any objections.

Based on the results of our audit in our opinion, the financial statements present fairly, in all material respects, the financial position of the entity as of December 31, 2008, and of its financial performance and its cash flows for the financial year from January 1, 2008 to December 31, 2008 in accordance with International Public Sector Accounting Standards (IPSAS).

Vienna, February 19, 2009

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

[Signatures]

Mag. Elfriede Baumann
Certified Public Accountant

Mag. Heidemarie Kretschmer
Certified Public Accountant
APPENDICES
# Statement of Financial Position as of December 31, 2009

## Assets

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2008</th>
<th>December 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>EUR</td>
<td></td>
</tr>
<tr>
<td><strong>A. Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Cash and cash equivalents</td>
<td>733,033.20</td>
<td>330,947.72</td>
</tr>
<tr>
<td>II. Receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Payroll Tax (Federal Ministry of Finance)</td>
<td>21,030.28</td>
<td>21,030.28</td>
</tr>
<tr>
<td>2. Employer's Contribution (Federal Ministry of Finance)</td>
<td>3,276.66</td>
<td>3,276.66</td>
</tr>
<tr>
<td>3. VAT (Federal Ministry of Finance)</td>
<td>31,606.94</td>
<td>88,429.43</td>
</tr>
<tr>
<td>4. Other receivables</td>
<td>6,712.31</td>
<td>4,285.60</td>
</tr>
<tr>
<td><strong>Total Receivables</strong></td>
<td>63,235.19</td>
<td>117,630.37</td>
</tr>
<tr>
<td>III. Prepayments</td>
<td>17,663.40</td>
<td>3,350.61</td>
</tr>
<tr>
<td><strong>Total Prepayments</strong></td>
<td>813,931.79</td>
<td>457,229.30</td>
</tr>
<tr>
<td><strong>II. Non-Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Tangible assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>86,311.35</td>
<td>52,868.25</td>
</tr>
<tr>
<td>II. Intangible assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software and licenses</td>
<td>22,067.06</td>
<td>18,763.07</td>
</tr>
<tr>
<td><strong>Total Intangible assets</strong></td>
<td>108,988.41</td>
<td>71,631.32</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td>922,930.20</td>
<td>529,560.62</td>
</tr>
</tbody>
</table>

## Current Liabilities

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2008</th>
<th>December 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>EUR</td>
<td></td>
</tr>
<tr>
<td><strong>A. Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Accounts payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Trade payables</td>
<td>129,636.12</td>
<td>327,170.33</td>
</tr>
<tr>
<td>2. Other liabilities</td>
<td>81,420.08</td>
<td>26,206.38</td>
</tr>
<tr>
<td>3. Deferred Income</td>
<td>2,997.00</td>
<td>0.00</td>
</tr>
<tr>
<td>4. Unused commitments</td>
<td>335,170.84</td>
<td>77,352.59</td>
</tr>
<tr>
<td>5. Unused appropriations</td>
<td>261,701.75</td>
<td></td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>813,931.79</td>
<td>433,729.30</td>
</tr>
</tbody>
</table>

## Investment Donations

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2008</th>
<th>December 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>EUR</td>
<td></td>
</tr>
<tr>
<td><strong>B. Investment Donations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Investment Donations</strong></td>
<td>106,988.41</td>
<td>71,631.32</td>
</tr>
</tbody>
</table>

## Net Assets/Equity

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2008</th>
<th>December 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>EUR</td>
<td></td>
</tr>
<tr>
<td><strong>C. Net Assets/Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Other reserves</td>
<td>0.00</td>
<td>24,200.00</td>
</tr>
<tr>
<td><strong>Total Net Assets/Equity</strong></td>
<td>922,930.20</td>
<td>529,560.62</td>
</tr>
</tbody>
</table>
### Statement of Financial Performance

for the period January 1, 2008 to December 31, 2008

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>EUR</td>
<td>EUR</td>
</tr>
<tr>
<td>1. Appropriations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Appropriations of the Contracting Parties</td>
<td>2,548,420,00</td>
<td>1,244,100,00</td>
</tr>
<tr>
<td>b) Appropriation of the Republic of Austria</td>
<td>70,924,69</td>
<td>41,665,85</td>
</tr>
<tr>
<td>c) Allocation to investment donations</td>
<td>-90,480,15</td>
<td>-77,498,33</td>
</tr>
<tr>
<td>d) Unused commitments</td>
<td>-338,170,84</td>
<td></td>
</tr>
<tr>
<td>e) Unused appropriations</td>
<td>-184,355,16</td>
<td>2,006,338,54</td>
</tr>
<tr>
<td>2. Finance revenue</td>
<td>13,997,17</td>
<td>4,095,59</td>
</tr>
<tr>
<td>3. Other revenue</td>
<td>3,706,85</td>
<td>1,961,58</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>2,023,142,36</td>
<td>1,136,882,10</td>
</tr>
</tbody>
</table>

| **Expenses**         |                                    |                                    |
| 1. Wages, salaries and employee benefits |                                    |                                    |
| a) Salaries          | 1,074,099,49 | 429,504,04 |
| b) Expenses for statutory social security | 0,00 | -1,074,099,49 | 24,585,02 | -454,080,06 |
| 2. Depreciation and Amortization |                                    |                                    |
| a) of fixed intangible and tangible assets | 51,078,68 | 15,239,72 |
| b) Usage of obligations dedicated for assets | -51,078,68 | 0,00 | -15,239,72 | 0,00 |
| 3. Other operating expenses | -973,242,87 | -658,593,04 |
| **Total Expenses**   | -2,047,342,36 | -1,112,682,10 |

**Surplus/Deficit for the Period**

-24,200,00

Allocation to other reserves

0,00

Release of other reserves

24,200,00

**Retained Earnings**

0,00
### Statement of Changes in Net Assets/Equity

**For the year ended December 31, 2008**

<table>
<thead>
<tr>
<th></th>
<th>Other Reserves</th>
<th>Total</th>
<th>Minority Interest</th>
<th>Total Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of January 1, 2008</td>
<td>24.200.00</td>
<td>24.200.00</td>
<td>0.00</td>
<td>24.200.00</td>
</tr>
<tr>
<td>Release</td>
<td>-24.200.00</td>
<td>-24.200.00</td>
<td>0.00</td>
<td>-24.200.00</td>
</tr>
<tr>
<td>Balance as of December 31, 2008</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>
CASH FLOW STATEMENT
for the period January 1, 2008 to December 31, 2008

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus (deficit) for the period</td>
<td>-24,200,00</td>
<td>24,200,00</td>
</tr>
<tr>
<td>+ depreciation on tangible and intangible assets</td>
<td>51,078,08</td>
<td>15,239,72</td>
</tr>
<tr>
<td>- Usage of obligations dedicated for assets</td>
<td>-51,078,08</td>
<td>-15,239,72</td>
</tr>
<tr>
<td>+/- decrease / increase in receivables and other assets</td>
<td>-54,395,78</td>
<td>-117,630,97</td>
</tr>
<tr>
<td>+/- decrease / increase in prepayments</td>
<td>-14,312,79</td>
<td>-3,350,61</td>
</tr>
<tr>
<td>+/- increase / decrease in Trade Payables and Other Liabilities</td>
<td>-145,320,51</td>
<td>356,376,71</td>
</tr>
<tr>
<td>+/- increase / decrease in Deferred Income</td>
<td>2,997,00</td>
<td>0,00</td>
</tr>
<tr>
<td>+/- increase / decrease in accounts unused commitments</td>
<td>338,170,84</td>
<td>0,00</td>
</tr>
<tr>
<td>+/- increase / decrease in accounts unused donations</td>
<td>184,355,16</td>
<td>77,352,59</td>
</tr>
</tbody>
</table>

Cash Flows from operating activities 1) 396,085,48 336,947,72

Investing Activities
- Purchase of fixed assets 90,480,15 -77,498,33
Cash Flows from investing activities -90,480,15 -77,498,33

Financing Activities
+ Grant Contribution for assets 90,480,15 77,498,33
Cash Flows from financing activities 90,480,15 -77,498,33

Cash and cash equivalents as of January 1, 2008 336,947,72 0,00
Net increase in cash and cash equivalents 396,085,48 181,951,06
Cash and cash equivalents as of December 31, 2008 733,033,20 336,947,72

1) Cash Flows from operating activities include interest received in the amount of TEUR 13.
NOTES
TO THE FINANCIAL STATEMENTS of
THE ENERGY COMMUNITY
for the reporting period 1 January - 31 December 2008

1. GENERAL INFORMATION

1.1. Nature of Energy Community Operations

Energy Community stands for the process that aims to extend the EU internal energy market to the South East Europe region. The task of the Energy Community is to organise the relations between the Parties to the Treaty establishing the Energy Community and create a legal and economic framework in relation to Network Energy. The main goals are to create a stable and regulatory market framework capable of attracting investment; to create a single regulatory space for trade; to enhance security of supply; to improve the environmental situation and to develop electricity and gas market competition on a broader geographical scale.

The main institutions established under the Treaty are the Ministerial Council, the Permanent High Level Group, the Regulatory Board, the Fora, and the Secretariat.

1.2. Legal Form and Applicable Jurisdiction

By the Agreement between the Energy Community and the Republic of Austria regarding the seat of the Secretariat of the Energy Community in effect as of 1 July 2007, Austria recognizes the legal personality of the Energy Community as an international organization. Energy Community is registered in the Republic of Austria by the Federal Ministry of European and International Affairs with the assigned organization number (1010180000).

1.3. Legislation Governing Energy Community Financial Operations

The Energy Community operates under the provisions of the Treaty Establishing the Energy Community. The Treaty was signed in Athens on the 25 October 2005 and entered into force on the 1 July 2006. The Secretariat is the only permanent institution of the Energy Community established by the Treaty and operates under the rules set by the decision-making institutions of the Energy Community, namely the Ministerial Council as the Treaty’s ultimate legislative organ. The responsibility for the implementation of the Energy Community Budget lies with the Director of the Secretariat.

In addition, in accordance with Article 41 of the Energy Community Procedures for Establishment and Implementation of Budget, Auditing and Inspection, the Accounting Officer has specific competences in relation to accounting for budget. Further, the Director of the Secretariat, on the ground of Article 37 of the above mentioned Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection, has introduced operational rules, which provide concrete guidelines in this direction and specify concrete obligations of other members of the Secretariat’s staff as well.
2. ACCOUNTING POLICIES AND DETAILS TO THE FINANCIAL STATEMENTS

2.1. Accounting Policies

2.1.1. Legal Provisions and Financial Regulation

The accounts are kept in accordance with Procedural Act No. 2006/03 of 17 November 2006 on the Energy Community Procedures for Establishment and Implementation of Budget, Auditing and Inspection applicable to the Energy Community budget adopted through the Ministerial Council Decision No. 2006/07/MC-EnC.

Article 73(4) of the Energy Community Procedures for Establishment and Implementation of Budget, Auditing and Inspection states that the Accounting Officer of the Energy Community adopts the accounting rules and methods to be applied for the preparation and presentation of Energy Community accounts. The Accounting Officer adopted the International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standard Board (IPSASB) using accrual basis of accounting. The approval for the adoption of the accounting rules and methods as above followed through the Procedural Act of the Energy Community Secretariat No. 2008/01/ECS. The Energy Community Accounting Officer must establish the accounts of the previous year no later than 31 March of the current year. These accounts are then validated by the Director.

2.1.2 Accounting Principles and Statement of Compliance

The financial statements of Energy Community are prepared in compliance with the International Public Sector Accounting Standards.

The objective of financial statements is to provide information about the financial position, performance, cash flows and changes in equity during the financial year. For an entity such as the Energy Community, the objective is also to demonstrate the accountability of the entity for the resources entrusted to it.

As their purpose is to present a true and fair view, financial statements supply relevant information to describe the nature and range of Energy Community activities, explain how it is financed and supply the information on its operations, in a manner which allows comparisons between financial years.

The accounting system of the Energy Community is laid down as to enable production of financial statements and budget accounts. These accounts are kept in euro on the basis of the calendar year. The general accounts are based on accrual accounting principle to allow for the preparation of the financial statements to establish the financial position in the form of a balance sheet as of December 31, 2008 and to measure the Energy Community financial performance for the financial year. Furthermore financial statements shall provide the information on how the Energy Community generated its cash in order to meet its payment obligations during the financial year and to indicate changes in equity.

The budget accounts give a detailed picture of the implementation of the budget. They are based on the accrual accounting principle.

Article 70 of the Energy Community Procedures for Establishment and Implementation of Budget, Auditing and Inspection sets out the accounting principles to be applied in drawing up the financial statements as follows:

- going concern;
- prudence;
- consistent accounting methods;
- comparability of information;
- materiality;
- no netting;
- fair presentation;
- accrual-based accounting.

2. 2. Statement of Financial Position

2. 2. 1. Intangible non current assets

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software or licenses. These costs are amortised over their estimated useful lives (3 years).

Costs associated with maintaining computer software and licenses are recognised as expenses as incurred.

<table>
<thead>
<tr>
<th></th>
<th>Computer software and licences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross carrying amount at 31 December 2007</td>
<td>22,712</td>
</tr>
<tr>
<td>Additions</td>
<td>15,483</td>
</tr>
<tr>
<td>Disposals</td>
<td>0</td>
</tr>
<tr>
<td>Gross carrying amount at 31 December 2008</td>
<td>38,195</td>
</tr>
<tr>
<td>Accumulated depreciation at 31 December 2007</td>
<td>3,949</td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td>12,179</td>
</tr>
<tr>
<td>Disposals</td>
<td>0</td>
</tr>
<tr>
<td>Accumulated depreciation at 31 December 2008</td>
<td>16,128</td>
</tr>
<tr>
<td>Net carrying amount at 31 December 2008</td>
<td>22,067</td>
</tr>
<tr>
<td>Net carrying amount at 31 December 2007</td>
<td>18,763</td>
</tr>
</tbody>
</table>

2. 2. 2. Tangible non current assets

<table>
<thead>
<tr>
<th></th>
<th>Plant and equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross carrying amount at 31 December 2007</td>
<td>64,159</td>
</tr>
<tr>
<td>Additions</td>
<td>74,997</td>
</tr>
<tr>
<td>Disposals</td>
<td>-3,477</td>
</tr>
<tr>
<td>Gross carrying amount at 31 December 2008</td>
<td>135,679</td>
</tr>
<tr>
<td>Accumulated depreciation at 31 December 2007</td>
<td>11,291</td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td>38,899</td>
</tr>
<tr>
<td>Disposals</td>
<td>-1,442</td>
</tr>
<tr>
<td>Accumulated depreciation at 31 December 2008</td>
<td>48,748</td>
</tr>
<tr>
<td>Net carrying amount at 31 December 2008</td>
<td>86,931</td>
</tr>
<tr>
<td>Net carrying amount at 31 December 2007</td>
<td>52,868</td>
</tr>
</tbody>
</table>
All items of property, plant and equipment are stated at historic cost less depreciation and impairment. Historic cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are capitalised only when it is probable that future economic benefits associated with the item will flow to the Energy Community and the cost of the item can be measured reliably. Repairs and maintenance are charged to the expenditure account during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets’ cost to their estimated useful lives, as follows:

2. 2. 3. Depreciation rates

<table>
<thead>
<tr>
<th>Type of asset</th>
<th>Straight-line depreciation rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>33.33%</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>20% - 33.33%</td>
</tr>
</tbody>
</table>

The assets’ useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is depreciated immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of financial performance.

2. 2. 4. Receivables

Receivables are carried at original amount less impairment. Receivables are impaired when there is objective evidence that the Energy Community will not be able to collect all amounts due according to the original terms of receivables.

The majority of the accounts receivables include VAT and payroll tax claims against Federal Ministry of Finance of the Republic of Austria.

2. 2. 5. Cash & cash equivalents

Cash and cash equivalents include cash on hand and deposits held at the current account with the bank.

2. 2. 6. Current liabilities

A significant amount of the payables of the Energy Community relate to the purchase of goods and services. Payables are recognised when goods are delivered or services received.

Other liabilities include liabilities for overtime and unconsumed annual leave.

2. 2. 7. Investment donations

Since the investments of approx. TEUR 109 were made by using subsidy funds, the same amount is also shown as “investment donations”. The book value as of December 31, 2008 of investments consists of the book value of January 1, 2008 amounting to TEUR 72 and additions amounting to TEUR 90 reduced by depreciation of TEUR 51 and by the book value of retired assets of TEUR 2. Additions contain TEUR 9 of assets transferred to the Energy Community from the “interim Energy Community for South East Europe Secretariat (IECS), Vienna”.

2. 3. Statement of Financial Performance
2.3.1. Revenue

The Energy Community generates its revenue from the Contracting Parties’ contributions to the Energy Community budget as stipulated in the Article 73 to 74 of the Treaty establishing the Energy Community. The Ministerial Council, an Institution of the Energy Community, shall adopt the budget of the Energy Community by Procedural Act every two years. The budget shall cover the operational expenses of the Energy Community necessary for the functioning of its institutions.

Parties Contribution to the budget 2008 in accordance with Annex IV of the Treaty:

<table>
<thead>
<tr>
<th></th>
<th>in %</th>
<th>in Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Community</td>
<td>98,10</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Republic of Albania</td>
<td>0,10</td>
<td>2,548</td>
</tr>
<tr>
<td>Republic of Croatia</td>
<td>0,50</td>
<td>12,742</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>0,30</td>
<td>7,645</td>
</tr>
<tr>
<td>Former Yugoslav Republic of Macedonia</td>
<td>0,10</td>
<td>2,548</td>
</tr>
<tr>
<td>Republic of Montenegro</td>
<td>0,10</td>
<td>2,548</td>
</tr>
<tr>
<td>Republic of Serbia</td>
<td>0,70</td>
<td>17,839</td>
</tr>
<tr>
<td>United Nations Interim Administration in Kosovo</td>
<td>0,10</td>
<td>2,548</td>
</tr>
</tbody>
</table>

In addition to the above revenue contributed by Contracting Parties, the Energy Community is a beneficiary of the contribution of the Republic Austria as assigned revenue to cover the rental costs for the premises of its headquarters’ seat. In the financial year 2008 the contributed funds from the Federal Ministry of Economics and Labour of the Republic of Austria amounted to EUR 70,924.69.

2.3.2. Unused appropriations

Unused appropriations refer to the portion of the budget that remained unused at the end of the financial year 2008. Unused budget appropriations shall be shown as liability towards the Parties to the Treaty (minutes of the 3rd meeting of the Budget Committee of September 23, 2008).

2.3.3. Unused commitments

Unused commitments refer to legal commitments Energy Community entered into by the December 31, 2008, but no services/goods were received by the end of the year. According to the Minutes of the 2nd Budget Committee meeting on the March 10, 2008, funds from the financial year in question shall be used to honour these commitments in the following year.

2.3.4. Expenditure

Expenses arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the Energy Community or the services are rendered. They are valued at cost. In the course of the financial year 2008, the Energy Community has incurred other operating expenses majority of which are shown below:

- cost of conferences and seminars of EUR 197,255.57
- refunding of travel costs to conference participants of EUR 143,626.34
• acquisition of studies research and consulting EUR 108,902.00

Signature of the Accounting Officer of the Energy Community

By her signature, the Accounting Officer certifies the correctness of all statements made above to the extent they fall within her responsibility as spelt out by the Energy Community’s Budgetary Procedures.

[Signature]

Emica Divic
20.02.2009

Signature of the Director of the Energy Community

[Signature]

Slavtcho Neykov
20.02.2009
DEVELOPMENT OF INVESTMENT DONATIONS

<table>
<thead>
<tr>
<th>Investment Donations</th>
<th>January 1, 2008</th>
<th>additions</th>
<th>usage</th>
<th>December 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software and licenses</td>
<td>18.763,07</td>
<td>15.483,00</td>
<td>12.179,01</td>
<td>22.067,06</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>52.888,25</td>
<td>74.997,15</td>
<td>40.934,05</td>
<td>86.931,35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71.631,32</strong></td>
<td><strong>90.480,15</strong></td>
<td><strong>53.113,06</strong></td>
<td><strong>108.998,41</strong></td>
</tr>
</tbody>
</table>
### Non-current assets movement schedule as of December 31, 2008

<table>
<thead>
<tr>
<th>Cost of Acquisition and Manufacture</th>
<th>accumulated</th>
<th>asset value</th>
<th>asset value</th>
<th>depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>additions</td>
<td>disposals</td>
<td>December 31, 2008</td>
<td>December 31, 2008</td>
<td>of the year</td>
</tr>
<tr>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
</tr>
</tbody>
</table>

#### FIXED ASSETS

I. Intangible assets

<table>
<thead>
<tr>
<th>Software and licenses</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>22,712,00</td>
<td>15,483,00</td>
<td>0,00</td>
<td>38,195,00</td>
<td>16,127,84</td>
<td>22,967,06</td>
<td>18,763,07</td>
<td>12,179,01</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

II. Tangible assets

<table>
<thead>
<tr>
<th>Plant and equipment</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
<th>EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>64,158,04</td>
<td>74,997,15</td>
<td>3,477,00</td>
<td>135,679,19</td>
<td>48,747,84</td>
<td>80,931,35</td>
<td>92,868,25</td>
<td>36,889,07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>88,871,04</td>
<td>90,460,15</td>
<td>3,477,00</td>
<td>173,874,19</td>
<td>64,875,76</td>
<td>108,998,41</td>
<td>71,631,32</td>
<td>51,078,08</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
General Conditions of Contract for Audits of Annual Accounts (AAB 2008)


Preamble

(1) Not printed.

(2) In the event that individual provisions of these General Conditions of Contract are void, this shall not affect the validity of the remaining provisions. The invalid provision shall be replaced by a valid provision that is as close as possible to the desired objective.

(3) The person entitled to exercise profession in the field of public accounting shall be obliged to render the services negotiated in accordance with the principles of due professional care and conduct. He/she shall have the right to engage suitable staff for the execution of the contract. This shall apply to all sections of The General Conditions of Contract.

(4) Finally, foreign law shall only be taken into account by the person entitled to exercise the profession, if this has been explicitly agreed upon in writing. This shall apply to all sections of the General Conditions of Contract.

(5) The work prepared in the offices of the person entitled to exercise the profession, if the discretion of the person entitled to exercise the profession, be carried out with or without using electronic data processing. In case electronic data processing is used, the client – not the person entitled to exercise the profession – is obliged to effect the registrations or notifications required under the relevant provisions of the Data Protection Act.

SECTION I

1. Scope

(1) The General Conditions of Contract in Section I shall apply to contracts concerning (statutory and voluntary) audits with or without auditor’s certificate, expert opinions, court expert opinions, preparation of annual financial statements and other financial statements, tax consultancy and other services to be rendered within the framework of a contract for the rendering of services, excluding bookkeeping, payroll accounting and the administration and assessment of payroll-related taxes and contributions.

(2) The General Conditions of Contract shall apply, if their use has been explicitly or tacitly agreed upon. Furthermore, in the absence of another agreement, they shall be used for reference to facilitate interpretation.

(3) Point 8 shall also apply to third parties whose services, in certain cases, may be entitled by the contractor for the execution of the contract.

2. Scope and Execution of Contract

(1) Reference shall be made to Items 3 and 4 of the Preamble.

(2) Should the legal situation change subsequent to delivering a final professional statement, the person entitled to exercise the profession shall not be obliged to inform the client of changes or of the consequences thereof. This shall also apply to the completed parts of a contract.

(3) An application submitted by the person entitled to exercise the profession to an authority (e.g. tax office, social security institution) by electronic means, shall be regarded as neither signed by the person entitled to exercise the profession nor by the person authorized to submit such an application.

3. Client’s Obligation to Provide Information and Submit Complete Set of Documents

(1) The client shall make sure that all documents required for the execution of the contract be placed in good time and without special request at the disposal of the person entitled to exercise the profession and that he/she be informed of all details and circumstances which may be of significance for the execution of the contract. This shall also apply to documents, events and circumstances which become known only after the person entitled to exercise the profession has commenced his/her work.

(2) The client shall confirm in writing that all documents submitted, all information provided and explanations given in the context of audits, expert opinions and expert services are complete. A statement may be made on the forms specifically designed for this purpose.

(3) If the client fails to disclose considerable risks in connection with the preparation of annual financial statements and other statements, the contractor shall not be obliged to render any compensation in this respect.

4. Maintenance of Independence

The client shall be obliged to take all measures to make sure that the independence of the employees of the person entitled to exercise the profession be maintained and shall refrain from jeopardizing their independence in any way. In particular, this shall apply to offers of employment and to offers to accept contracts on their own account.

5. Reporting Requirements

(1) In the absence of an agreement to the contrary, a written report shall be drawn up in the case of audits and expert opinions.

(2) All information and opinions of the person entitled to exercise the profession and his employees shall only be binding provided they are set down or confirmed in writing. Written opinions shall only be those on which there is a company signature. Written opinions shall in no circumstances be information sent electronically, specifically not via e-mail.

(3) Transmission errors cannot be excluded when information is transmitted electronically. The person entitled to exercise the profession and his employees shall not be liable for losses which arise as a result of transmission errors. Electronic transmission (incl. via the Internet/mail) shall be exclusively at the client’s risk. The client is aware that confidentiality is not guaranteed when the Internet is used. Furthermore, amendments or supplements to documents transmitted shall only be permissible subject to explicit approval.

(4) Receipt and forwarding of information to the person entitled to exercise the profession and his employees are not always guaranteed when the telephone is used, in particular in conjunction with automatic telephone answering systems, fax, e-mail and other electronic means of communication. As a result, instructions and important information shall only be deemed to have been received by the person entitled to exercise the profession provided they are also received in writing, unless explicit confirmation of receipt is provided in individual instances. Automatic confirmation that items have been transmitted and read shall not as such constitute explicit confirmations of receipt. This shall apply in particular to the transmission of decisions and other information relating to deadlines. As a result, critical and important notifications must be sent to the person entitled to exercise the profession by post or courier. Delivery of documents to employees outside the firm’s offices shall not count as delivery.

(5) The client agrees to being sent recurrent general tax law and general commercial law information by the person entitled to exercise the profession via electronic means. This shall not apply to unsolicited information in accordance with § 107 of the Austrian Telecommunications Act (TKG).

6. Protection of Intellectual Property of the Person Entitled to Exercise the Profession

(1) The client shall be obliged to ensure that reports, expert opinions, organizational plans, drafts, drawings, calculations and the like, issued by the person entitled to exercise the profession, be used only for the
purpose specified in the contract (e.g. pursuant to Section 44 Para. 3 Austrian Income Tax Act 1989). Furthermore, any professional services and work made by the person entitled to exercise the profession may be passed on to a third party for use only with the written consent of the person entitled to exercise the profession.

(2) The use of professional statements made by the person entitled to exercise the profession for promotional purposes shall not be permitted; a violation of this provision shall give the person entitled to exercise the profession the right to terminate without notice to the client all contracts not yet executed.

(3) The person entitled to exercise the profession shall retain the copyright on his/her work. Permission to use the work shall be subject to the written consent by the person entitled to exercise the profession.

7. Correction of Errors

(1) The person entitled to exercise the profession shall have the right and shall be obliged to correct all errors and inaccuracies in his/her professional statement which subsequently come to light and shall be obliged to inform the client thereof without delay. He/she shall also have the right to inform a third party acquainted with the original statement of the change.

(2) The client has the right to have all errors corrected free of charge, if the contractor can be held responsible for them; this right will expire six months after completion of the services rendered by the person entitled to exercise the profession and/or – in cases where a written statement has not been delivered – six months after the person entitled to exercise the profession has completed the work that gives cause to complaint.

(3) If the contractor fails to correct errors which have come to light, the client shall have the right to demand a reduction in price. The extent to which additional claims for damages can be asserted is stipulated under Point 8.

8. Liability

(1) The person entitled to exercise the profession shall only be liable for violation intentionally or by gross negligence the contractual duties and obligations entered into.

(2) In cases of gross negligence, the maximum liability for damages due from the appointed person entitled to exercise the profession is limited to the minimum insurance sum of the professional liability insurance according to Section 11 of the Act on Professions in the Field of Public Accounting (WTBG) in the currently valid version.

(3) Any action for damages may only be brought within six months after those entitled to assert a claim have gained knowledge of the damage, but not later than three years after the occurrence of the (primary) loss following the incident upon which the claim is based, unless other statutory limitation periods are laid down in other legal provisions.

(4) Should Section 275 of the Company Code (UGB) be mandatorily applicable, the liability provisions pursuant to Section 275 shall apply where these represent mandatory law, even in cases where several persons have participated in the execution of the contract or where several activities requiring compensation have taken place, irrespective of whether other participants have acted with intent.

(5) In cases where a formal audit certificate is issued, the applicable limitation period shall commence at the latest at the time of issue of said audit certificate.

(6) If activities are carried out by enlisting the services of a third party, e.g. a data-processing company, and the client is informed thereof, any warranty claims and claims for damages which arise against the third party according to law and in accordance with the conditions of the third party, shall be deemed as having been passed on to the client. The person entitled to exercise the profession shall only be liable for fault in choosing the third party.

(7) The person entitled to exercise the profession shall not be liable to a third party, if his/her professional statements are passed on by the client without the approval or knowledge of the person entitled to exercise the profession.

(8) The above provisions shall apply not only vis-à-vis the client but also vis-à-vis third parties, if the person entitled to exercise the profession, in exceptional cases, should be liable for his/her work. The maximum sum of liability shall be valid only once for all parties injured, including the compensation claims of the client, even if several persons (the client and a third party or several third parties) have been wronged; the claims of the aggrieved parties shall be satisfied in the order in which the claims have been raised.

9. Secrecy, Data Protection

(1) According to Section 91 WTBG the person entitled to exercise the profession shall be obliged to maintain secrecy in all matters that become known to him/her in connection with his work for the client, unless the client releases him/her from this duty or he/she is bound by law to deliver a statement.

(2) The person entitled to exercise the profession shall be permitted to hand on reports, expert opinions and other written statements pertaining to the results of his/her services to third parties only with the permission of the client, unless he/she is required to do so by law.

(3) The person entitled to exercise the profession is authorized to process personal data entrusted to him/her within the framework of the purpose of the contract or to have them processed by a third party according to Point 8 Item 5. The person entitled to exercise the profession shall guarantee that according to Section 15 of the Data Protection Act secrecy be maintained. According to Section 11 of the Data Protection Act the material made available to the person entitled to exercise the profession (data carrier, data, contracts and analyses and programmes as well as all results obtained as a result of the work provided shall be returned to the client, unless the client has requested in writing that the material and/or results be transferred to a third party. The person entitled to exercise the profession shall be obliged to take measures to ensure that the client can meet his/her obligation to provide information according to Section 26 of the Data Protection Act. The client's instructions required for this purpose shall be given in writing to the person entitled to exercise the profession. Unless a fee has been negotiated for providing such information, the client shall be charged only the actual efforts undertaken. The client shall meet his/her obligation to provide information to those concerned and/or to register in the data processing register, unless the contrary has been explicitly agreed in writing.

10. Termination

(1) Unless otherwise agreed in writing or stipulated by force of law, either contractual partner shall have the right to terminate the contract at any time with immediate effect. The fee shall be calculated according to Point 12.

(2) However, a continuing agreement (even with a flat fee) – always to be presumed in case of doubt – may, without good reason (cf. Section 89 Item 4 WTBG), only be terminated at the end of the calendar month by observing a period of notice of three months, unless otherwise agreed in writing.

(3) Except for cases listed in Item 5, in case of termination of a continuing agreement only the work actually performed and the costs shall be paid. Jobs to be completed and finished that can be completed fully or to the largest part within the period of notice, with financial statements and annual income tax returns being deemed to be subject to successful completion within two months calculated from the balance sheet date. In this case the above-mentioned jobs actually have to be completed within a reasonable period of time, if all documents and receipts are provided without delay and if no good reason within the meaning of Section 89 Paragraph 4 WTBG is cited.

(4) In case of a termination according to Item 2 the client shall be informed in writing within one month which assignments at the time of termination are considered to be part of the work to be completed.

(5) If the client is not informed within this period about the assignments still to be carried out, the continuing agreement shall be deemed terminated upon completion of the tasks under way at the date when the notice of termination is served.

(6) Should it happen that in case of a continuing agreement as defined under Items 2 and 3 – for whatever reason – more than two similar jobs which are usually completed only once a year (e.g. financial statements or annual tax returns etc.) are to be completed, any such jobs exceeding this number shall be regarded as assignments to be completed only with the client's explicit consent. If applicable, the client shall be informed of this explicitly in the statement pursuant to Item 4.

11. Default in Acceptance and Failure to Cooperate on the part of the Client

If the client defaults on acceptance of the services rendered by the person entitled to exercise the profession fails to carry out a task incumbent on him/her either according to Point 3 or imposed on him/her in another way, the person entitled to exercise the profession shall have the right to terminate the contract without prior notice. His/her fees shall be calculated according to Point 12. Default in acceptance or failure to cooperate on the part of the client shall also justify a claim for compensation made by the person entitled to exercise the profession for the extra time and labor hereby expended as well as for the damage caused, if the person entitled to exercise the profession does not invoke his/her right to terminate the contract.

12. Entitlement to Fee
(1) If the contract fails to be executed (e.g. due to termination), the person entitled to exercise the profession shall be entitled to the negotiated fee, provided he/she was prepared to render the services and was prevented from so doing by circumstances caused by the client (Section 1163 of the Civil Code (ABGB)); in this case the person entitled to exercise the profession need not deduct the amount he/she obtained or could have obtained through alternative use of his/her own professional services or those of his/her employees.

(2) If the client fails to cooperate and the assignment cannot be carried out because of lack of cooperation, persons entitled to exercise the profession shall also have the right to set a reasonable grace period on the understanding that, if this grace period expires without results, the contract shall be deemed cancelled and the consequences indicated in item 1 shall apply.

(3) If the person entitled to exercise the profession terminates the contract without good reason and at an inappropriate moment, he/she shall compensate the client for the damage caused according to Point 8.

(4) If the client—having been made aware of the legal situation—agrees that the person entitled to exercise the profession duly completes the task, the work shall be completed accordingly.

13. Fee

(1) Unless the parties agreed that the services would be rendered free of charge or unless explicitly stipulated otherwise, an appropriate remuneration in accordance with Sections 1004 and 1152 of the Austrian Civil Code (ABGB) is due. Unless a different agreement has demonstrably been reached, payments by the client shall in all cases be credited against the oldest debt. The claim for remuneration by the person entitled to exercise the profession is based upon an agreement concluded between him/her and the principal involved.

(2) Proper understanding between the person entitled to exercise the profession and their principals is most effectively achieved by clearly expressed remuneration agreements.

(3) Smallest service unit which may be charged is a quarter of an hour.

(4) Travel time to the extent required is also charged in most cases.

(5) Study of documents which, in terms of their nature and extent, may prove necessary for preparation of the person entitled to exercise the profession in his/her own office may also be charged as a special item.

(6) Should a remuneration already agreed upon prove inadequate as a result of the subsequent occurrence of special circumstances or special requirements of the principal, additional negotiations for the agreement of a more suitable remuneration are usual. This also usually applies where inadequate fixed sum remunerations are concerned.

(7) Persons entitled to exercise the profession also include charges for supplementary costs and value-added (turnover) tax in addition to the above.

(8) Supplementary costs also include documented or flat-rate cash expenses, travelling expenses (first class for train journeys, sleeping car (wagon lits) if necessary, dietary requirements, mileage allowance, photocopy costs and similar supplemental costs.

(9) Should particular third party liabilities be involved, the necessary insurance premiums also count as supplementary costs.

(10) Personnel and material expenses for the preparation of reports, expert reports and similar documents are also viewed as supplementary costs.

(11) For the execution of a commission wherein mutual conclusion involves several persons entitled to exercise the profession, each of the latter will charge his/her own remuneration.

(12) Remunerations and advance payments required are due immediately after receipt of their written claim should no other agreements exist. Where payments of remuneration are made later than 14 days after the due date of the statement may be charged. Where mutual business transactions are concerned, a default interest rate of 6% above the base rate is agreed upon (cf. Section 352 of the Austrian Commercial Code (UStG)).

(13) Time limitation is in accordance with Section 1488 of the Austrian Civil Code (ABGB), starting at the time of conclusion of the service involved or a later rendering of accounts after an appropriate time-limit.

(14) An objection may be raised in writing against bills presented by the appointed trustee up to 4 weeks after the date of presentation. Otherwise the bill is considered as accepted. Filing of a bill in the accounting system of the recipient is also considered as acceptance.

(15) Application of § 331 ABGB (Austrian Civil Code) within the meaning of § 335 UGB (Austrian Business Enterprise Code), i.e. rescission for basic enormis (lesion beyond moleity) among entrepreneurs, is hereby renounced.


(1) In addition to the reasonable rate or fee charged, the person entitled to exercise the profession shall have the right to claim remuneration for expenses. He/she can ask for advance payments and can make delivery of the results of his/her (continued) work dependent on satisfactory fulfillment of his/her demands. In this context reference shall be made to the legal right of retention (Section 471 of the Civil Code (ABGB), Section 369 of the Company Code). If the right of retention is unreasonably exercised, the person entitled to exercise the profession shall be liable only in case of gross negligence up to the outstanding amount of his/her fee. As regards standing orders, the provision of further services may be denied until payment of previous services has been effected. This shall analogously apply if services are rendered in installments and fee installments are outstanding.

(2) With the exception of obvious essential errors, a complaint concerning the work of the person entitled to exercise the profession shall not justify the retention of remuneration owed in accordance with item 1.

(3) Offsetting the remuneration claims made by the person entitled to exercise the profession in accordance with item 1 shall only be permitted, if the demands are uncontested and legally valid.

(4) At the request and expense of the client, the person entitled to exercise the profession shall hand over all documents received from the client within the scope of his/her activities. However, this shall not apply to correspondence between the person entitled to exercise the profession and his/her client, to original documents in his/her possession or to documents which have to be kept in accordance with the directive on money laundering. The person entitled to exercise the profession may make or retain copies or duplicates of the documents to be returned to the client. The client shall be obliged to bear these expenses in so far as these copies or duplicates may be required as a proof of the orderly execution of all professional duties by the person entitled to exercise the profession.

(5) The client shall fetch the documents handed over to the person entitled to exercise the profession within three months after the work has been completed. If the client fails to do so, the person entitled to exercise the profession shall have the right to return them to the client at the cost of the client or to charge safe custody charges, if the person entitled to exercise the profession can prove that he/she has asked the client twice to pick up the documents handed over.

(6) The person entitled to exercise the profession shall have the right to compensation of any fees that are due by use of any available deposited funds, clearing balances, trust funds or other liquid resources at his/her disposal even if these funds are explicitly intended for safe keeping, if the client had to reckon with a counterclaim of the person entitled to exercise the profession.

(7) To safeguard an existing or future fee payable, the person entitled to exercise the profession shall have the right to transfer a balance held by the client with the tax office or another balance held by the client in connection with charges and contributions, to a trust account. In this case the client shall be informed about the transfer. Subsequently, the amount secured may be collected either after agreement has been reached with the client or after enforceability by execution has been declared.

15. Applicable Law, Place of Performance, Jurisdiction

(1) The contract, its execution and the claims resulting from it shall be exclusively governed by Austrian law.

(2) The place of performance shall be the place of business of the person entitled to exercise the profession.

(3) In case of disputes, the court of the place of performance shall be the competent court.

16. Supplementary Provisions for Audits

(1) For statutory audits of financial statements which are carried out in order to issue a formal audit certificate (e.g. Section 268 and the following sections of the Company Code), the purpose of the contract, unless otherwise agreed to in writing, shall not be to investigate whether regulations concerning tax laws or specific regulations, e.g. price fixing, restriction of competition and foreign exchange regulations have been adhered to. Neither shall the purpose of the statutory audit of financial statements be to investigate whether the business is run in an economical, efficient and expeditious manner. Within the framework of a statutory audit of a financial statement there shall be no obligation to detect the falsification of accounts or other irregularities.
(2) When a qualified or unqualified audit certificate is issued within the scope of a statutory audit of the annual financial statement, the audit certificate issued shall be appropriate for the respective type of business organization.

(3) If financial statements are published together with the audit certificate, they shall only be published in the form confirmed or explicitly permitted by the auditor.

(4) If the auditor revokes his/her audit certificate, the further use thereof shall no longer be permitted. If the financial statements have been published with the audit certificate, the revocation thereof shall also be published.

(5) For other statutory and voluntary audits of financial statements as well as for other audits, the above principles shall apply accordingly.