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## **Report**

on the  
audit of the financial statements and the management report

of

HCL Technologies Germany GmbH,

Eschborn

of March 31, 2021

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

## TABLE OF CONTENTS

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

## ANNEX

Management report for reporting year 2020/2021	Annex 1
Balance sheet on March 31, 2021	Annex 2
Profit and loss statement for the period from April 1, 2020 to March 31, 2021	Annex 3
Notes to the financial statements from April 1, 2020 to March 31, 2021	Annex 4
Audit Opinion	Annex 5
Legal situation	Annex 6
Analysis and Comments regarding the financial statements as of March 31, 2021	Annex 7
General Engagement Terms	Annex 8

# MAIN REPORT

### ***A. Audit contract***

The legal representatives of

**HCL Technologies Germany GmbH,  
Eschborn,**

has contracted us based on the election by the shareholders to audit the year end financial statements of March 31, 2021 including the underlying bookkeeping and the management report ("Lagebericht").

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

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

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

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

## ***B. Basic Facts***

### **I. Facts regarding the company`s situation**

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

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

1. Net Income from operations for the year is k EUR 7,406 as to k EUR 6,957 in prior year before considering the loss due to merger of Hönigsberg und Düvel Datentechnik GmbH and its affiliates. Total output consisting of Sales revenue, other operating income and change in stock of finished goods and work in progress increased from k EUR 190,533 to k EUR 282,264. On the other hand, our gross margin after material expense and personnel expense increased from k EUR 34,442 to k EUR 45,222 resulting in a margin on gross output of 16.0 % after 18.1 % in prior year which is due to our product mix.
2. During the financial year 2020-21, business with existing clients in Germany has been extended further and total revenue of the two German entities which have been merged as of beginning of the reporting year has increased from k EUR 215,795 to k EUR 257,041 (YoY). The development in business is largely same compared to last year. We are satisfied with the overall growth of business.
3. Due to the outbreak of Covid-19, Worldwide economy has been severely hit. In order to stop the spread of Covid-19 many restrictions have been imposed by Governments all over the world. Travel restrictions are forming impediments for serving our clients which we compensate by increasing the number of video conferences. Since this may lead to an increased ratio of SLA violations, we are expecting an increase in our cost ratio. Across all business segments, during the shutdown period, acquisition efforts were mostly halted which resulted in decrease in the expected revenue. Furthermore, outside our infrastructure business segment, we do expect a very low growth in revenue due to cost savings measures by some of our clients.
4. For financial year 2021 / 2022 our mid case projection reflects no change in revenue and Net income of approx. k EUR 10,371. Uncertainty relating to future development of the pandemic results in upside as well as downside risks relating to this projections.

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

### ***C. Audit Opinion***

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

#### **„Independent Auditor’s Report**

To HCL Technologies Germany GmbH, Eschborn:

#### **Audit Opinion**

We have audited the annual financial statements of HCL Technologies Germany GmbH, which comprise the balance sheet as at March 31, 2021, and the statement of profit and loss, for the financial year from April 1, 2020 to March 31, 2021, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of HCL Technologies Germany GmbH for the financial year from April 1, 2020 to March 31, 2021.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities, and financial position of the Company as at March 31, 2021, and of its financial performance for the financial year from April 1, 2020 to March 31, 2021 in compliance with German Legally Required Accounting Principles.
- the management report in total presents correctly the situation of the company. In all material respects, this management report is in line with the financial statements, corresponds with the legal requirements, and properly describes the opportunities and risks of future development.

Pursuant to Article 322 (3) S 1 German Commercial Code, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

#### **Basis for the Audit Opinion**

We conducted our audit of the annual financial statements in accordance with Article 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements” section of our auditor’s report.

We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.

#### **Responsibilities of the Executive Directors for the Annual Financial Statements and for the Management Report**

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and that the annual financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Company in compliance with German Legally Re-

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and if the management report in total presents correctly the situation of the company as well as in all material respects, the management report is in line with the financial statements, corresponds with the legal requirements, and properly describes the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements and the management report.

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

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

- Identify and assess the risks of material misstatement of the annual financial statements and the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of precautions and measures (systems) to enable the preparation of the management report in line with legal requirements and to be able to produce sufficient audit proofs for the statements in the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists re-



lated to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and the management report or, if such disclosures are inadequate, to modify our audit opinion on the annual financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate whether the management report in total presents correctly the situation of the company, whether in all material respects, it is in line with the financial statements, and corresponds with the legal requirements.
- We carry out audit procedures relating to the forward-looking statements by the executive directors in the management report. On the basis of sufficient and adequate audit proof in particular we reconstruct the assumptions which the executive directors have underlaid their forward-looking statements and we evaluate the appropriate conclusion of forward-looking statements from these assumptions. We do not issue an independent audit opinion on the forward-looking statements and the underlying assumptions. There is an unavoidable risk that future events will materially deviate from the forward-looking statements.

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

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

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

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

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

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

### **II. Type and Scope of the Audit**

We conducted the audit from March 2021 to July 2021 with interruptions in our office in Pforzheim. We documented the details about how the audit was conducted according to type, scope and result in our working papers.

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

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

We have planned the audit of the financial statements according to principles of proper professional practice with the aim to discover any such errors and violations of accounting laws which have a material effect on the presentation of a truthful picture of the financial position of the company as of March 31, 2021, and the results of its operations according to Article 264 (2) HGB.

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

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

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

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

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

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

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

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

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

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

## ***E. Statements relating to the representation of the financial statements***

### **I. Orderliness of bookkeeping**

#### ***1. Prior year's close***

The year end close to March 31, 2020 has been approved by the shareholders. The income has been carried forward. After closing, as of January 1, 2020 the subsidiary Hönigsberg & Düvel GmbH has been merged into HCL Technologies Germany GmbH, rendering it's financial statements of March 31, 2020 void. The changed financial statements as of March 31, 2020 have been approved by the shareholders on July 24, 2021.

The directors have been exonerated.

#### ***2. Bookkeeping and other audited documentation***

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

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

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

#### ***3. Financial Statements***

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

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

The principle of valuation consistency (Article 252 (1) Nr. 6 HGB ) has been adhered to.

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

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

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

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

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

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

Work In Progress is stated starting from individual calculation of sales prices and then calculating backwards. In order to align with German GAAP rules, during the closing process, an adjustment for profit margin and cost which cannot be capitalized is being posted.

We also refer to the information in the notes for the main valuation principles.

#### **2. Summarizing Statement**

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

### **F. Summary**

We issue the preceding report on the audit of financial statement and management report for the financial year from April 1, 2020 to March 31, 2021 of HCL Technologies Germany GmbH, Eschborn, in accordance with Article 321 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW PS 450 n. F.).

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

Pforzheim, August 2, 2021

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Glück  
Certified German Public Auditor

  
Mäscke  
Certified German Public Auditor



# ANNEX

## **HCL Technologies Germany GmbH, Eschborn**

### **Status Report for the Financial Year 2020/2021**

#### **I. Business development and environment**

##### ***Core business and review***

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

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

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

##### **Mode 1: Core Services**

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

##### **Mode 2: Next Generation Services**

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

##### **Mode 3: Products & Platforms**

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

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

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

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

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

***Industry trends***

Germany's economy has been resilient in the face of global economic uncertainty. Up to the COVID-19 pandemic the government has held firm to sound public finance, and deficit-cutting efforts have kept public spending under control. Earlier labor market reforms that raised working-hour flexibility and reduced structural unemployment have helped to sustain the relatively robust job market. Growth has slowed, but Germany's unemployment rate is still one of Europe's lowest. Germany remains, both politically and economically, the most influential nation in the EU.

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

***Business development***

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

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

During the year HCL GmbH, sister concern of HCL Technologies Germany GmbH was merged with the latter, with effect from April 1, 2020.

During the financial year 2020-21, business with existing clients in Germany has been extended further and total revenue of the two German entities which have been merged as of beginning of the reporting year has increased from k EUR 215,795 to k EUR 257,041 (YoY). The development in business is largely same compared to last year. We are satisfied with the overall growth of business.

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

Net Income from operations for the year is k EUR 7,406 as to k EUR 6,957 in prior year before considering the loss due to merger of Hönigsberg und Düvel Datentechnik GmbH and its affiliates. Total output consisting of Sales revenue, other operating income and change in stock of finished goods and work in progress increased from k EUR 190,533 to k EUR 282,264. On the other hand, our gross margin after material expense and personnel expense increased from k EUR 34,442 to k EUR 45,222 resulting in a margin on gross output of 16.0% after 18.1% in prior year which is due to our product mix.

Fixed assets increased to k EUR 8,806 due to merger of HCL GmbH (p.y. k EUR 8,022)

The increase in work in progress is due to increase of services not yet approved by our clients at the date of closing from k EUR 10,060 to k EUR 28,976.

The increase of receivables and liabilities against third parties are mainly due to merger of the sister concern HCL GmbH and due to increase in operational activity.



The increase of our net equity due to our net income of k EUR 5,423 and due to the “Additional Paid in Capital – Group” resulting from merger with HCL GmbH of k EUR 6,626 resulted in a net equity ratio of 6.9% in current year (p.y.-2.2%).

### **Investment**

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

### **Research and development**

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

### **Development of equity capital**

As at March 31, 2021, the registered capital and the capital reserve totaled to k EUR 6,752 (previous year: k EUR 100). The income for the financial year amounts to k EUR 5,423 (Previous year: loss k EUR 14,044). Based on the growth of revenue & profit, it is apparent that the business operations are continued smoothly.

### **Personnel**

#### **Headcount and employee structure**

In the FY 2020/2021, an average of 1,413 employees (previous year: 808) worked for the Company.

#### **Human resources guidelines**

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

#### **Risks compromising the development**

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

#### **Dependencies/concentrations**

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

#### **Competition**

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

#### **People**

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

### **Finance**

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

### **III. Forecast for future development**

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

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

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

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

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

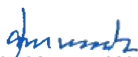
We are confident our business model will help us to emerge stronger in the longer term as it has been built for resilience during tough times.

For financial year 2021 / 2022 our mid case projection reflects no change in revenue and Net income of approx. k EUR 10,371. Uncertainty relating to future development of the pandemic results in upside as well as downside risks relating to this projections.

HCL Technologies Germany GmbH, Egham(UK), on .30.July 2021



Bejoy Joseph George



Shiv Kumar Walia



Subramanian Gopalakrishnan

The Directors

**HCL Technologies Germany GmbH, Eschborn**  
**Balance sheet as of 31.3.2021**

	EUR	EUR	EUR (py)
<b>Assets</b>			
<b>A. Fixed assets</b>			
I. Intangible assets			
1. Self created intangible assets	201.134		316.068
2. Purchased concessions, commercial rights, other rights and values as well as licenses of such rights and values	10.792		149.455
3. Goodwill	835.212		748.261
	1.047.139		1.213.784
II. Tangible assets			
1. Other plants, factory and office equipment	6.913.046		5.689.908
2. Prepaid assets and Assets under construction	81.410		278.639
	6.994.457		5.968.547
III. Financial assets			
1. Shares in affiliated parties	764.748		839.712
		8.806.344	8.022.043
<b>B. Current assets</b>			
I. Stock and Inventory			
1. Work-in-progress, contracts in progress	28.975.884		10.059.689
2. Finished Goods	417.470		121.020
3. Prepayments to suppliers	1.777.353		245.757
	31.170.708		10.426.466
II. Debtors and other assets			
1. Trade debtors	59.214.825		52.057.545
- thereof with a remaining term of more than one year	( 6.671.322 )		( 5.954.523 )
2. Amounts due from affiliated companies	10.414.782		13.412.685
3. Other assets	14.098.854		13.927.613
- thereof with a remaining term of more than one year	( 994.241 )		( 784.215 )
	83728460,15		79397843,13
III. Cash on hand, credit balances at banks	5.496.022		32.155.359
		120.395.190	121.979.668
<b>C. Prepayments and deferred charges</b>		2.394.021	1.958.299
<b>D. Deferred Tax Assets</b>		1.167.246	807.763
<b>E. Deficit not covered by equity</b>		0	2.937.330
		132.762.800	135.705.102

**HCL Technologies Germany GmbH, Eschborn**  
**Balance sheet as of 31.3.2021**

	EUR	EUR	EUR	EUR (py)
<b>Liabilities and equity</b>				
<b>A. Equity</b>				
I. Subscribed capital		125.700		100.000
II. Additional paid in Capital - Group		6.626.474		0
III. Accumulated Profit		-3.037.330		11.006.280
IV. Net profit / loss for the year		5.423.372		-14.043.609
V. Deficit not covered by equity		<u>0</u>		<u>2.937.330</u>
			9.138.217	0
<b>B. Accruals</b>				
1. Pension accruals		11.404.452		9.712.083
2. Tax accruals		304.190		6.157.664
3. Other accruals		<u>23.458.438</u>		<u>21.696.174</u>
			35.167.080	37.565.921
<b>C. Liabilities</b>				
1. Bank loans		22.711.754		18.666.667
- thereof with a remaining term of up to one year		( 22.711.754 )		( 9.333.333 )
2. Prepayments received		21.513.577		13.497.414
- with a remaining term of up to one year				
3. Trade creditors		5.289.228		4.964.354
- with a remaining term of up to one year				
4. Amounts due to affiliated companies		32.590.461		52.292.080
- with a remaining term of up to one year				
5. Other creditors		6.352.484		8.718.666
- thereof for taxes		( 3.341.334 )		( 3.336.826 )
- thereof for social security		( 142.470 )		( 51.798 )
- thereof with a remaining term of up to one year		( 6.352.484 )		( 8.718.666 )
		<u></u>	88.457.504	<u>98.139.181</u>
			<u>132.762.800</u>	<u>135.705.102</u>

# HCL Technologies Germany GmbH, Eschborn

## Income statement for the fiscal year from April 1, 2020 to March 31, 2021

	EUR	EUR	EUR (py)
1. Revenue	257.041.450		185.884.333
2. Increase in work in process	19.212.646		3.830.230
3. Other operating income	6.010.209		818.236
4. Cost of materials			
a. Cost of materials	11.244.134		7.820.413
b. Cost of purchased services	126.230.848		94.034.658
	<u>137.474.982</u>		<u>101.855.071</u>
<b>5. Gross Income</b>		144.789.324	88.677.729
6. Personnel expenses			
a. Wages and salaries	85.700.945		46.482.518
b. Social security, pension and other benefit costs	13.865.877		7.753.567
- thereof pension cost	( 4.369.976 )		( 1.191.978 )
	<u>99.566.822</u>		<u>54.236.085</u>
7. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment	4.043.438		2.233.066
8. Other operating expenses	33.442.673		44.776.989
		<u>137.052.933</u>	<u>101.246.140</u>
		7.736.391	-12.568.411
9. Interest and similar income	429.758		385.659
10. Interest and similar expenses	<u>760.077</u>		<u>789.163</u>
	-330.319		-403.504
		<u>7.406.072</u>	<u>-12.971.916</u>
11. Tax on earnings		1.982.700	1.071.694
12. Profit after tax		<u>5.423.372</u>	<u>-14.043.609</u>
13. Net Income / loss		<u><b>5.423.372</b></u>	<u><b>-14.043.609</b></u>

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

### **General Information**

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

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

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

This year's financial statements are not comparable to prior year's financial statements as HCL GmbH, a sister concern of HCL Technologies Germany GmbH, has been merged with the latter with effect from April 1<sup>st</sup>, 2020. Also, in prior year, the affiliated party Hönigsberg & Düvel Datentechnik GmbH (H&D) had been merged into HCL Technologies Germany GmbH. In particular effects resulted in

- an increase in total assets of € 11,165 k
- an increase in net equity of € 6,626 k
- an increase in revenue of € 52,117 k

### **Accounting and Valuation Method**

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

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

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

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

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

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

**Prepayments and deferred charges** refer to payments which have been done prior to the closing date while concerning expenses for a certain time after the closing date. These are being expensed pro rata temporis.

**Deferred tax assets** have been stated according to Article 274 HGB based on an average tax rate of 28,25% for differences between amounts stated according to Local GAAP and amounts stated according to tax rules.

**Pension accruals** have been stated according to Article 253 (2) HGB according to the Projected Unit Credit Method considering the 2018G actuarial tables, an average market interest rate of the last ten years of 2,19%, income dynamics of 2,5%, pension dynamics of 1,75% and an expected average development of the assessment ceiling for the pension funds of 2,5%.

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

**Liabilities** are valued at their repayment amounts.

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

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

**Notes on the Balance Sheet****Fixed Assets**

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

The amount of the self created intangible assets ( € 201 k, p.y. € 316 k) is subject to a legal payout block.

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

Details on affiliated parties result as follows:

	Seated	Share	Net equity	Net income
		31.12.2019	31.12.2019	31.12.2019
		%	In T€	In T€
Hönigsberg & Düvel Datentechnik Czech s.r.o	Mladá Boleslav/ Tschechien	100,0	4.067	1.786

**Current Assets**

Stocks consist of work in progress of € 28,976 k (p.y. € 10,060 k) and finished goods of € 417 k (p.y. € 121 k) and prepayments to suppliers of €1,777 k (p.y. € 246 k).

**Accounts receivable and other assets**

Accounts receivable from affiliated companies include accounts receivable from the shareholders of € 408 k (p.y. € 128 k).

Accounts receivable from affiliated companies include accounts receivable from trade debtors of € 9,504 k (p.y. € 12,867 k).

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

**Cash in Hand, Cash at Banks**

Cash at banks amounted to € 5,496 k (p.y. € 32,155 k).



### **Deferred taxes**

Deferred taxes mainly result from a different tax – valuation of pension accruals (€ 7,196 k). As a consequence, deferred tax assets have increased from € 808 k to € 1,167 k by € 360 k.

### **Equity**

The subscribed capital amounts € 125 k (p.y. € 100 k). Additional Paid-In Capital - Group (€ 6,626 k) results from the merger of HCL GmbH into the company.

### **Pension Accruals**

Considering an average market interest rate of the past seven years of 1,51%, pension accruals would have resulted in € 12,194 k. The difference to the pension accruals shown in these financial statements amounts to € 790 k and is subject to a legal payout block.

### **Tax Accruals**

The tax accruals amount to € 304 k (p.y. € 6,158 k).

### **Other Accruals**

Other accruals mainly consist of accruals for the purchasing area € 10,830 k (p.y. k 13,423 €), for sales area € 2,016 k (p.y. € 916 k) and for personnel € 10,612 k (p.y. € 7,250 k).

### **Liabilities**

Liabilities against banks of € 22,711 k (p.y. € 9,333 k) have a remaining of up to one year. Liabilities against banks of € k (p.y. € 9,333 k) have a remaining of between one and five years.

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

The liabilities against affiliated companies include liabilities against shareholders (€ 0 k; p.y. € 399 k).

The liabilities against affiliated companies include liabilities against trade creditors (€ 20,127 k; p.y. € 17,787 k).

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

### **Sales revenue**

Sales Revenue is mainly generated within the European Union.

### **Other Operating Income**

Other operating income contains foreign exchange gains (€ 2,838 k; p.y. € 536 k).

### **Depreciation**

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

### **Other Operational Expenses**

Included in other operational expenses are foreign exchange losses (€ 2,636 k; p.y. € 693 k).

Prior year's operational expense included losses from merger of € 19,929 k.

### **Interest Income**

Out of the interest income € 39 k (p.y. € 104 k) were received from related parties.

### **Interest Expenses**

Out of the interest expenses € 168 k (p.y. € 518 k) were paid to related parties. Interest expenses from discounting pension provisions amount to € 247 k (p.y. € 15 k).

### **Other Particulars**

#### **Contingent Liabilities**

There are no contingent liabilities.

#### **Other Financial Liabilities**

There are other financial liabilities from office rent of yearly € 887 k (p.y. € 1,503 k), as well as other financial liabilities from real estate leasing of altogether € 8,828 k (p.y. € 9,844 k) and from car and IT leasing of € 911 k (p.y. € 1,402 k).

## **Board of Directors**

Managing Directors are:

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

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

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

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

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

## **Appropriation of net income**

The directors propose to carry forward the balance sheet profit.

## **Employees**

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

	2020-2021	2019-2020
Employees	<u>1,413</u>	<u>808</u>

The company employed 18 trainees at the end of the reporting year.

### **Shareholders**

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

The shareholders are:	HCL Technologies UK Limited	€ 125,700
	Axon Centre, Church Road	
	Egham, Surrey, TW 20 9 QB / UK	

### **Audit Fees**

Audit fees, which only related to audit services, amounted to approximately T€ 48,1.

### **Group Relationships**

As at 31 March 2021, HCL Technologies India Ltd, New Delhi / India prepared group accounts for the smallest and for the largest group of related parties, in which our company is integrated. The accounts are available at the registered office of this company.

As at 31 March 2021, HCL Technologies Germany GmbH prepares group accounts for the smallest group of related parties, in which our company is integrated. The accounts are available at [www.bundesanzeiger.de](http://www.bundesanzeiger.de).

Egham (UK), 30 July 2021



Bejoy Joseph George



Shiv Kumar Walia



Subramanian Gopalakrishnan

**Schedule of Changes in Fixed Assets of HCL Technologies Germany GmbH, Eschborn**  
**Fiscal Year 2020/2021**

	as at 1.4.2020			Changes of Acquisition cost				Changes of Accumulated depreciation			Net book value	as at 31.3.2021		
	Acquisition cost	Accumulated depreciation	Net book value	Additions from Merger	Acquisitions	Disposals	Adjustments	Additions from merger	Additions *) Adjustments (A)	Disposals	of disposals	Acquisition cost	Accumulated depreciation	Net book value
	€	€	€		€	€	€		€	€	€	€	€	€
<b>I. Intangible assets</b>														
1. self created intangible assets	574.669	258.601	316.068	0	0	0	0	0	114.934	0	0	574.669	373.535	201.134
2. Purchased concessions, commercial rights, other rights and values as well as licenses of such rights and values	2.008.499	1.859.043	149.455	785.955	0	866.617	0	755.912	161.095	859.006	7.611	1.927.837	1.917.045	10.792
3. Goodwill	864.751	116.490	748.261	501.000	0	0	0	207.698	206.350	0	0	1.365.751	530.538	835.213
Total intangible assets	3.447.918	2.234.135	1.213.784	1.286.955	0	866.617	0	963.610	482.379	859.006	7.611	3.868.256	2.821.118	1.047.139
<b>II. Tangible assets</b>														
1. Other plants, factory and office equipment	12.606.423	6.916.514	5.689.909	6.816.663	2.734.041	4.415.176	197.229	4.491.369	3.486.095	3.867.846	547.330	17.939.179	11.026.133	6.913.046
2. Assets under construction	278.639	0	278.639	63.695	0	63.695	-197.229	0	0	0	63.695	81.410	0	81.410
Total fixed assets	12.885.062	6.916.514	5.968.548	6.880.358	2.734.041	4.478.871	0	4.491.369	3.486.095	3.867.846	611.025	18.020.589	11.026.133	6.994.457
1. Shares in affiliated parties	839.712	0	839.712	0	0	74.963	0	0	74.963	74.963	0	764.748	0	764.748
Total financial assets	839.712	0	839.712	0	0	74.963	0	0	74.963	74.963	0	764.748	0	764.748
Total	17.172.692	9.150.649	8.022.043	8.167.313	2.734.041	5.420.451	0	5.454.979	4.043.437	4.801.815	618.636	22.653.594	13.847.250	8.806.344

\*) Depreciation of the reporting year

## Independent Auditor's Report

To HCL Technologies Germany GmbH, Eschborn:

### Audit Opinion

We have audited the annual financial statements of HCL Technologies Germany GmbH, which comprise the balance sheet as at March 31, 2021, and the statement of profit and loss, for the financial year from April 1, 2020 to March 31, 2021, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of HCL Technologies Germany GmbH for the financial year from April 1, 2020 to March 31, 2021.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities, and financial position of the Company as at March 31, 2021, and of its financial performance for the financial year from April 1, 2020 to March 31, 2021 in compliance with German Legally Required Accounting Principles.
- the management report in total presents correctly the situation of the company. In all material respects, this management report is in line with the financial statements, corresponds with the legal requirements, and properly describes the opportunities and risks of future development.

Pursuant to Article 322 (3) S 1 German Commercial Code, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

### Basis for the Audit Opinion

We conducted our audit of the annual financial statements in accordance with Article 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our auditor's report.

We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.

### Responsibilities of the Executive Directors for the Annual Financial Statements and for the Management Report

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and if the management report in total presents correctly the situation of the company as well as in all material respects, the management report is in line with the financial statements, corresponds with the legal requirements, and properly describes the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements and the management report.

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

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

- Identify and assess the risks of material misstatement of the annual financial statements and the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of precautions and measures (systems) to enable the preparation of the management report in line with legal requirements and to be able to produce sufficient audit proofs for the statements in the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and

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

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate whether the management report in total presents correctly the situation of the company, whether in all material respects, it is in line with the financial statements, and corresponds with the legal requirements.
- We carry out audit procedures relating to the forward-looking statements by the executive directors in the management report. On the basis of sufficient and adequate audit proof in particular we reconstruct the assumptions which the executive directors have underlaid their forward-looking statements and we evaluate the appropriate conclusion of forward-looking statements from these assumptions. We do not issue an independent audit opinion on the forward-looking statements and the underlying assumptions. There is an unavoidable risk that future events will materially deviate from the forward-looking statements.

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

Pforzheim, August 2, 2021

gkm . glück . kock . mäscke  
partgmbb . wirtschaftsprüfungsgesellschaft



(Glück)  
Certified German Public Auditor



(Mäscke)  
Certified German Public Auditor





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

The name of the company is:

**HCL Technologies Germany GmbH**

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

The **articles of incorporation** are valid as of February 25, 2021.

The company is **seated** in Eschborn.

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

The company may acquire shares of other companies and may set up branches.

**Shareholders capital** of the company had risen to EUR 125,700 up from EUR 100,000, which is fully paid in.

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

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

According to the trade register directors in the reporting year were  
Bejoy Joseph George, Frankfurt am Main  
Shiv Kumar Walia, Maidenhead, Berkshire / UK  
Subramanian Gopalakrishnan, Noida, Uttar Pradesh / Indien

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

Our information is based on a trade register copy from May 25, 2021 as well as on information received from the company. This situation has not changed up until the date of this audit report according to the information given to us.

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

Prior year's financial statements have been approved and directors have been exonerated.

Merger Agreements:

- dated December 28, 2020 with the company Hönigsberg & Düvel Datentechnik GmbH, Wolfsburg
- dated February 19, 2021 with the company HCL GmbH, Eschborn

## ***Analysis and Comments regarding the financial statements as of March 31, 2021***

### **I. Economic basics**

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

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

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

Fiscal Year	Employees	Sales Revenue	Investments <sup>1</sup>	Depreciation	Net income
		<b><u>kEUR</u></b>	<b><u>kEUR</u></b>	<b><u>kEUR</u></b>	<b><u>kEUR</u></b>
2014/2015	n.a.	599	n.a.	8	21
2015/2016 <sup>2</sup>	103	9,557	1,367	237	-438
2016/2017	180	41,906	3,354	910	1,521
2017/2018	280	93,714	2,031	1,461	4,006
2018/2019	339	140,422	2,507	1,876	5,899
2019/2020 <sup>3</sup>	808	185,884	4,274	2,233	-14,044 <sup>4</sup>
2020/2021 <sup>5</sup>	1,413	257,041	2,734	4,043	5,423

### **II. Tax situation**

Income and profit tax declarations have been submitted until the year of 2019. Currently years from 2015 to 2018 are being subjected to a tax audit.

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

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

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

There are other financial liabilities from office rent of yearly € 887 k (p.y. € 1,503 k), as well as other financial liabilities from real estate leasing of altogether € 8,828 k (p.y. € 9,844 k) and from car and IT leasing of € 911 k (p.y. € 1,402 k).

<sup>1</sup> into tangible assets and intangible assets

<sup>2</sup> short business year from 1 July 2015 to 31 March 2016

<sup>3</sup> after merger of Hönigstein & Düvel GmbH as of January 1, 2020

<sup>4</sup> Including loss from merger of kEUR 19,929

<sup>5</sup> after merger of HCL GmbH as of April 1, 2020

# General Engagement Terms

## for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2017

DokID:

### 1. Scope of application

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

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

### 2. Scope and execution of the engagement

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

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

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

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

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

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

### 4. Ensuring independence

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

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

### 5. Reporting and oral information

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

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

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

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

### 7. Deficiency rectification

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

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

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

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

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

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

### 9. Liability

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

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

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

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

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

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

## 10. Supplementary provisions for audit engagements

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

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

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

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

## 11. Supplementary provisions for assistance in tax matters

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

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

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

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

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

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

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

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

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

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

## 12. Electronic communication

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

## 13. Remuneration

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

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

## 14. Dispute Settlement

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

## 15. Applicable law

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