



Annual Report
Hönigsberg & Düvel
Datentechnik Czech s.r.o.
2018



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Independent Auditor's Report on the Annual Report

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INDEPENDENT AUDITOR'S REPORT

for the partners of the company Hönigsberg & Düvel Datentechnik Czech s.r.o.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hönigsberg & Düvel Datentechnik Czech s.r.o. (hereinafter also the "Company") prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1. to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of Hönigsberg & Düvel Datentechnik Czech s.r.o. as at 31 December 2018, and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical 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 opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:



- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Statutory Body Company's for the Financial Statements

The Company's Board of Directors / Statutory Body is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors / Statutory Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Board of Directors / Statutory Body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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 financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists



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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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Statutory Body 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.

In Liberec on 30. 1. 2019

KODAP audit, s.r.o.
Auditing Company, Certificate No. 234
with its registered office in Liberec at 1.máje 97


Ing. Dagmar Melicharová
Auditor, Certificate No. 1654





Introduction of the Company's Statutory Executive

Dear All,

Following the ten-year anniversary of our operation on the Czech market, which we celebrated in 2017, the year 2018 was also unique for our Company.

The second half of the year saw a very significant change in our Company - we became part of the HCL Technologies Group, which ranks among the TOP 20 global IT companies. It operates in 43 countries and employs over 130,000 experts on IT, the automotive industry, production, financial services, health care and telecommunications. Its customers with whom HCL Technologies has cooperated for more than 10 years include General Motors, Volvo, Ford, Magna, Microsoft, Sony, Continental or Cisco.

Using the 'light-touch integration' approach, we have gradually integrated into the Indian company, which is our strong partner and an opportunity for our further development.

In addition, in spring 2018 we opened a new branch in Liberec where our experts on machine vision and augmented reality and our team of mobile and web application developers are located. The machine vision and augmented reality team has established itself in the new premises and won a number of engagements on which we will work intensively together with the visionary companies willing to support Industry 4.0 in their businesses this year and in the following periods.

Our Company applied a more active approach to cooperation with universities and secondary schools. We started our intensive cooperation with the Secondary School of Industry in Jičín, ŠKODA AUTO University, University Hradec Králové or Tomas Bata University in Zlín. We participated in career fairs and delivered lectures, cooperated in theses preparation and offered students an opportunity to take compulsory or optional practical training sessions in our Company, thus supporting the interconnection between educational institutions and practice.

We believe that 2019 will be another year bringing the spirit of innovation, growth and development.

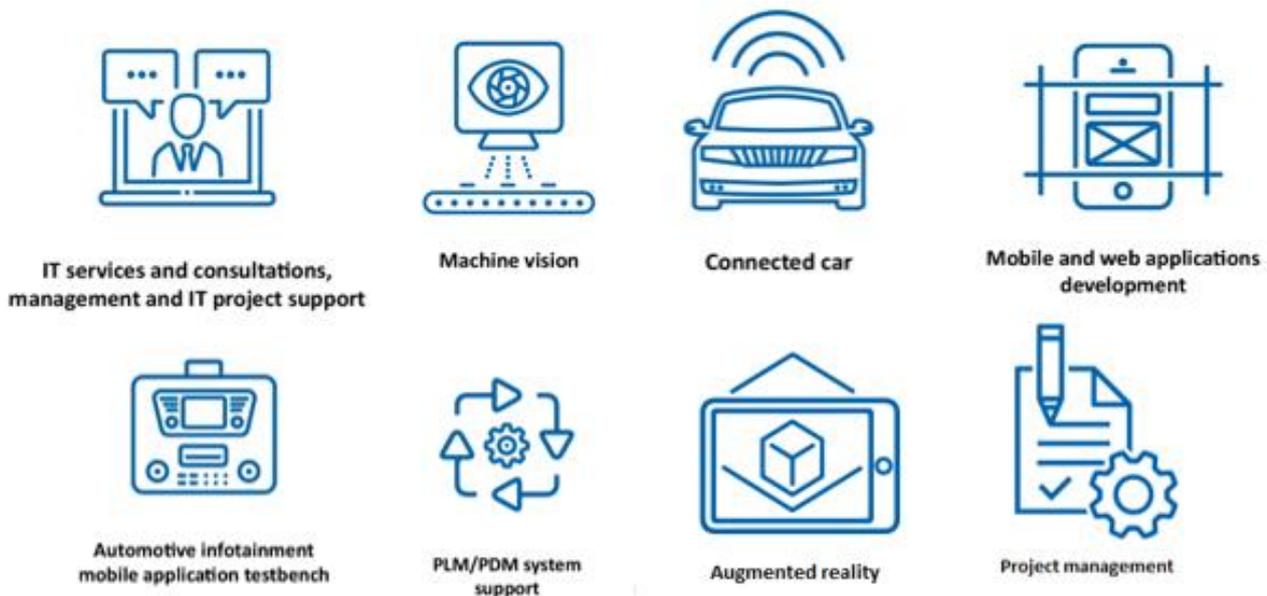
PhDr. Irena Šípalová, MBA



1. Report on Business Activities

Hönigsberg & Düvel Datentechnik Czech s.r.o. has been providing its customers with innovative and comprehensive IT solutions for various industries. Every year, its portfolio expands to include new innovative services.

Figure 1: The Company's portfolio



1.1 IT Services and Consulting

As part of IT services and professional consulting, we offer feasibility studies; analyses of requirements, the environment and the market; and data analyses. Our experts provide seamless adaptation of technologies to specific customer environment, effective system designs based on their wealth of experience in SW development, or support to the existing IT systems.

Our know-how arising from our long-term experience gained in projects across production processes in which we use our knowledge of the automotive landscape is the advantage of our solutions. We are capable of preparing projects from their design to deployment and we are also able to provide individual parts of projects as turn-key engagements.

1.2 Mobile and Web Application Development

The development centre of Hönigsberg & Düvel Datentechnik Czech s.r.o. is an expert in the development of mobile and web applications in the automotive and other industries.

We develop applications for the iOS and Android platforms, providing both native development and multiplatform development on Xamarin. The web applications primarily use the .NET platform and the related technologies, such as HTML 5.



The attractive design developed by the team of our professional designers is a clear advantage of our solutions, together with the remote control from anywhere, connectivity with follow-up systems or the option to use the solutions in various devices.

Figure 2: Advantages of our mobile and web application development



1.3 Car Connectivity

The start of our Company on the Czech market was closely related to the automotive industry, which continues to be the matter of the heart for us. We offer services related to car connectivity and provide them to the leading automotive brands. Our ConnectedCar solution is based on modern technologies and its key idea is connecting a car with the external environment. Our team is represented in various sectors from technical development and IT to customer support.

Our experts work on the integration of mobile devices in order to provide seamless communication and connection with a car. A mobile phone content is shown on a display in a car to be available while you are driving. At the same time, the mobile phone draws data from the control panel of the car, displaying it in specific mobile applications.



Figure 3: Major projects of mobile phone integration



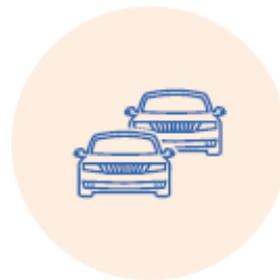
As part of car connectivity projects, we have also worked on online services to connect cars with their external environment through the Internet and to draw information on, for example, traffic, availability of parking places or fuel prices.



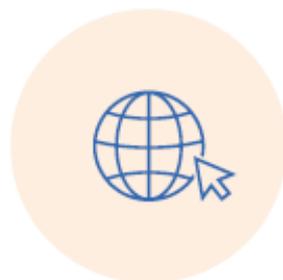
Figure 4: Major online services projects



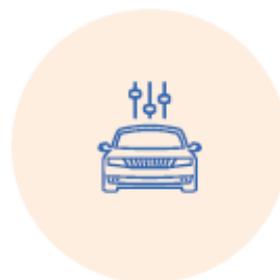
Project management
in conceptual phase



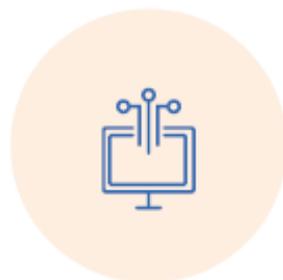
Project management
in online services
for FLEET vehicles



Online services project
support



Remote communication
with car and its control



Development management
and implementation
of selected features
responsibility



Online services testing

1.4 Car Infotainment Testing Simulators

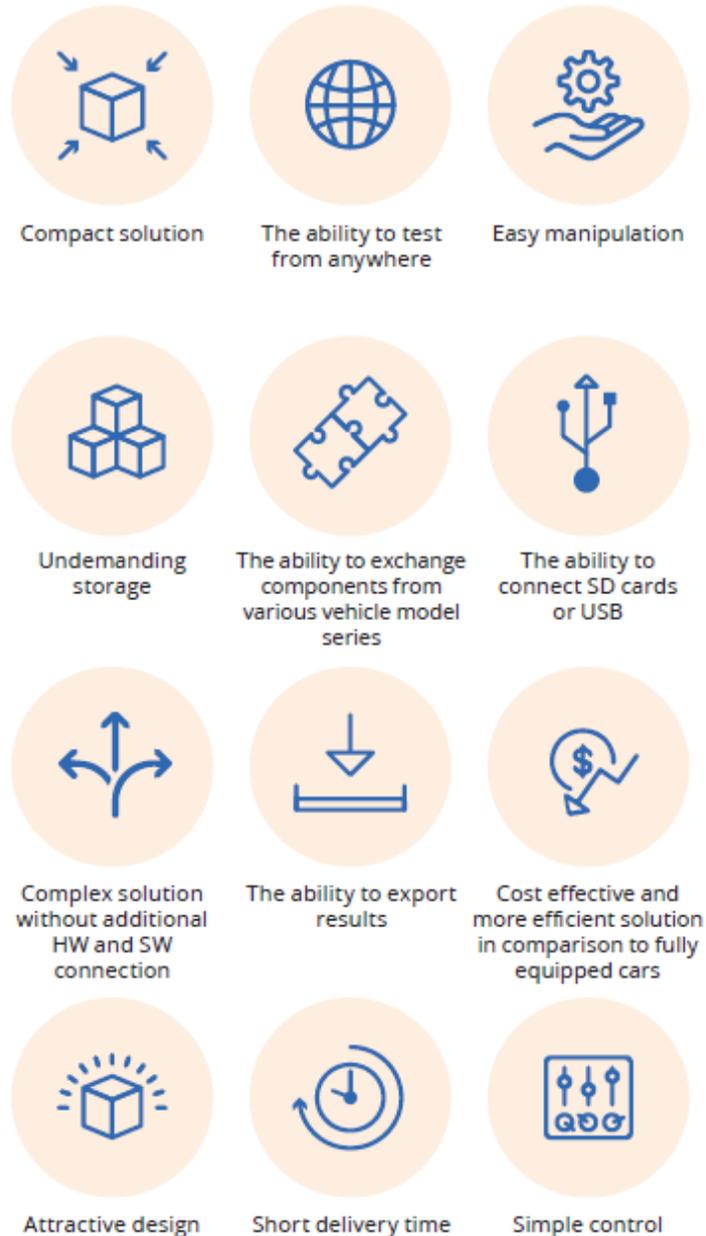
Simulators for car infotainment testing combine car hardware and original parts of a car unit completed with the HUD CAN system we have developed. All is integrated in a compact box, allowing for the simulation of your car environment in the comfort of your office.

HUD CAN, which is part of the device, is a flexible communication module to simulate car CAN messages through which individual simulator components collect information on the car and the driving mode. It may be applied to simulator testing or used in other technological solutions.



The advantages of our simulators include their compactness, capability to test from anywhere, easy handling, easy exchange of components from various car model lines, simple control and a possibility to export results.

Figure 5: Simulator advantages



We can control our simulators directly using buttons on the box or through a special application HUD CAN Remote. The purpose of the application is to simplify parameter setting, increase flexibility of drive replaying and expand the device operation control.



Figure 6: Technology application



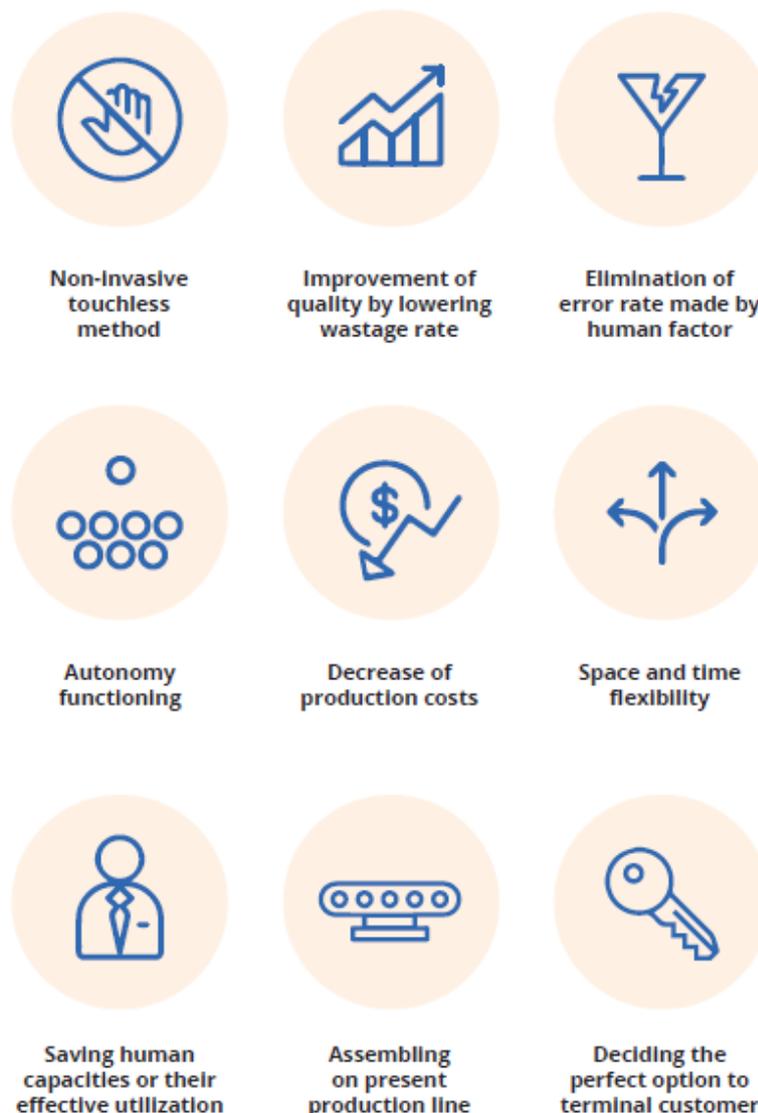
1.5 Machine Vision

To put it simply, machine vision applies technical tools to substitute human capabilities relating to the understanding and interpretation of visual images. Typical machine vision tasks include recognition and counting of products using industrial cameras, determining their positions, measuring dimensions or providing optical quality control. In combination with systems performing other activities, such as product handling, machine vision systems allow for full automation of certain manufacturing operations.

Indisputable advantages of our solution include increased quality of production by reducing the wastage rate, elimination of errors caused by human labour, reduction of production costs or possibility to implement the solution directly to the existing production line.



Figure 7: Machine vision advantages

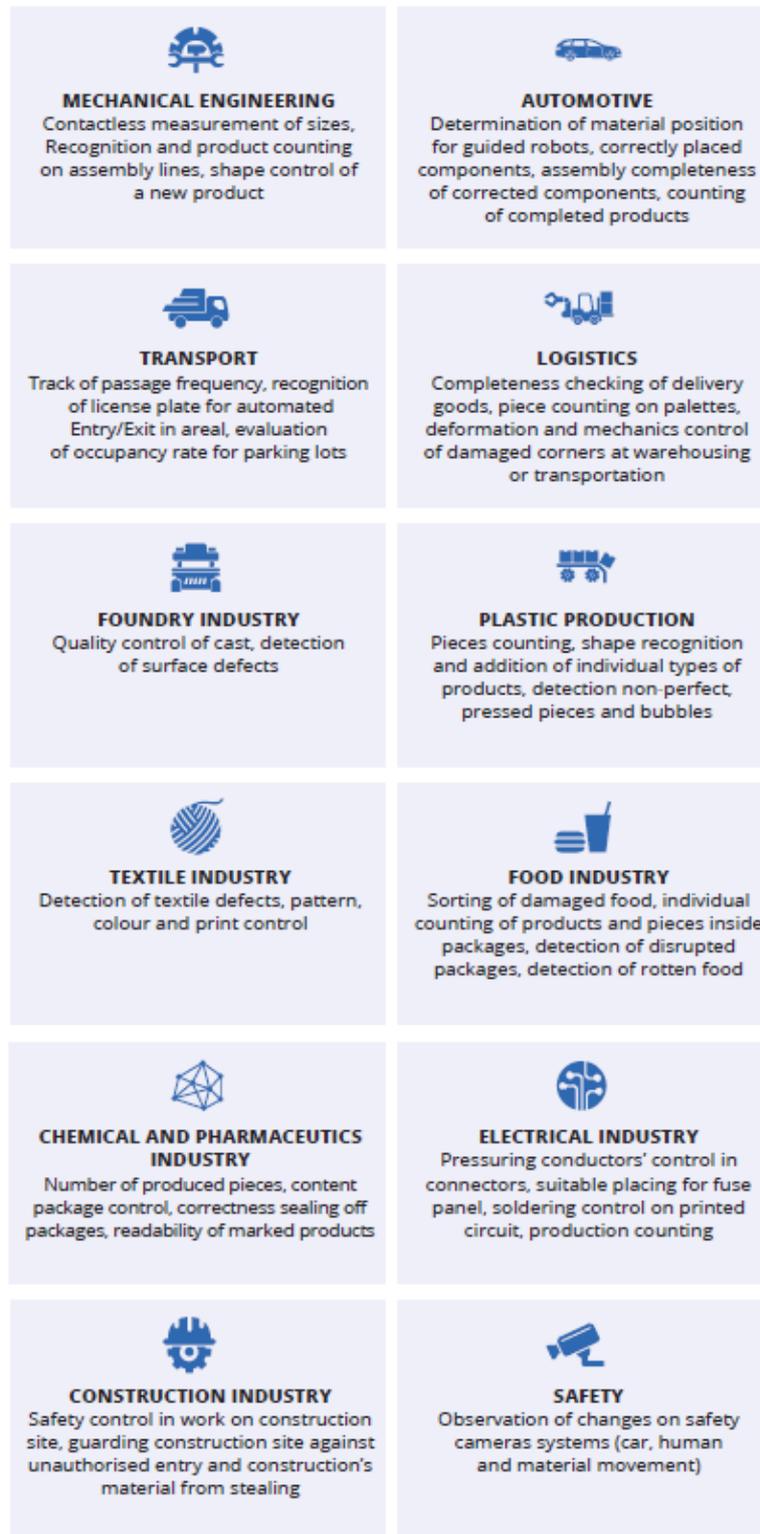


Our experts implement neuron networks into machine vision technologies, which imitate human brain activities and allow the supplied technologies to learn independently. This solution is applied to processes with no exact description or technical standard. Neuron networks expand functionalities of machine vision, facilitate system resetting to new tasks and allow for the functioning of processes with no strictly defined or changing parameters.

Our innovative technology relating to Industry 4.0 may be used in any sector, from food to the automotive industry, and integrate into the standardised production processes.



Figure 8: Machine vision application



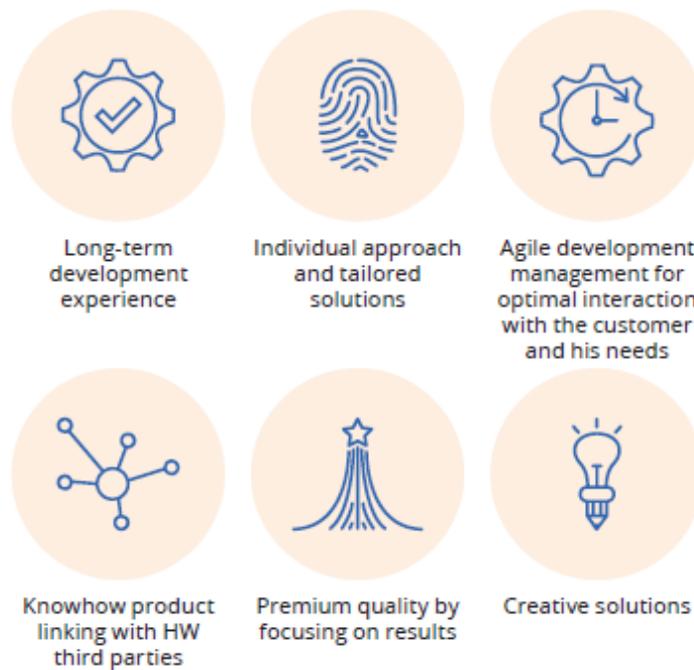
1.6 Augmented Reality

Augmented reality is a technology combining virtual objects with the real world. The innovative approach of augmented reality is based on graphic objects being placed directly in a user's field of vision or live camera images. As such the objects are perceived as real objects on the scene.



Our technology is designed to provide a close cooperation between people and machines, synergy of positive features of humans and machines, effective training of new workers, 3D measuring capabilities, increased production quality thanks to the human operation control, and options for displaying on mobiles, tablets or special glasses.

Figure 9: Advantages of our solution



1.7 PLM/PDM System Support

Our service offering includes PLM/PDM (Product Lifecycle Management/Product Data Management) system support from the systems' implementation to maintenance and support focused on their proper functioning and operation.

Our services relating to the PLM/PDM systems result in the increased labour efficiency, easier access to important data, reduction of the error rate and greater flexibility in change management as well as cost savings.

Our key competences in this area traditionally include:

- PLM/PDM system implementation and connection to the existing systems
- System development testing and cooperation
- User training and coaching
- Documentation and training material preparation
- Development of methodologies and guidebooks, process setting
- Support for PLM/PDM system users
- Data and underlying documentation storing and administration, change request processing
- Data search, visualisation and exports for users
- Data transfers to external partners



- Control and administration of data saved in PLM/PDM systems

1.8 Project Management

H&D expert team provides its project management services and project support to assist its customers in achieving their business goals. Success in these projects is attributable to our individual approach to customer problem solving, easy and fast expansion of a project team if required, capability to use limited resources, time, and ability to offer know-how from various industries.

When delivering the current and preparing new projects, we apply PRINCE2®, the globally most expanded project management methodology produced by AXELOS Limited. Our colleagues are also knowledgeable of ITIL, TOGAF or SCRUM®.

Figure 10: Advantages of our solution



We provide project support services as part of IT projects or various other engagements in which emphasis is put on detail and professional knowledge of the relevant issue, such as licence policies, financial or marketing services, customer process management or event management.

Figure 11: Examples of specialisation



2. Human Resources

After H&D International Group's integration with HCL Technologies, our employees remain to be in the centre of our concern, which is supported by the *Employees First* mission of HCL Technologies. Our employees and their professional knowledge are the actual reasons why our projects are successful. Our reward for their commitment is good financial compensation and a wide range of diverse benefits.

We build long-term relations with our employees based on mutual respect and tolerance. We pay special attention to good and friendly relationships with our employees, both the current and the former ones. We also break a number of stereotypes. There is a high percentage of women working in our teams, which proves that women are the right persons for jobs in a firm combining IT, telecommunications and engineering. Women add a new dimension to the teams of men who namely



focus on performance: cooperation and creativity. We very much appreciate their engagement and, therefore, we offer them flexible hours and home office arrangements.

Our care for employees is also demonstrated in various social events, including the traditional Sommerfest and Christmas party as well as employee breakfasts, which have been introduced this year.

3. Business Plans for the Following Reporting Period

In 2019, our intention is to support further growth of our company with the assistance of our new owner, HCL Technologies. In the Czech Republic, we plan to develop the know-how and experience gained by HCL Technologies over the 40 years of its global operation. We aim at implementing the knowledge in projects and engagements on which we will work with our existing and new customers.

In April 2018, our operation in the Czech Republic expanded to include a new branch in Liberec where more than 20 colleagues worked at the end of the year. We expect both staff and business growth in this location as the activities we perform there are closely related to Industry 4.0.

Industry 4.0 is an inseparable part of our business and innovative potential which we are going to support as part of our IT service offering, machine vision and augmented reality. Machine vision and its possible connection with augmented reality represent one of our innovative tools providing businesses with automation of their processes, increasing their production efficiency, reducing their error rate and making human labour much easier.

4. Significant Post Balance Sheet Events

No significant events occurred after the balance sheet date.

5. Acquisition of Equity Investments and Shares, Interim Certificates and Equity Investments of the Controlling Entity

The Company holds no equity investments, shares or interim certificates.

6. Branches Abroad

The Company has no organisational unit abroad.

7. Research and Development Activities

The Company delivers research and development projects for its internal purposes and in order to increase its competitiveness on the IT market.

Research and development in our firm is connected to Industry 4.0. As part of R&D activities, we implement projects covering machine vision, augmented reality and key process automation. Other projects include innovative software development or relate to car connectivity.

8. Activities in the Environmental Protection and Labour Relations, Corporate Social Responsibility and Donations

Although no environmental risks arise with respect to our Company's business activities we support long-term sustainability and reduction of damage caused to the environment. In 2018, Hönigsberg & Düvel Datentechnik s.r.o. continued its activities supporting protection of the environment, corporate social responsibility and donations.



Supporting education is one of our key roles. This effort includes training of our staff members whom we support in developing their hard and soft skills through external and internal training. Apart from our employees, we support educational institutions. We have started cooperating with secondary schools and universities in Mladá Boleslav as well as outside of this region, facilitating greater interconnection between educational programmes and practice.

In addition to their standard activities, our colleagues participated in CSR events in the region in 2018, which included, for example, a round table discussion on traffic security in the region of Mladá Boleslav as this is a hot topic for us and our colleagues every day when driving through Mladá Boleslav and its surroundings. We also took part in a conference on the development of the Mladá Boleslav region at which we discussed sustainable development of the region and its support.

9. Report on Related Party Transactions

1. General information

Pursuant to Section 82 of Act no. 90/2012 Coll., on business companies and cooperatives (the "Business Corporations Act"), the statutory executives of Hönigsberg & Düvel Datentechnik Czech s.r.o. issued a Report on Related Party Transactions of Hönigsberg & Düvel Datentechnik Czech s.r.o., with its registered office at Českobratrské náměstí, 293 01 Mladá Boleslav, as the controlled entity and Hönigsberg & Düvel Datentechnik GmbH, with its registered office at John-F. Kennedy-Allee 62, 38444 Wolfsburg, Germany, as the controlling entity and other entities controlled by the same controlling entity (hereinafter also referred to as the "related parties") for the reporting period from 1 January 2018 to 31 December 2018.

2. Structure of the related parties

a. The controlling entity

Hönigsberg & Düvel Datentechnik GmbH, with its registered office at John-F. Kennedy-Allee 62, 38444 Wolfsburg, Germany, with an equity interest of 91%.

Starting from 6 December 2018, the equity interest of Hönigsberg & Düvel Datentechnik GmbH, with its registered office at John-F. Kennedy-Allee 62, 38444 Wolfsburg, Germany, in the controlled entity was increased to 100%.

b. The controlled entity

Hönigsberg & Düvel Datentechnik Czech s.r.o. with its registered office at Českobratrské náměstí, 293 01 Mladá Boleslav, corporate ID no.: 27931579, registered on 27 July 2007 with the Municipal Court in Prague, Section C, Insert 127335.

Hönigsberg & Düvel Datentechnik Czech s.r.o. provides IT solutions in the Czech Republic.

(hereinafter the "reporting entity")

c. Other entities controlled by the controlling entity

Pursuant to Section 82 of Act no. 90/2012 Coll., on business companies and cooperatives (the "Business Corporations Act"), the entities listed below are also considered to be the related



parties; the list includes the related parties with which any transactions were performed in the reporting period.

H&D ITAS Application Services GmbH, with its registered office at August-Horch-Str. 1, Gifhorn 38518, Germany

H&D International GmbH, with its registered office at August-Horch-Str. 1, Gifhorn 38518, Germany

3. Method and means of control

Control is performed through the controlling entity's decision-making. If required by law, control is performed through shareholders' voting at the general meeting in compliance with law or the Memorandum of Association.

The Group has its internal rules in place regulating relations within the companies.

4. Overview of actions performed at the initiative or in the interest of the controlling entity or entities controlled by the controlling entity in the reporting period if such actions related to assets exceeding 10% of the controlled entity's equity identified according to the latest financial statements

The general meeting of Hönigsberg & Düvel Datentechnik Czech s. r. o., decided at its meeting held at August-Horch-Strasse 1, Gifhorn 385 18, on 30 July 2018 to approve the annual financial statements of the Company for 2017 and to distribute the profit for 2017. A portion of the profit generated by the company in 2017 was distributed to the Company's shareholders in line with the provisions of the Memorandum of Association. The remaining portion of the profit after tax for 2017 was retained by the Company for its development in the following years.

5. Overview of contracts between the controlled entity and the controlling entity or between the controlled entities

- Liability insurance against damage caused by business activities
- Provision of other immaterial services

For the controlled entity, Hönigsberg & Düvel Datentechnik Czech s.r.o., the controlling entity, Hönigsberg & Düvel Datentechnik GmbH, arranged liability insurance against damage caused by business activities covering the period of the calendar year. Hönigsberg & Düvel Datentechnik Czech s.r.o. provided immaterial IT services to H&D ITAS Application Services GmbH. H&D International GmbH, with its registered office at August-Horch-Str. 1, Gifhorn 38518, Germany, provided immaterial administrative and organisational services to the controlled entity, Hönigsberg & Düvel Datentechnik Czech s.r.o.

6. Detriment suffered by the controlled entity and assessment of its settlement

In the reporting period, the controlled entity suffered no detriment arising from the contracts concluded or any other transactions completed with the controlling entities.



7. Advantages and disadvantages resulting from relations between the related parties

The controlling entity always acts in the interest of the entire Group and the reporting entity and with respect to all economic and business circumstances. No disadvantages resulting from the controlling entities' actions or decisions were noted.

All of the reporting entity's contractual relationships with the related parties are at arm's length and result in no substantial risk, advantage or disadvantage for the reporting entity.

10. Notes to the Financial Statements

The documents attached include all important financial reports and information on the Company's financial performance demonstrating the Company's financial stability and solid grounds for its further development in the following years.



10.1. Profit and Loss Account

Hönigsberg & Düvel Datentechnik Czech s.r.o.

Českosobotské náměstí 1321, 293 01 Mladá Boleslav, Id. N.: 27931579

Profit and Loss Statement - full version as of 31.12.2018

(in CZK thousand)

Item	Income and costs	Current period	Previous period
I.	Sales of own products and services	176 249	140 372
II.	Sales of goods	112	
A.	Purchased consumables and services	31 974	30 977
A. 1.	Costs of goods sold	106	
A. 2.	Consumption of material and energy	3 371	4 823
A. 3.	Services	28 497	26 154
D	Staff costs	103 319	75 675
D. 1.	Wages and salaries	76 320	56 306
D. 2.	Social security and health insurance costs and other costs	26 999	19 369
D. 2. 1.	Social security and health insurance costs	24 537	17 666
D. 2. 2.	Other costs	2 462	1 703
E.	Value adjustments to operating activities	141	177
E. 1.	Value adjustments of intangible and tangible fixed assets	141	177
E. 1. 1.	Value adjustments of intangible and tangible fixed assets - permanent	141	177
III.	Another operating income	208	43
III. 3	Other operating income	208	43
F.	Another operating expenses	550	427
F. 3.	Taxes and fees	2	1
F. 5.	Other operating expenses	548	426
*	Operating profit or loss (+/-)	40 585	33 159
VI.	Interest received and similar income	1	1
VI. 2.	Other interest received and similar income	1	1
VII.	Other financial revenues	16	6
K.	Other financial expenses	358	157
*	Financial profit or loss (+/-)	-341	-150
**	Profit or loss before tax (+/-)	40 244	33 009
L.	Income tax	5 260	5 057
L. 1.	Income tax due	5 260	5 057
**	Profit or loss after tax (+/-)	34 984	27 952
***	Profit or loss for the current period (+/-)	34 984	27 952
	Net turnover for period = I.+II.+III.+IV.+V.+VI.+VII.	176 586	140 422

Financial statements date:

23.1.2019

Person responsible for preparation of financial statements:

KODAP MB, s.r.o.



10.2. Balance Sheet

Hönigsberg & Düvel Datentechnik Czech s.r.o.

Českobratrské náměstí 1321, 293 01 Mladá Boleslav, Id. N.: 27931579

Balance Sheet - full version as of 31.12.2018

(in CZK thousand)

Item	Assets	Current period			Previous period
		Gross	Adjustment	Net	
	TOTAL ASSETS	80 794	-1 257	79 537	72 146
B.	Fixed assets	1 378	-1 257	121	260
B. I.	Intangible fixed assets	63	-57	6	26
B. I. 2.	Valuable rights (patents, copyrights, trademarks and brands)	63	-57	6	26
B. I. 2. 1.	Software	63	-57	6	26
B. II.	Tangible fixed assets	1 315	-1 200	115	234
B. II. 2.	Movable assets and their sets	1 315	-1 200	115	234
C.	Current assets	78 892		78 892	71 251
C. II.	Receivables	45 820		45 820	45 136
C. II. 2.	Short-term receivables	45 820		45 820	45 136
C. II. 2. 1.	Trade receivables	45 235		45 235	44 920
C. II. 2. 4.	Receivables - another	585		585	216
C. II. 2. 4. 4.	Short-term advances paid	1		1	11
C. II. 2. 4. 5.	Estimated accrued revenues	46		46	
C. II. 2. 4. 6.	Other receivables	538		538	205
C. IV.	Finances	33 072		33 072	26 115
C. IV. 1.	Finances in cash	6		6	406
C. IV. 2.	Cash in banks	33 066		33 066	25 709
D.	Prepayments and accrued income	524		524	635
D. 1.	Prepaid expenses	524		524	635



Hönigsberg & Düvel Datentechnik Czech s.r.o.

Českoobratrské náměstí 1321, 293 01 Mladá Boleslav, Id. N.: 27931579

Balance Sheet - full version as of 31.12.2018

(in CZK thousand)

Item	Liabilities	Current period	Previous period
	TOTAL LIABILITIES & EQUITY	79 537	72 146
A.	Equity	57 961	48 602
A. I.	Legal capital	6 000	6 000
A. I. 1.	Legal capital	6 000	6 000
A. IV.	Retained earnings (+/-)	16 977	14 650
A. IV. 1.	Retained earnings or accumulated losses of previous years (+/-)	16 977	14 650
A. V.	Profit or loss of the current period (+ -)	34 984	27 952
B.+C.	Liabilities	21 576	22 462
B.	Provisions	1 360	2 371
B. 2.	Income tax provision	1 360	2 371
C.	Payables	20 216	20 091
C. II.	Short-term liabilities	20 216	20 091
C. II. 4.	Trade payables	4 688	9 232
C. II. 8.	Another payables	15 528	10 859
C. II. 8. 3.	Payables to employees	5 765	4 281
C. II. 8. 4.	Payables to social security and health insurance	3 028	2 172
C. II. 8. 5.	Government - tax payables and subsidies	4 717	4 166
C. II. 8. 6.	Estimated accrued items	1 931	210
C. II. 8. 7.	Other payables	87	30
D.	Accruals and deferred income liabilities		1 082
D. 1.	Accrued expenses		1 082

Financial statements date:

23.1.2019

Person responsible for preparation of financial statements:

KODAP MB, s.r.o.

10.3. Notes to the Financial Statements for the Year Ended 31 December 2018

1. DESCRIPTION OF THE BUSINESS

Hönigsberg & Düvel Datentechnik Czech s.r.o.(hereinafter the "Company") is a limited-liability company with its registered office at Českoobratrské nám. 1321, 293 01 Mladá Boleslav, corporate ID no. 27931579. The Company was recorded in the Register of Companies maintained by the Municipal Court in Prague under File 127335, Section C.

Its principal business activities include providing IT services.

In the year ended 31 December 2018, the following change was made to the details recorded in the Register of Companies. The Company's majority owner purchased the remaining equity investments to become the Company's sole shareholder.



The average recalculated headcount was 128 people in 2018.

The consolidated financial statements of the narrowest group of reporting entities comprising the Company as a consolidated reporting entity are prepared by Hönisberg & Düvel Datentechnik GmbH with its registered office at John – F – Kennedy – Allee 62, 38444 Wolfsburg, Germany.

2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying individual financial statements were prepared pursuant to Act no. 563/1991 Coll., on accounting, as amended (hereinafter the "Accounting Act") and Regulation no. 500/2002 Coll., providing implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended, effective for the year ended 31 December 2018. The balance sheet, the profit and loss account and the notes to the financial statements were prepared in a full scope.

3. GENERAL ACCOUNTING PRINCIPLES AND POLICIES AND THEIR YEAR-ON-YEAR CHANGES AND ADJUSTMENTS

The valuation methods applied by the Company in preparing its financial statements are as follows:

a) Intangible Fixed Assets

Intangible fixed assets are measured at cost comprising the acquisition cost and the costs attributable to the acquisition.

Intangible fixed assets with the cost exceeding CZK 60 thousand are charged to expenses based on the estimated useful life of the relevant assets.

Amortisation

Amortisation is calculated based on the cost and the estimated useful life of the relevant assets. The amortisation plan is updated during the use of the intangible fixed assets based on their expected useful life.

b) Tangible Fixed Assets

Tangible fixed assets are measured at cost comprising the acquisition cost, the transportation costs, the customs duty and other costs attributable to the acquisition.

Tangible fixed assets with the cost exceeding CZK 40 thousand are charged to expenses over their useful life.

Depreciation

Depreciation is calculated based on the cost and the estimated useful life of the relevant assets. The depreciation plan is updated during the use of the tangible fixed assets based on their expected useful life.



c) Foreign Currency Transactions

Assets and liabilities acquired in a foreign currency were measured in Czech crowns using the exchange rate promulgated by the Czech National Bank effective as of the date of the transaction; at the balance sheet date, cash and cash equivalents were measured at the Czech National Bank's exchange rate promulgated as of 31 December.

d) Income Tax

If the financial statements are prepared before the final calculation of income tax, the Company creates an income tax reserve.

A deferred tax liability reflects the tax effect of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the determined income tax base taking into account the period of settlement. The temporary differences are completely immaterial to the Company and therefore, no deferred tax is accounted for.

4. FIXED ASSETS

a) Intangible Fixed Assets (in CZK '000)

COST

	Opening balance	Additions	Disposals	Transfers	Closing balance
Software	63				63
Intangible fixed assets under construction					
Total in 2018	63				63
Total in 2017	63				63

PROVISIONS AND ACCUMULATED AMORTISATION

	Opening balance	Amortisation	Sales, liquidation	Disposals	Transfers	Closing balance	Provisions	Net book value
Software	37	21				58		5
Intangible fixed assets under construction								
Total in 2018	37	21				58		5
Total in 2017	63	21				37		26



b) Tangible Fixed Assets (in CZK '000)

COST

	Opening balance	Additions	Disposals	Transfers	Closing balance
Movable assets exceeding CZK 40 thousand	1 249				1 249
Movable assets between CZK 30 thousand and CZK 40 thousand	66				66
Tangible fixed assets under construction					
Total in 2018	1315				1 315
Total in 2017	1 143	172			1 315

PROVISIONS AND ACCUMULATED DEPRECIATION

	Opening balance	Depreciation	Sales, liquidation	Disposals	Transfers	Closing balance	Provisions	Net book value
Movable assets exceeding CZK 40 thousand	1015	119				1134		115
Movable assets between CZK 30 thousand and CZK 40 thousand	66					66		
Tangible fixed assets under construction								
Total in 2018	1081	119				1200		115
Total in 2017	925	156				1 081		234

5. RECEIVABLES

As of 31 December 2018, receivables past their due dates for more than 30 days amounted to CZK 86 thousand (as of 31 December 2017: CZK 261 thousand).

6. RESERVES

Movements in reserves (CZK thousand):

	Balance at 31 Dec 2017	Drawing in 2018	Release in 2018	Charge in 2018	Balance at 31 Dec 2018
Income tax reserve	5 455	-4 893	-562	5 822	5 822
Income tax prepayments	-3084	3084	0	- 4462	- 4 462
	2 371	-4 893	-562	1 360	1 360

7. INFORMATION ON RELATED PARTY TRANSACTIONS

In the years ended 31 December 2018 and 2017, members of management, controlling and administrative bodies received no prepayments, advances, borrowings, loans or assigned guarantees and held no equity investments in the Company.



The Company sells its services to its related parties. In the year ended 31 December 2018, the sales amounted to CZK 329 thousand (31 December 2017: CZK 473 thousand).

The Company reported no short-term receivables from its related parties as of 31 December 2018 (31 December 2017: CZK 470 thousand).

The Company uses services of its related parties as part of its regular business activities. In the year ended 31 December 2018, purchases amounted to CZK 206 thousand (31 December 2017: CZK 268 thousand).

As of 31 December 2018, the Company recorded short-term payables to its related parties in the amount of CZK 23 thousand (31 December 2017: CZK 282 thousand).

8. SIGNIFICANT PROFIT AND LOSS ITEMS

(CZK '000)	2018	2017
Low-value assets	2 247	2 701
Travel expenses	1436	1 548
Sub-supplies	19 411	17 919

9. GOING CONCERN ASSUMPTION

The financial statements for the year ended 31 December 2018 were prepared based on the going-concern assumption. Therefore, no adjustments that may result from any uncertainty as to the Company's ability to continue as a going concern were made to the accompanying financial statements.

10. SIGNIFICANT POST BALANCE SHEET EVENTS

No significant events occurred between the balance sheet date and the date of the financial statements.