

# H&D ITAS Client Services GmbH

Wolfsburg

Report on the audit  
of the financial statements  
as at 31 December 2019 and the  
management report  
for the 2019 financial year

D R A F T

Version dated 1 April 2020

Non-binding and uncorrected advance copy

Only for the client, not for disclosure to third parties

Subject to change when final report is prepared

**PKF FASSELT SCHLAGE**

Partnerschaft mbB  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft  
Rechtsanwälte



Güldenstraße 28 | 38100 Braunschweig  
Tel. +49 531 2403-0 | Fax +49 531 2403-111  
[www.pkf-fasselt.de](http://www.pkf-fasselt.de)

**H&D ITAS Client Services GmbH**  
**Wolfsburg**

**Report on the audit  
of the financial statements  
as at 31 December 2019 and the  
management report  
for the 2019 financial year**

**Contents**

	Page
<b>1. Audit engagement.....</b>	<b>1</b>
<b>2. Excerpt from the Auditor's Report.....</b>	<b>2</b>
<b>3. Fundamental findings.....</b>	<b>6</b>
3.1. Economic fundamentals .....	6
3.1.1. Opinion on the managements' assessment of the position.....	6
<b>4. Audit .....</b>	<b>8</b>
4.1. Subject of the audit .....	8
4.2. Nature and scope of the audit .....	8
<b>5. Audit findings on accounting.....</b>	<b>9</b>
5.1. Bookkeeping and other audited records .....	9
5.2. Financial statements .....	10
5.3. Management report .....	10
<b>6. Assertion of the financial statements.....</b>	<b>10</b>
<b>7. Concluding remarks .....</b>	<b>11</b>

<b>Annexes</b>	<b>No.</b>	<b>Pages</b>
Balance sheet as at 31 December 2019	1	1
Profit and loss account for the financial year from 1 January to 31 December 2019	2	1
Notes to the financial statements for the 2019 financial year	3	1 - 4
Management report for the 2019 financial year	4	1 - 10
Legal basis	5	1 - 3
General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms) as of January 1, 2017 by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) as well as Special Terms of Engagement PKF Fasselt Schlage Partnerschaft mbB Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Rechtsanwälte dated January 1, 2018	6	1 - 3

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

## 1. Audit engagement

The Management of

**H&D ITAS Client Services GmbH, Wolfsburg,**  
(hereinafter also referred to as “company” or “HuD”)

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

This report is addressed to the company audited.

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

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

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

## 2. Excerpt from the Auditor's Report

According to the final result of our audit, we have issued the following unqualified auditor's report to H&D ITAS Client Services GmbH, Wolfsburg, for the financial statements as at 31 December 2019 attached hereto as **Annexes 1 to 3** and the management report attached hereto as **Annex 4**:

### "INDEPENDENT AUDITOR'S REPORT

To the H&D ITAS Client Services GmbH, Wolfsburg

#### *Audit Opinions*

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

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to sec. 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

*Basis for the Audit Opinions*

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report” section of our auditor’s report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

*Responsibilities of the legal representatives for the Annual Financial Statements and the Management Report*

The legal representatives are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles. In addition, the legal representatives are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Furthermore, the legal representatives are responsible for the preparation of the management report that as a whole provides an appropriate view of the company’s position and is, in all material respects, consistent with the annual financial statements, complies with Ger-

man legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

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

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

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the company.
- evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the company's position it provides.
- perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used

as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.”

### **3. Fundamental findings**

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

As an IT service provider, the company is mainly active in the areas of client management, workplace management and service desk, primarily at the Wolfsburg, Berlin, Braunschweig, Kassel and Hannover locations. The company's core business is the development of services in the direction of cloud-based managed services with a focus on the automotive industry.

##### **3.1.1. Opinion on the managements' assessment of the position**

The assessment of the company's position by its managers can be summarised as follows:

- In the 2019 financial year, turnover of EUR 15.0 million (previous year 17.9) was achieved with an average of 174 (previous year 219) employees, EUR 2.1 million above the forecast turnover of EUR 12.9 million.
- The average number of employees decreased from 219 in 2018 to 174 in 2019. The personnel expenses ratio fell to 49.2 % (previous year 49.6 %), which is attributable to an improved utilization rate of employees.
- The ordinary result fell by EUR 0.7 million to EUR 1.3 million and is thus also below the forecast result of EUR 2.0 million and is essentially due to the fact that sales revenue fell more sharply than personnel expenses, with a simultaneous increase in services purchased from subcontractors.
- Management assesses the overall situation of the company as satisfactory. The declining sales figures in China, the ongoing discussions about US tariffs on car exports and the sale of a part of the company and the resulting loss of sales revenues have had an impact on the development of earnings.

The assessment of the company's future development and its significant risks and opportunities by the managers is based on the following assumptions:

- The high share of sales with only one service customer represents a cluster risk. A default of this service customer could also lead to massive default risks within the company. Management does not currently assume that this customer will default.
- No liquidity and default risks are apparent, since liquidity is ensured and centrally monitored by Hönigsberg & Düvel Datentechnik GmbH. Liquid funds are available via Hönigsberg & Düvel Datentechnik GmbH through the cash pooling system. Any delays in payment can thus be bridged without restrictions.
- Management continues to see the main opportunities for the company in the coming years with the current main client, but also outside it.
- The management expects a decline in sales to EUR 13.0 million for the 2020 financial year.
- In view of the risks influencing automobile sales, especially from the effects of the coronavirus epidemic, the declining economy in China, but also in Germany, which will lead to further cost pressure also for the company's main customer, the management expects a decline in earnings of EUR 0.9 million for the 2020 financial year.

The managers of the company are of the opinion that there is no risk for the going concern of the business and its future development. Please refer to the management report (**Annex 4**).

Based on the documents audited by us as well as the analyses performed by us during the course of our audit, we do not raise any objections to the assessment by the managers concerning the company's economic position, its existence as a going concern and its future development.

## **4. Audit**

### **4.1. Subject of the audit**

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

As a medium-sized company within the meaning of sec. 267 (2) HGB, the company has made use of the size-related relief pursuant to sec. 288 (2) HGB.

The audit was performed in accordance with the relevant laws, in particular, sec. 316 et seqq. HGB and in accordance with the German generally accepted standards for the audit of financial statements promulgated by the IDW. Audit procedures not described in detail in this long-form audit report are recorded in our working papers, including details of their nature, scope and result.

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

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

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

For the year under review we determined the following areas of emphasis:

- Amounts owed by/to affiliated companies;
- Provisions;
- management reporting.

Balance confirmations for customers and suppliers were obtained on the basis of random checks performed on the reporting date according to the positive method.

The act of obtaining confirmation of balances took place under our control.

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

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

The previous year's financial statements as at 31 December 2018 and the management report for the 2018 financial year were also audited by us and an unqualified auditor's report was issued on 8 March 2019. The figures as at 31 December 2018 were correctly carried forward to the 2019 financial year.

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

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

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

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

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

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

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

## **5.2. Financial statements**

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

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

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

The disclosures on the total remuneration of the management board as required by sec. 285 No. 9a and b HGB have rightly been omitted in accordance with sec. 286 (4) HGB, as the remuneration of a member of this body could be determined on the basis of this information.

The company has made use of the simplification of the preparation of the notes to the annual financial statements by dispensing with certain disclosures.

## **5.3. Management report**

The management report complies in all material respects with the legal requirements.

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

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

The following valuation principles have a significant influence on the net assets, financial position and results of operations of H&D ITAS Client Services GmbH:

Please refer to the Notes (**Appendix 3**) for the recognition and depreciation methods applied to the valuation of intangible assets and property, plant and equipment.

Receivables and other assets are valued at nominal value. No allowances for uncollectability had to be made.

The provisions are stated at the required settlement amount with the most probable value of the expected risk.

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

## **7. Concluding remarks**

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

We have prepared the above long-form audit report on the financial statements as at 31 December 2019 (balance sheet total EUR 2,084,109.19; loss for the year EUR 0.00) and the management report for the 2019 financial year of H&D ITAS Client Services GmbH in compliance with the legal provisions and the required Generally Accepted Standards for the Issuance of Long-form Audit Reports (IDW AuS 450 (revised)).

Brunswick, 17 March 2020

PKF Fasselt Schlage  
Partnerschaft mbB  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft  
Rechtsanwälte

(Villwock)  
Wirtschaftsprüfer  
(Certified Public Accountant)

(Süß)  
Wirtschaftsprüferin  
(Certified Public Accountant)

# **Annexes**

H&D ITAS Client Services GmbH  
Wolfsburg

Balance Sheet as at 31 December 2019

	Assets				Equity and Liabilities		
	EUR	EUR	At 31/12/2018 kEUR		EUR	EUR	At 31/12/2018 kEUR
<b>A. Current assets</b>				<b>A. Equity</b>			
<b>Accounts receivable and other assets</b>				<b>I. Subscribed capital (nominal capital)</b>		25,000.00	25
1. Accounts receivable	5,280.89		6	<b>II. Profit brought forward</b>		0.69	0
2. Amounts owed by affiliated companies	2,059,653.20		1,122			25,000.69	25
3. Other assets	15,599.78		13	<b>B. Provisions (other)</b>		205,996.84	237
		2,080,533.87	1,141	<b>C. Liabilities</b>			
<b>B. Prepaid expenses</b>		3,575.32	2	1. Accounts payable	241,149.31		245
				2. Amounts owed to affiliated companies	1,529,071.45		552
				3. Other liabilities	82,890.90		84
				(thereof from taxes: EUR 82,807.71; PY kEUR 84)			
						1,853,111.66	881
		<u>2,084,109.19</u>	<u>1,143</u>			<u>2,084,109.19</u>	<u>1,143</u>

## H&amp;D ITAS Client Services GmbH

Wolfsburg

## Profit and Loss Account

for the financial year from 1 January and 31 December 2019

	EUR	EUR	Previous Year kEUR
1. Revenues		15,022,793.65	17,877
2. Other operating income		65,721.58	128
		15,088,515.23	18,005
3. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased merchandise	7,239.71		10
b) Cost of purchased services	1,762,519.23		1,543
		1,769,758.94	1,553
		13,318,756.29	16,452
4. Personnel expenses			
a) Salaries and Wages	6,168,178.16		7,401
b) Social security and retirement benefits			
	1,215,653.64		1,459
	7,383,831.80		8,860
5. Amortisation/Depreciation of intangible and tangible non-current assets	1,298.00		0
6. Other operating expenses	4,654,327.38		5,557
		12,039,457.18	14,417
		1,279,299.11	2,035
7. Other interest and similar income (thereof from affiliated companies: EUR 29.639,84; PY kEUR 10)		29,639.84	10
8. Profit after taxes		1,308,938.95	2,045
9. Profit transferred under a profit and loss transfer agreement		1,308,938.95	2,045
10. Profit for the year		0.00	0.00

## H&D ITAS Client Services GmbH

Wolfsburg

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

#### I. General

The company having its registered office in Wolfsburg is registered in the commercial register kept by the local court in Brunswick under the number HRB 201593.

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

The principle of consistent accounting and valuation was observed.

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

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

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

#### II. Comments on the balance sheet

**Intangible and tangible fixed assets** are stated at acquisition or production cost and - if subject to wear and tear - reduced by scheduled straight-line depreciation. Movable, depreciable and independently usable assets in excess of € 250.00 and up to € 800.00 were immediately written off in the year under review in accordance with the tax regulations (§ 6 (2) EStG).

The development of fixed assets is shown in the following table:

## Non-current Assets Movement Schedule

	At cost				Amortisation/Depreciation				Carrying amounts	
	At 01/01/2019	Additions in the reporting period	Disposal	At 31/12/2019	At 01/01/2019	for the reporting period	Disposal	At 31/12/2019	At 01/01/2019	At 31/12/2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>I. Intangible assets</b>										
1. purchased concessions, industrial property rights and similar rights and assets, licences in such rights and assets	1,984.08	0.00	0.00	1,984.08	1,984.08	0.00	0.00	1,984.08	0.00	0.00
<b>II. Tangible assets</b>										
1. fixtures, fittings and equipment	22,823.93	0.00	3,416.00	19,407.93	22,823.93	0.00	3,416.00	19,407.93	0.00	0.00
2. Assets costing between EUR 250 and EUR 800	0.00	1,298.00	0.00	1,298.00	0.00	1,298.00	0.00	1,298.00	0.00	0.00
	<b>22,823.93</b>	<b>1,298.00</b>	<b>3,416.00</b>	<b>20,705.93</b>	<b>22,823.93</b>	<b>1,298.00</b>	<b>3,416.00</b>	<b>20,705.93</b>	<b>0.00</b>	<b>0.00</b>
<b>Total of I. and II.</b>	<b>24,808.01</b>	<b>1,298.00</b>	<b>3,416.00</b>	<b>22,690.01</b>	<b>24,808.01</b>	<b>1,298.00</b>	<b>3,416.00</b>	<b>22,690.01</b>	<b>0.00</b>	<b>0.00</b>

**Receivables and other assets** are stated at nominal value and have a remaining term of up to one year.

The **prepaid expenses and deferred charges** relate to payments for expenses in the following year.

The fully paid-up **share capital** is valued at nominal value.

Due to a profit and loss transfer agreement concluded with the parent company, a **net profit for the year of € 0** remains after transfer of profit by € 1,308,938.95.

The **provisions** cover identifiable risks and uncertain obligations and are endowed with the required settlement amount. They mainly relate to personnel expenses of € 133 thousand (previous year: € 209 thousand).

The **liabilities** are stated at their settlement amount and, as on the previous year's balance sheet date, all have a remaining term of up to one year. They are all unsecured except for the usual reservations of title.

### III. Notes to the profit and loss account

**Other operating income** includes € 1 thousand (previous year: € 0 thousand) from the reversal of provisions.

Of the **expenses for social security and retirement benefits**, € 19 thousand (previous year: € 23 thousand) are attributable to expenses for pensions.

**Other operating expenses** include € 0 thousand (PY € 1 thousand) in expenses relating to other periods.

### IV. Other information

In 2019, an average of 174 (previous year 219) employees (white-collar) were employed.

No events that could have a significant impact on the earnings, financial and/or asset situation of H&D IT Solutions GmbH occurred after the end of the financial year. Reference is made to section 3 of the management report.

The following have been appointed as **managing directors**:

- Dipl.-Ing. Bernhard Hönigsberg, Spokesman of the Management Board (until 30.09.2019)
- Ms Anita Hönigsberg, Managing Director of the H&D subgroup Administration Division (until 30.09.2019)
- Dipl. Oec. Andreas Lehmann, Managing Director of the H&D Group Finance Division
- Mrs. Claudia Raabe, COO of the H&D Group (until 31.12.2019)
- Mr. Oliver Dietz, operative managing director (until 10.10.2019)

For 4 managing directors, the remuneration was paid by means of administrative cost allocations. For the other managing directors the protection clause according to § 286 (4) HGB is used.

These annual financial statements are included in the consolidated financial statements of HCL Technologies Germany GmbH, Eschborn, which prepares the consolidated financial statements for the smallest group of companies. The consolidated financial statements are published in the electronic Federal Gazette. The consolidated financial statements of HCL Technologies Germany GmbH are included in the consolidated financial statements of HCL Technologies India Ltd, Noida, India, which prepares the consolidated financial statements for the largest group of companies. The financial statements are available at the Company's headquarters.

Gifhorn, 26 February 2020

H&D IT Solutions GmbH

Andreas Lehmann    Hans-Jürgen Thieme    Kaushik Gupta  
Management

## **H&D ITAS Client Services GmbH**

Wolfsburg

### **Management report for the 2019 financial year**

#### **1. Fundamentals of the company**

As an IT service provider, H&D ITAS Client Services GmbH (hereinafter ITAS CS) generates its sales primarily in the areas of client management, workplace management and service desk, mainly at the Wolfsburg, Berlin, Braunschweig, Kassel and Hannover locations. The company's core business area is the development of services in the direction of cloud-based managed services. The focus here is primarily on the automotive industry.

Mr. Hönigsberg is the Chairman of the Management Board until 30 September 2019. The operative management of the company is carried out by Mr. Dietz as operative managing director until 10 October 2019 and by Ms. Raabe as COO for the entire group until 31 December 2019. Mr. Lehmann - in particular finance - and Ms. Hönigsberg until 30 September 2019 are responsible for the commercial area as additional managing directors.

The company is fully embedded in the H&D International Group. This integration means that ITAS CS receives all orders directly from Hönigsberg & Düvel Datentechnik GmbH via existing agency agreements.

Financial management, personnel recruitment and support, and other key administrative activities are outsourced to H&D Business Services GmbH (HDBS), another subsidiary of Hönigsberg & Düvel Datentechnik GmbH. Risk management is also outsourced to HDBS.

The sales forecast of around EUR 12.9 million in the previous year was exceeded by EUR 2.1 million in the past fiscal year. With an average of 174 employees (previous year 219), sales of EUR 15.0 million (previous year 17.9 million) were generated.

The result expected for the 2019 financial year of around EUR 2.0 million was reduced by 0.7 million was missed. The net result for the past fiscal year is EUR 1.3 million.

## 2. Economic Report

### 2.1. General economic and industry-related conditions

The German Council of Economic Experts and leading economic institutes have forecast overall economic growth of 0.8% for 2019 (source: <https://www.sachverstaendigenrat-wirtschaft.de>). The German Federal Statistical Office calculated a growth in gross domestic product (GDP) for the Federal Republic of Germany of only 0.6% in 2019 (source: <https://.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Domestic-Product/Tables/bip-bubbles.html>). In particular, the trade war between the USA and China and the resulting economic slowdown in China - China is a main sales market for our main customer - as well as the unchanged discussions about possible US customer duties on cars imported into the USA had a negative impact on the automotive economy in Germany.

The so-called "War of Talents" also continued unabated. In November 2019, the industry association BITKOM registered for the first time that more than 100,000 IT expert positions were unfilled (source: <https://www.bitkom.org/Presse/Presseinformation/Erstmals-mehrals-100000-unbesetzteStellen-fuer-IT-Experten>). In our view, this will have a gavening influence on the digitization of German industry as a whole and on the support of the automotive industry in particular in implementing its digitization strategies, and will lead to a delay in the move towards e-mobility (source: [https://bitkom.org/Presse/Presseinformation/Deutsche-Wirtschaft-laeuft-der Digitalization-further-downward](https://bitkom.org/Presse/Presseinformation/Deutsche-Wirtschaft-laeuft-der-Digitalization-further-downward)).

For 2020, the Deutsche Bundesbank expects the weak phase of the German economy to continue (source: [www.spiegel.de/wirtschaft/soziales/konjunktur-bundesbank-halbiert-wachstumsprognose-fuer-2020-a-1301095.html](http://www.spiegel.de/wirtschaft/soziales/konjunktur-bundesbank-halbiert-wachstumsprognose-fuer-2020-a-1301095.html)). In addition, the outbreak of the corona virus in China has brought car sales there almost to a complete standstill (source: <https://www.n-tv.de/wirtschaft/Chinas-Autoabsatz-kommt-fast-zum-Erliegen-article-21618731.html>) and has now also reached the German car market (source: <https://www.n-tv.de/wirtschaft/Coronavirus-erreicht-deutsche-Automarkt-article-21619182.html>).

We assume that the now worldwide spread of the coronavirus epidemic due to the interruption of global supply chains will have an impact on the world economy and thus also on Germany as a nation that is heavily dependent on exports in 2020.

Based on past experience, we assume that the further increase in cost pressure from automobile manufacturers will be passed on to suppliers and that this will lead to declining sales and profit margins. In our view, the economic consequences of the spread of the coronavirus in Germany could only be mitigated if the German government decided to take substantial economic support measures, for example, which we do not yet see.

## **2.2. Business development**

### **2.2.1. Earnings situation**

The net result for 2019 of EUR -0.53 million (previous year EUR 0.67 million) breaks down as follows:

	2019	Previous year	+/-
	EUR million	EUR million	EUR million
Revenues	15,0	17,9	-2,9
Gross profit	13,2	16,3	-3,1
Net interest income	0,03	0,01	+0,02
Operating result/Orderly result	1,3	2,0	-0,7
Income before income taxes	1,3	2,0	-0,7
<b>Net income</b> (before profit transfer)	<b>1,3</b>	<b>2,0</b>	<b>-0,7</b>

**Revenue** fell by 16.0 % to EUR 15.0 million (previous year EUR 17.9 million), but was still up on the revenue forecast for 2019 of EUR 12.9 million.

The number of employees was reduced due to the discontinuation of some projects.

Further details are given in section 2.3.

**Other operating income** fell slightly to EUR 0.06 million. (previous year EUR 0.13 million). This reduction resulted from the decrease in other ordinary income.

**Cost of materials** mainly relates to the cost of purchased services, which increased by EUR 0.2 million to EUR 1.8 million (previous year EUR 1.5 million).

**Personnel expenses** remain the company's largest cost item, down EUR 1.5 million to EUR 7.4 million (previous year EUR 8.9 million).

The average number of employees fell from 219 in 2018 to 174 in 2019, while the personnel expense ratio (personnel expenses/revenues) fell to 49.2%. (previous year 49.6%), which is attributable to a slight increase in the capacity utilization rate of employees and the increased use of subcontractors in the face of declining revenues.

**Other operating expenses** decreased by EUR 0.9 million to EUR 4.7 million (previous year EUR 5.6 million). This was mainly due to the lower charge to the company of EUR 0.6 million for costs arising from the allocation of costs by the H&D International Group (allocations and room costs) and the decrease in room costs of EUR 0.2 million.

The **operating result/ordinary result** decreased by EUR 0.7 million to EUR 1.3 million (previous year EUR 2.0 million) compared to the previous year and is thus also below the result of EUR 2.0 million forecast for 2019 in 2018. The deterioration in the result compared to the previous year is primarily due to the fact that sales revenues fell much more sharply than the reduction in personnel expenses with a simultaneous increase in purchased services - despite falling sales, more services were purchased from sub-service providers, which also led to a deterioration in the margin.

The reported net income for the year will be transferred in full to H&D IT Automotive Services GmbH on the basis of a control agreement with profit transfer to H&D IT Automotive Services GmbH concluded in 2014. ITAS CS will therefore retain EUR 0.0 million (previous year EUR 0.0 million) as net income for the year.

## 2.2.2. Financial position

In addition to equity capital, the company also has access to short-term loans granted by the parent company, Hönigsberg & Düvel Datentechnik GmbH, as required.

By increasing the balance sheet total by EUR 1.0 million to EUR 2.1 million (previous year EUR 1.1 million), mainly due to the increase in amounts owed to affiliated companies by EUR 1.0 million to EUR 2.1 million (previous year: EUR 1.1 million), which were not cleared between the companies of the H&D International Group in the course of account clearing, the equity ratio (equity/total assets) declined to 1.2% (previous year: 2.2%) with unchanged equity of EUR 0.03 million. We accept this only by fully integrating the company into the H&D International Group. Within the framework of the SAB concluded with H&D IT Automotive Services GmbH in 2014, the net profit for the year in the amount of EUR 1.3 million (previous year EUR 2.0 million) will be transferred in full to the latter.

All **liabilities** are current in nature. Compared to the previous year, these increased by EUR 1.0 million to EUR 1.9 million (previous year EUR 0.9 million). This increase is mainly due to the fact that approximately EUR 1.0 million of the amounts owed to affiliated companies were not settled in the course of account clearing between the companies of the H&D International Group.

The following condensed **cash flow statement** in accordance with the principles of German Accounting Standard No. 21 (DRS 21) shows the development of liquidity:

	2019	Previous year
	EUR million	EUR million
Cash earnings according to DVFA/SG	1,3	2,0
operating cash flow	0,33	2,91
Cash flow from current financing activities	-0,33	-2,91
<b>Cash-effective changes</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>0</b>	<b>0</b>

It should be noted that **cash earnings** have fallen to EUR 1.3 million (previous year EUR 2.0 million) compared with the previous year due to the lower net profit for the year.

Due to the decrease in short-term provisions by EUR 0.03 million (previous year: increase of EUR 0.03 million) and the increase of EUR 0.9 million (previous year: decrease of EUR 0.2 million) in inventories, receivables, other assets and other assets not attributable to investment or financing activities, which are offset by a decrease of EUR 0.01 million (previous year: increase of EUR 0.63 million) in trade payables and other liabilities not attributable to investment or financing activities, resulting in a **cash flow from operating activities** of EUR 0.3 million. (previous year EUR 2.9 million). This is offset by **cash flow from financing activities** of EUR -0.3 million (previous year EUR - 2.9 million).

**Cash and cash equivalents at the end of the period** thus remain unchanged from the previous year at EUR 0.0 million.

**Working capital** (current assets less current liabilities) remained constant year-on-year at EUR 0.02 million (previous year EUR 0.02 million).

**Liquidity** is ensured within the framework of central cash management (cash pooling) via Hönigsberg & Düvel Datentechnik GmbH, which in turn is refinanced by short-term loans from the subgroup parent, HCL Technologies Germany GmbH.

### 2.3. Financial position

As in the previous year, there are no **fixed assets** or they were written off in full. Investments were made in low-value assets.

The company's largest asset item continues to be **current assets**, which increased to EUR 2.1 million in the reporting period (previous year EUR 1.1 million). The increase in receivables from affiliated companies by EUR 1.0 million was the main reason for this rise. General statement on the situation of the company

Bank balances do not exist due to cash pooling and are included in the item receivables from affiliated companies where available.

## **2.4. General statement on the situation of the company**

We assess the overall economic situation of ITAS CS as satisfactory. This classification also applies to the business development in 2019 as a whole. The declining sales volume figures of the main customer in China, the ongoing discussions about US customer duties on car exports and the sale of a part of the business in the second half of 2019 have had an impact on the development of earnings. Sales decreased by EUR 2.9 million to EUR 15.0 million (previous year EUR 17.9 million), mainly due to the sale of a part of the business. Since employees were transferred to the buyer in the course of the sale of the business unit (transfer in accordance with section 613a of the German Civil Code), personnel expenses declined by EUR 1.5 million to EUR 7.4 million (previous year: EUR 8.9 million). As a result, the ratio of personnel expenses to sales revenues also declined slightly from 49.6% in 2018 to 49.2% in the past fiscal year. Other operating expenses also decreased by EUR 0.9 million compared to the previous year, so that despite the decline in sales and simultaneous reduction in personnel costs, a positive result before taxes of EUR 1.3 million was achieved (previous year EUR 2.0 million) was generated. By transferring the result to the parent company, H&D IT Automotive Services GmbH, within the framework of a closed SAB, the equity ratio decreased to 1.2% (previous year 2.2%). This is only acceptable to us in view of the integration of the company into the H&D International Group and, against this background, leads to a satisfactory overall assessment of the situation of ITAS CS.

On balance, the company remains debt-free. Liabilities exist in the amount of EUR 1.9 million (previous year EUR 0.9 million). These are offset by recoverable receivables and other assets totaling EUR 2.1 million (previous year: EUR 1.1 million).

## **3. Forecast, opportunities and risk report**

### **3.1 Risk report**

The CEO (Chief Executive Officer) is responsible for risk management together with the risk manager. In monthly meetings - weekly if required - the operating directors report on all projects. Any disruptions in the projects or emerging risks are detected here at an early stage and suitable countermeasures are initiated and reports are submitted on control measures already taken.

The high share of sales with only one service customer continues to represent a cluster risk for the ITAS CS. A failure of this service consumer could also lead to massive default risks within the ITAS CS. However, the management does not currently expect this main customer to fail. The operational management continues to strive to reduce the dependency on one customer, in which closer cooperation in projects of the HCL Group is sought. This should make it possible in the future to become active together with HCL in larger projects with other customers.

Another risk whose economic impact cannot be quantified at present is the global outbreak of the coronavirus epidemic. Due to the global supply chains, it must currently be assumed that these will be interrupted at least temporarily and come to a standstill, with consequences for the development of the global economy. As a traditionally strong export nation, Germany will be affected by this development to a not incommensurable extent. Our main customer generates around 1/3 of its sales in China, where the outbreak of the coronavirus has already caused automobile sales to collapse. It can be assumed that other sales markets will also be affected. This will increase the already high cost pressure on car manufacturers and it can be expected that this will be passed on to suppliers. This will have an impact on the development of sales and margins, which could not only endanger jobs, but also prevent or delay future investments. It remains to be seen to what extent the negative effects of the coronavirus epidemic in Germany will materialise completely and, in the worst case, result in a recession.

Taking into account the above comments, no **liquidity and default risks** are currently apparent. The liquidity required for business operations is made available through Hönigsberg & Düvel Datentechnik GmbH, where it is also monitored centrally. Any delays in payment by customers can thus be bridged without restrictions.

All receivables are monitored centrally as part of an open item list (OP list) that is updated daily. At weekly intervals, all managing directors receive a list of open receivables and their due dates. Individual items that threaten to become overdue are specially marked. The responsible managers and directors are obliged to follow up on these receivables directly with the customer and request payment.

Taking into account the above-mentioned points, the overall risk situation of H&D ITAS Client Services GmbH is classified by the management as controllable.

Nevertheless, due to the focus on one client and an assessment of the risks associated with the coronavirus epidemic, it is difficult for the company to make a reliable assessment. At present, however, it is assumed that the risks are manageable and that they will not endanger the continued existence of the company in the long term, even through its integration into the HCL Group. Management assumes that H&D ITAS Client Services GmbH will continue to operate successfully in the market in the future. In this respect, the company is assumed to be a going concern at the time of preparation of this management report.

### **3.2 Opportunities Report**

The company's main business opportunities continue to exist with its current main client, but also outside of it. The topic of "mobility" and the associated trend towards bring-our-own devices (BYOD), which will initially increase the volume of tickets at the service desk in the medium term, is still worthy of mention. The combination of managed services and cloud as a growth topic should also be mentioned. End customers have to manage the transition to cloud-based apps and services (keyword: digitization) and deal with the "Internet of Things" and the increasing number and variety of devices that come with it. In order to face this growing complexity and to be able to provide their hardware and software products reliably and securely, particular emphasis is placed on managed services and long-term strategic partnerships with MSPs.

Customers expect reliable and individualized offerings from MSPs, as well as proactive advice on how to maximize their technology investments. The focus continues to be on the entire automotive sector, and in particular on the topic of Industry 4.0/Shopfloor and other manufacturing industries with a focus on medium-sized companies.

### **3.3 Forecast report**

Taking the above-mentioned factors into account, the management expects a further decline in sales to EUR 13.0 million (previous year EUR 15.0 million) in fiscal year 2020. In view of the risks influencing automobile sales, especially from the effects of the coronavirus epidemic, the declining economy in China, but also in Germany, which will lead to further cost pressure, even for ITAS CS' main customer, a further decline in earnings of EUR 0.9 million is expected for the 2020 financial year.

Due to the completed takeover by HCL Technologies Germany GmbH and the ongoing integration into the HCL Technologies Group, which is expected to be completed in the next two years, valid planning for the 2021 financial year is not possible. However, due to the increasingly close integration with and integration into the HCL Technologies Group and the associated synergies, the management of ITAS CS expects at least stable to slightly rising sales revenues combined with a slight increase in earnings, as the expected cost reductions from the integration should take full effect.

Wolfsburg, 11 March 2020

H&D ITAS Client Services GmbH

Management

**H&D ITAS Client Services GmbH**Wolfsburg

---

**Legal base****1. Legal conditions****1.1. General**

Name of the company:	H&D ITAS Client Services GmbH
Registered office:	Wolfsburg
Legal form:	Gesellschaft mit beschränkter Haftung limited [German limited liability company]
Commercial register:	The company is registered with the commercial register kept by the local court in Brunswick under the number HRB 201593.
Company agreement:	The company agreement dates 17 November 2008.
Object of the company:	Pursuant to section 2 of the company agreement, the object of the company is the provision and implementation of client services, the realization of IT projects as a general contractor, the design of and support for IT processes, and the assumption of IT project management. In addition, the company may conduct all business that directly or indirectly serves the purpose of the company. It is allowed to transfer the tasks incumbent upon it to third parties. The company is also allowed to invest in other companies as their general partner.

The company is allowed to establish branches and operating facilities in Germany and abroad. Furthermore, it is authorized to conduct all transactions that may serve the aforementioned corporate purpose. The company is authorized to conclude with other companies joint venture agreements - also with exclusion of profit or loss.

Share capital and shareholders: The share capital of the company is 25,000.00 € and is fully paid up. Sole shareholder is H & D IT Automotive Services GmbH, Wolfsburg.

financial year: Calendar year

## **1.2. Bodies of the company**

### **1.2.1. Shareholders' Meeting**

A shareholders' meeting was held on 11 September 2019 at which the annual financial statements for 2018 were adopted, the appropriation of profits for 2018 was resolved, the actions of the management board for the 2018 financial year were approved and the auditors for the 2019 financial year were elected.

### **1.2.2. Management**

The composition of the Management Board can be found in the Notes (**Appendix 3**).

**2. Tax bases**

Tax number: 19/206/05425

Tax ioffice: Gifhorn

Tax group [Organschaft]: A tax group for corporation tax, trade tax and VAT purposes exists with Hönigsberg & Düvel Datentechnik GmbH (controlling company).

Tax audit: The last tax audit and the last wage tax audit for all group companies covered the periods 2013 until 2015.

# General Engagement Terms

for

## Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

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

### 1. Scope of application

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

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

### 2. Scope and execution of the engagement

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

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

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

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

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

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

### 4. Ensuring independence

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

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

### 5. Reporting and oral information

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

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

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

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

### 7. Deficiency rectification

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

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

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

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

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

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

### 9. Liability

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

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

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

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

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

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

## 10. Supplementary provisions for audit engagements

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

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

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

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

## 11. Supplementary provisions for assistance in tax matters

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

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

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

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

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

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

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

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

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

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

## 12. Electronic communication

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

## 13. Remuneration

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

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

## 14. Dispute Settlement

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

## 15. Applicable law

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

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

**Preamble**

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

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

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

**PKF's liability**

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

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

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

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

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

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