

# H & D IT Professional Services GmbH

Wolfsburg

Report of the audit of  
the financial statements  
as at December 31, 2019

ENTWURF

Stand 19. März 2020

Unverbindliches und unkorrigiertes Vorwegexemplar

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PKF FASSELT SCHLAGE

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H & D IT Professional Services GmbH  
Wolfsburg

Report of the audit of  
the financial statements  
as at December 31, 2019

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For computational reasons, rounding differences may occur in tables, charts and references compared to the mathematically correct values (monetary units, percentages, etc.)

## 1. Audit engagement

The Management of

**H & D IT Professional Services GmbH, Wolfsburg,**  
(hereinafter also referred to as company)

appointed us on Oktober 28, 2019 in our capacity as auditors elected at its Annual General Meeting on September 11, 2019 pursuant to sec. 318 (1) first sentence of the German Commercial Code (HGB, Handelsgesetzbuch) to audit the company's annual financial statements as at December 31, 2019 (financial year from January 1, 2019 to December 31, 2019), including the bookkeeping system pursuant to sec. 316 et seq. HGB.

This report is addressed to the company audited.

Pursuant to sec. 321 (4a) HGB, we hereby confirm that we have complied with the rules for independency applicable to our audit.

The General Terms and Conditions for the Engagement of Auditors and Auditing Companies as of January 1, 2017 by the Institut der Wirtschaftsprüfer in Deutschland e.V. D (Institute of Public Auditors in Germany) (IDW), Düsseldorf, which are attached to this report, as well as our Special Terms of Engagement of PKF Fasselt Schlage Partnerschaft mbB Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Rechtsanwälte dated January 1, 2018 are applicable to the performance of this engagement and our responsibility, including in relation to third parties.

Our audit was conducted in compliance with the General Principles for the Conduct of Audits of Financial Statements as set out in the relevant Auditing Standards issued by the Institut der Wirtschaftsprüfer in Deutschland e. V. (Institute of Public Auditors in Germany). This long-form audit report was prepared in accordance with the Generally Accepted Standards for the Issuance of Long-form Audit Reports (IDW AuS 450 revised).

## 2. Excerpt from the Auditor's Report

According to the final result of our audit we have issued the following unqualified auditor's report to H & D IT Professional Services GmbH, Wolfsburg, for the annual financial statements as at December 31, 2019 (**annexes 1 to 3**). This report was originally prepared in German. In case of ambiguities, the German version takes precedence.

**„INDEPENDANT AUDITOR`S REPORT**

To H & D IT Professional Services GmbH, Wolfsburg

*Audit Opinion*

We have audited the annual financial statements of H & D IT Professional Services GmbH, which comprise the balance sheet as at December 31, 2019, and the profit and loss account for the financial year from January 1, 2019 to December 31, 2019, and notes to the financial statements, including the presentation of the recognition and measurement policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the company as at December 31, 2019 and of its financial performance for the financial year from January 1, 2019 to December 31, 2019 in compliance with German Legally Required Accounting Principles.

Pursuant to sec. 322 (2) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

*Basis for the Audit Opinion*

We conducted our audit of the annual financial statements in accordance with sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits 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" section of our auditor's report. We are independent of the company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.

*Responsibilities of the legal representatives for the annual financial statements*

The legal representatives are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance

with German Legally Required Accounting Principles. In addition, the legal representatives are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

*Auditor's responsibilities for the audit of the annual financial statements*

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control system relevant to the audit of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the company.

- evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles.

We communicate with those charged with governance regarding, 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.”

### **3. Fundamental findings**

#### **3.1. Economic fundamentals**

The company's main business areas are general IT-services including training, development and sales of hard- and software as well as the realisation of IT-projects as prime contractor, in particular adoption and realisation of outsourcing-projects, and IT-Consulting. The company acts mainly in Wolfsburg.

#### **3.2. Position of the company**

As a small corporation pursuant to sec. 267 (1) HGB the company permissibly did not prepare a management report, so that we in our duty as the company's auditor do not take a position on the managements' assessment of the position of the company as would otherwise be expressed in the management report.

## **4. Audit**

### **4.1. Subject of the Audit**

Pursuant to sec. 317 HGB the company's accounting for the financial year from January 1, 2019 to December 31, 2019 and the annual financial statements as at December 31, 2019 are audited. The annual financial statements were prepared in accordance with the relevant German legal requirements and the additional provisions of the company agreement.

As a small corporation according to sec. 267 (1) HGB the company has used the size dependent reliefs, so that it hadn't prepared a management report and surrendered some notes disclosures.

The audit was performed in accordance with the relevant laws, in particular sec. 316 et seq. HGB and in accordance with the German Generally Accepted Standards for the Audit of Financial Statements promulgated by the IDW. Audit procedures not described in detail in this long-form audit report are recorded in our working papers, including details of their nature, scope and result.

Pursuant to sec. 317 (4a) HGB, the scope of the audit did not include whether the audited company as a going concern or the effectiveness and economic efficiency of management can be confirmed.

### **4.2. Nature and scope of the audit**

We exercise professional judgement and maintain professional skepticism throughout the audit. Further details are contained in the excerpt from the auditor's report in section 2.

For the year under review we determined intercompany receivables and liabilities as areas of emphasis.

Attorney confirmations were obtained in order to assess the risks from legal disputes.

To assess the status of tax assessments and possible tax risks we obtained a tax consultant confirmation.

The previous year's annual financial statements as at December 31, 2018 were also audited by us and an unqualified auditor's report was issued on March 7, 2019. The figures as at December 31, 2018 were correctly carried forward to the 2019 financial year.

The legal representatives fully and willingly provided the information and evidence (sec. 320 HGB) required for our audit. The letter of representation as commonly used in audits was obtained.

## **5. Audit findings on accounting**

### **5.1. Bookkeeping and other audited records**

The bookkeeping and other audited documents comply with the statutory provisions and supplementary provisions of the company agreement.

The bookkeeping system complied with the principles of proper accounting throughout the entire 2019 financial year; the information obtained from the other documents audited is properly reflected in the bookkeeping system and the financial statements.

Financial accounting, including the subsidiary ledgers (asset accounting and payroll accounting) is carried out using the software SAP ECC 6.0. handled by Hönigsberg & Düvel Datentechnik GmbH, Wolfsburg.

We did not find any facts during the course of the audit that indicate that the organisational and technical measures taken by the company are not suitable for ensuring the security of the accounting-relevant data and the IT systems used for this purpose.

### **5.2. Financial statements**

In the financial statements as at December 31, 2019, all legal requirements applicable to the accounting as well as the principles of proper accounting and all requirements related to size, legal form or specific industry and the provisions of the company agreement were observed in all material respects.

The balance sheet and profit and loss account have been properly derived from the bookkeeping and other audited documents; the relevant recognition, disclosure and measurement regulations have been observed in all material respects.

The notes are clear and clearly structured and contain all required disclosures. The accounting and measurement methods and other mandatory disclosures, especially pursuant to sec. 284 et seq. HGB, applied to the items of the balance sheet and profit and loss account were explained in an adequate and appropriate manner.

In preparing the financial statements, the company made use of simplifications and did not disclose certain information in the notes to the annual financial.

## **6. Assertion of the financial statements**

The financial statements as at December 31, 2019 of H & D IT Professional Services GmbH, Wolfsburg, as a whole provide a true and fair view of the net assets, financial position and results of operations in accordance with the principles of proper accounting (sec. 321 (2) third sentence HGB).

The valuation principles are shown in the notes to the annual financial statements (**annex 3**).

Compared to the previous year's financial statements as at December 31, 2018 the company made no changes to the valuation principles and no grooming transactions with a material influence on the assertion of the financial statements, i.e. the view of the net assets, financial position and results of operations presented in the financial statements.

The assets, liabilities, financial position and financial performance are shown with sufficient clarity in the annual financial statements (**annexes 1 to 3**).

## 7. Concluding remarks

Contrary to the previous year, the auditor's report is contained in section 2.

We have prepared the above long-form audit report on the financial statements as at December 31, 2019 (balance sheet total EUR 318,298.93; net income EUR 0,00) of H & D IT Professional Services GmbH in compliance with the legal provisions and the required Generally Accepted Standards for the Issuance of Long-form Audit Reports (IDW AuS 450 (revised)).

Brunswick, March 12, 2020

PKF Fasselt Schlage  
Partnerschaft mbB  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft  
Rechtsanwälte

(Villwock)  
Wirtschaftsprüfer  
(Certified Public Accountant)

(Süß)  
Wirtschaftsprüferin  
(Certified Public Accountant)

# **Annexes**

**H & D IT Professional Services GmbH**  
Wolfsburg

**Balance Sheet as of December 31, 2019**

|                                              | Assets          |                   |                          |                                             | Equity and Liabilities |                   |                          |
|----------------------------------------------|-----------------|-------------------|--------------------------|---------------------------------------------|------------------------|-------------------|--------------------------|
|                                              | EUR             | EUR               | at<br>12/31/2018<br>kEUR |                                             | EUR                    | EUR               | at<br>12/31/2018<br>kEUR |
| <b>Current assets</b>                        |                 |                   |                          | <b>A. Shareholders' equity</b>              |                        |                   |                          |
| <b>Accounts receivables and other assets</b> |                 |                   |                          | <b>I. Subscribed capital</b>                |                        |                   |                          |
| 1. Amounts owed by affiliated companies      | 312,314.54      |                   | 218                      | Share capital                               | 25,000.00              |                   | 25                       |
| 2. Other assets                              | <u>5,984.39</u> |                   | <u>3</u>                 | Par value of own shares                     | <u>-1,250.00</u>       |                   | <u>-1</u>                |
|                                              |                 | 318,298.93        | 221                      | Issued capital                              |                        | 23,750.00         | 24                       |
|                                              |                 |                   |                          | <b>II. Earnings reserves (Other)</b>        |                        | <u>1,250.00</u>   | <u>1</u>                 |
|                                              |                 |                   |                          |                                             |                        | 25,000.00         | 25                       |
|                                              |                 |                   |                          | <b>B. Provisions (Other)</b>                |                        | 41,630.32         | 47                       |
|                                              |                 |                   |                          | <b>C. Accounts payable</b>                  |                        |                   |                          |
|                                              |                 |                   |                          | 1. Accounts payable                         | 68,444.17              |                   | 58                       |
|                                              |                 |                   |                          | 2. Amounts owed to affiliated companies     | 170,082.47             |                   | 76                       |
|                                              |                 |                   |                          | 3. Other liabilities                        | 13,141.97              |                   | 15                       |
|                                              |                 |                   |                          | (thereof from taxes: EUR 13,141.97/kEUR 15) |                        |                   |                          |
|                                              |                 |                   |                          |                                             |                        |                   |                          |
|                                              |                 | <u>318,298.93</u> | <u>221</u>               |                                             |                        | <u>251,668.61</u> | <u>149</u>               |
|                                              |                 |                   |                          |                                             |                        | <u>318,298.93</u> | <u>221</u>               |

**H & D IT Professional Services GmbH**

Wolfsburg

**Profit and Loss account****for the financial year from January 1 to December 31, 2019**

|                                                                                                     | EUR          | EUR          | Previous<br>year<br>kEUR |
|-----------------------------------------------------------------------------------------------------|--------------|--------------|--------------------------|
| 1. Revenues                                                                                         |              | 3,914,775.54 | 3,507                    |
| 2. Other operating income                                                                           |              | 3,857.57     | 0                        |
|                                                                                                     |              | 3,918,633.11 | 3,507                    |
| 3. Cost of materials                                                                                |              |              |                          |
| a) Cost of supplies and merchandise                                                                 | 9,406.36     |              | 0                        |
| b) Cost of purchased services)                                                                      | 417,544.21   | 426,950.57   | 155                      |
|                                                                                                     |              | 3,491,682.54 | 3,352                    |
| 4. Personnel expenses                                                                               |              |              |                          |
| a) Wages and salaries                                                                               | 1,554,517.05 |              | 1,561                    |
| b) Social security and retirement benefits                                                          | 322,381.23   |              | 314                      |
|                                                                                                     |              | 1,876,898.28 | 1,875                    |
| 5. Other operating expenses                                                                         |              | 1,455,494.02 | 1,363                    |
|                                                                                                     |              | 3,332,392.30 | 3,238                    |
|                                                                                                     |              | 159,290.24   | 114                      |
| 6. Other interest and similar income<br>(thereof from affiliated companies:<br>EUR 7,278.37/kEUR 6) |              | 7,278.37     | 6                        |
| 7. Profit after taxes                                                                               |              | 166,568.61   | 120                      |
| 8. Balancing of losses prior to profit and loss<br>transfer agreement                               |              | 0.00         | 17                       |
| 9. Profit transfer due to profit and loss transfer<br>agreement                                     |              | 166,568.61   | 103                      |
| 10. Profit for the year                                                                             |              | 0.00         | 0                        |

## **H & D IT Professional Services GmbH**

Wolfsburg

### **Notes for the annual financial statements for the 2019 financial year**

#### **I. General**

The company having its registered office in Wolfsburg is registered with the commercial register kept by the local court in Brunswick under the number HRB 101255.

The annual financial statements for the 2019 financial year were prepared in compliance with the accounting provisions of the German Commercial Code [Handelsgesetzbuch - HGB] taking into account the provisions applicable to corporations and the supplementary provisions of the Limited Liability Company Law [Gesetz betreffend die Gesellschaften mit beschränkter Haftung - GmbHG].

The company followed the consistency principle.

In order to enhance clarity information legally required to be provided with regard to the items of the balance sheet and the profit and loss account is almost completely provided in the notes to the financial statements.

The profit and loss account was prepared using the nature of expense method.

The company complies with the general valuation provisions set out in sec. 252 to 256a HGB and the special recognition and valuation provisions applicable to corporations under sec. 270 to 274a and 277 HGB taking into account the going-concern principle.

The alleviations of accounting for small corporations concerning the notes to the annual financial statements were utilized.

The company surrendered the preparation of a management report according to sec. 264 (1) sentence 4 HGB.

#### **II. Comments on the balance sheet**

**Accounts receivable and other assets** are recognised at their nominal values and are due within one year. Of the accounts receivable kEUR 312 (PY kEUR 218) are allotted to the parent company.

**Subscribed capital** is recognised at its nominal value.

Net profit includes expenses for the balancing of a loss made prior to the profit and loss transfer agreement by EUR 0,00 (PY kEUR 17). As the company entered into a profit and loss transfer agreement with its parent company EUR 166,568.61 were transferred so that the profit for the year amounts EUR 0.

**Provisions** take into account all recognisable risks and uncertain obligations and are stated at their necessary settlement amounts.

**Accounts payable** are stated at the settlement amount and hold a maturity to one year, as at the previous balance sheet date. They are unsecured apart from the usual retentions of title.

### III. Other information

In 2019 the average number of employees (white-collar) was 60.

**Social security and retirement benefits** include EUR 4,960 (PY kEUR 3) related to old age pension costs.

These annual financial statements are included in the consolidated financial statements of HCL Technologies Germany GmbH, Eschborn, which prepares the consolidated financial statements for the smallest number of entities. The consolidated financial statements are disclosed in the electronic federal gazette.

Wolfsburg, February 20, 2020

H & D IT Professional Services GmbH

Andreas Lehmann  
Management

**H & D IT Professional Services GmbH**Wolfsburg**Fundamental bases****1. Legal conditions****1.1 General bases**

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of the company:   | H & D IT Professional Services GmbH                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Registered office:     | Wolfsburg                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Legal form:            | Gesellschaft mit beschränkter Haftung [German limited liability company]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Commercial register:   | The company is registered with the commercial register kept by the local court in Brunswick under number HRB 101255.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Company agreement:     | The company agreement dates April 29, 2005, latest changes were made by shareholder`s meeting dated July 26, 2018.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Object of the company: | <p>Pursuant to section 2 of the company agreement the object of the company is the performance of common IT-services including training, development and sales of hard- and software as well as the adoption and realisation of IT-outsourcing-projects, IT-consulting, sales of hard- and software, also self-produced software, sales of the services provided by the Hönigsberg &amp; Düvel Datentechnik GmbH and their subsidiaries.</p> <p>The company may carry out all business transactions that serve the company`s object directly or indirectly. The company has the right to transfer its responsibilities to third parties.</p> |

The company is allowed to make investments in other enterprises, also as a personally liable partner. The company is allowed to set up branch offices in Germany and abroad. In addition, the company is allowed to carry out all business transactions that serve the company's above-mentioned object. The company is allowed to form tax groups with other companies.

Nominal capital and shareholders: The company's nominal capital amounts to EUR 25,000.00. On balance sheet date it belongs to the following shareholders:

|                                                             | <u>nom.<br/>EUR</u> | <u>%</u>     |
|-------------------------------------------------------------|---------------------|--------------|
| Hönigsberg & Düvel Datentechnik GmbH, Wolfsburg             | 23,750.00           | 95.0         |
| H & D IT Professional Services GmbH, Wolfsburg (own shares) | <u>1,250.00</u>     | <u>5.0</u>   |
|                                                             | <u>25,000.00</u>    | <u>100.0</u> |

Financial year: calendar year

## 1.2 Bodies of the company

### 1.2.1 Shareholders' meeting

On September 11, 2019 a shareholders' meeting was held in which the 2018 annual financial statements were approved, a resolution on how to appropriate the 2018 result was taken, the actions of the management for the 2018 financial year were formally approved and the auditor for the 2019 financial year was appointed.

### 1.2.2 Management

The **company's managing directors** are

- Mr Dipl.-Ing. Bernhard Hönigsberg (until September 30, 2019),
- Mrs Anita Hönigsberg (until September 30, 2019),
- Mr Dipl. Oec. Andreas Lehmann,
- Ms Dipl.-Verw. Wiss. Claudia Raabe (until December 31, 2019),

**2. Tax bases**

Tax number : 19/206/05018

Tax office: Gifhorn

Tax group [Organschaft]: The company has formed a tax group for corporation tax, trade tax and VAT purposes with Hönigsberg & Düvel Datentechnik GmbH (taxable company).

Tax audit: The latest tax audit and the latest wage tax audit of all group companies covered the periods from 2013 to 2015.

# General Engagement Terms

for

## Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

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

### 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

### 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

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

### 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

### 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

### 6. Distribution of a German Public Auditor's professional statement

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

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

### 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

### 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

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

### 9. Liability

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

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

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

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

## 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

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

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

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

## 11. Supplementary provisions for assistance in tax matters

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

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

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

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

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

## 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

## 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

## 14. Dispute Settlement

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

## 15. Applicable law

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

**Special Terms of Engagement**  
PKF FASSELLT SCHLAGE Partnerschaft mbB  
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Rechtsanwälte

**Preamble**

These Special Terms of Engagement of PKF FASSELLT SCHLAGE Partnerschaft mbB Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Rechtsanwälte (hereinafter referred to as PKF) modify the General Terms of Engagement for Auditors and Auditing Companies published by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors Incorporated Association) dated January 1, 2017 (IDW AAB).

**For reasons relating to the law governing our profession, PKF modifies the liability provisions included in the IDW AAB (General Terms of Engagement) for services to which neither a statutory nor an individual contractual limitation of liability applies in that the maximum liability amount is increased in favour of the clients to EUR 10 million for single losses or EUR 12.5 million for serial losses and the liability criterion is widened to include simple negligence.**

For that purpose, Item 9. "Liability" of the IDW AAB (General Terms of Engagement) is removed and replaced by the following provisions:

**PKF's liability**

(1) For public accountant services prescribed by law, in particular audits, the statutory limitations of liability to be applied in each case shall apply, in particular the Limitation of Liability of Art. 323 para. 2 of the German Commercial Code (HGB).

(2) To the extent that no statutory limitation of liability applies and no individual contractual limitation of liability exists, PKF's liability for all kinds of claims for damages, with the exception of claims from injury to life, limb or health as well as from damage/loss which justify the manufacturer's liability to pay damages according to Art. 1 of the German Product Liability Act (ProdHaftG), in the case of an individual event of damage/loss caused by simple negligence acc. to Art. 52 para. 1 No. 2 of the German Federal Lawyers' Act (BRAO), shall be limited to **EUR 10 million**.

(3) PKF shall be entitled to pleas and objections from the contractual relationship with the client also in relation to third parties.

(4) If several claimants derive claims under the existing contractual relationship with PKF from a breach of duty by PKF caused by simple negligence, the maximum amount stated in para. 2 shall apply to the claims in question of all claimants in total.

(5) An individual case of damage or loss within the meaning of para. 2 is also deemed to exist with regard to damage or loss originating from several breaches of duty. The individual case of damage/loss comprises all the consequences of a breach of duty regardless of whether damage or loss occurred in one or several consecutive years. At the same time, repeated action or omission based on the same or similar source of error is deemed to be a uniform breach of duty if the matters concerned are legally or economically related to one another. In this case, claims can be made against PKF only up to an amount of **EUR 12.5 million**. The limitation to five times the minimum insurance cover does not apply in the case of legally required mandatory audits.

(6) A claim for damages expires unless within six months of the written refusal of acceptance of the indemnity an action is brought and the client's attention has been drawn to this consequence. This does not apply to claims for damages attributable to intent, and also not in the case of culpable injury to life, limb or health and in the case of damage/loss justifying a liability to pay damages on the part of the manufacturer according to Art. 1 of the German Product Liability Act (ProdHaftG). The right to claim the plea of the statute of limitations shall remain unaffected.