



gkm . glück . kock . mäscke

partgmbb . wirtschaftsprüfungsgesellschaft

Report

on the
audit of the financial statements and the management report

of

HCL Technologies Germany GmbH,

Eschborn

of March 31, 2020

This report is a translation of the German version. We have translated the German version based on our best knowledge. Nevertheless, the printed German version is the sole authorized version of the audit report.

TABLE OF CONTENTS

MAIN REPORT	1
A. Audit contract	2
B. Audit Opinion	3
C. Basic Facts	6
I. Facts regarding the company`s situation	6
D. Object, Type and Scope of the Audit	7
I. Object of the audit	7
II. Type and Scope of the Audit	7
III. Independence	8
E. Statements relating to the representation of the financial statements	9
I. Orderliness of bookkeeping	9
1. Prior year's close	9
2. Bookkeeping and other audited documentation	9
3. Financial Statements	9
4. Management report	10
II. Total representation of the financial statements	10
1. Major valuation principles	10
2. Summarizing Statement	11
F. Summary	11

ANNEX

Management report for reporting year 2019/2020	Annex 1
Balance sheet on March 31, 2020	Annex 2
Profit and loss statement for the period from April 1, 2019 to March 31, 2020	Annex 3
Notes to the financial statements from April 1, 2019 to March 31, 2020	Annex 4
Audit Opinion	Annex 5
Legal situation	Annex 6
Analysis and Comments regarding the financial statements as of March 31, 2020	Annex 7
General Engagement Terms	Annex 8

MAIN REPORT

A. Audit contract

The legal representatives of

**HCL Technologies Germany GmbH,
Eschborn,**

has contracted us based on the election by the shareholders to audit the year end financial statements of March 31, 2020 including the underlying bookkeeping and the management report ("Lagebericht").

The contract is based on the general engagement terms for German public auditors and for public audit firms dated January 1, 2017 as shown in annex 8. These engagement terms are also valid in the relation to third parties. The limit of our liability is defined in number 9 of the general engagement terms.

We confirm according to Article 321 (4a) HGB that in conducting our audit we adhered to the applicable rules of independence.

In section D we are reporting on type and scope of the audit which we have conducted according to Article 316 ff. HGB.

This report was done according to the standards on reporting about year end close audits as specified by the Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf (IDW PS 400 and PS 450).

B. Audit Opinion

To the financial statements and the management report, we have issued the following audit opinion:

„Independent Auditor’s Report

To HCL Technologies Germany GmbH, Eschborn:

Audit Opinion

We have audited the annual financial statements of HCL Technologies Germany GmbH, which comprise the balance sheet as at March 31, 2020, and the statement of profit and loss, for the financial year from April 1, 2019 to March 31, 2020, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of HCL Technologies Germany GmbH for the financial year from April 1, 2019 to March 31, 2020.

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 business corporations and give a true and fair view of the assets, liabilities, and financial position of the Company as at March 31, 2020, and of its financial performance for the financial year from April 1, 2019 to March 31, 2020 in compliance with German Legally Required Accounting Principles.
- the management report in total presents correctly the situation of the company. In all material respects, this management report is in line with the financial statements, corresponds with the legal requirements, and properly describes the opportunities and risks of future development.

Pursuant to Article 322 (3) S 1 German Commercial Code, 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 Article 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 Executive Directors for the Annual Financial Statements and for the Management Report

The executive directors 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 business 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 Re-

quired Accounting Principles. In addition, the executive directors 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 executive directors 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.

Additionally the legal representatives are responsible for preparation of the management report which in total presents correctly the situation of the company. In all material respects, this management report is in line with the financial statements, corresponds with the legal requirements, and properly describes the opportunities and risks of future development. In addition, the executive directors are responsible for such precautions and measures (systems) as they have determined necessary to enable the preparation of the management report in line with legal requirements and to be able to produce sufficient audit proofs for the statements in the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and the Management Report

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, and if the management report in total presents correctly the situation of the company as well as in all material respects, the management report is in line with the financial statements, corresponds with the legal requirements, and properly describes the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Article 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 and the management report.

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 and the management report, 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 relevant to the audit of the annual financial statements and of precautions and measures (systems) to enable the preparation of the management report in line with legal requirements and to be able to produce sufficient audit proofs for the statements in the management report 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 this system of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists re-

lated 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 and the management report or, if such disclosures are inadequate, to modify our audit opinion on the annual financial statements. 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.
- Evaluate whether the management report in total presents correctly the situation of the company, whether in all material respects, it is in line with the financial statements, and corresponds with the legal requirements.
- We carry out audit procedures relating to the forward-looking statements by the executive directors in the management report. On the basis of sufficient and adequate audit proof in particular we reconstruct the assumptions which the executive directors have underlaid their forward-looking statements and we evaluate the appropriate conclusion of forward-looking statements from these assumptions. We do not issue an independent audit opinion on the forward-looking statements and the underlying assumptions. There is an unavoidable risk that future events will materially deviate from the forward-looking statements.

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. “

C. Basic Facts

I. Facts regarding the company`s situation

The situation of the company and of its future development has been reported sufficiently by the legal representatives of the company in the financial statements and the management report.

Regarding the information given in the director`s management report, we emphasize the following points:

1. During the financial year 2019-20, business with existing clients in Germany has been extended further.
2. Net Income for the year was k EUR 7,151 after k EUR 5,899 in prior year. Total output consisting of Sales revenue, other operating income and change in stock of finished goods and work in progress increased from k EUR 141,550 to k EUR 178,603.
3. Due to the outbreak of Covid-19, Worldwide economy has been severely hit. In order to stop the spread of Covid-19 many restrictions have been imposed by Governments all over the world. Travel restrictions are forming impediments for serving our clients which we compensate by increasing the number of video conferences. Since this may lead to an increased ratio of SLA violations, we are expecting an increase in our cost ratio. Across all business segments, during the shutdown period, acquisition efforts were mostly halted which resulted in decrease in the expected revenue. Furthermore, outside our infrastructure business segment, we do expect a very low growth in revenue due to cost savings measures by some of our clients. The global COVID-19 pandemic has forever changed our experiences—as customers, employees, citizens, humans— and our attitudes and behaviors are changing as a result. We are confident our business model will help us to emerge stronger in the longer term as it has been built for resilience during tough times.
4. For financial year 2020 / 2021 our mid case projection reflects a change in revenue of 3.1% and a Net income of approx. k EUR 6,942. Uncertainty relating to future development of the pandemic results in upside as well as downside risks relating to this projections.

According to the result of our audit and the audit findings, we judge the representation of the situation of the company and of the risks of future development of the company in the financial statements and the management report to be plausible and logically derived. The director's assessment of the situation is sufficiently extensive and its content is correct. The presentation of the situation of the company is sufficient by virtue of it's scale and correct.

D. Object, Type and Scope of the Audit

I. Object of the audit

Following the audit contract and according to Article 317 HGB, we checked whether bookkeeping and financial statements are in line with corresponding legal regulations and with complementing regulations in the articles of incorporation. We have been shown the management report and we have included it into our audit.

Criteria for our audit are the German Accounting Standards as laid down in Articles 242 to 256a and 264 to 288 HGB, in the special legislation of the GmbHG and in the complementing regulations in the articles of incorporation. Audit criteria for the management report were the rules defined in Article 289 HGB.

Preparation of the year end close and the management report as well as handover of information and documents have been under the responsibility of the management. It is our responsibility to check these documents and information within the scope of a dutiful audit.

II. Type and Scope of the Audit

We conducted the audit from February 2020 to August 2020 with interruptions in our office in Pforzheim. We documented the details about how the audit was conducted according to type, scope and result in our working papers.

The audit was carried through according to the standards on auditing of financial statements as specified by the Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf.

According to these standards, the audit is to be planned and carried through in such manner that it is possible to judge with sufficient amount of safety whether bookkeeping, financial statements and the management report are free from material errors and legal violations.

We have planned the audit of the financial statements according to principles of proper professional practice with the aim to discover any such errors and violations of accounting laws which have a material effect on the presentation of a truthful picture of the financial position of the company as of March 31, 2020, and the results of its operations according to Article 264 (2) HGB.

We put the main emphasis of our audit on the following items:

- Analysis of the internal control system by conducting Journal Entry Tests
- Representation and valuation of Work in Progress
- Valuation and existence of trade receivables
- Completeness of accruals and liabilities
- Completeness and valuation of receivables and liabilities against affiliates
- Correctness of the revenue cut off

Starting from a preliminary judgement on the internal control system from our Journal Entry Tests we have observed the principles of materiality and cost-effectiveness in defining our further audit procedures. Type and scope of analytical as well as substantial audit procedures have been conducted considering the importance of the audit field and the organization of bookkeeping. Samples have been

selected in a way which considered the economic relevance of the individual financial statement positions and which allowed a sufficient judgement of the compliance with accounting principles and legislation.

We did not take part in the physical inventory taking as an observer, as the the physical inventory is of minor importance to the overall picture and as we we could conduct sufficient alternative audit procedures. In order to validate the open items we collected balance confirmations. Also, we collected bank confirmations of the German house banks and a confirmation by the legal attorney of the company.

The disclosed positions in the year end close are documented by inventory lists, balance lists and other documentation.

The prudence principle has been observed by conducting lowest value tests.

The observed accounting principles are in line with legal regulations. Valuation has been done following the going concern principle.

We have audited the management report in close timely relationship with the financial statements. In order to do this, we have compared the individual informations as well as the overall meaning of the management report with the financial statements and with the situation of the company. We have also audited the forward-looking statements as well as opportunities and risks of future development.

The legal representatives have provided all requested information and documents. We have been given a letter of representation (Confirmation relating to completeness of bookkeeping, year end close and management report) as is common professional practice.

III. Independence

We confirm in accordance with Article 321 (4 a) HGB, that in our audit of the financial statements and the management report we have observed the applicable rules and regulations relating to independence.

E. Statements relating to the representation of the financial statements

I. Orderliness of bookkeeping

1. Prior year's close

The year end close to March 31, 2019 has been approved by the shareholders. The income has been carried forward. Prior year's close has been submitted to the elektronische Bundesanzeiger (commercial trade register available via internet).

The directors have been exonerated.

2. Bookkeeping and other audited documentation

Organization of the bookkeeping, the data flow and the management of documents allow for a complete, correct, timely and orderly recording and booking of business transactions.

The information taken from further audited documents lead to a correct representation in bookkeeping and financial statements.

Bookkeeping (general ledger, accounts receivable and accounts payable, inventory accounting, asset accounting and cost accounting) of the company is done with SAP R/3 software.

3. Financial Statements

The company is classified as being of "large" size according to Article 267 HGB. The financial statements have been prepared according to the principles of orderly bookkeeping, according to the regulations in Articles 242 to 256a and 264 to 288 HGB and the special rules laid down in the GmbHG and in complementing regulations in the articles of incorporation.

Based upon prior year's financial statements as audited by us, the financial statements of this year have been developed properly from the bookkeeping and the other audited documents.

The principle of not changing valuation methods (Article 252 (1) Nr. 6 HGB) has been adhered to.

There is sufficient proof for assets, liability and equity positions.

The applied accounting rules correspond to commercial law. In principle they are unchanged from prior year. Details of the valuation are discussed in Section E.II.1.

4. Management report

The management report (Annex 1) corresponds to the regulations of Article 289 HGB. It properly presents the development of the business and the situation of the company. Chances and risks of future developments are sufficiently described.

II. Total representation of the financial statements

1. Major valuation principles

Accounting and Valuation Method

The following accounting and valuation methods were decisive in preparing the annual accounts:

Purchased intangible assets are stated at cost of acquisition and in case of use intangible assets were reduced according to the expected useful life of the asset by scheduled linear depreciation.

Property, plant and equipment are stated at cost of acquisition or manufacture. The property, plant and equipment assets were reduced according to the expected useful life of the asset by scheduled linear depreciation. The depreciation of additions to property, plant and machinery took place fundamentally by periodic depreciation. The tangible assets were depreciated pro rata temporis.

Work in progress are valued on the basis of individual calculations, which are based on the current operational accounting, whereby, in addition to the individual directly attributable costs, production wages and special individual costs, pro rata overhead costs and depreciation are taken into account.

Merchandise is stated at cost of acquisition or lower market prices.

Accounts receivable and other assets and liquid assets are stated at their nominal values. Account is taken of all items fraught with risk through adequate individual value adjustments.

Pension accruals have been stated according to Article 253 (2) HGB according to the Projected Unit Credit Method considering the 2018G actuarial tables, an average market interest rate of the last ten years of 2,6%, income dynamics of 2,5%, pension dynamics of 1,75% and an expected average development of the assessment ceiling for the pension funds of 2,5%.

The tax accruals and other accruals take into account all contingent liabilities and anticipated losses. They are stated at an amount required according to reasonable commercial assessment.

Liabilities are valued at their repayment amounts.

Accounts receivable in foreign currencies are converted at the medium exchange rate as of closing data.

Realisation of sales revenue takes place after the work is done and accepted by the customer.

There were no significant changes to the adopted principles of representation and valuation.

2. Summarizing Statement

According to our opinion, the financial statements, considering the principles of proper bookkeeping, present fairly, in all material respects, the financial position of the company, and the results of its operations.

F. Summary

We issue the preceding report on the audit of financial statement and management report for the financial year from April 1, 2019 to March 31, 2020 of HCL Technologies Germany GmbH, Eschborn, in accordance with Article 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW PS 450 n. F.).

The audit report is being signed in accordance with Article 321 (5) HGB and in compliance with Article 32 WPO as follows.

Pforzheim, September 8, 2020

gkm . glück . kock . mäscke
partgmbb . wirtschaftsprüfungsgesellschaft



Glück
Certified German Public Auditor



Mäscke
Certified German Public Auditor

ANNEX

HCL Technologies Germany GmbH, Eschborn

Status Report for the Financial Year 2019/2020

I. Business development and environment

Core business and review

The company operates in the fields of software-enabled IT solutions, externally controlled infrastructure management and the outsourcing of business processes.

Being part of the growing IT industry we want to grow above industry trend at a stable pace while steadily improving our quality of service.

We render our services in the context of our mode 1-2-3 strategy:

Mode 1: Core Services

Under Mode 1, HCL delivers core services in the areas of applications, infrastructure, BPO and Engineering & R&D, leveraging DRYiCE autonomics and orchestration to transform clients' business and IT landscape making them "lean" and "agile".

Mode 2: Next Generation Services

Under Mode 2, HCL delivers experience-centric and outcome-oriented integrated offerings of Digital & Analytics, IoT WoRKS™, Cloud Native Services and Cyber-security & GRC services.

Mode 3: Products & Platforms

HCL continues to explore and enter into innovative IP-based partnerships, targeting specific next-generation opportunities. Mode 3 includes the external IP partnership with IBM extending now to half a dozen products; HCL also continues to invest in our internal IP creation strategy and expansion of capabilities and markets for DRYiCE, the next-generation autonomics and orchestration products and platform.

As in the past, we expect a significantly above average increase in our mode 2 and mode 3 services during the coming years.

We view profitability as an enabler to allow us invest in the technologies our clients need.

We make a conscious choice to focus on managed services instead of on time and material and staffing to move closer to the core value adding chain of our customers and thereby helping define the fundament for their growing and prospering.

We add credibility to this claim by aligning our fees with the key performance indicators of our customers.

Industry trends

Germany's economy has been resilient in the face of global economic uncertainty. The government has held firm to sound public finance, and deficit-cutting efforts have kept public spending under control. Earlier labor market reforms that raised working-hour flexibility and reduced structural unemployment have helped to sustain the relatively robust job market. Growth has slowed, but Germany's unemployment rate is still one of Europe's lowest. Germany remains, both politically and economically, the most influential nation in the EU.

The stability of the banking sector has improved in recent years with banks raising new equity and retaining earnings.

Business development

HCL Technologies Germany GmbH serves clients locally while referring technologically demanding tasks to our technology labs in India and across the world. It is therefore an integral part of HCL Technologies worldwide and needs to be analyzed in a global context.

Given that our core technology services are delivered mainly out of India where we command a highly price efficient and knowledge intensive infrastructure, the focus in our German subsidiaries is on revenue growth.

During the financial year 2019-20, business with existing clients in Germany has been extended further and total revenue of our two German subsidiaries has increased from k EUR 182,571 to k EUR 205,078 (YoY). The development in business is largely same compared to last year. We are satisfied with the overall growth of business.

The company HCL Technologies Germany GmbH is growing while HCL GmbH revenue shows a decrease. This is because most new customer contracts are entered with HCL Technologies Germany GmbH whereas in HCL GmbH current contracts are being executed and some are being transferred to HCL Technologies Germany GmbH.

II. Company situation***Asset, financial, and revenue situation***

Net Income for the year was k EUR 7,151 after k EUR 5,899 in prior year. Total output consisting of Sales revenue, other operating income and change in stock of finished goods and work in progress increased from k EUR 141,550 to k EUR 178,603. On the other hand, our gross margin after material expense and personnel expense increased from k EUR 28,937 to k EUR 34,967 resulting in a margin on gross output of 19.58% after 20.4 % in prior year which is due to our product mix.

Fixed assets increased to k EUR 34,592 due to increase in Goodwill and other assets during the financial year.

The increase in work in progress is due to increase of services not yet approved by our clients at the date of closing from k EUR 6,237 to k EUR 9,142.

The increase of receivables, receivables against related parties and liabilities against third parties are mainly due to our increase in operational activity.

The increase of our net equity due to our net income of k EUR 7,151 resulted due to the increase in total assets in a net equity ratio of 12.33% in current year (p.y. 11.9%).

Investment

Our investment is mainly in people, so the picture of the financial statements only gives an incomplete picture in this respect.

Research and development

The research and development is done centrally by the parent company, HCL Technologies Ltd.

Development of equity capital

As at March 31, 2020, the registered capital and the capital reserve totaled to k EUR 100 (previous year: k EUR 100). The income for the financial year amounts to k EUR 7,151 (Previous year: profit k EUR 5,899). Based on the growth of revenue & profit, it is apparent that the business operations are continued smoothly.

Personnel

Headcount and employee structure

In the FY 2019/2020, an average of 607 employees (previous year: 339) worked for the Company.

Human resources guidelines

The group is committed to an equal treatment of all employees, regardless of their sex, race, colour, disablement, or family status. For disabled employees, the company offers training opportunities. In case the disablement occurs after the employee joined the company, the company is obliged to further employ and qualify appropriately the relevant person. The company is also committed to communicating relevant internal news or decisions on a regular basis. Where decisions are made that affect the employees or have implications for them, their opinions are taken into consideration in the decision process.

Risks compromising the development

The software industry is characterized by a dynamic and fiercely competing environment with rapid technological changes and innovations, which constantly challenge the existing and conventional business models. The company is confronted with several business risks. The most important ones will be explained below:

Dependencies/concentrations

The group led by the parent company, HCL Technologies Ltd. in India, which HCL Technologies Germany GmbH belongs to, maintains a broad customer base to ensure the independence from individual clients, special services, or geographical factors.

Competition

To continue to have a strong position in the market and remain competitive, the group has made substantial investments in software technology and other offshore technologies.

People

In line with the parent company, the company has approved an initiative under the name "Employee first". In combination with other measures, this initiative aims at making the company an attractive employer.

Finance

The company is exposed to some financial risks, e.g. exchange rate risks, credit risk, and the risk of inability to pay. The company has established an internal control mechanism aiming at reducing these risks.

III. Forecast for future development

During the financial year 2020-21, business with existing clients has been extended further and a few major new clients have been won.

Due to the outbreak of Covid-19, Worldwide economy has been severely hit. In order to stop the spread of Covid-19 many restrictions have been imposed by Governments all over the world.

Travel restrictions are forming impediments for serving our clients which we compensate by increasing the number of video conferences. Since this may lead to an increased ratio of SLA (service level agreement) violations, we are expecting an increase in our cost ratio. Across all business segments, during the shutdown period, acquisition efforts were mostly halted which resulted in decrease in the expected revenue.

Furthermore, outside our infrastructure business segment, we do expect a very low growth in revenue due to cost savings measures by some of our clients.

The global COVID-19 pandemic has forever changed our experiences - as customers, employees, citizens, humans - and our attitudes and behaviors are changing as a result.

We are confident our business model will help us to emerge stronger in the longer term as it has been built for resilience during tough times.

For financial year 2020 / 2021 our mid case projection reflects a change in revenue of 3.1% and a Net income of approx. k EUR 6,942. Uncertainty relating to future development of the pandemic results in upside as well as downside risks relating to this projections.

HCL Technologies Germany GmbH, Eschborn, on 24 August 2020



Bejoy Joseph George



Shiv Kumar Walia



Subramanian Gopalakrishnan

The Directors

HCL Technologies Germany GmbH, Eschborn
Balance sheet as of 31.3.2020

	EUR	EUR	EUR (py)
Assets			
A. Fixed assets			
I. Intangible assets			
1. Purchased concessions, commercial rights, other rights and values as well as licenses of such rights and values	126,542		319,918
2. Goodwill	748,261		237,218
	874,803		557,136
II. Tangible assets			
1. Other plants, factory and office equipment	5,477,506		4,328,514
2. Assets under construction	278,639		92,437
	5,756,145		4,420,951
III. Financial assets			
1. Shares in affiliated parties	27,960,918		27,960,918
		34,591,866	32,939,004
B. Current assets			
I. Stock and Inventory			
1. Work-in-progress, contracts in progress	9,141,555		6,236,931
2. Finished Goods	121,020		113,548
3. Prepayments to suppliers	245,757		71,968
	9,508,332		6,422,447
II. Debtors and other assets			
1. Trade debtors	43,165,914		36,742,775
- thereof with a remaining term of more than one year	(5.954.523)		(6.754.200)
2. Amounts due from affiliated companies	15,400,301		8,018,179
3. Other assets	12,560,808		493,325
	71,127,023		45,254,278
III. Cash on hand, credit balances at banks	30,264,993		6,702,292
		110,900,348	58,379,017
C. Prepayments and deferred charges		1,686,800	1,853,759
D. Deferred Tax Assets		859,037	0
		148,038,051	93,171,780

HCL Technologies Germany GmbH, Eschborn
Balance sheet as of 31.3.2020

	EUR	EUR	EUR	EUR (py)
Liabilities and equity				
A. Equity				
I. Subscribed capital		100,000		100,000
II. Accumulated Profit / Loss carryforward		11,006,280		5,107,659
III. Net profit / loss for the year		<u>7,150,781</u>		<u>5,898,621</u>
			18,257,060	11,106,280
B. Accruals				
1. Pension accruals		9,712,083		558,076
2. Tax accruals		7,758,407		4,222,913
3. Other accruals		<u>16,077,316</u>		<u>10,372,148</u>
			33,547,806	15,153,137
C. Liabilities				
1. Bank loans		18,666,667		28,000,000
- with a remaining term of up to one year				
2. Prepayments received		13,497,414		754,561
- with a remaining term of up to one year				
3. Trade creditors		3,994,162		2,521,184
- with a remaining term of up to one year				
4. Amounts due to affiliated companies		52,377,618		30,992,804
- with a remaining term of up to one year				
5. Other creditors		7,697,324		4,643,815)
- thereof for taxes		(2.417.322)		(2.292.740)
- thereof for social security		(6.645)		(33.425)
- thereof with a remaining term of up to one year		(7.697.324)		(4.643.815)
		<u></u>	96,233,185	<u>66,912,364</u>
			<u>148,038,051</u>	<u>93,171,780</u>

HCL Technologies Germany GmbH, Eschborn

Income statement for the fiscal year from April 1, 2019 to March 31, 2020

	EUR	EUR	EUR (py)
1. Revenue	175,168,082		140,421,653
2. Increase or decrease in work in process	2,912,096		520,265
3. Other operating income	523,112		608,297
4. Cost of materials			
a. Cost of materials	7,818,658		12,665,541
b. Cost of purchased services	92,180,199		73,441,474
	<u>99,998,857</u>		<u>86,107,015</u>
5. Gross Income		78,604,434	55,443,201
6. Personnel expenses			
a. Wages and salaries	37,595,225		23,363,737
b. Social security, pension and other benefit costs	6,042,368		3,142,875
- thereof pension cost	(1.161.507)		(214.435)
	<u>43,637,593</u>		<u>26,506,613</u>
7. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment	2,179,608		1,876,215
8. Other operating expenses	22,692,789		18,764,088
		<u>68,509,990</u>	<u>47,146,916</u>
		10,094,444	8,296,285
9. Interest and similar income	395,172		207,602
10. Interest and similar expenses	<u>721,314</u>		<u>318,151</u>
	-326,142		-110,549
		<u>9,768,303</u>	<u>8,185,736</u>
11. Tax on earnings		2,617,522	2,287,115
12. Profit after tax		<u>7,150,781</u>	<u>5,898,621</u>
13. Net Income / loss		<u>7,150,781</u>	<u>5,898,621</u>

HCL Technologies Germany GmbH, registered office in Eschborn, is entered in the Commercial Register of Frankfurt am Main District Court under the number HRB 97976.

General Information

The present annual accounts were drawn up in accordance with Articles 242 ff and 264 ff HGB as well as the relevant provisions of the GmbHG. The provisions covering large companies apply.

The profit and loss account has been prepared using the total cost method.

There have been no significant changes to the methods applied for representation and valuation as compared to the previous year.

Accounting and Valuation Method

The following accounting and valuation methods were decisive in preparing the annual accounts:

Intangible assets are stated at cost of acquisition and in case of use intangible assets were reduced according to the expected useful life of the asset by scheduled linear depreciation.

Property, plant and equipment are stated at cost of acquisition or manufacture. The property, plant and equipment assets were reduced according to the expected useful life of the asset by scheduled linear depreciation. The depreciation of additions to property, plant and machinery took place fundamentally by periodic depreciation. The tangible assets were depreciated pro rata temporis.

Work in progress are valued on the basis of individual calculations, which are based on the current operational accounting, whereby, in addition to the individual directly attributable costs, production wages and special individual costs, pro rata overhead costs and depreciation are taken into account.

Finished Goods are stated at cost of acquisition or lower market prices.

Accounts receivable and other assets and liquid assets are stated at their nominal values. Account is taken of all items fraught with risk through adequate individual value adjustments.

Pension accruals have been stated according to Article 253 (2) HGB according to the Projected Unit Credit Method considering the 2018G actuarial tables, an average market interest rate of the last ten years of 2,6%, income dynamics of 2,5%, pension dynamics of 1,75% and an expected average development of the assessment ceiling for the pension funds of 2,5%.

The **tax accruals and other accruals** take into account all contingent liabilities and anticipated losses. They are stated at an amount required according to reasonable commercial assessment.

Liabilities are valued at their repayment amounts.

Accounts receivable in foreign currencies are converted at the medium exchange rate as of closing data.

Realisation of sales revenue takes place after the work is done and accepted by the customer.

Notes on the Balance Sheet

Fixed Assets

The development of the individual fixed asset items is presented with details of the depreciation for the financial year in the following analysis of fixed assets (Annex to the Notes).

In the following we show the details of the Hönigsberg & Düvel Datentechnik GmbH and its affiliates, which have been taken over in the previous financial year:

	Seat	Share 31.12.2019 %	Net Equity 31.12.2019 TEUR	Net Income 31.12.2019 TEUR
H&D Business Services GmbH	Wolfsburg	100	25	0
H&D IT Automotive Services GmbH	Wolfsburg	100	25	0
H&D ITAS Client Services GmbH	Wolfsburg	100 1)	25	0
H&D ITAS Application Services GmbH	Wolfsburg	100 1)	25	0
H&D ITAS Infrastructure Services GmbH	Wolfsburg	100 1)	25	0
H&D ITAS Süd GmbH	Ingolstadt	100 1)	25	0
H&D IT Solutions GmbH	Wolfsburg	100	25	0
H&D Services for Engineering GmbH	Wolfsburg	100	25	0
CATIS GmbH	Wolfsburg	100	25	0
CA Management Services GmbH	Wolfsburg	100 2)	25	0
H&D Training and Consulting GmbH	Wolfsburg	100	8	0
qmo-it GmbH	Gifhorn	100	863	32
H&D IT Professional Services GmbH	Wolfsburg	100	25	0
H&D International GmbH	Wolfsburg	100	386	154
Hönigsberg & Düvel Corporation	Chattanooga / USA	100	(18)	(6)
Hönigsberg & Düvel Datentechnik Czech s.r.o	Mladá Boleslav / Tschechien	100	4067	1786

1) directly via H&D IT Automotive Services GmbH

2) indirectly via CATIS GmbH

Goodwill (assembled workforce) is being depreciated over 5 years as the period over which the company expects to benefit from the take-over.

Current Assets

Stocks consist of work in progress of € 9,142 k (p.y. € 6,237 k) and finished goods of € 121 k (p.y. € 114 k) and prepayments to suppliers of € 246 k (p.y. € 72 k).

Accounts receivable and other assets

Accounts receivable from affiliated companies include accounts receivable from the shareholders of € 0 k (p.y. € 0 k).

Accounts receivable from affiliated companies include accounts receivable from trade debtors of € 26,523 k (p.y. € 7,241 k).

With the exception of claims for deposits of € 3 k (p.y. € 3 k), shown under other assets, all accounts receivable are for periods of less than one year.

Cash in Hand, Cash at Banks

Cash at banks amounted to € 30,265 k (p.y. € 6,702 k).

Deferred taxes

Deferred taxes result from a different tax – valuation of pension accruals based on an enterprise-specific interest rate of 27,4%. They result from differences in pension liabilities. At € 859 k in the reporting year, deferred tax assets have increased from prior year by € 859 k.

Equity

The subscribed capital amounts € 100 k (p.y. € 100 k).

Pension Accruals

Considering an average market interest rate of 1,88%, pension accruals would have resulted in € 10.646 k. The difference to the pension accruals shown in these financial statements amounts to € 934 k and is subject to a legal payout block.

Tax Accruals

The tax accruals amount to € 7,758 k (p.y. € 4,223 k).

Other Accruals

Other accruals mainly consist of accruals for the purchasing area € 12,128 k (p.y. k 7,015 €), for sales area € 560 k (p.y. € 823 k) and for personnel € 3,375 k (p.y. € 1,535 k).

Liabilities

Liabilities against banks of € 9,333 k (p.y. € 9,333 k) have a remaining duration of up to one year. Liabilities against banks of € 9,333 (p.y. € 18,666 k) have a remaining duration of between one and five years.

All other liabilities have a remaining period of up to one year and are not secured.

The liabilities against affiliated companies include liabilities against shareholders (€ 399 k; p.y. € 574 k).

The liabilities against affiliated companies include liabilities against trade creditors (€ 17,873 k; p.y. € 17,238 k).

The other liabilities include among other liabilities for wages tax (€ 811 k; p.y. € 530 k) and value added tax (€ 1,606k; p.y. € 1,762 k).

Notes on the Profit and Loss Account

Sales revenue

Sales Revenue is mainly generated within the European Union.

Other Operating Income

Other operating income contains foreign exchange gains (€ 523 k; p.y. € 608 k).

Depreciation

Depreciation in the financial year did not include any extraordinary depreciation.

Other Operational Expenses

Included in other operational expenses are foreign exchange losses (€ 679 k; p.y. € 947 k).

Interest Expenses

Out of the interest expenses € 518 k (p.y. € 197 k) were paid to related parties.

Other Particulars

Contingent Liabilities

There are no contingent liabilities.

Other Financial Liabilities

There are other financial liabilities from office rent of yearly € 137 k (p.y. € 201 k).

Board of Directors

Managing Directors have been during the reporting year:

Mr. Bejoy Joseph George, born 10.06.1967, director, resident in Frankfurt am Main, Wiesenau 44

Mr. Shiv Kumar Walia, born 10.01.1969, director, resident in Lanrivain, Ascot Road, Maidenhead, Berkshire/United Kingdom

Mr. Manish Anand, born 15.11.1968, director, resident B-5/31, 1st floor Paschim Vihar, New Delhi / India (until 04.03.2020)

Mr. Subramanian Gopalakrishnan, born 31.10.1967, director, resident in Flat no 5103, ATS Green2, A-58, Sector 50, Noida / India

The directors are released from the restrictions of Article 181 BGB (German Civil Code).

They may represent the company in performing transactions without restriction themselves or as a representative of a third party.

Appropriation of net income

The directors propose to carry forward the balance sheet profit.

Events after the Balance Sheet Date

Due to the outbreak of Covid-19, Worldwide economy has been severely hit. In order to stop the spread of Covid-19 many restrictions have been imposed by Governments all over the world.

Travel restrictions are forming impediments for serving our clients which we compensate by increasing the number of video conferences. Since this may lead to an increased ratio of SLA violations, we are expecting an increase in our cost ratio. Across all business segments, during the shutdown period, acquisition efforts were mostly halted which resulted in decrease in the expected revenue.

Furthermore, outside our infrastructure business segment, we do expect a reduction in revenue due to cost savings measures by some of our clients.

The global COVID-19 pandemic has forever changed our experiences—as customers, employees, citizens, humans— and our attitudes and behaviors are changing as a result.

We are confident our business model will help us to emerge stronger in the longer term as it has been built for resilience during tough times.

Employees

The average number of workers employed during the financial year was:

	2019-2020	2018-2019
Employees	607	339

As in the previous year, the company employed no trainees in 2019/2020.

Shareholders

The company is run in the legal form of a *Gesellschaft mit beschränkter Haftung (GmbH)* [German limited liability company].

The shareholders are:	HCL Technologies UK Limited Axon Centre, Church Road Egham, Surrey, TW 20 9 QB / UK	€ 100.000
-----------------------	---	-----------

Audit Fees

Audit fees, which only related to audit services, amounted to approximately T€ 13.7.

Group Relationships

As at 31 March 2020, HCL Technologies India Ltd, New Delhi / India prepared group accounts for the largest group of related parties, in which our company is integrated. The accounts are available at the registered office of this company.

As at 31 March 2020, HCL Technologies Germany GmbH prepared group accounts for the smallest group of related parties, in which our company is integrated. The accounts are available at the registered office of this company.

Eschborn, 24 August 2020



Bejoy Joseph George



Shiv Kumar Walia



Subramanian Gopalakrishnan

Schedule of Changes in Fixed Assets of HCL Technologies Germany GmbH, Eschborn
Fiscal Year 2019/2020

	as at 1.4.2019			Changes of Aquisition cost		Changes of Accumulated depreciation			as at 31.3.2020		
	Aquisition cost	Accumulated depreciation	Net book value	Acquisitions Adjustments (A)	Disposals	Additions *) Adjustments (A)	Disposals	Net book value of disposals	Aquisition cost	Accumulated depreciation	Net book value
	€	€	€	€	€	€	€	€	€	€	€
I. Intangible assets											
1. Purchased concessions, commercial rights, other rights and values as well as licenses of such rights and values	913.688	593.770	319.918	15.001	0	208.378	0	0	928.689	802.147	126.542
2. Goodwill	336.585	99.368	237.218	670.601	142.435	17.123	0	142.435	864.751	116.490	748.261
Total intangible assets	1.250.273	693.137	557.136	685.602	142.435	225.500	0	142.435	1.793.440	918.638	874.802
II. Tangible assets											
1. Other plants, factory and office equipment	8.127.810	3.799.296	4.328.514	3.369.696	641.525	1.954.107	374.930	266.596	10.855.981	5.378.474	5.477.506
2. Assets under construction	92.437	0	92.437	186.202	0	0	0	0	278.639	0	278.639
Total fixed assets	8.220.247	3.799.296	4.420.951	3.555.898	641.525	1.954.107	374.930	266.596	11.134.619	5.378.474	5.756.145
1. Shares in affiliated parties	27.960.918	0	27.960.918	0	0	0	0	0	27.960.918	0	27.960.918
Total financial assets	27.960.918	0	27.960.918	0	0	0	0	0	27.960.918	0	27.960.918
Total	37.431.438	4.492.434	32.939.004	4.241.500	783.960	2.179.608	374.930	409.031	40.888.977	6.297.112	34.591.866

Independent Auditor's Report

To HCL Technologies Germany GmbH, Eschborn:

Audit Opinion

We have audited the annual financial statements of HCL Technologies Germany GmbH, which comprise the balance sheet as at March 31, 2020, and the statement of profit and loss, for the financial year from April 1, 2019 to March 31, 2020, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of HCL Technologies Germany GmbH for the financial year from April 1, 2019 to March 31, 2020.

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 business corporations and give a true and fair view of the assets, liabilities, and financial position of the Company as at March 31, 2020, and of its financial performance for the financial year from April 1, 2019 to March 31, 2020 in compliance with German Legally Required Accounting Principles.
- the management report in total presents correctly the situation of the company. In all material respects, this management report is in line with the financial statements, corresponds with the legal requirements, and properly describes the opportunities and risks of future development.

Pursuant to Article 322 (3) S 1 German Commercial Code, 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 Article 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 Executive Directors for the Annual Financial Statements and for the Management Report

The executive directors 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 business 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 executive directors 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 executive directors 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.

Additionally the legal representatives are responsible for preparation of the management report which in total presents correctly the situation of the company. In all material respects, this management report is in line with the financial statements, corresponds with the legal requirements, and properly describes the opportunities and risks of future development. In addition, the executive directors are responsible for such precautions and measures (systems) as they have determined necessary to enable the preparation of the management report in line with legal requirements and to be able to produce sufficient audit proofs for the statements in the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and the Management Report

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, and if the management report in total presents correctly the situation of the company as well as in all material respects, the management report is in line with the financial statements, corresponds with the legal requirements, and properly describes the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Article 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 and the management report.

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 and the management report, 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 relevant to the audit of the annual financial statements and of precautions and measures (systems) to enable the preparation of the management report in line with legal requirements and to be able to produce sufficient audit proofs for the statements in the management report 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 this system of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' 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 state-

ments and the management report or, if such disclosures are inadequate, to modify our audit opinion on the annual financial statements. 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.
- Evaluate whether the management report in total presents correctly the situation of the company, whether in all material respects, it is in line with the financial statements, and corresponds with the legal requirements.
- We carry out audit procedures relating to the forward-looking statements by the executive directors in the management report. On the basis of sufficient and adequate audit proof in particular we reconstruct the assumptions which the executive directors have underlaid their forward-looking statements and we evaluate the appropriate conclusion of forward-looking statements from these assumptions. We do not issue an independent audit opinion on the forward-looking statements and the underlying assumptions. There is an unavoidable risk that future events will materially deviate from the forward-looking statements.

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.

Pforzheim, September 8, 2020

gkm . glück . kock . mäscke
partgmbb . wirtschaftsprüfungsgesellschaft



(Glück)
Certified German Public Auditor



(Mäscke)
Certified German Public Auditor



**Legal situation
of
HCL Technologies Germany GmbH, Eschborn**

The name of the company is:

HCL Technologies Germany GmbH

The company has the **legal form** of a limited liability company ("Gesellschaft mit beschränkter Haftung").

The **articles of incorporation** are valid as of January 12, 2016.

The company is **seated** in Eschborn.

The company's **purpose** is to carry on the business of sale, purchase, distribution, license, lease, services, maintenance and consultancy of all kind, in and outside Germany, related to information technology, all types of software, IT hardware, IT infrastructure management, business process outsourcing, enterprise solutions, remote infrastructure management, data communication systems, research and development, help desk, data analysis, cloud computing, mobility products and services.

Shareholders capital of the company is EUR 100.000,00 which is fully paid in.

Sole **shareholder** of the company is HCL Technologies UK Limited, Surrey, UK.

Fiscal Year is from April 1st to March 31st.

According to the trade register directors in the reporting year were

Bejoy Joseph George, Frankfurt am Main

Shiv Kumar Walia, Maidenhead, Berkshire / UK

Subramanian Gopalakrishnan, Noida, Uttar Pradesh / Indien

Manish Anand, Pashim Vihar, New Delhi / Indien (until March 4, 2020, based on trade register)

The company is **registered** in the commercial trade register of Amtsgericht Frankfurt am Main with registration number HRB 97976.

Our information is based on a trade register copy from April 7, 2020 as well as on information received from the company. This situation has not changed up until the end of the reporting year according to the information given to us.

During the reporting year, among others, the following resolutions by the shareholders have been passed:

On June 18, 2019, prior year's financial statements have been approved, directors have been exonerated and gkm . glück . kock . mäscke Partnerschaft GmbH Wirtschaftsprüfungsgesellschaft have been elected as auditors.

Analysis and Comments regarding the financial statements as of March 31, 2020

I. Economic basics

Nature and purpose of the business is marketing, sales and client service regarding products of HCL Technologies Corporation Ltd., New Delhi, India.

The company may conduct any transactions which are related to and which promote the purpose of the business. The company is authorized to buy affiliates and to set up subsidiaries in and outside of Germany.

The development of the company during the past years can be understood from the following figures:

Fiscal Year	Employees	Sales Revenue	Investments ¹	Depreciation	Net income
		<u>kEUR</u>	<u>kEUR</u>	<u>kEUR</u>	<u>kEUR</u>
2014/2015	n.a.	599	n.a.	8	21
2015/2016 ²	103	9,557	1,367	237	-438
2016/2017	180	41,906	3,354	910	1,521
2017/2018	280	93,714	2,031	1,461	4,006
2018/2019	339	140,422	2,507	1,876	5,899
2019/2020	607	175,168	4,241	2,180	7,151

II. Tax situation

Income and profit tax declarations have been submitted until the year of 2019. A tax audit for the years 2009 through 2011 has been finalized in 2015.

III. Asset, financial and revenue situation

Regarding the asset, financial and revenue situation, we refer to the management report (Annex 1). Further information can be found in the notes to the financial statements (Annex 4).

IV. Contingent liabilities and other financial obligation not shown in the balance sheet

There are other financial obligations from office rent of € 137 k per annum (p.y. € 201 k). There are no contingent liabilities.

¹ into tangible assets and intangible assets

² short business year from 1 July 2015 to 31 March 2016

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2017

DokID:

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.