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### Horváth 4G Beteiligungs GmbH

Stuttgart

### Consolidated financial statements for the business year from April 1, 2018 to March 31, 2019

#### Group management report of Horváth 4G Beteiligungs GmbH, Stuttgart, for the 2018/2019 financial year

#### Summary

The world economy noticeably lost momentum in the second half of 2018 and also got off to a weak start in the new year. Political uncertainties such as the trade conflicts emanating from the United States and the lack of clarity about the modalities of Brexit as well as the uncertainty about the extent of the economic slowdown in China are weighing on the outlook. The pace of global economic expansion is likely to slow significantly this year compared to the two previous years. According to calculations by the IfW, world GDP rose by 3.7 percent in 2018.

In 2018, the economy in the euro area lost much of its momentum due to less impetus from foreign trade and country-specific special factors. The gross domestic product rose by 1.8 percent, which means that growth was lower than in the previous year with 2.5 percent. The main reason was the lack of impetus from export demand, which had favored the strong upturn in 2017. In addition, there were special developments in a number of European countries that slowed economic activity, such as strikes in France, problems in the automotive sector in Germany or increasing uncertainty in Italy in connection with the new government's financial and economic policy. The UK economy is being weighed down by the uncertainties associated with Brexit. In the other countries of the EU, the up to now quite strong economic expansion weakened.<sup>1</sup>

In Germany, the economy has cooled noticeably since the middle of 2018. Economic output stagnated in the second half of 2018. The long-term upswing has apparently come to an end. The weaker momentum was triggered both by the international environment and by industry-specific events. The global economic framework has deteriorated - also due to political risks; this affects the German export economy. The fact that the slowdown in the second half of 2018 was so pronounced is primarily due to problems in the automotive industry and the low water level in the Rhine.<sup>2</sup> The GDP in Germany grew by 1.4 percent in 2018 (after 2.2% in 2017).<sup>3</sup>

The leading German management consulting companies again grew almost double-digit in 2018 (+ 9.5%). Overall, German and international companies were able to increase their sales in Germany by around 12 percent. In total, they achieved around 9.1 billion euros in management consulting services in Germany.<sup>4th</sup>

The total turnover in the management consulting market in Germany in 2018 amounted to 33.8 billion euros. This corresponds to an increase of 7.3 percent compared to the previous year. Strategy consulting accounted for 24.7 percent of market sales. This corresponds to a growth of 8.5 percent in this segment. The consulting field organization and process consulting has a share of 43.8 percent, with a growth rate of 6.8 percent. Consulting topics with particularly high growth were IT data protection & data security (+ 16.2%), HR strategy (+ 12.6%) and business development & innovation (+ 12.3%).<sup>5</sup>

Horváth & Partners ended the 2018/2019 financial year with growth of 19.0 percent. With this, the Horváth & Partners Group not only exceeds the planning for the financial year, but also both the economic development in Germany and the growth of the German management consulting industry.

In the 2018/2019 financial year, the Horváth & Partners Group converted the accounting for the consolidated financial statements from IFRS to HGB. The previous year's figures have been adjusted accordingly.

<sup>1</sup> Cf. Institute for the World Economy at Kiel University (IfW), World Economy in Spring 2019, Kiel Economic

Report No. 51 (2019 / Q1) <sup>2</sup> Cf. Project Group Joint Forecast Spring 2019 <sup>3</sup> Cf. BMWI: Monthly Report of the Federal Government for Economy and Technology, May 2019 <sup>4</sup> See

Lünendonk list 2019 <sup>5</sup> See BDU: Facts & Figures on the advisory market 2019

#### Sales and earnings of the Horváth & Partners Group

The group turnover of Horváth & Partners increased in the financial year 2018/2019 from EUR 174.1 million by 19.0 percent to EUR 207.2 million.

The consulting volume with subcontractors increased by 35 percent to EUR 40.4 million in the 2018/2019 financial year (previous year EUR 30.0 million).

Personnel expenses increased by 18.5 percent compared to the previous year. This figure includes both the increase in personnel and the salary increases. In particular, the increase in staff is reflected in this value.

The result (EBIT - earnings before interest, income taxes and other taxes) increased by approx. 1.4 percent from EUR 20.3 million to EUR 20.6 million. At 9.9 percent (previous year: 11.6 percent), the Group's return on sales (EBIT to sales) is still at a good level and almost on target.

The following table shows the development of sales, EBIT and consolidated net income for the 2017/2018 and 2018/2019 financial years.

	FY 2017/2018	FY 2018/2019	increase
	KEUR	KEUR	FY 17/18 - FY 18/19
sales	174.085	207.244	+ 19.0%
EBIT	20,318	20,595	+ 1.4%
Consolidated net income (before non-controlling interests)	12,718	13,402	+ 5.4%

#### Business development in regions and business areas according to the respective individual financial statements

In Germany, Horváth & Partners's largest market, sales at Horváth & Partner GmbH rose again significantly from EUR 127.8 million to EUR 158.0 million in the 2018/2019 financial year. Horváth & Partner GmbH recorded an increase in EBIT from EUR 16.6 million in the previous year to EUR 17.4 million in the 2018/19 financial year.

The sales of our Austrian subsidiary increased from EUR 9.8 million in the previous year to EUR 12.2 million. The company also recorded significant growth in EBIT compared to the previous year, from EUR 1.4 million to EUR 2.0 million. The company was therefore able to achieve its planned sales and EBIT targets.

The sales of the Swiss subsidiary increased in the 2018/2019 financial year from EUR 27.5 million in the previous year to EUR 28.2 million. The EBIT fell from EUR 5.0 million in the previous year to EUR 2.6 million in the 2018/2019 financial year. While the company's sales target for the 2018/2019 financial year was exceeded, the EBIT target for 2018/2019 could not be achieved.

The Hungarian company was able to increase sales from EUR 7.8 million in the previous year to EUR 12.1 million. The company's EBIT also improved from EUR 1.2 million in the 2017/2018 financial year to EUR 1.3 million. With this result, the company's sales and EBIT targets were exceeded.

At the Romanian subsidiary Horváth & Partner Management Consulting Srl. Sales in the 2018/2019 financial year were EUR 3.2 million (previous year EUR 2.2 million). The company's EBIT of EUR -0.2 million in the 2018/2019 financial year is better than in the previous year (EUR -0.4 million). Nevertheless, the EBIT target for the financial year could not be achieved.

The situation of Horváth & Partner Middle East GmbH has deteriorated again. In the 2018/2019 financial year, sales fell from EUR 4.1 million in the previous year to EUR 3.0 million. The company's EBIT improved slightly from EUR -2.2 million in the previous year to EUR -1.2 million in the 2018/2019 financial year.

The sales of Horváth Saudi Arabia LLC, Riyadh, deteriorated somewhat in the 2018/2019 financial year to EUR 2.0 million (previous year EUR 2.4 million). The company's EBIT improved to EUR 185 thousand (previous year: EUR 14 thousand).

The subsidiary Horváth Akademie GmbH ended the 2018/2019 financial year with a further decline in sales to EUR 2.5 million (previous year EUR 3.1 million). The company's EBIT also deteriorated from EUR -0.2 million in the previous year to EUR -0.5 million.

In CONSULT ING Horváth Engineers GmbH, which was founded in April 2017, the participation of the Horváth & Partners Group increased from 51% to 67.33% via Horváth & Partner GmbH with a contract dated January 15, 2019. The company ended the 2018/2019 financial year with sales of EUR 2.5 million (previous year EUR 1.0 million) and an EBIT of EUR 182 thousand (previous year EUR -18 thousand).

The business areas of Horváth & Partners are organized according to competencies (Functional Competence Center) and according to sectors (Industry Competence Center). All Functional Competence Centers were able to increase their sales compared to the previous year. The business development of the industries varied in the 2018/2019 financial year. While one Industry Competence Center had to accept a decline in sales, the other Industry Competence Centers were able to expand their business volume, in some cases significantly. These differences in the business development of the Industry Competence Centers could also be identified in the past.

#### Strategic direction

The focus of the strategic alignment in the 2018/2019 financial year was on topics that would drive the company's double-digit growth. On the market side, this included the further development of the solution and innovation portfolio, where the range of advisory services relating to the megatrend of digitization was further expanded. This includes overall strategic approaches as well as specific solutions in subject areas such as advanced analytics, robotics or artificial intelligence. In addition to expanding the range of consulting services for specific functional areas along the value chain of our customers, new cross-functional solutions have been developed because companies are increasingly asking for cross-departmental solutions. These include, among others the topics of business transformation or change management. Our Industry Competence Centers complement the solution portfolio with industry-specific service offerings. The implementation of the strategy was organizationally supported primarily by the creation of numerous new business segments. Another focus was the expansion of the workforce and the significant strengthening of the teams across all centers. Regional realignment was initiated in the Middle East in order to better counter the risks of the market and to be able to act more flexibly in the volatile course of business. In addition, business processes such as sales, delivery and subcontractor management were further optimized as part of continuous improvement. Important internal processes such as B. Capacity management has been improved by new IT systems. All of these initiatives and measures are aimed at increasing customer benefits, strengthening competitiveness and further profitable growth.

As an independent management consultancy, we accompany our customers from the strategic, business and organizational conception through IT implementation to accompanying the change processes and tailor-made training. Our consulting approach focuses on the subject areas of corporate management and the optimization of processes and organizations; it ensures that the corresponding solutions fit together and lead to tangible results for our customers and create added value. For the IT implementation of these solutions, we select the best specialists for the respective task and responsibly manage the implementation process.

Regionally, we see growth opportunities in Germany, Austria, Switzerland, Hungary and Romania. In the Middle East region, with a focus on the United Arab Emirates and Saudi Arabia, following the further decline in sales in 2018/2019, the realignment will make it possible to continue business with a lower volume and to counter the fluctuations in the market. Projects that take our customers from our core regions to other countries are increasingly relevant for international growth. Furthermore, the cooperation with the partner companies in the global consulting alliance Cordence Worldwide is an important element that will continue to contribute to Horváth &

#### Investments and depreciation

In the 2018/2019 financial year, we invested EUR 1,435 thousand in property, plant and equipment and EUR 277 thousand in intangible assets. Tangible assets include, in particular, investments in information and communication technology to maintain and expand business operations, as well as office and business equipment. The intangible assets include, in particular, license costs and costs for new software modules. The invested funds decreased slightly to EUR 1,712 thousand compared to the previous year (EUR 1,937 thousand). The investments are offset by depreciation on intangible fixed assets and property, plant and equipment in the amount of EUR 1,545 thousand.

#### Cash flow and cash flow statement

The cash flow from operating activities is	EUR 9.0 million
The cash flow from investing activities is	EUR -1.5 million
The cash flow from financing activities is	EUR -7.5 million

#### Asset and capital structure

The balance sheet total is EUR 87.7 million after EUR 81.0 million in the previous year.

The assets are composed of 4.1 percent fixed assets, 94.4 percent current assets and 1.5 percent deferred items. In terms of current assets, trade accounts receivable form the largest items with EUR 44.2 million (previous year EUR 36.9 million) and liquid funds with EUR 32.3 million (previous year EUR 32.3 million) .

Equity amounts to EUR 30.8 million (previous year EUR 24.4 million).

The debts amount to EUR 56.9 million and consist of EUR 24.7 million provisions, EUR 31.9 million liabilities and EUR 0.3 million prepaid expenses. The largest items in the provisions area are bonuses and vacation. In terms of liabilities, EUR 10.0 million are loans from banks and EUR 9.1 million are trade payables.

#### **Number of employees in the Horváth & Partners Group**

At the end of the financial year, the group had 981 employees (excluding part-time employees and interns). The group had an annual average of 943 employees (excluding part-time workers and interns). Of these, an average of 778 people were employed in Germany, Austria and Switzerland, and 122 in Hungary.

We intend to increase the number of employees in the new 2019/2020 financial year in line with growth requirements and to replace fluctuation in principle.

#### **Appreciation and thanks**

The Horváth & Partners Group was also able to significantly increase its business volume in the 2018/2019 financial year. The increase is mainly due to the increased demand from our customers for our consulting projects. Horváth & Partners owes this to the high level of commitment and the professional, motivated work of our employees. The management would like to thank all colleagues very much for their contributions to the very good results of the 2018/2019 financial year.

#### **opportunities**

For 2019/2020 we see growth opportunities for Horváth & Partners in a challenging and highly competitive economic environment. Our customers are realigning their business models, processes and their organizations in order to take advantage of the opportunities that arise from developments such as digitalization, electromobility and autonomous driving, renewable energies and sustainability and to master the associated challenges. This is usually associated with major transformation programs, technological innovations and significant investments. You are moving in an overall economic development that is currently characterized by declining forecasts, uncertainties and volatility. For Germany, Overall, there are positive growth forecasts for Europe and the global economy as a whole, but these are well below the previous years. The general willingness of companies to invest as well as the willingness to invest in consulting services from our range of services can be restricted as a result. Horváth & Partners is also planning sales growth for the 2019/2020 financial year.

Horváth & Partners will continue to develop and consistently implement its strategy. This includes the further development of the business model, the expansion of the solution portfolio, the expansion of technology competence and the further development of the teams. The digitalization megatrend will lead to further growth potential, which we will consistently and systematically develop through our strategy. In addition, international business activities will generate additional sales. By concentrating on customer benefits, high quality and a strong focus on implementation, we will further expand our competitiveness and positioning in the market. We are confident,

#### **Risks**

Even if we look forward to the 2019/2020 financial year with positive expectations with regard to the business development of Horváth & Partners, we do not fail to recognize the risks to our sales and earnings development.

The macroeconomic growth forecasts are contrasted with growing uncertainties and current crises. In Europe, these are the still unsolved Brexit modalities, financial uncertainties in individual EU member states such as Italy, unclear majorities in the European Parliament, the Ukraine crisis and the ongoing conflict with Russia. The trouble spots and armed conflicts in some countries in the Near and Middle East, especially Syria, Iraq and Yemen, as well as the escalating tensions between Saudi Arabia and Iran pose a potential threat to the economy. The currently increasing tensions between the USA and Iran reinforce this.

The current trade conflict between the USA and China is already a problem for many companies. It cannot be ruled out that the USA will also enter into similar trade conflicts with European countries. These factors have a negative effect on the markets as well as on the sales and earnings development of our customers, with corresponding repercussions for Horváth & Partners in the form of reduced budgets for consulting services, reluctance to invest and new project plans or the short-term stop of ongoing projects. In total, there are numerous risks for growth and economic development in important economies with possible negative effects on our customers and ultimately on Horváth &

The development of the US dollar or Swiss franc to euro exchange rate represents both an opportunity and a risk. The national deficit in Saudi Arabia and a negative development in the oil price can make a possible devaluation of the Saudi rial an issue again. If there is a corresponding development, course security measures must be checked.

Interest rate risks exist for Horváth & Partners only to a very limited extent. The operative business is usually financed without interest-bearing debt. A long-term bank loan was secured against increases in interest rates by means of a swap (cash flow hedge).

Volatility and uncertainty in the external market require a high degree of flexibility internally. The risk for us is that in the event of market fluctuations and sudden market slumps, capacities and costs cannot be adjusted quickly enough.

There are currently no identifiable risks that threaten the existence of the company.

For us, risk management is an integral part of strategy and value-oriented corporate management. We align our corporate planning and decision-making processes to identify risks at an early stage and to consistently use opportunities in order to secure the long-term existence of the company. The risk management integrated in the control systems is being expanded further in order to identify possible risks at an early stage and to be able to take suitable countermeasures. We control the risk management process within the scope of a comprehensive controlling system with strategically and long-term oriented early warning systems, Reporting systems at the group and company level as well as in an adapted form at the center and company level and, last but not least, through a distinctive liquidity management. In addition, the shareholders and the supervisory board are regularly informed of the risk assessment through appropriate reports.

#### **Outlook and forecast for the 2019/2020 financial year**

The slowdown in the global economy in the course of 2018 is to be understood in part as a normalization after the extremely strong upturn in 2017. But it is also a consequence of the high economic policy risks. Because it is still unclear how the trade disputes between the USA on the one hand and China or the European Union (EU) on the other hand will continue. In Europe, the UK's exit from the European Union is another uncertainty. <sup>6</sup>

The International Monetary Fund expects the global economy to grow by 3.3 percent in 2019 and 3.6 percent in 2020. <sup>7</sup> The World Bank is assuming global GDP growth of 2.9 percent for 2019 and 2.8 percent for 2020. <sup>8</sup> The Institute for the World Economy at Kiel University (IfW) expects the world economy to grow by 3.3 percent in 2019. <sup>9</sup>

For the euro zone, it is expected that the upswing will continue with the same or slightly less dynamic. The IMF forecast an increase in GDP in the euro area of 1.3 percent in 2019, after an increase of 1.8 percent in 2018. The Brexit process remains a risk factor for the economy. <sup>10</sup> The International Monetary Fund is assuming growth of 1.5 percent for 2020. <sup>11</sup>

The long-term upswing in Germany has come to an end. The German economy is now going through a cooling phase in which overall economic overutilization is falling. The economic weakness is particularly evident in the manufacturing sector. German economic policy also creates risks, for example by burdening the long-term stability of the statutory pension insurance through considerable increases in benefits that cannot be financed from the premium income. This leads us to expect tax increases that will make Germany less attractive as an investment location. GDP growth of 0.8 percent is forecast for 2019.<sup>12th</sup>

The Bund Deutscher Unternehmensberater (BDU) anticipates a sales increase of 7.1 percent for the entire industry in 2019, which would lead to total sales of 36.2 billion euros.<sup>13th</sup> The leading management consultancies are forecasting growth of 10.3 percent. The forecast for the following years 2020 and 2021 is at this level with 10.4 percent. It is true that the prospects in important customer sectors such as the automotive industry and banks are becoming gloomy. However, the need for transformation in customer companies is so great due to digitization that high demand is expected to continue. In addition, projects to increase efficiency and reduce costs are moving more into the focus of customers.<sup>14th</sup> Following the challenges on the customer side, the management consultants expect high demand for the consulting topics change management (+ 9.0%), as well as IT data protection & data security (+ 8.8%). Strong growth potential of + 8.4 percent is also forecast for the IT applications & infrastructure consulting field for 2019.<sup>15th</sup>

Horváth & Partners is also aiming for growth in the 2019/2020 financial year. We see the consistent implementation of our strategy as the essential way to master the risks described and the sometimes difficult economic environment and the use of opportunities. We also use our controlling and risk management system for control. The Management Board plans for the Horváth & Partners Group for the 2019/2020 financial year with total output (including other operating income) of EUR 230.0 million (previous year: EUR 210.1 million), which corresponds to a growth of around 9.5% and would therefore be above the estimated industry average. The planning assumes earnings growth and a return (EBIT to sales) in the low double-digit range. Six new partners have been appointed.

Horváth & Partners is planning investments for the 2019/2020 financial year in particular for the modernization of the IT infrastructure and for replacement investments in the IT area and office equipment.

The team from Horváth & Partners started the new business year highly motivated. The information available makes us fundamentally optimistic with regard to the achievability of our goals for the 2019/2020 financial year.

<sup>6</sup> See project group joint

forecast spring 2019 <sup>7</sup> See IMF World Economic Outlook April 2019 <sup>8</sup> See Worldbank Global Economic Prospects 2019 <sup>9</sup> See Institute for the World Economy at the University of Kiel (IfW), Weltkonjekturen in spring 2019, Kiel Economic Report No. 51 (2019 / Q1) <sup>10</sup> See BMWi: Monthly Report of the Federal Government for Economics and Technology, May 2019 <sup>11</sup> See IMF World Economic Outlook April 2019 <sup>12</sup> See Project Group Joint Forecast Spring 2019 <sup>13</sup>

See BDU: Facts & Figures on the Consultant Market 2019

<sup>14</sup> See Lünendonk List 2019 <sup>15</sup> See BDU: Facts & Figures on the Consultant Market 2019

## Stuttgart, July 2019

*The Executive*

*Kai Essiger*

*Dr. Andreas Renner*

### Consolidated balance sheet of Horváth 4G Beteiligungs GmbH, Stuttgart, as of March 31, 2019

#### assets

	As of March 31, 2019 KEUR	As of March 31, 2018 KEUR
A. Fixed assets		
I. Intangible Assets		
1. Concessions, industrial property rights and similar rights and values acquired against payment	685	876
2. Goodwill	25th	32
3. Advance payments made	142	80
	852	988
II. Tangible assets		
1. Land, land rights and buildings, including buildings on third-party land	196	237
2. Other equipment, factory and office equipment	2,554	2,407
	2,750	2,644
III. Financial assets		
Fixed asset securities	1	1
	1	1
B. Current Assets		
I. Inventories		
I. Work in progress	2,968	3,215
2. Advance payments made	16	17th

	As of March 31, 2019	As of March 31, 2018
	KEUR	KEUR
II. Receivables and other assets	2,984	3,232
1. Trade accounts receivable	44,205	36,873
2. Other assets	3,229	3,414
	47,434	40,287
III. Liquid funds	32,342	32,256
C. Prepaid expenses	1,339	1,622
	87,702	81,030
<b>liabilities</b>		
	As of March 31, 2019	As of March 31, 2018
	KEUR	KEUR
A. Equity		
I. Drawn capital	3,102 (previous year 2,926)	
Nominal value own shares	-66 (previous year 0)	
Capital issued	3,036	2,926
II. Capital reserve	285	283
III. Retained earnings		
Other retained earnings	9,142	10,793
IV. Difference in equity from currency conversion	-581	-729
V. Consolidated balance sheet profit	18,928	11,076
VI. Non-controlling interests	-41	67
	30,769	24,416
B. Provisions		
1. Provisions for pensions	1,769	1,690
2. Tax provisions	2,100	7,234
3. Other provisions	20,875	19,128
	24,744	28,052
C. Liabilities		
1. Liabilities to banks	10,000	10,000
2. Advance payments received on orders	1,806	1,556
3. Trade accounts payable	9,062	7,087
4. Other Liabilities	11,005	9,389
	31,873	28,032
D. Prepaid expenses	316	530
	87,702	81,030

**Consolidated income statement  
of Horváth 4G Beteiligungs GmbH, Stuttgart,  
for the period from April 1, 2018 to March 31, 2019**

	2018/2019	2017/2018
	KEUR	KEUR
1. Sales	207,244	174,085
2. Reduction (in connection with increase) in the inventory of work in progress	-248	377
3. Other operating income	3,084	2,814
	210,080	177,276
4. Cost of materials		
a) Expenses for raw materials, consumables and supplies and for purchased goods	476	395
b) Expenses for purchased services	40,434	29,957
	40,910	30,352
5. Personnel expenses		
a) Wages and salaries	95,001	80,539
b) Social security and pension costs	13,171	10,726
	108,172	91,265
6. Depreciation on intangible assets and property, plant and equipment	1,545	1,339
7. Other operating expenses	38,858	34,002

	2018/2019	2017/2018
	KEUR	KEUR
8. Earnings before interest and taxes (EBIT)	20,595	20,318
9. Other Interest and Similar Income	0	8th
10. Interest and Similar Expenses	393	429
	-393	-421
11. Taxes on income and earnings	6,746	7.130
12. Profit after tax	13,456	12,767
13. Other taxes	54	49
14. Consolidated net income including earnings from non-controlling interests	13,402	12,718
15. Result of non-controlling interests	108	55
16. Consolidated net income	13,510	12,773
17. Profit carried forward from the previous year	0	0
18. Withdrawal from other revenue reserves	5,418	0
19. Allocation to other revenue reserves	0	-1,697
20. Consolidated net profit	18,928	11,076

**Development of the group fixed assets  
of Horváth 4G Beteiligungs GmbH, Stuttgart,  
for the 2018/2019 financial year**

	As of April 1st, 2018 KEUR	Acquisition / production costs			As of March 31, 2019 KEUR
		Currency adjustment KEUR	Accesses KEUR	Departures KEUR	
I. Intangible Assets					
1. Commercial property rights and similar rights and values acquired against payment	3,332	-2	215	117	3,428
2. Goodwill	282	0	0	0	282
3. Advance payments made	80	0	62	0	142
	3,694	-2	277	117	3,852
II. Tangible assets					
1. Land, land rights and buildings, including buildings on third-party land	893	12th	19th	0	924
2. Other equipment, factory and office equipment	5,847	-6	1,416	1,068	6,189
	6,740	6th	1,435	1,068	7.113
III. Financial assets					
Fixed asset securities	1	0	0	0	1
	10,435	4th	1,712	1,185	10,966
	As of April 1st, 2018 KEUR	Accumulated depreciation			As of March 31, 2019 KEUR
		Currency adjustment KEUR	Accesses KEUR	Departures KEUR	
I. Intangible Assets					
1. Commercial property rights and similar rights and values acquired against payment	2,456	-1	405	117	2,743
2. Goodwill	250	0	7th	0	257
3. Advance payments made	0	0	0	0	0
	2,706	-1	412	117	3,000
II. Tangible assets					
1. Land, land rights and buildings, including buildings on third-party land	656	13	59	0	728
2. Other equipment, factory and office equipment	3,440	-4	1,074	875	3,635
	4,096	9	1,133	875	4,363
III. Financial assets					
Fixed asset securities	0	0	0	0	0
	6,802	8th	1,545	992	7,363
		Book values			
		As of March 31, 2019 KEUR	As of March 31, 2018 KEUR		
I. Intangible Assets					
1. Commercial property rights and similar rights and values acquired against payment		685			876
2. Goodwill		25th			32

	Book values	
	As of March 31, 2019	As of March 31, 2018
	KEUR	KEUR
3. Advance payments made	142	80
	852	988
II. Tangible assets		
1. Land, land rights and buildings, including buildings on third-party land	196	237
2. Other equipment, factory and office equipment	2,554	2,407
	2,750	2,644
III. Financial assets		
Fixed asset securities	1	1
	3,603	3,633

**Consolidated cash flow statement  
of Horváth 4G Beteiligungs GmbH, Stuttgart,  
for the 2018/2019 financial year**

	2018/2019	2017/2018
	KEUR	KEUR
Consolidated net income for the year including earnings from non-controlling interests	13,402	12,718
+ Depreciation on fixed assets	1,545	1,339
+ / - Increase / decrease in provisions	1,945	1,117
+ / - Other non-cash expenses / income	607	61
- / + Increase / decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	-6,930	-8,180
+ / - Increase / decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	3,238	2,919
- / + Gain / loss from the disposal of fixed assets	-5	-7
+ / - Interest expenses / interest income	393	421
+ / - Income tax expense / income	6,746	7,130
- / + Income tax payments	-11,912	-3,732
Cash flow from operating activities	9,029	13,786
- Payments for investments in intangible assets	-277	-368
+ Payments received from the disposal of items of property, plant and equipment	198	124
- Payments for investments in property, plant and equipment	-1,435	-1,569
+ Interest received	0	9
Cash flow from investing activities	-1,514	-1,804
+ Payments from equity injections by shareholders of the parent company	178	286
- Payments to non-controlling shareholders	-4	0
+ Payments made in connection with the sale of own shares	0	44
- Payouts in connection with the acquisition of own shares	-595	-1,256
- Interest Paid	-337	-429
- Dividends paid to shareholders in the parent company	-6,776	-8,557
- Dividends paid to non-controlling shareholders	0	-12
Cash flow from financing activities	-7,534	-9,924
Cash changes in cash funds	-19	2,058
+ / - Changes in cash and cash equivalents due to exchange rates and valuation	105	-418
+ / - Changes in financial resources due to the scope of consolidation	0	12th
+ Cash funds at the beginning of the period	32,256	30,604
Cash funds at the end of the period	32,342	32,256
Financial resources		
Short-term bank debt	0	0
Liquid funds	32,342	32,256
	32,342	32,256

**Group  
equity statement of Horváth 4G Beteiligungs GmbH, Stuttgart,  
for the 2018/2019 financial year**

Parent Company Equity  
(Corrected) subscribed capital                      Reserves

in EUR thousand	Subscribed capital (Corrected)			Parent Company Equity			Retained earnings	
	Capital deposits	own shares	total	according to § 272 Paragraph 2 No. 4 HGB	Capital reserve	other retained earnings	total	
in EUR thousand	Capital deposits	own shares	total	according to § 272 Paragraph 2 No. 4 HGB	Capital reserve	Retained earnings	other retained earnings	total
As of 1.4.2017	2,640	0	2,640		283	3,613		3,896
Capital increase / decrease								
Issue of Shares	286	0	286		0	0		0
Acquisition / sale of own shares distribution	0	0	0		0	-1,212		-1,212
Allocation to other revenue reserves as part of the appropriation of profits	0	0	0		0	6,695		6,695
Currency conversion	0	0	0		0	0		0
Other changes	0	0	0		0	0		0
Consolidated net income	0	0	0		0	0		0
Allocation to other revenue reserves	0	0	0		0	1,697		1,697
As of March 31, 2018	2,926	0	2,926		283	10,793		11,076
Capital increase / decrease								
Issue of Shares	176	0	176		0	0		0
Acquisition / sale of own shares distribution	0	-66	-66		0	-530		-530
Allocation to other revenue reserves as part of the appropriation of profits	0	0	0		0	4,300		4,300
Currency conversion	0	0	0		0	0		0
Other changes	0	0	0		2	-3		-1
Consolidated net income	0	0	0		0	0		0
Withdrawal from other revenue reserves	0	0	0		0	-5,418		-5,418
As of March 31, 2019	3,102	-66	3,036		285	9,142		9,427
	Parent Company Equity			Non-controlling interests			Group equity	
	Equity capital difference from currency conversion	Group net profit	total	Non-controlling interests before difference in equity from currency translation and annual result	Profits / losses attributable to non-controlling interests	total	total	
in EUR thousand								
As of 1.4.2017	-358	15,252	21,430	95	27	122		21,552
Capital increase / decrease								
Issue of Shares	0	0	286	0	0	0		286
Acquisition / sale of own shares distribution	0	0	-1,212	0	0	0		-1,212
Allocation to other revenue reserves as part of the appropriation of profits	0	-8,557	-8,557	-12	0	-12		-8,569
Currency conversion	0	-6,695	0	0	0	0		0
Currency conversion	-371	0	-371	0	0	0		-371
Other changes	0	0	0	12th	0	12th		12th
Consolidated net income	0	12,773	12,773	0	-55	-55		12,718
Allocation to other revenue reserves	0	-1,697	0	0	0	0		0
As of March 31, 2018	-729	11,076	24,349	95	-28	67		24,416
Capital increase / decrease								
Issue of Shares	0	0	176	0	0	0		176
Acquisition / sale of own shares distribution	0	0	-596	0	0	0		-596
Allocation to other revenue reserves as part of the appropriation of profits	0	-6,776	-6,776	0	0	0		-6,776
Currency conversion	0	-4,300	0	0	0	0		0
Currency conversion	148	0	148	0	0	0		148
Other changes	0	0	-1	0	0	0		-1



	Parent Company Equity			Non-controlling interests			Group equity
	Equity capital difference from currency conversion	Group net profit	total	Non-controlling interests before difference in equity from currency translation and annual result	Profits / losses attributable to non-controlling interests	total	total
in EUR thousand							
Consolidated net income	0	13,510	13,510	0	-108	-108	13,402
Withdrawal from other revenue reserves	0	5,418	0	0	0	0	0
As of March 31, 2019	-581	18,928	30,810	95	-136	-41	30,769

**Notes to the consolidated financial statements of Horváth 4G Beteiligungs GmbH, Stuttgart, for the 2018/2019 financial year**

**A. Preliminary remark**

Horváth 4G Beteiligungs GmbH, Stuttgart (Stuttgart District Court, HRB 724649) is obliged to prepare consolidated financial statements in accordance with Section 290 HGB. The consolidated financial statements were prepared in accordance with the provisions of the German Commercial Code and the GmbHG. For better understanding, the values are rounded to the nearest thousand.

In the 2018/2019 financial year, the consolidated financial statements were determined for the first time in compliance with commercial law, after consolidated financial statements in accordance with Section 315e of the German Commercial Code (HGB) had been prepared in previous years in accordance with the International Financial Reporting Standards (IFRS). This is not the first-time preparation of consolidated financial statements in accordance with the German Commercial Code (HGB), as the obligation to prepare consolidated financial statements in accordance with the German Commercial Code (HGB) had already existed in previous years and the only exemption was the preparation of the IFRS consolidated financial statements. For this reason, the accounting and valuation of assets, debts, income and expenses was carried out retrospectively. The previous year's figures have been adjusted accordingly.

Significant differences to the previous preparation of the consolidated financial statements according to IFRS result in particular from the accounting and valuation of pension provisions, deferred taxes, derivative financial instruments within the framework of valuation units and the scheduled amortization of goodwill. On the basis of the previous year's consolidated financial statements as of March 31, 2018, the changeover reduced the Group's equity from EUR 24,710 thousand (IFRS) to EUR 24,416 thousand (HGB).

As an extension of the statutory structure, the item "Earnings before interest and taxes (EBIT)" was shown in the consolidated income statement.

**B. Definition of the scope of consolidation**

The consolidated financial statements as of March 31, 2019 include the parent company and five domestic and six foreign subsidiaries.

The following companies are included in the consolidated financial statements of Horváth 4G Beteiligungs GmbH, Stuttgart, in which the company directly or indirectly holds the majority of the voting rights:

name and seat	currency	Shareholding %	Time of initial consolidation
Horváth 4G Beteiligungs GmbH, Stuttgart	EUR	-	
Horváth AG, Stuttgart	EUR	100.0	1.4.2007
Horváth & Partner GmbH, Stuttgart	EUR	100.0	1.4.2007
Horváth & Partner Management Consulting GmbH, Vienna / Austria	EUR	100.0	1.4.2007
Horváth & Partner Middle East GmbH, Vienna / Austria	EUR	100.0	1.4.2012
Horváth Saudi Arabia LLC, Riyadh / Kingdom of Saudi Arabia	SAR	100.0	07/20/2016
Horváth & Partner AG, Zurich / Switzerland	CHF	100.0	1.4.2007
IFUA Horváth & Partners Consulting Kft., Budapest / Hungary	HUF	100.0	1.4.2007
Horváth Academy GmbH, Stuttgart	EUR	70.0	1.4.2007
CSIE GmbH, Oestrich-Winkel	EUR	70.0	1.4.2013
CONSULTING Horváth Engineers GmbH, Berlin	EUR	67.3	04/21/2017
Horváth & Partners Management Consulting SRL, Bucharest / Romania	RON	100.0	1.4.2007

**C. Consolidation Principles and Currency Conversion**

The consolidated financial statements are based on the annual financial statements of the companies included.

For all companies included in the consolidated financial statements, the reporting date for the individual financial statements is the same as the reporting date for the consolidated financial statements as of March 31, 2019.

The capital consolidation of the fully consolidated companies was carried out according to the Anglo-Saxon method (acquisition method), which differentiates between initial consolidation and subsequent consolidation.

Capital consolidation for acquisitions from January 1, 2010 is based on the revaluation method in accordance with Section 301 (1) Sentence 2 HGB.

Here, the valuation of the shares belonging to the parent company is offset against the amount of the equity of the subsidiaries attributable to these shares. In accordance with the revaluation method, equity is to be set at the amount that corresponds to the fair value of the assets, liabilities, prepaid expenses and special items to be included in the consolidated financial statements, which is to be attached to these at the time of initial consolidation. Provisions are to be valued in accordance with Section 253 Paragraph 1 Clause 2 and 3 Paragraph 2 HGB and deferred taxes in accordance with Section 274 Paragraph 2 HGB. In accordance with Section 301 (2) of the German Commercial Code (HGB), offsetting takes place at the point in time at which the company became a subsidiary.

In the first-time consolidation of acquisitions before January 1, 2010, the book value method according to Section 301 (1) sentence 2 no. 1 HGB a. F. with the according to § 301 Abs. 2 HGB a. F. possible first consolidation dates applied. The first-time consolidation on April 1, 2007 resulted in an active difference amounting to EUR 6,803 thousand, which according to Section 309 (1) sentence 3 HGB a. F. in the amount of EUR 6,248 thousand was offset against the capital reserve of the parent company and in the amount of EUR 555 thousand against retained earnings.

Due to the stability and sustainability of the business model, goodwill from first-time consolidations from January 1, 2010 is amortized on a straight-line basis over a period of ten years or to the lower fair value.

The subsequent consolidation - and thus also the consolidation as of March 31, 2019 - includes the group share of the results of the group companies generated after the reporting date of the first consolidation in the group result.

The adjustment item for non-controlling interests is based on the equity of the individual company in question, taking into account the uniform accounting and valuation methods. For acquisitions from January 1, 2010, the adjustment item for non-controlling interests also contains shares in the disclosed hidden reserves and charges as well as the proportionate earnings components from the subsequent consolidation of the companies included in the consolidated financial statements using the revaluation method.

The mutual receivables and liabilities between the group companies were offset against each other as part of the debt consolidation.

In the consolidated income statement, all sales between the group companies and the other intra-group income and expenses, including profit distributions from group companies, have been consolidated.

Intra-group results from intra-group asset sales and from inventories from intra-group deliveries could not be eliminated.

Deferred taxes from consolidation measures were accrued in accordance with Section 306 of the German Commercial Code (HGB) insofar as the differing tax expenses are balanced out in later financial years. The determination of deferred taxes was made - where necessary - on the basis of the future tax burden of the companies concerned.

With the exception of equity, which is to be converted into euros at the historical rate, the assets and liabilities of the foreign currency balance sheets of the foreign companies are converted into euros at the mean spot exchange rate on the reporting date. The items in the profit and loss account were converted into euros at the average rate.

The currency differences resulting from the conversion of the assets, capital and liabilities of foreign group companies as well as currency differences resulting from the historical conversion of the equity of companies not managed in euros were allocated to the "equity difference from currency conversion" with no effect on income.

In addition, the principle of consistency in the consolidation methods and currency conversion - taking into account the previous group accounting obligation under the German Commercial Code and the associated retrospective application of the commercial law - was observed.

#### **D. Accounting principles**

For the foreign companies included in the consolidated financial statements, consolidation was based on the annual financial statements drawn up in accordance with local regulations. The annual financial statements of the foreign and domestic group companies were, as far as this was necessary, adjusted to the group-wide accounting principles as part of the consolidation.

The presentation, structure, approach and valuation of the consolidated financial statements correspond to the principles of the previous year, taking into account the previous group accounting obligation under the German Commercial Code (HGB) and the associated retrospective application of commercial law.

The income statement has been prepared using the total cost method.

The intangible assets acquired against payment contain software programs and licenses. The valuation is carried out at acquisition cost less scheduled accumulated depreciation. The depreciation was made on a straight-line basis over the normal useful life of three to five years.

Tangible fixed assets are shown at the acquisition costs that must be capitalized and, if they are subject to wear and tear, reduced by scheduled depreciation. The normal useful lives are between three and fifteen years.

Additions are only depreciated using the straight-line method (in previous years in some cases using the degressive method). Use is made of the option of switching from the degressive method to the straight-line method, provided that this leads to a higher depreciation. Wearable, movable, low-value assets with acquisition costs of up to EUR 800.00 are deducted in full as operating expenses in the relevant financial year in accordance with Section 6 (2) EStG.

The financial assets are shown at acquisition cost or the lower applicable value. The securities held as fixed assets are valued at their nominal value or at the lower rate on the reporting date.

Insofar as the value of fixed assets determined in accordance with the above principles is higher than the value to be attached to them on the balance sheet date, this is taken into account by means of unscheduled depreciation. If it turns out in a later financial year that the reasons for this no longer exist, the amount of this depreciation will be added to the extent of the increase in value, taking into account the depreciation that should have been made in the meantime.

The work in progress is valued retrospectively at the sales value less the deductions calculated on the reporting date for the average profit surcharge and for sales and administration costs.

The advance payments made are shown without sales tax.

Receivables and other assets are valued at their nominal values. All identifiable individual risks were taken into account in the assessment.

The pension obligations are determined according to recognized actuarial principles based on biometric probabilities (Heubeck mortality tables 2018 G) using the projected unit credit method. When determining the discount rate for the congruent term, an average remaining term of 15 years is assumed for discounting, applying the option under Section 253 (2) sentence 2 HGB. A pension trend and a fluctuation rate were not to be taken into account.

The actuarial interest rate is based - in accordance with the statutory regulation in Section 253 (2) sentence 1 of the German Commercial Code - on the average market interest rate for the past ten years determined by the Deutsche Bundesbank of 3.07% (previous year: 3.57%).

The discounting of the provisions for pensions using the average market interest rate of the past ten years results in a reduction in the provisions for pensions of EUR 81 thousand (difference) as of March 31, 2019 compared to the discounting with the average market interest rate of the past seven years.

The other provisions take into account all identifiable risks and uncertain obligations and are valued at the settlement amount required according to prudent business judgment. Future price and cost increases are taken into account, provided there is sufficient objective evidence that they will occur. Provisions with a remaining term of more than one year are discounted using the average market interest rate for the past seven financial years, which was determined by the Deutsche Bundesbank on the balance sheet date.

The liabilities were reported at the settlement amount.

Advance payments received on orders are shown at their nominal value.

Deferred taxes from the individual financial statements (commercial balance sheet II - tax balance sheet differences) of the companies included and deferred taxes on consolidation measures were determined on the basis of the future tax burden of the companies included. Deferred tax assets also include deferred taxes on tax loss carryforwards, provided that they are expected to be used within the next five years. Deferred tax assets in accordance with Section 274 (1) HGB were not capitalized. Deferred taxes on consolidation measures are offset against deferred taxes from the individual financial statements and reported together.

Receivables and liabilities in foreign currencies with a remaining term of up to one year are converted at the mean spot exchange rate on the balance sheet date. To this extent, these annual financial statements contain unrealized gains and losses from currency translation. If the remaining term is more than one year, the conversion is carried out using the exchange rate at the time of occurrence. In the case of exchange rate changes up to the balance sheet date, the valuation is generally based on the exchange rate on the balance sheet date, taking into account the lowest value principle on the assets side and the highest value principle on the liabilities side.

## **E. Notes on the consolidated balance sheet and consolidated income statement**

### **I. Consolidated balance sheet**

#### **1. Fixed assets**

The separately presented development of fixed assets is an integral part of the notes to the consolidated financial statements.

#### **2. Receivables and other assets**

The other assets contain KEUR 263 (previous year KEUR 231) with remaining terms of more than one year. As in the previous year, all other receivables and other assets have remaining terms of less than one year.

The other assets also contain an amount of EUR 334 thousand, which will not legally arise until the following year.

#### **3. Cash**

The item contains the cash on hand and bank balances.

#### **4. Deferred Taxes**

Deferred taxes are determined in particular for timing differences between the commercial law valuations in the consolidated financial statements and the tax law valuations of inventories, pension provisions and other provisions in the respective national annual financial statements. In addition to the timing differences, tax loss carryforwards are taken into account.

The temporary differences and the tax loss carryforwards that can be offset within the next five years are measured using the country-specific tax rate applicable for the financial year. For domestic corporations included, the total tax rate for corporation tax, solidarity surcharge and trade tax is 31%. The country-specific tax rates of the foreign subsidiaries are between 9% and 25%.

Any resulting tax burden would be recognized in the balance sheet as a deferred tax liability. In the 2018/2019 financial year, there was a surplus of deferred tax assets. This was not activated in exercising the option under Section 274 (1) sentence 2 HGB.

In addition, deferred taxes are formed on consolidation entries in accordance with Section 306 of the German Commercial Code. There were none in the financial year.

#### **5. Equity**

The share capital of Horváth 4G Beteiligungs GmbH amounts to EUR 3,102 thousand and has been paid in full.

The consolidated net profit corresponds to the net profit of the parent company and contains a profit carried forward in the amount of EUR 0. The difference between the higher or lower consolidated annual result compared to the parent company's annual result is offset against the group retained earnings and shown as an additional transfer to or withdrawal from other retained earnings.

The consolidated net profit developed as follows in the year under review:

	2018/2019
	KEUR
Lecture on April 1, 2018	11,076
Allocation to other revenue reserves as part of the appropriation of profits	-4,300
Distribution to the shareholders	-6,776
Consolidated net income 2018/2019	13,510
Withdrawal from other revenue reserves	5,418
As of March 31, 2019	18,928

Additional information on the consolidated equity statement:

With regard to the amount available for distribution to the shareholders on the balance sheet date, we refer to the annual financial statements of Horváth 4G Beteiligungs GmbH.

#### **6. Provisions**

The other provisions essentially include personnel obligations (EUR 19,123 thousand), travel expenses (EUR 506 thousand) and outstanding invoices / purchased services (EUR 565 thousand).

#### **7. Liabilities**

The liabilities to banks are made up as follows:

	March 31, 2019	March 31, 2018
	KEUR	KEUR
Remaining term 1 - 5 years	3,000	2,000
Remaining term over 5 years	7,000	8,000
	10,000	10,000

Other liabilities include liabilities of EUR 1,121 thousand with a term of over one year.

All other liabilities have or had a remaining term of up to one year in the previous year.

In the case of trade payables, individual companies have in some cases retained proprietary rights of the suppliers that are customary in the industry.

The other liabilities are made up as follows:

	March 31, 2019	March 31, 2018
	KEUR	KEUR
Tax liabilities	7,924	6,880
Social security liabilities	182	160
Remaining other liabilities	2,899	2,349
	11.005	9,389

## II. Consolidated income statement

### 1. Sales

Sales are broken down by region as follows: Germany (EUR 155,301 thousand), the rest of Europe (EUR 48,451 thousand) and Asia / Middle East (EUR 3,492 thousand). The sales revenues mainly include consulting revenues.

### 2. Other operating income

Other operating income includes income unrelated to the accounting period in the amount of EUR 83 thousand. This essentially concerns income from the reversal of provisions and individual value adjustments, credits for previous years and income from the disposal of fixed assets.

Other operating income includes income from currency conversion in the amount of EUR 595 thousand (previous year: EUR 587 thousand). Of this, unrealized income accounts for EUR 41 thousand (previous year: EUR 10 thousand).

### 3. Personnel expenses

The items social security and pension expenses include pension expenses of EUR 2,561 thousand (previous year: EUR 2,105 thousand).

### 4. Other operating expenses

Other operating expenses include expenses of EUR 3 thousand unrelated to the accounting period, in particular from credits for previous years.

The other operating expenses include expenses from currency conversion in the amount of EUR 489 thousand (previous year: EUR 1,009 thousand). Unrealized expenses account for EUR 54 thousand (previous year: EUR 241 thousand) of this.

### 5. Depreciation

In the previous year, an impairment loss was made on goodwill in the amount of EUR 109 thousand.

### 6. Financial result

Interest and similar expenses relate to expenses of EUR 56 thousand (previous year: EUR 59 thousand) from the compounding of provisions.

### 7. Taxes

Taxes on income and earnings include out-of-period income in the amount of EUR 55 thousand and out-of-period expenses in the amount of EUR 12 thousand.

Taxes on income and earnings do not include any expenses / income from deferred taxes.

### 8. Profit shares of non-controlling interests

The profit shares of non-controlling interests are made up as follows:

	March 31, 2019
	KEUR
Shares of non-controlling shareholders	
Annual deficits	147
Annual surpluses	-39
	108

## F. Other information

### 1. Disclosure Facilitations

With reference to Section 264 (3) HGB, the management report for Horváth & Partner GmbH, Stuttgart, has not been prepared.

With reference to Section 264 (3) of the German Commercial Code (HGB), the annual financial statements of Horváth AG, Stuttgart, and Horváth & Partner GmbH, Stuttgart, are not disclosed.

### 2. Personnel

The group had an average of 943 (previous year 791) employees.

The average number of employees during the financial year is:

	number
Consultant / training	717
administration	135
Temporary help	91
	943

### 3. Contingent liabilities and other financial obligations

The Horváth Group has other financial obligations in connection with rental and leasing contracts.

The resulting financial obligations are taken into account in the following presentation:

	March 31, 2019	March 31, 2018
	KEUR	KEUR
Rental and leasing obligations		
Remaining term up to 1 year	3,928	3,879

	March 31, 2019	March 31, 2018
	KEUR	KEUR
Remaining term 1 - 5 years	4,708	7,026
Remaining term over 5 years	1,797	2,288
	10,433	13,193

#### 4. Valuation units

The valuation units formed in the reporting year are shown in the following table of valuation:

risk	Underlying transaction	Hedging instruments								
variable	Art	Art	currency	amount	risk	currency	amount	Type of valuation unit	Prospective effectiveness	
interest	Previous payment flow	Variable rate loan	KEUR	10,000	Swap	KEUR	10,000	Micro hedge	Term and volume congruence	

#### 5. Auditor's Fees and Services

The expenses for the group auditor in the 2018/2019 financial year break down as follows:

Audit services	KEUR 82
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#### 6. Supplementary information on the consolidated cash flow statement

The financial resources include cash. The consolidated cash flow statement was drawn up in accordance with DRS 21.

#### 7. Organs of the parent company

Managing directors are:

Dr. Andreas Renner, Stuttgart  
Kai Essiger, Prien

There is no indication of the total remuneration of the management of the parent company in accordance with Section 286 (4) HGB.

#### 8. Supplementary report

Horváth & Partners Management Consulting Corporation, USA, a 100% subsidiary of Horváth & Partner GmbH, was founded in June 2019.

#### 9. Appropriation of earnings

The management proposes to use the balance sheet profit of the parent company in the amount of EUR 18.9 million as follows: distribution of a dividend to the shareholders of EUR 11.5 million and transferring the remaining EUR 7.4 million to the other revenue reserves .

Stuttgart, July 19, 2019

**Horváth 4G Beteiligungs GmbH  
management**

*Kai Essiger*

*Dr. Andreas Renner*

#### Independent auditor's report

To Horváth 4G Beteiligungs GmbH, Stuttgart

#### Exam judgments

We have the consolidated financial statements of Horváth 4G Beteiligungs GmbH, Stuttgart, and its subsidiaries (the group) - consisting of the consolidated balance sheet as of March 31, 2019, the consolidated income statement, the consolidated equity statement and the consolidated cash flow statement for the financial year from April 1st 2018 to March 31, 2019 as well as the notes to the consolidated financial statements, including the presentation of the accounting and valuation methods. In addition, we have audited the group management report of Horváth 4G Beteiligungs GmbH, Stuttgart, for the financial year from April 1, 2018 to March 31, 2019.

In our opinion based on the knowledge gained during the audit

- the attached consolidated financial statements comply in all material respects with German commercial law regulations and, in compliance with German generally accepted accounting principles, give a true and fair view of the Group's assets and financial position as of March 31, 2019 and its earnings position for the financial year of April 1, 2018 until March 31, 2019 and
- the attached group management report gives an overall accurate picture of the group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the group management report.

#### Basis for the examination results

We carried out our audit of the consolidated financial statements and the group management report in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institut der Wirtschaftsprüfer (IDW). Our responsibility in accordance with these regulations and principles is described in more detail in the section "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report" of our auditor's report Compliance with these requirements. We believe

#### Responsibility of the legal representatives for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with German commercial law in all material respects, and for ensuring that the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the company in accordance with German principles of proper accounting Group mediated. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of consolidated financial statements that are free from material - intentional or unintentional - misrepresentation.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing matters relating to the going concern of the company, if relevant. In addition, they are responsible for accounting for the going concern basis of the company's financial statements, unless actual or legal circumstances conflict with this.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides an accurate picture of the group's position, is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and accurately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a group management report in accordance with the applicable German legal regulations and to provide sufficient suitable evidence for the statements in the group management report can.

#### **Auditor's responsibility for the audit of the consolidated financial statements and the group management report**

Our aim is to obtain sufficient certainty as to whether the consolidated financial statements as a whole are free of material - intended or unintentional - misstatements and whether the group management report as a whole gives an accurate picture of the Group's position and, in all material matters, with the consolidated financial statements as well is consistent with the knowledge gained during the audit, complies with German legal requirements and correctly presents the opportunities and risks of future development, and issues an auditor's report that includes our audit opinions on the consolidated financial statements and the group management report.

Adequate security is a high degree of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) and in compliance with the German principles of proper auditing established by the Institute of Auditors (IDW) will always reveal a material misrepresentation.

Misrepresentations can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they individually or collectively influence the economic decisions of the addressees made on the basis of these consolidated financial statements and group management report.

During the examination, we exercise due discretion and maintain a critical attitude. Furthermore.

- We identify and assess the risks of material - intentional or unintentional - misrepresentations in the consolidated financial statements and the group management report, plan and carry out audit procedures in response to these risks, and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misrepresentations are not detected is higher in the case of violations than inaccuracies, since violations can involve fraudulent cooperation, forgeries, intentional incompleteness, misleading representations or the overriding of internal controls.
- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the provisions and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of providing an audit opinion on the effectiveness of these Systems.
- we assess the appropriateness of the accounting methods used by the legal representatives as well as the acceptability of the estimated values presented by the legal representatives and related information.
- we draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances, the significant doubts about the Group's ability to continue as a going concern can raise. If we come to the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the consolidated financial statements and in the group management report in the auditor's report, or if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, mean that the group can no longer continue its business activities.
- we assess the overall presentation, structure and content of the consolidated financial statements, including the information, and whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the group.
- We obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the group in order to issue audit opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and execution of the group audit. We are solely responsible for our audit opinions.
- we assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the picture it provides of the group's position.
- we perform audit procedures on the future-oriented information presented by the legal representatives in the group management report. On the basis of sufficient suitable audit evidence, we particularly review the significant assumptions on which the future-oriented information is based on the legal representatives and assess whether the future-oriented information was properly derived from these assumptions. We do not issue an independent audit opinion on the future-oriented information or the underlying assumptions. There is a significant unavoidable risk

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

**Stuttgart, July 19, 2019**

**Ebner Stolz GmbH & Co. KG**  
auditing company  
tax consulting company

*Matthias Spingler*

*Auditors*

*Christoph Lehmann*

*Auditors*

#### **Information according to § 328 HGB**

The consolidated financial statements of Horváth 4G Beteiligungs GmbH for the 2018/2019 financial year were approved by a resolution of the shareholders' meeting on September 20, 2019.

