

## **Report**

on the  
audit of the financial statements and the management report

of

HCL GmbH,

Eschborn

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.

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## **A. Audit contract**

The legal representatives of

**HCL GmbH,  
Eschborn,**

has contracted us based on the election by the shareholders to audit the year end financial statements of March 31, 2018 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 as shown in annex 7. 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 § 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 § 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

## **B. 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 2017-18, business with existing clients in Germany has been extended further and total revenue of our two German subsidiaries has increased from k EUR 124.780 to k EUR 151,869 yoy. The development in business is largely same compared to last year. We are satisfied with the overall growth of business.
2. The fact, that revenue at HCL GmbH was decreasing, is only a result of shifts in revenue mix.
3. We expect revenue to grow 5% yoy in fiscal year 2018 / 2019, with a net income ratio of approx. 2,9%
4. Downside risks and upside chances for this assumption are largely on the sales side.

We comment the analysis of the directors as follows:

1. Growth at HCL Technologies GmbH could by far overcompensate the decrease at HCL GmbH.
3. Revenue in April 2018 was about 12% below April 2017. It still seems realistic to stabilize revenue on the level of 2017 / 2018.

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

## ***C. Analysis and Comments regarding the financial statements as of March 31, 2018***

### **I. Economic basics**

The 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<br>Year End | Sales<br>Revenue<br><u>KEUR</u> | Investments<br><u>KEUR</u> | Depreciation<br><u>KEUR</u> | Net income<br><u>KEUR</u> |
|------------------------|-----------------------|---------------------------------|----------------------------|-----------------------------|---------------------------|
| 2009/2010              | 114                   | 13.496                          | n/a                        | 198                         | -687                      |
| 2010/2011              | 161                   | 20.604                          | 222                        | 298                         | 1.229                     |
| 2011/2012              | 192                   | 35.619                          | 74                         | 322                         | 503                       |
| 2012/2013              | 214                   | 44.444                          | 170                        | 200                         | 1.647                     |
| 2013/2014              | 315                   | 71.419                          | 786                        | 207                         |                           |
|                        |                       |                                 | 1.517                      | 557                         | 1.438                     |
| 2015/2016 <sup>1</sup> | 221                   | 60.846                          | 120                        | 418                         | 1.566                     |
| 2016/2017              | 157                   | 81.568                          | 3.661                      | 753                         | 3.630                     |
| 2017/2018              | 88                    | 55.385                          |                            |                             | 1.364                     |

Main customers in the reporting year were Deutsche Bank AG, Bombardier Transportation GmbH, HAVI Logistics GmbH and Kraft Foods Europe Procurement GmbH which together account for more than 50% of external sales.

### **II. Tax situation**

Income and profit tax declarations have been submitted until the year of 2017. 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 (Appendix 4). Further information can be found in the notes to the financial statements (Appendix 3).

<sup>1</sup> short business year from 1 July 2015 to 31 March 2016



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

0). These concern payment obligations out of the rental contract of the office in Eschborn, which was extended on December 31<sup>st</sup> 2012.

## ***D. Object, Type and Scope of the Audit***

### **I. Object of the audit**

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 March 2018 to June 2018 with interruptions in the offices of the tax consultant of HCL GmbH, Dupps Selbach Steuerberatungsgesellschaft mbH, Karlsruhe as well as in our own 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, 2018, 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 and valuation of receivables and liabilities against affiliates
-

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. However, due to our judgement, the physical inventory is of minor importance to the overall picture and 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

situation of the company. We have also audited the statements containing estimates regarding future developments as well as chances and risks of future development.

The legal representatives have provided all requested information and documents. We (bookkeeping, year end close and management report) as is common professional prac-

## ***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 , 2017 has been approved by the shareholders. The balance sheet profit 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 prepared by tax consultant Hartmut Bode and audited by us, which resulted in an unqualified audit opinion for prior year's financial statements, 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 Abs. 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 un-

#### ***4. Management report***

The management report (appendix 4) 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 captured.

### **II. Total representation of the financial statements**

#### ***1. Major valuation principles***

There were no significant changes to the adopted principles of representation and valuation. We refer to the appendix to the financial statements in Appendix 3.

#### ***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

## **F. Audit Opinion**

Based on our audit we came to the following opinion:

"We have audited the financial statements – consisting of balance sheet, profit and loss statement and the notes – the bookkeeping and the management report of HCL GmbH, Eschborn for the fiscal year from April 1, 2017 to March 31, 2018. Bookkeeping and presentation of financial statements as well as of the management report according to German commercial law and according to complementing regulations in the articles of incorporation are within the responsibility of the legal representatives of the company. Based on the results of our audit, it is our responsibility to give an opinion on the financial statements, on the bookkeeping and on the management report. We conducted our audit in accordance with German Generally Accepted Standards on Auditing, as stated in Article 317 HGB and interpreted by the "Institut der Wirtschaftsprüfer e.V.". Those standards require that the audit is planned and performed to obtain reasonable assurance that the financial statements and the management report are free from material misstatements, under consideration of German principles of orderly bookkeeping.

When determining audit procedures, the knowledge about the business and about the economic and legal environment of the company as well as expectations of error are taken into consideration. In the course of the audit, the effectiveness of accounting related internal controls, as well as proofs for the statements in bookkeeping, financial statements and management report are being assessed mostly on a test basis. The audit covers presentation of an opinion on the applied standards regarding amounts and disclosures, on the major assumptions of legal representatives and on the global presentation through financial statements and management report. We believe that our audit forms a reliable basis for our opinion.

Our audit has not led to any objections.

According to our opinion, based on the conclusions of our audit, the financial statements correspond with the legal requirements and with the complementing regulations in the articles of incorporation, and, considering the principles of proper bookkeeping, present fairly, in all material respects, the financial position of the company, and the results of its operations. The management report is in line with the financial statements, corresponds with the legal requirements, in total presents correctly the situation of the company and properly describes the chances and the risks of future development."

Using the above quoted audit opinion outside of our audit report requires our prior consent. Publishing or forwarding these financial statements in a form different from the one referred to in this audit report (including the translation into other languages) requires our comment if our audit opinion is quoted or our audit is referred to; see also Article 328 HGB.

Pforzheim, June 22, 2018

gkm glück.mäschke partgmbb  
Wirtschaftsprüfungsgesellschaft

  
(Glück)  
Wirtschaftsprüfer

  
(Mäschke)  
Wirtschaftsprüfer





**HCL GmbH, Eschborn**  
**Balance sheet at 31.3.2018**

|                                               | EUR              | EUR               | EUR (py)          |
|-----------------------------------------------|------------------|-------------------|-------------------|
| <b>ASSETS</b>                                 |                  |                   |                   |
| <b>A. Fixed assets</b>                        |                  |                   |                   |
| I. Intangible assets                          |                  |                   |                   |
| 1. Purchased software                         | 332.414          |                   | 348.906           |
| 2. Goodwill                                   | <u>360.102</u>   |                   | <u>385.175</u>    |
|                                               | 692.516          |                   | 734.081           |
| II. Tangible assets                           |                  |                   |                   |
| 1. Other plants, factory and office equipment | 3.077.353        |                   | 3.639.922         |
| 2. Assets under construction                  | <u>83.060</u>    |                   | <u>0</u>          |
|                                               | 3.160.413        |                   | 3.639.922         |
|                                               |                  | 3.852.929         | 4.374.003         |
| <b>B. Current assets</b>                      |                  |                   |                   |
| I. Stock and Inventory                        |                  |                   |                   |
| 1. Work-in-progress, contracts in progress    | 3.890.278        |                   | 5.190.763         |
| 2. Finished Products and Merchandise          | 20.998           |                   | 268.165           |
| 3. Advance to supplier                        | <u>943.791</u>   |                   | <u>873.528</u>    |
|                                               | 4.855.067        |                   | 6.332.456         |
| II. Debtors and other assets                  |                  |                   |                   |
| 1. Trade debtors                              | 9.578.854        |                   | 11.791.999        |
| 2. Amounts due from affiliated companies      | 4.585.581        |                   | 4.732.606         |
| 3. Other assets                               | <u>211.182</u>   |                   | <u>576.055</u>    |
|                                               | 14.375.616       |                   | 17.100.660        |
| III. Cash on hand, credit balances at banks   | <u>1.210.629</u> |                   | <u>7.480.448</u>  |
|                                               |                  | 20.441.312        | 30.913.564        |
| <b>C. Prepayments and deferred charges</b>    |                  | 812.299           | 1.094.262         |
|                                               |                  | <u>25.106.540</u> | <u>36.381.829</u> |



**HCL GmbH, Eschborn**  
**Balance sheet at 31.3.2018**

|                                                   | EUR | EUR              | EUR               | EUR (py)          |
|---------------------------------------------------|-----|------------------|-------------------|-------------------|
| <b>Liabilities and equity</b>                     |     |                  |                   |                   |
| <b>A. Equity</b>                                  |     |                  |                   |                   |
| I. Subscribed capital                             |     | 25.700           |                   | 25.700            |
| II. Capital reserve                               |     | 3.331.190        |                   | 3.331.190         |
| III. Balance sheet profit                         |     | <u>2.953.419</u> |                   | <u>1.589.225</u>  |
|                                                   |     |                  | 6.310.309         | 4.946.115         |
| <b>B. Rückstellungen</b>                          |     |                  |                   |                   |
| 1. Tax accruals                                   |     | 744.311          |                   | 1.032.659         |
| 2. Other accruals                                 |     | <u>4.535.320</u> |                   | <u>5.673.124</u>  |
|                                                   |     |                  | 5.279.631         | 6.705.783         |
| <b>C. Creditors</b>                               |     |                  |                   |                   |
| 1. Bank loans                                     |     | 0                |                   | 7.740.754         |
| with a remaining term of up to one year           |     |                  |                   |                   |
| 2. Trade creditors                                |     | 1.147.817        |                   | 1.173.286         |
| - thereof with a remaining term of up to one year |     | ( 1.147.817 )    |                   | ( 1.173.286 )     |
| 3. Prepayments received                           |     | 596.278          |                   | 666.623           |
| - thereof with a remaining term of up to one year |     | ( 596.278 )      |                   | ( 666.623 )       |
| 4. Amounts due to affiliated companies            |     | 10.549.722       |                   | 12.234.319        |
| - thereof against shareholders                    |     | ( 4.169.725 )    |                   | ( 7.093.358 )     |
| - thereof with a remaining term of up to one year |     | ( 10.549.722 )   |                   | ( 12.234.319 )    |
| 5. Other creditors                                |     | 1.222.783        |                   | 2.914.948         |
| - thereof for taxes                               |     | ( 277.390 )      |                   | ( 161.405 )       |
| - thereof for social security                     |     | ( 18.712 )       |                   | ( 0 )             |
| - thereof with a remaining term of up to one year |     | ( 1.222.783 )    |                   | ( 2.914.948 )     |
|                                                   |     |                  | 13.516.600        | 24.729.931        |
|                                                   |     |                  | <u>25.106.540</u> | <u>36.381.829</u> |

# HCL GmbH, Eschborn

## Income statement for the fiscal year from 1 April 2017 to 31 March 2018

|                                                                                                      | EUR               | EUR              | EUR (py)          |
|------------------------------------------------------------------------------------------------------|-------------------|------------------|-------------------|
| 1. Revenue                                                                                           | 55.384.521        |                  | 81.568.492        |
| 2. Increase or decrease in work in process                                                           | -1.300.485        |                  | -4.624.734        |
| 3. Other operating income                                                                            | 925.707           |                  | 4.606.611         |
| - thereof from conversion of foreign exchange                                                        | ( 925.707 )       |                  | ( 862.182 )       |
| 4. Cost of materials                                                                                 |                   |                  |                   |
| a. Cost of materials                                                                                 | 0                 |                  | 397.782           |
| b. Cost of purchased services                                                                        | 32.712.679        |                  | 51.842.391        |
|                                                                                                      | <u>32.712.679</u> |                  | <u>52.240.173</u> |
| <b>Gross Income</b>                                                                                  |                   | 22.297.064       | 29.310.195        |
| 5. Personnel expenses                                                                                |                   |                  |                   |
| a. Wages and salaries                                                                                | 9.675.813         |                  | 12.815.883        |
| b. Social security, pension and other benefit costs                                                  | 1.712.695         |                  | 2.333.131         |
| - thereof pension cost                                                                               | ( 256.987 )       |                  | ( 485.237 )       |
|                                                                                                      | <u>11.388.508</u> |                  | <u>15.149.014</u> |
| 6. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment | 1.244.467         |                  | 753.457           |
| 7. Other operating expenses                                                                          | 7.819.954         |                  | 8.442.517         |
| - thereof from conversion of foreign exchange                                                        | ( 1.566.656 )     |                  | ( 829.693 )       |
|                                                                                                      |                   | 20.452.929       | 24.344.988        |
|                                                                                                      |                   | <u>1.844.135</u> | <u>4.965.207</u>  |
| 8. Other interest and similar income                                                                 | 45.769            |                  | 47.216            |
| - thereof from affiliated companies                                                                  | ( 38.594 )        |                  | ( 37.700 )        |
| 9. Interest and similar expenses                                                                     | 9.185             |                  | 13                |
|                                                                                                      |                   | -36.585          | 47.202            |
|                                                                                                      |                   | <u>1.880.719</u> | <u>5.012.410</u>  |
| 10. Tax on Earnings                                                                                  |                   | -516.525         | -1.382.842        |
| 11. Profit after tax                                                                                 |                   | <u>1.364.194</u> | <u>3.629.568</u>  |
| 12. Net Income                                                                                       |                   | <u>1.364.194</u> | <u>3.629.568</u>  |
| 13. Profit Carry Forward                                                                             |                   | 1.589.225        | 4.959.656         |
| 14. Distribution to Shareholder                                                                      |                   | 0                | -7.000.000        |
| 15. Balance Sheet Profit                                                                             |                   | <u>2.953.419</u> | <u>1.589.225</u>  |

HCL GmbH, registered office in Eschborn, is entered in the Commercial Register of Frankfurt am Main District Court under the number HRB 54926.

### **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 and Merchandise** 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.

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).

Goodwill is being depreciated over 15 years as it will foreseeably be amortized over that period.

### Current Assets

Stocks consist of work in progress of € 3,890 k (p.y. € 5,191 k), finished goods and merchandise of € 21 k (p.y. € 268) and advances to supplier of € 944 k (p.y. € 874).

### 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 € 3,118 k (p.y. € 3,283 k).

With the exception of claims for deposits of € 23 k (p.y. € 33 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 € 1,227 k (p.y. € 7.481 k).

### **Equity**

The subscribed capital amounts € 26 k (p.y. € 26 k).

The capital reserve amounts to € 3,331 k (p.y. € 3,331 k). The unappropriated profit brought forward from the previous year amounted to € 1,589 k (p.y. € 4.960 k). In the reporting period, there was a no dividend payout.

### **Pension Provisions**

The pension obligations were transferred to a pension fund.

### **Tax Accruals**

The tax accruals amount € 744 k (p.y. € 1,033 k) and include accruals for trade tax of € 308 k (p.y. € 386 k) and corporate tax of € 436 k (p.y. € 646 k) as well as the solidarity levy of corporation tax.

### **Other Accruals**

The other accruals include mainly bonus accruals (€ 598 k; p.y. € 1,242 k), accruals for leave encashment (€ 195 k; p.y. € 278 k), accruals for the sales function (€ 1,091 k; p.y. € 0 k) as well as accruals for liabilities for expenses (€ 2,502 k; p.y. € 4,154 k).

### **Liabilities**

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

The liabilities against affiliated companies include liabilities against shareholders (€ 4,169 k; p.y. € 7,093 k).

The liabilities against affiliated companies include liabilities against trade creditors (€ 10,549 k; p.y. € 12,234 k).

The other liabilities include among other liabilities for wages tax (€ 113 k; p.y. € 101 k) and value added tax (€ 165 k; p.y. € 0 k).

## **Notes on the Profit and Loss Account**

### **Sales revenue**

Sales Revenue is mainly generated within the European Union. Because of the changes brought about by the Accounting Directive Implementation Act (BilRUG) there were no reclassifications in the profit and loss account.

### **Other Operating Income**

Other operating income contains foreign exchange gains (€ 925 k; p.y. € 862 k) and income from insurance claims (€ 0 k, p.y. € 3.744 k).

### **Depreciation**

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

### **Other Operational Expenditure**

Included in the other operational expenses are foreign exchange losses (€ 1,567 k; p.y. € 830 k).

#### **Other Particulars**

#### **Contingent Liabilities**

There are no contingent liabilities.

#### **Other Financial Liabilities**

There are other financial liabilities of € 150 k (thereof amounts due to related companies: € 0 k). This concerns liabilities to pay of lease contract for the office Eschborn. In the previous year there were other financial liabilities of € 150 k.

#### **Board of Directors**

Managing Directors are:

Herr Prahlad Rai Bansal, born 25.03.1957, Corporate Vice President - Finance of HCL Technologies India Ltd., New Delhi, India was removed from Managing Director with effect from 02.05.2016

Mr. Bejoy Joseph George, born 10.06.1967, resident in Frankfurt am Main, Wiesenau 44, was appointed Managing Director with effect from 02.05.2016.

Mr. Shiv Kumar Walia, born 10.01.1969, resident in Lanrivain, Ascot Road, Maidenhead, Berkshire/United Kingdom, was appointed Managing Director with effect from 02.05.2016.

Mr. Subramanian Gopalakrishnan, born 31.10.1967, resident in Flat no 5103, ATS Green2, A-58, Sector 50, Noida, /India, was appointed Managing Director with effect from 02.05.2016.

Mr Anil Kumar Chanana, born 15.04.1958, Executive Vice-President – Finance of HCL Technologies India Ltd, Delhi, India. Mr Anil Kumar Chanana holds designation of Chief Financial Officer in HCL Technologies Limited 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.



The remuneration of the directors amounted to € 0 k for 2017/18 (p.y. € 0 k).

There are no receivables against directors in accordance to Article 285 Nr.9c HGB.

### Appropriation of net income

The directors propose to carry forward the balance sheet profit.

### Events after the Balance Sheet Date

There were no significant events after the close of the financial year which were not recognized in the balance sheet or the profit and loss account.

### Employees

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

|           | 2017 - 2018 | 2016 - 2017 |
|-----------|-------------|-------------|
| Employees | 88          | 157         |

As in the previous year, the company employed no trainees in 2017/2018.

### Shareholders

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

|                       |                                                                                                    |          |
|-----------------------|----------------------------------------------------------------------------------------------------|----------|
| The shareholders are: | HCL Great Britain Limited<br>Network House<br>Norreys Drive<br>Maidenhead<br>Berkshire SL6 4JF, UK | € 25.600 |
|                       | HCL Technologies India Limited<br>806, Siddharth 96 Nehru Place<br>New Delhi, 110019 India         | € 100    |

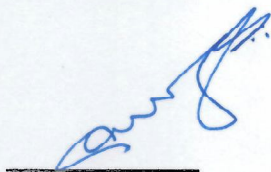
### Group Relationships

As at 31 March 2018, HCL Technologies India Ltd prepared group accounts for the largest and smallest group of affiliated companies. The accounts are available at the registered office of this company.

### Audit Fees

Audit fees, which only related to audit services amounted to approximately T€ 10.

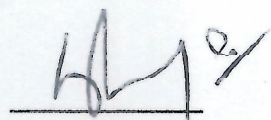
Eschborn, June 22, 2018



Bejoy Joseph George



Shiv Kumar Walla



Subramanian Gopalakrishnan



Anil Kumar Chanana



**Schedule of Changes in Fixed Assets of HCL GmbH, Eschborn**  
**Fiscal Year 2017/2018**

|                                               | as at 1.4.2017   |                          |                  |                  | Changes of Acquisition cost  |           |                  |                  | Changes of Accumulated depreciation |                  |                          |                  | as at 31.3.2018 |                          |                |  |
|-----------------------------------------------|------------------|--------------------------|------------------|------------------|------------------------------|-----------|------------------|------------------|-------------------------------------|------------------|--------------------------|------------------|-----------------|--------------------------|----------------|--|
|                                               | €                |                          | €                |                  | €                            |           | €                |                  | €                                   |                  | €                        |                  | €               |                          | €              |  |
|                                               | Aquisition cost  | Accumulated depreciation | Net book value   | Disposals        | Acquisitions Adjustments (A) | Disposals | Adjustments (A)  | Disposals        | Net book value of disposals         | Acquisition cost | Accumulated depreciation | Net book value   | Aquisition cost | Accumulated depreciation | Net book value |  |
| <b>I. Intangible assets</b>                   |                  |                          |                  |                  |                              |           |                  |                  |                                     |                  |                          |                  |                 |                          |                |  |
| 1. Purchased software                         | 680.523          | 331.617                  | 348.906          | 22.461           | 122.600                      |           | 139.092          | 22.461           | 0                                   | 780.661          | 448.247                  | 332.414          |                 |                          |                |  |
| 2. Goodwill                                   | 501.000          | 115.825                  | 385.175          | 0                | 0                            | 0         | 25.073           | 0                | 0                                   | 501.000          | 140.898                  | 360.102          |                 |                          |                |  |
| <b>II. Tangible assets</b>                    |                  |                          |                  |                  |                              |           |                  |                  |                                     |                  |                          |                  |                 |                          |                |  |
| 1. Other plants, factory and office equipment | 6.230.345        | 2.590.423                | 3.639.922        | 1.258.824        | 603.485                      |           | 1.080.302        | 1.173.071        | 85.759                              | 5.575.007        | 2.497.654                | 3.077.352        |                 |                          |                |  |
| 2. Assets under Construction                  | 0                | 0                        | 0                | 0                | 83.060                       | 0         | 0                | 0                | 0                                   | 83.060           | 0                        | 83.060           |                 |                          |                |  |
|                                               | <u>7.411.567</u> | <u>3.037.864</u>         | <u>4.374.033</u> | <u>1.281.285</u> | <u>809.145</u>               |           | <u>1.244.467</u> | <u>1.195.532</u> | <u>85.759</u>                       | <u>6.939.728</u> | <u>3.086.799</u>         | <u>3.952.929</u> |                 |                          |                |  |

\*) Depreciation of the reporting year

## **HCL GmbH, Eschborn**

### **Status Report for the Financial Year 2017/2018**

#### **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.

Going forward, growth is expected to strengthen slightly. Despite weaker export demand in emerging markets, real GDP is set to expand by 1.6 % in 2017 and 2018, respectively. Further growth in employment

and wages should support private consumption. Public expenditure on refugees should provide further stimulus.

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

Information technology companies (IT) continue to sit in the driver's seat of the ICT sector. Bitcom described recent developments in the IT-hardware segment as "surprisingly positive".

### ***Business development***

Our German subsidiary, HCL 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 2017-18, business with existing clients in Germany has been extended further and total revenue of our two German subsidiaries has increased from k EUR 124,780 to k EUR 151,869 yoy. The development in business is largely same compared to last year. We are satisfied with the overall growth of business.

The decrease in revenue at HCL GmbH resulted in largely proportional cost reductions. The fact, that revenue at HCL GmbH was decreasing, is only a result of shifts in revenue mix between HCL GmbH and HCL Technologies Germany GmbH.

## **II. Company situation**

### ***Asset, financial, and revenue situation***

Net Income for the year was k EUR 1,364 after k EUR 3,630 in prior year. Total output consisting of Sales revenue, other operating income and change in stock of finished goods and work in progress decreased from k EUR 81,550 to k EUR 55,010. Consequently, our gross margin after material expense and personnel expense decreased from k EUR 14,161 to k EUR 10,909, resulting in a margin on gross output of 19,8 % after 17,4 % in prior year.

Fixed assets decreased to k EUR 3,853 mainly due to depreciation during financial year.

The changes of trade receivables, receivables against related parties and liabilities against third parties is due to the decrease in revenue and to changes around balance sheet date.

The increase of our net equity after a net income of k EUR 1,364 and the smaller volume of total assets resulted in a higher net equity ratio of 25.1 %.

### ***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, 2018, the registered capital and the capital reserve totaled to k EUR 3,357 (previous year: k EUR 3,357). The income for the financial year amounts to k EUR 1,364 (Previous year: profit k EUR 3,630). Based on the high level of revenues & profit, it is apparent that the business operations are continued smoothly.



**Personnel****Headcount and employee structure**

In the FY 2017/2018, an average of 88 employees (previous year: 157) 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.

**Risk management**

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 as well as our counter measures will be explained below:

**Dependencies/concentrations**

The group led by the parent company, HCL Technologies Ltd. in India, which HCL 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**

We assume that overall economic development will remain largely stable.

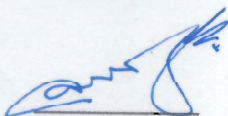
Our client contracts and projects are long term, so we assume a largely stable client base and a shift from mode 1 services to mode 2 and 3 services.

We expect revenue to grow 5% yoy in fiscal year 2018 / 2019, with a net income ratio of approx. 2,9%.

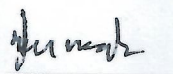
Downside risks and upside chances for this assumption are largely on the sales side.

We expect stable growth in future.


Eschborn, On June 22, 2018



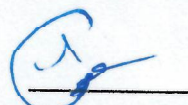
Bejoy Joseph George



Shiv Kumar Wallia



Subramanian Gopalakrishnan



Anil Kumar Chanana

The Directors





## Audit Opinion

We have audited the financial statements – consisting of balance sheet, profit and loss statement and notes – the bookkeeping and the management report of HCL GmbH, Eschborn for the fiscal year from April 1, 2017 to March 31, 2018. Bookkeeping and presentation of financial statements as well as of the management report according to German commercial law and according to complementing regulations in the articles of incorporation are within the responsibility of the legal representatives of the company. Based on the results of our audit, it is our responsibility to give an opinion on the financial statements, on the bookkeeping and on the management report. We conducted our audit in accordance with German Generally Accepted Standards on Auditing, as stated in Article 317 HGB and interpreted by the "Institut der Wirtschaftsprüfer e.V.". Those standards require that the audit is planned and performed to obtain reasonable assurance that the financial statements and the management report are free from material misstatements, under consideration of German principles of orderly bookkeeping.

When determining audit procedures, the knowledge about the business and about the economic and legal environment of the company as well as expectations of error are taken into consideration. In the course of the audit, the effectiveness of accounting related internal controls, as well as proofs for the statements in bookkeeping, financial statements and management report are being assessed mostly on a test basis. The audit covers presentation of an opinion on the applied standards regarding amounts and disclosures, on the major assumptions of legal representatives and on the global presentation through financial statements and management report. We believe that our audit forms a reliable basis for our opinion.

Our audit has not led to any objections.

According to our opinion, based on the conclusions of our audit, the financial statements correspond with the legal requirements and with the complementing regulations in the articles of incorporation, and, considering the principles of proper bookkeeping, present fairly, in all material respects, the financial position of the company, and the results of its operations. The management report is in line with the financial statements, corresponds with the legal requirements, in total presents correctly the situation of the company and properly describes the chances and the risks of future development.

Pforzheim, June 22, 2018

gkm glück.mäschke partgmbb  
Wirtschaftsprüfungsgesellschaft

  
(Glück)  
Wirtschaftsprüfer

  
(Mäschke)  
Wirtschaftsprüfer



**Legal situation  
of  
HCL GmbH, Eschborn**

The name of the company is:

**HCL GmbH**

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

The **articles of incorporation** are dated February 23<sup>rd</sup>, 1998 with changes from February 23<sup>rd</sup> 2006 and from January 12<sup>th</sup> 2016 (change of fiscal year).

The company is **seated** in Eschborn.

The companies **purpose** 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.

**Shareholders capital** of the company is EUR 25.700,00 which is fully paid in.

**Shareholders** of the company are:

HCL Great Britain Limited, Maidenhead, United Kingdom  
EUR 25.600,00 (99,6%)

HCL Technologies India Limited, New Delhi, Indien  
EUR 100,00 (0,4%)

**Fiscal Year** is from April 1<sup>th</sup> to March 31<sup>st</sup>.

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, wohnhaft Noida, Uttar Pradesh / Indien  
Anil Kumar Chanana, New Delhi / Indien

The company is **registered** in the commercial trade register of Amtsgericht Frankfurt am Main with registration number HRB 54926.

Our information is based on a trade register copy from February 27, 2018 as well as on information received from the company. This situation has not changed up until the end of



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

On July 14, 2017, directors have been discharged, prior year's annual accounts have been approved and gkm glück.mäschke Partnerschaft GmbB Wirtschaftsprüfungsgesell-

# 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.