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BDO AG auditing company

Hamburg

Annual and consolidated financial statements for the business year from 07/01/2017 to 06/30/2018

Group management report and management report for the financial year from July 1, 2017 to June 30, 2018

A. Basics of the group and the BDO

Business model and organization

BDO AG Wirtschaftsprüfungsgesellschaft (BDO) is one of the largest auditing and consulting companies in Germany in terms of turnover and number of employees and is operated in the legal form of a stock corporation. It is based in 20355 Hamburg, Fuhlentwiete 12, and has 25 branches in Germany under professional law. The company is entered in the commercial register of the Hamburg Local Court under the number HRB 1981. It is listed under number 150703700 in the professional register kept by the Chamber of Public Accountants. The share capital of BDO is held, directly and indirectly, by the partners.

BDO is the parent company of the BDO Group. The economic situation of the group is largely shaped by the BDO. Other operating companies involved are:

- BDO ARBICON GmbH & Co. KG auditing company, Oldenburg
- BeGeKo GmbH auditing company, Hamburg
- BDO Restructuring GmbH, Hamburg
- BDO IT GmbH, Hamburg
- BDO Technik- und Umweltconsulting GmbH, Düsseldorf

The service and organizational structure is essentially determined by the division into the three corporate divisions (auditing, tax and commercial law advice and advisory services), which make up our service portfolio and are each under the direction of one or more board members. There are also several central departments that provide internal services for all areas of the company.

Worldwide through our powerful international BDO network

BDO is a founding member of the international BDO network, which was founded in 1963. It is the only one of the large international networks of accounting firms with European roots. The BDO network is represented worldwide by its legally independent, mutually independent members - called BDO Member Firms. The network is coordinated by the legally independent BDO International Limited, a British company with limited liability to make additional contributions. The member firms are each represented in the BDO Council, a body of the network that deals in particular with the conditions for membership in the network and determines the members of the Global Board. The latter essentially develops binding guidelines for cooperation in the network. The BDO network and BDO International Limited do not provide any services to clients. These are provided exclusively by the individual BDO member firms in their own name and for their own account. As a member firm of the BDO network, the BDO carries out its professional activity in Germany.

There are four business areas in the international BDO network: Audit & Assurance, Tax, Advisory and Business Services & Outsourcing. These business areas are each overseen by a member of the Global Leadership Team (GLT). The activity of the GLT consists primarily in the coordination of the daily network activities and the representation in international committees as well as before regulators. It is accompanied and monitored by the BDO Global Board, whose member is the chairman of the board of our company, Dr. Holger Otte, is. The international BDO network has defined a total of nine industries, which are serviced by a responsible partner worldwide.

Thanks to the powerful structure of the BDO network, existing and future challenges can be jointly managed through central strategic approaches and developments. The current requirements of the digital transformation require far-reaching investments and innovations that are driven by global IT and central resources worldwide.

As of September 30, 2017, the international BDO network is active in 162 countries with a total of around 74,000 employees and more than 1,500 locations worldwide, as the following diagram shows.

In the 2016/2017 financial year (balance sheet date September 30th), the international BDO network achieved a total turnover of around US $ 8.1 billion (€ 7.6 billion), with a currency-adjusted increase of around 6.6 billion compared to the previous financial year %. The international BDO network has thus impressively continued on its sustainable, stable growth path.

In the major industrialized countries, for the BRIC countries and in many Eastern European BDO member firms, so-called German desks with German-speaking employees or colleagues posted by BDO Germany have been installed. These German desks provide particularly effective on-site support for German clients with cross-border activities. BDO Germany has also established ten Country Coordinating Partners for particularly important countries, who are in close bilateral exchange and bring country-specific know-how in both directions.

Clients in the focus of our work

As a service company, we are aware of our key success factors. Our strategy is based on five enablers with the global vision: "To be the Leader for Exceptional Client Service" (see strategy house below, Strategy 2020):

The basis of our success is the excellent and dedicated personal support of our clients by our client service partners and employees. Each client service partner has overall responsibility for looking after his clients and coordinates the work of all specialists from our company areas with their various services. In this way, we optimally combine the need for specialist knowledge with know-how about the specific circumstances of our clients.

We can only meet our “Exceptional Client Service” claim if we know the requirements of our clients. A deep understanding of our clients is therefore an important differentiation criterion for us: We seek close, direct communication with our clients. Regular international client surveys confirm that one of our strengths lies in the close and personal support of our clients. In the course of digitization, we are also adapting our communication channels to the new technological conditions. Website-based solutions as well as global portal investments are of course part of this for us.

For important special topics and cross-cutting issues, we have set up departments in our three corporate divisions that operate across locations, such as B. International Taxation, Tax Compliance, Forensic, Risk & Compliance Services, Accounting Advisory or Restructuring. For certain industries, we have set up industry centers analogous to the network system shown, in order to bundle our special industry knowledge with the participation of all three company areas and to make it available to our clients. The banking and financial services, healthcare, media & entertainment and telecommunications sectors, as well as retail and consumer goods, Real estate and the manufacturing industry are our areas with the highest turnover. We are also increasingly represented in the energy supply, logistics and maritime industries. Other important sectors are public companies and administration, energy companies and non-profit organizations (foundations and NPOs). The constantly evolving focus of our services on individual industries has proven itself.

In addition to our industry knowledge, the main reasons for commissioning us are our quickly available specialist knowledge.

Our knowledge is always up to date and also anticipates future developments. In creative solutions, we bring industry knowledge with specialist knowledge, e.g. B. from the areas of IFRS, company valuation, due diligence, forensic examination, national and international tax law, IT assurance procedures and knowledge of country-specific conditions.

For special priority countries we have country centers such as B. the China Desk and the Russia Desk or have specialists established as Country Coordinating Partners for other countries.

Our industry and country orientation, combined with specialist knowledge and committed, individual support from the client service partner on site, guarantees the high quality of our services - and this also internationally through the integration into the corresponding structures of our international BDO network.

Our employees: the basis for our success

Our 2020 strategy again set the direction for human resources activities in the past financial year, with the aim of providing the divisions with the best possible support in their growth goals: be it through professional recruiting or through appropriate action plans to retain employees. The changed requirements of digitization also have an impact on the personnel strategy.

With the new demands that clients place on us as a service provider, the requirement profile for us as an employer and at the same time for the skills of our employees is changing. In addition to customer-oriented digitization, the requirements of our employees for innovative and efficient work technology and the creation of digital business processes and work equipment are also relevant.

Our training and further education spectrum is continuously developing and, on the one hand, pushes the use of new technologies in training, and on the other hand, new technologies themselves are increasingly becoming the content of further education measures.

Our attractiveness as an employer means that we actively implement our corporate philosophy and our management principles in our day-to-day work. Open communication is the basis for satisfied and motivated employees. To this end, we also use the employee survey instrument, among other things. We continuously ask our employees for feedback on various topics in so-called pulse surveys.

We promote communication, teamwork and leadership skills through workshops, targeted trainings and dedicated advanced training plans for "training on the job". The active design of new leadership and management techniques, creative new models for personnel development and constantly adapted training and further education concepts are objectives in line with our corporate culture based on dialogue.

Meeting our constant need for qualified employees and young talent is a key competitive factor for us and essential for the implementation of our strategy. For us, a positive corporate and management culture is part of the self-image of our society, especially in times of problems with young talent and a job profile that is characterized by regulatory requirements, high performance pressure and a long career path. Overall, we have strengthened and modernized our recruiting measures. The use of social media is a matter of course for us. We work continuously on our employer brand and strive to convince through commitment and creativity.

We maintain contacts with universities, technical colleges and part-time training institutes in order to deepen the dialogue on research, to anticipate new developments promptly and to recruit young professionals. The cooperation ranges from offering internships and project courses to supporting doctoral students. In addition, we maintain an intensive exchange with various universities through lecture series, lecturing activities or face-to-face events.

This cooperation is also carried out with the aim of actively contributing to the further development of the profession. Accordingly, we are extensively involved in professional bodies and institutions. We enable experienced professionals to get actively involved in the profession and to achieve this through specialist work and professional commitment.

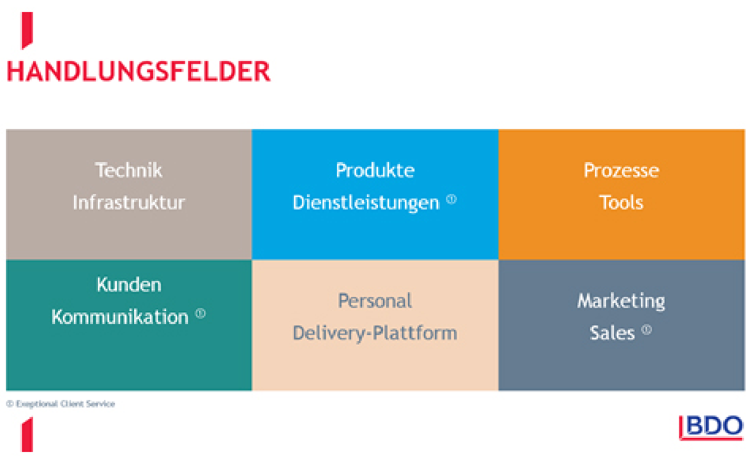
Last but not least, our concern is to safeguard the interests of the entire profession and to ensure national and international recognition of the profession as an element of capital market security.

Representatives of our society bring their expertise to important national and international professional organizations. As a result, we are informed about new developments at an early stage and comprehensively - an information advantage that benefits our clients and employees in the context of training and further education.

Digital transformation, infrastructure and quality as compatible enablers

BDO has consistently pursued its own digital agenda and specified the relevant fields of action and initiated targeted measures and transferred them to structured project management.

Our fields of action are:



The breadth of the fields of action shows the necessary scope of the change process. The changes in the economic and legal environment of our customers through to the adaptation of business models make it necessary to critically question and adapt the range of services, the provision of services and the necessary internal processes and structures. That is why we understand digitalization much more broadly, namely as digital transformation. A key success factor for mastering the digital transformation is not only the need to use new technologies, but also to change the mindsets and skills of all employees and managers.

With new market participants, new technologies and the variety of data in a big data world, the market expects from us a service portfolio that recognizes the technological challenges and also promises added value compared to other market participants. The point is not to compete with individual technology leaders, but rather to gain access to efficient technologies through strategic partnerships and cooperations and to combine our core competencies with these technologies. We can offer our customers new services in the field of IT services through subsidiaries.

The core of the digital transformation of BDO is the implementation of digital services through to a comprehensive digital customer experience. In this context, it is particularly important to create a global collaboration tool that enables information and documents to be exchanged quickly and effectively. With BDO Communicate and, in the future, the BDO Global Portal, we are developing consistent implementations of this collaboration concept.

The rapid transformation of an operational company requires a change in corporate culture. Progressive and new ways of thinking must nonetheless always be in harmony with the company principles known to us. Accordingly, we are constantly questioning our strategy and the services offered.

In addition, the entire infrastructure must be adapted in accordance with the requirements for efficient, functional business processes and service provision. For this reason, we adjusted our own IT organization accordingly on January 1, 2018 and focused on IT development.

Even in the digital age, efficient and high-quality service provision is the basis for the outstanding support of our clients - from "Exceptional Client Services".

BDO has a quality management system which, in addition to the legal and professional requirements for quality assurance, starts with the so-called "tone at the top". Our corporate culture and management principles are therefore the basis for high-quality services and compliance with legal and professional regulations, in particular with regard to compliance with professional principles. The BDO quality management system is also the basis of our risk management organization.

It contains regulations on general practice organization, order processing and downstream quality control. The consistent implementation of national and international testing and consulting standards in all service areas to secure and optimize our service quality is of paramount importance. In addition to national legal and professional requirements, we observe the uniform guidelines of BDO International, which are binding for all BDO member companies. These include a uniform approach that takes into account international developments in professional principles, auditing approaches and techniques and the provision of advisory services, particularly in tax law.

Quality-relevant processes and issues are already largely IT-controlled and automated in line with the digital transformation. This automation means that, on the one hand, the processes relevant to professional law and quality assurance are implemented in a uniform and binding manner; on the other hand, regular monitoring and a correspondingly high level of transparency are achieved.

The imparting of the necessary technical knowledge and an understanding of legal, professional requirements are additional components of our quality management system.

The results of the monitoring and the subsequent quality control (review) are the basis for consequence management, focused training measures and the further development of the BDO standards for quality assurance. Infrastructure and quality management in the sense of process management are continuously adapted through the digital transformation.

We have presented details of our quality management in our current transparency report, which was published in October 2017 on our website www.bdo.de in accordance with the professional requirements.

Subsidiaries and branches

BDO AG Wirtschaftsprüfungsgesellschaft directly and indirectly holds shares in several auditing and consulting companies and forms the parent company of the BDO Group.

As of June 30, 2018, in addition to the headquarters in Hamburg, there were branches at the following locations: Berlin, Bielefeld, Bonn, Bremen, Bremerhaven, Chemnitz, Dortmund, Dresden, Düsseldorf, Erfurt, Essen, Flensburg, Frankfurt a. M., Freiburg i. Br., Hanover, Kassel, Kiel, Cologne, Leipzig, Lübeck, Munich, Oldenburg, Rostock, Stuttgart and Wiesbaden.

B. Economic report

B.1. Course of business and situation of the group and society

B.1.1. Macroeconomic and industry-related developments

The German economy developed steadily in 2017 with gross domestic product (GDP) growth of 2.0% (previous year 1.9%) (compared to the first quarter of the year in each case) [1] . The German economy continued to grow in the first quarter of 2018. The gross domestic product rose by 0.3% compared to the same quarter of the previous year, adjusted for price, seasonality and calendar changes. For 2018, the German Institute for Economics (DIW) [2] , Berlin, is forecasting “average growth” but sees risks from the simmering trade conflict with the USA.

According to the current study by the market research company Lünendonk from July 2018, "the 25 auditing and tax consultancy companies leading in terms of domestic sales missed the forecast growth target for 2017 - but continue to grow at a high level." On average, total sales in 2017 were 7.3 % (adjusted for outliers; previous year 7.2%; forecast from spring 2016: 8.9%). The growth within the top 25 examined varied. According to the so-called BIG 4, a group of 5 companies with at least € 100 million in sales is formed. In this respect, the term “next ten” must be viewed differently, as the spread within the next ten is also advancing further.

[1] Cf. Federal Statistical Office, 1st quarter 2018, https: / / www.destatis.de/ DE / NumbersFacts / GesamtwirtschaftUmwelt / VGR / VolkswirtschaftlicheGesamtrechUNGEN.html

[2] Cf. DIW Economic Barometer June 27, 2018 , https : / / www.diw.de/ de / diw_ 02.c.102177.de/ Research_ consulting / data / economic barometer / konjunkturbarometer_ vom_ 29_ oktober_ 2014.html

In this year's Lünendonk ranking, BDO is again in 5th place among the German auditing companies, thus confirming its market position as one of the leading national companies in the industry.

In the 2017/2018 financial year, BDO was rated by Manager Magazin [3] as the best consultant according to the so-called BIG 4 in the final audit, other audit services, management and IT and transaction consultants. BDO is one of the best performing auditors and consultants in these sectors. As part of the largest consultant survey in Germany by brand eins and Statista, our Advisory Services division was awarded the title “Best Consultant”. FOCUS-Money has once again recognized BDO as “TOP tax consultant” in various categories such as the qualification of consultants, regular further training measures, specialization and scope of the service portfolio.

[3] Manager Magazin EXTRA Issue 4/2018

B.1.2. Group business development

For the 2017/2018 financial year, we reported consolidated sales of € 213.1 million (previous year € 198.2 million) and increased our consolidated sales in the financial year by 7.5% (previous year 3.1%) increase. According to the forecast report 2017/2018, our expectations have thus been met.

Overall, we were able to maintain our market position as the leading medium-sized auditing company in Germany in the past financial year.

The individual corporate divisions of BDO have developed differently:

Sales in the auditing division were € 97.5 million (previous year: € 92.5 million), € 5.0 million higher than the previous year's sales (+ 5.4%), while sales in the tax and commercial law advisory division increased increased by € 2.4 million to € 80.4 million (previous year: € 78.0 million) (+3.1%). Sales in the Advisory Services division developed particularly well, increasing by € 7.2 million (+29.5%) to € 31.6 million (previous year: € 24.4 million).

In detail, reference is also made to the separate presentations on the company divisions under B.2. referenced.

In the 2017/2018 financial year, a total of 233 new employees were hired across the Group (previous year 330). The appointments took place in all three corporate divisions. In the central departments, in addition to taking on former trainees in the administrative area, only special functions were newly filled or filled. The recruitment also concerned strategic positions to fill future-oriented business areas.

In all areas of the company and in special functions, there was a sometimes high need for new hires in the past financial year. Active sourcing and the expansion of recruiting are used to try to meet demand in a targeted and as successful manner as possible. Last year, too, there were almost 5,000 applications. This high value - related to the industry and the level of awareness of our society - reflects the attractiveness of BDO as an employer. In order to further consolidate our level of awareness at universities, we took part in a total of 16 university trade fairs and events throughout Germany in the past financial year. We use many opportunities to establish contact with graduates. We have partnerships with universities, are present at universities and are active as lecturers at various universities. We build relationships with candidates at an early stage by offering numerous internships and working student positions, which often lead to graduates choosing to start their careers at BDO.

On average, the personnel capacity was 1,673 full-time employees, slightly above the previous year's figure (1,652).

In order to do justice to the initial vocational training and targeted further training at a high technical level, we invested a total of € 12.5 million (previous year: € 12.1 million) in training and further education in the 2017/2018 financial year.

Group results of operations

For the 2017/2018 financial year, we reported consolidated sales of € 213.1 million (previous year: € 198.2 million). We were able to increase our group sales by 7.5% (previous year 3.1%).

Other operating income rose by € 3.7 million to € 6.4 million compared to the previous year, in particular due to positive effects on pension provisions.

Personnel expenses increased from € 138.9 million in the previous year to € 147.9 million. This is mainly due to the expansion of the Advisory Services business area and the increase in the result-dependent variable remuneration as well as the increase in fees incurred for remuneration of freelancers and cooperation partners as well as foreign BDO partner companies.

The other operating expenses increased by € 2.7 million to € 56.0 million. The increase is mainly due to higher ancillary order costs (in particular order-related travel expenses), an increase in expenses for the recruitment of new employees and higher training expenses.

Interest expenses increased from € 7.3 million in the previous year to € 8.6 million. The increase of € 1.3 million results mainly from the higher discounting of pension provisions compared to the previous year to a total of € 8.4 million (previous year: € 7.1 million) with an actuarial interest rate of 3.45% (previous year : 3.86%).

The result after taxes for the reporting year is € 1.8 million (previous year: € 0.2 million).

Consolidated net income increased by € 1.6 million to € 1.8 million in the 2017/2018 financial year compared to the previous year.

Group financial position

The group continues to have a good liquidity position. Liquidity (fixed asset securities, cash in hand, bank balances) amounted to € 29.5 million at the end of the financial year (previous year: € 33.9 million).

There were still no bank liabilities during the entire financial year.

Group financial position

The balance sheet total in the group increased slightly by € 0.8 million to € 144.8 million at the end of the financial year.

The Group's assets consist of 30% long-term values (including fixed asset securities) and 70% short-term values.

Property, plant and equipment decreased as planned by € 1.3 million to € 8.2 million. The intangible assets also decreased as planned by € 2.1 million to € 13.3 million.

In the 2017/2018 financial year, we made investments in property, plant and equipment and intangible assets (excluding goodwill) in the amount of € 1.7 million (previous year: € 2.7 million).

At 80%, the financing side of the consolidated balance sheet is still largely characterized by provisions. In the financial year the provisions increased from a total of € 114.2 million to € 115.4 million. Increases in provisions for pensions (+ € 2.8 million) are offset by reductions in tax provisions of € 1.6 million. The pension provisions amount to 59.4% of the balance sheet total. According to BilMoG, the discount rate for pension provisions as of June 30, 2018 is 3.45% (previous year 3.86%).

Liabilities decreased by € 18.7 million compared to the previous year (€ 19.8 million). The decrease of € 1.1 million is mainly due to the decrease in trade payables by € 0.5 million and a decrease in other liabilities by € 0.5 million.

At 7.1%, the equity ratio is above the previous year's level (6.6%).

B.1.3. Business development BDO

In the 2017/2018 financial year, BDO achieved sales that were € 8.3 million higher at € 195.3 million (previous year: € 187.0 million); this corresponds to an increase in sales of 4.4%. The year-on-year increase in sales is mainly due to an increase in sales in the auditing (+ 6.1%) and advisory services (+ 9.3%) divisions.

The outlook for the BDO Group largely reflects the expectations for the BDO due to the weight of the BDO in the group. This means that the forecast in the 2016/2017 management report has been met with regard to both group-wide sales and BDO’s sales.

The business development of BDO is basically subject to the framework conditions of the BDO Group. Therefore, the statements on the corporate divisions for the Group also apply to BDO.

For the development of the corporate divisions at BDO level in detail:

	2017/2018	2016/2017	change
Auditing	€ 95.6 million	€ 90.1 million	+ 6.1%
Tax and commercial law advice	€ 72.9 million	€ 72.8 million	+ 0.1%
Advisory Services	€ 22.4 million	€ 20.5 million	+ 9.3%

180 new employees were hired in the 2017/2018 financial year. On average, the personnel capacity of 1,520 full-time employees was slightly below the previous year's figure (1,530).

Profit situation of BDO

Personnel expenses at BDO increased to € 135.2 million (previous year: € 128.9 million). In addition to the increase in expenses for salaries, the increase is based on an increase in the fees incurred for remuneration of freelancers and cooperation partners as well as foreign BDO partner companies.

The other operating expenses increased by € 2.7 million to € 53.5 million compared to the previous year. The increase is essentially due to higher ancillary order costs, in particular order-related travel expenses, an increase in expenses for the recruitment of new employees and higher training expenses.

The interest expense of BDO increased from € 7.3 million in the previous year to € 8.6 million. The increase is largely due to the discounting of pension provisions in the amount of € 8.4 million (previous year: € 7.0 million) with an actuarial interest rate of 3.45% (previous year: 3.86%).

The result after taxes for the reporting year is € 1.2 million (previous year: € 1.2 million).

The annual surplus in the 2017/2018 financial year was € 1.2 million (previous year: € 1.2 million).

Financial and asset situation of BDO

BDO's financial position and asset position correspond to that of the group. Therefore, the statements on the financial position and asset position for the group also apply to BDO.

In the following, therefore, only the absolute changes at the BDO are presented:

Financial condition	2017/18	2016/17
Liquidity (long-term securities, cash in hand, bank balances)	€ 29.0 million	€ 32.1 million

Financial condition	2017/18	2016/17
Total assets	€ 143.7 million	€ 143.0 million
Ratio of long-term values (including fixed asset securities) to short-term values	31.4% / 68.6%	31.9% / 68.1%
Investments in property, plant and equipment and intangible assets	€ 1.6 million	€ 2.6 million

Financial position	2017/18	2016/17
Equity	€ 13.5 million	€ 12.3 million
Share of provisions in the balance sheet total excluding equity	87.3%	86.6%
Equity ratio	9.4%	8.6%

B.2. Development of the individual business areas in the group

B.2.1. Auditing division

With a turnover of € 97.5 million compared to the previous year, the auditing division grew very positively. Although the auditing market was still characterized by intense predatory competition combined with high fee pressure, we were able to increase sales by € 5.0 million (5.4%). It should be emphasized that this is due to purely organic growth. As in previous years, we continue to invest in expanding our expertise for a steadily growing number of core industries and special services. These investments enable us to carry out economically attractive consulting projects in the sectors of banks and financial service providers, insurance companies, IFRS consulting as well as forensic, risk & Compliance advice and public administration. We continue to invest in professionals, as the demand for auditing services from BDO is increasing disproportionately.

We counter the ongoing price competition in the audit market and increased demands on quality and efficiency in the audit area with an expanded IT-supported audit approach as well as intensive revolving measures of upstream quality assurance. The digital transformation is a focus.

In addition to the classic annual audit and statutory special audits, specialized, audit-related services are still combined in this division. These relate to consulting services in the areas of banks and financial service providers, insurance and international accounting, forensics, risk & compliance as well as company pension schemes and accounting advisory.

For the current financial year we expect further notable growth impulses from the areas mentioned, but fortunately also from the traditional audit.

B.2.2. Taxes and business law advice

In the past financial year, the 3.1% increase in sales in the Taxes and Business Law Consulting division, which increased by 3.1% to € 80.4 million, shifted further away from tax compliance and towards creative advice. In the area of follow-up advice, the backlog of previous years could be dealt with when there was lively demand, and sales in restructuring could be increased. The sustained positive economic development also contributed to a significant increase in sales in the specialist areas for transaction consulting, sales tax and health and social economy. In the locations, the introduction of tax compliance management systems played the important role expected.

Apart from the measures induced by the BEPS project of the OECD, for example with regard to country-by-country reporting and possible adjustments to the external tax law in the context of Brexit, we do not expect legislators to stimulate demand for tax and tax law in the 2018/2019 financial year Consulting services. The continued strong market for corporate transactions and the unchanged good economic situation despite some emerging risks mean that we can still expect continued strong demand and satisfactory growth.

We continue to accompany the rapidly increasing digitization and automation of work processes in financial accounting and tax declarations with a significant expansion of the use of web-based platform applications in the corporate sector. In addition to the cloud applications from DATEV eG, this also includes tools from international providers, the use of which we have significantly expanded in Germany on the basis of corresponding cooperation agreements.

At the same time, the development of further tools is being driven forward, with which, on the one hand, the digital data exchange with clients is efficiently guaranteed via secure platform solutions, and, on the other hand, key figures from financial accounting can be visualized in real time, optimized for mobile devices and web-based.

In addition, tools that already exist for tax determination, especially in the area of sales tax, are being used more and the development of web-based solutions for automated declaration purposes is being massively expanded. We also meet the requirements of the market by significantly expanding our personnel capacities in the tax technology area and in cooperation with BDO IT GmbH.

B.2.3. Advisory Services division

Sales in the Advisory Services division increased again this year. It grew from € 24.4 million to € 31.6 million and thus by 29.5%. This growth is largely due to the areas of corporate finance and IT services. But sales also increased in the Public Services department. This growth is the result of the sustained expansion of our consulting spectrum and the result of a strategic expansion of our market presence.

In view of the continued high demand on the transaction market, we assume that the Corporate Finance division will continue its development this year as well. BDO Germany is thus making a significant contribution to the development of the international network, which, with over 1,200 reported transactions, has assumed a market-leading role in the area of mid-cap transactions up to € 500 million.

In the next year the focus will be on the significant expansion of our activities in the areas of M&A, Deal Advisory and Valuation Advisory. The targeted expansion of personnel in these areas could be continued with prominent additions in the last year, so that we can expect growth from these measures. The Public Business Consulting department was able to successfully continue its continuous expansion. The high market acceptance of the services in this area now extends well beyond Germany. Advisory services from the Public Business Consulting department are now also being requested by public institutions and governments from abroad.

The development in the healthcare sector is also positive. Towards the end of the financial year, a number of long-term projects emerged that give us reason to look to the next year with confidence. In the health sector, there is a particularly strong demand for advice on investment and merger projects between hospitals and care facilities. In the IT & Performance Advisory department, a team was won over for the activities in connection with business intelligence and management analysis tools and the range of services was expanded considerably. We therefore expect growth in sales in the coming financial year.

The expansion of IT consulting played a major role in the growth in sales in the Advisory Services division. The strong growth in turnover and in personnel capacity show that the services bundled under BDO IT could be successfully placed on the market. Due to the uninterrupted demand in the IT area, we assume that growth can continue in the coming year.

In the coming year, the expansion of our competencies and capacities will remain in the foreground of our business endeavors, so that we then expect further sales growth in the Advisory Services division.

C. Risk, Opportunity and Forecast Report

Risk report

Our group-wide risk management system is essentially composed of the below-described in-house precautions and facilities in specific risk areas (e.g. in the area of order management, quality management, compliance management and damage prevention) as well as the early risk detection system within the meaning of Section 91 (2) AktG .

As part of risk management, the company distinguishes between five basic types of risk, namely external, internal, performance, financial and compliance risks.

In the area of external risks, the reform laws for the implementation of the EU auditor reform continue to result in risks from the resulting change in legal regulations and framework conditions for the performance of our activities. With the regulations on the obligation to rotate the auditor, there are still opportunities to gain new auditing mandates and to acquire new consulting business.

General risks also arise from the possible downturn in the general economy, which could be affected by, among other things, a shortage of skilled workers and current international trade disputes as well as emerging international tensions.

The risks from inaccurate external media reporting can be countered effectively through professional educational work and targeted client approach in addition to - in individual cases possibly limited - options for external public correction.

The company takes into account the risk of falling margins in the auditing area due to ongoing price pressure by further optimizing efficiency with strict quality assurance and by consistently expanding its range of advisory services. In this regard, the future use of the opportunities resulting from digitization will be essential.

In the area of company-internal risks, the provision of the IT infrastructure required for the provision of services is a measure of permanent importance. The company counters the fundamental risks arising in this respect, such as inadequate data availability for operational business or possible data loss due to the employment of its own highly qualified IT -Personnel, the provision of the latest technical state of the IT hardware and suitable back-up systems. In addition, appropriate instructions and guidelines in conjunction with the technical safeguards ensure the protection of external and internal data.

In the operational divisions, the company ensures the need for highly qualified specialist staff through a large number of measures. The required professional level of the employees is ensured through external training courses as well as internal further training in the company's own BDO academy in Scharbeutz as well as various online courses and continuously expanded.

The object of order management in the area of economic performance risks is primarily the upstream analysis of potential risks for society. An essential instrument for this is the upstream involvement of the in-house risk committee as part of the order acceptance process as well as internal consultation requirements. In the area of performance-related risks, there is generally a central risk in making an incorrect judgment or not fulfilling an order with the required quality. This can lead to loss of order, loss of reputation, reclaiming of fees or assertion of claims for damages, which, depending on the order volume or the subject matter of the order, can lead to considerable economic damage. Ensuring the required quality when accepting orders and providing services is therefore of central importance for the company and is guaranteed by the BDO quality assurance system. Quality management here therefore relates to ensuring the technical quality in order processing and includes upstream, order-accompanying and downstream measures. This includes regulations for general practice organization, order acceptance (also within the BDO network), order processing and downstream quality control and is continuously developed,

In addition to measures to compensate for the price behavior of competitors (see above), the company counteracts financial risks by taking precautions to reduce the risk of bad debts by means of suitable internal guidelines and training measures; To avoid liquidity risks, BDO ensures continuous, adequate and economically appropriate professional liability insurance cover. In order to ward off financial risks, the company also takes other measures to prevent damage, ie

In the context of compliance risks, the company deals with the legal regulations that apply to the company, weighs them and develops a large number of measures to control the risks. This includes, for example, internal company guidelines, training and control and reporting mechanisms. The risk of jeopardizing professional independence and impartiality when carrying out orders, in particular final audits, is countered, for example, by taking appropriate precautions as part of the order acceptance process, regular queries and training of employees. An essential part of our order acceptance process (client acceptance) is among others

Compared to the previous year, the assessment of the fundamentally relevant risks for the company has not changed significantly, provided that the defined risks were already the subject of consideration in the previous year. We do not believe that any risk situations that could jeopardize the continued existence of the company are discernible at present or for the coming financial year.

The core of the early risk detection system within the meaning of Section 91 (2) AktG is the regular, group-wide, IT-supported risk inventory, in which the risks that are fundamentally relevant to the company's activities are subjected to an assessment and classification based on the reporting date. In addition to this key date assessment, the identified risks are continuously monitored to enable reactions to any relevant changes in the risk situation during the year. Risk assessment and monitoring go hand in hand with the identification and updating of any risk control measures that may need to be taken.

Opportunity report

With our wide range of services, we are very well positioned to convince our current and potential clients of our performance and solution competence in the area of growing medium-sized companies as well as in the area of companies of public interest. In this context, there are also opportunities in the even better focus on our market segment and the specific expansion of our service portfolio for our market.

In addition to organic growth, we are open to accepting teams that suit us as well as acquiring audit firms with a strong understanding of medium-sized companies and proven SME competence, or to cooperate with them and thus take an active role in the consolidation of the market. It is still our goal to consistently and dynamically expand BDO's position in the relevant markets.

The rotation and independence regulations applicable due to the auditor reform continue to open up opportunities to present the service portfolio, which we take advantage of through strategically induced participation in tenders. There are two consequences for us from these developments: With the increasing importance of independence, we see ourselves in a good starting position in all promising consulting areas in order to gain significant market shares in the area of consulting for companies of public interest, in all three corporate areas . On the other hand, we assume

The investments made in previous years in the optimization of IT-supported internal processes should have a positive effect on more efficient order processing. In addition, these workflows contribute to stable, quality-relevant processes and the raising of rationalization potential in internal structures.

The opportunities of our digitization strategy lie in data processing without media discontinuity and the continuous analysis of data. The changes in business processes at our clients are taken into account accordingly. Thanks to innovative IT applications, we can meet changing customer needs. This includes in particular investing in new collaboration platforms as well as data analysis, process mining and the use of robotic automation. We see the opportunities to advance digitization and the development of new technologies and tools on an international basis as a clear opportunity in competition.

The completion of our range of services by BDO IT GmbH enables us to support our customers also in digitization issues.

Through our distinctive understanding and our proven competence in the personal care and advice of our clients for more than 90 years, our broad and highly specialized range of services as well as our integration into the high-performance and rapidly growing international BDO network, we underline our special positioning and differentiation in the market as largest independent medium-sized provider of auditing and consulting services in Germany. Current studies confirm that we enjoy a high level of trust in our competence, reliability and performance from our customers.

Forecast report

According to the Lünendonk study from July 2018, conservative average growth of 3.4% is expected for the overall market. The so-called Next Ten see tax and legal advice as the areas with the strongest growth. For 2018, the top 25 see particular growth opportunities in the areas of IT security, cyber security as well as IT consulting and system integration.

According to Lünendonk, digitization and the recruiting of qualified personnel will continue to be defined as central challenges.

For the new 2018/2019 financial year, we assume that we will increase our sales revenues and earnings by a single-digit percentage range. We assume that this applies to both the consolidated financial statements and the annual financial statements.

For the auditing division, we expect significant growth impulses for audit-related advisory services in 2018/2019, in particular for our services on the topics of forensic, risk & compliance and accounting advisory (especially IFRS accounting) as well as in the banking and financial service providers and insurance sectors. However, the classic final examination remains under high price pressure with a simultaneous high investment requirement in digitization and the corresponding adaptation of the examination technology.

For the tax and commercial law advisory division, we expect stable demand for tax and tax law advisory services. We expect increased demand in the context of tax compliance, tax risk management systems and in areas of international tax law.

We are significantly expanding the Advisory Services division, in particular with new service offerings in the area of cyber security and business consulting.

Corporate governance statement

In implementation of the law that came into force on May 1, 2015, for the equal participation of women and men in management positions in the private and public sectors, our company's supervisory board has, in accordance with Section 111 (5) AktG 2015, for the proportion of women on the supervisory board and on the management board stipulated that the quota of women in both bodies should amount to at least one female member of the supervisory board and one female member of the management board by June 30, 2017 (initial period) at the latest.

As of June 30, 2017, three women were represented on the Supervisory Board, which had a total of six members, resulting in a total of 50.0% women on the Supervisory Board. The set target of at least one female member of the Supervisory Board was thus exceeded.

As of June 30, 2017, a woman was represented on the board of directors, which consisted of eight members, resulting in a proportion of women on the board of 12.5%. The set target of at least one female member of the Management Board was thus achieved; the arithmetical quota (10%) was exceeded due to a reduction in the number of members of the Management Board from ten to eight members in the reporting period.

After the first deadline for the proportion of women on the Supervisory Board and the Management Board, the Supervisory Board of our company has redefined that the quota of women in both bodies should be at least one female member of the Supervisory Board (16.7%) and one female by June 30, 2022 at the latest Board member (12.5%) should amount to.

For the two management levels below the Executive Board, the Executive Board stipulated in 2015 in accordance with Section 76 (4) AktG that the proportion of women at the partner level should be at least 16% and at the senior manager level by June 30, 2017 at the latest / Manager should amount to at least 25%.

At the end of the first period on June 30, 2017, the proportion of women at partner / director level was 17.6% and at senior manager / manager level 26.7% the set goals were thus exceeded.

After the first deadline, the board of directors has set these proportions as new targets for the proportion of women at the partner level (17.6%) and at the senior manager / manager level (26.7%) for the first and second management levels below the board of directors %) and set a deadline for achieving this by June 30, 2022.

thanks

We would like to express our thanks to our clients and business partners for the trust they have placed in our employees and in our services. We are pleased that we have been able to expand established business relationships and establish new connections, in line with our claim "To be the Leader for Exceptional Client Service".

Special thanks go to our employees for their commitment and their high level of identification with BDO.

Hamburg, September 3, 2018

BDO AG
auditing company

Annex to the management report for publication in the Federal Gazette

Report on equality and equal pay according to § 21 EntgTransG

On July 6, 2017, the law to promote the transparency of pay structures (Entgelttransparenzgesetz, EntgTranspG) came into force. The aim of the law is to enforce the requirement of equal pay for women and men for the same work or work of equal value. As an employer with more than 500 employees, who at the same time prepares a management report in accordance with Sections 264 and 289 of the German Commercial Code (HGB), BDO AG has to publish a “Report on Equal Opportunities and Equal Pay” in accordance with Sections 21 et seq. This report covers the calendar year 2016 and 2017.

In order to promote equality between women and men, it is a concern of BDO AG Wirtschaftsprüfungsgesellschaft (hereinafter “BDO”) to further improve the framework conditions for the compatibility of work and private life. In order to make this possible, the following framework conditions are a matter of course at BDO:

Compensation:

Remuneration is based on the same principles and is linked to the respective role and the responsibility associated with the role. Within the salary system, we take into account the peculiarities of the local markets. Our decision-making features are qualifications and experience - and this is gender-neutral. Furthermore, the amount of the variable salary component is based on the corresponding benefits.

Mobile flexible working:

Not least because of the job description, which is characterized by flexibility with regard to working hours and place of work, flexible mobile working is already a living practice, which we will further formalize and expand in all areas in the future. Our colleagues at all levels of the hierarchy have the opportunity, taking certain framework conditions into account, to choose the place of work based on where they can do their work best.

Part time:

BDO offers different formats that promote the compatibility of work and family. These include, among other things, part-time solutions that are agreed individually.

Support KiTa:

Depending on local possibilities, there are cooperations with KiTas to support our colleagues on site. There are also individual opportunities to support colleagues in financing the daycare contributions.

Leadership:

We would like to significantly increase the proportion of female managers, which we have already achieved very well in some functions. For further concretization, the 1st BDO Female Leadership Summit will take place in August 2018, to which all partners of the society are invited. The topic is to jointly develop concepts so that women in leadership roles become even more of a matter of course.

The following table provides an overview of the key figures required by the Entgelttransparenzgesetz for 2016 and 2017.

	for 2016			for 2017		
	Female	male	total	Female	male	total
Part time	303	35	338	299	44	343
Full time	606	822	1,428	604	818	1,422
total	909	857	1,766	903	862	1,765

Balance sheet as of June 30, 2018

ASSETS

		06/30/2018		06/30/2017
	attachment	T €	T €	T €
A. Fixed assets				
I. Intangible Assets	(3,4,16)			
1. Computer software		2,050		1,978
2. Good practice and business values	(15)	8,691		10,313
			10,741	12,291
II. Tangible assets	(4.17)			
1. Land and buildings		3,202		3,335
2. Office equipment		4,766		5,867
			7,968	9,202
III. Financial assets	(5)			
1. Shares in affiliated companies		4,472		3,622
2. Holdings		6.215		7.130
3. Fixed asset securities	(6.18)	12,050		13,344
4. Other loans	(6)	3,667		0
			26,404	24.096
			45.113	45,589
B. Current Assets				
I. Inventories				
1. Work in progress	(7)	12,529		12,270
2. Advance payments received	(7)	-3,202		-3,235
			9,327	9,035
II. Receivables and other assets	(8th)			
1. Receivables from services		53,558		51,432
2. Receivables from affiliated companies	(19)	7,252		7,284
3. Claims against companies with which there is a participation relationship		1,579		980
4. Other assets	(9.20)	3,096		2,842
			65,485	62,538
III. Cash in hand, bank balances	(10.21)		16,924	18,781
			91,736	90.354
C. Prepaid expenses			2,565	2,669
D. Deferred Tax Assets	(14.22)		4,255	4,390
			143,669	143.002

LIABILITIES

		06/30/2018		06/30/2017
	attachment	T €	T €	T €
A. Equity	(23)			
I. Drawn capital	(24)		7,800	7,800
II. Retained earnings				
1. Legal Reserve		780		780
2. Other retained earnings	(25)	4,300		3,700
			5,080	4,480
III. retained profit			600	0

		06/30/2018		06/30/2017
	attachment	T €	T €	T €
			13,480	12,280
B. Provisions				
1. Provisions for pensions	(11,20,21,26)	85,730		82,927
2. Tax provisions	(12.27)	102		1,854
3. Other provisions	(12,21,28)	27,869		28,400
			113,701	113.181
C. Liabilities	(13.29)			
1. Trade accounts payable		2,904		3,365
2. Liabilities to affiliated companies	(30)	1,076		1,074
3. Other Liabilities	(32)	12,068		12,582
			16,048	17,021
D. Prepaid expenses			440	520
			143,669	143.002

Income statement from July 1, 2017 to June 30, 2018

		07/01/2017 - 06/30/2018		07/01/2016 - 06/30/2017	
	attachment	T €	T €	T €	T €
1. Sales	(35)	195.343		187.031	
2. Change in the inventory of work in progress		258		171	
			195,601		187.202
3. Other operating income	(20.36)		6,146		2,584
			201,747		189,786
4. Personnel expenses	(12.37)				
a. wages		108,882		105.724	
b. Social security and pension and support expenses	(11)	18,170		17,970	
c. Fees		8,149		5,244	
		135.201		128,938	
5. Depreciation on intangible assets and property, plant and equipment	(3.4)	4,338		4,887	
6. Other operating expenses	(38)	53,528		50,818	
			193,067		184,643
			8,680		5,143
7. Income from profit transfer agreements		66		-	
8. Income from participations	(39)	494		169	
9. Other Interest and Similar Income	(40)	1,195		491	
10. Expenses from the assumption of losses		0		10	
11. Interest and Similar Expenses	(11,20,37,41)	8,586		7,347	
12. Income taxes	(42)	600		-2,801	
			-7,431		-3,896
13. Profit after tax			1,249		1,247
14. Other taxes			49		47
15. Annual net income			1,200		1,200
16. Allocation to retained earnings	(25)		600		1,200
17. Balance sheet profit			600		0

Consolidated balance sheet as of June 30, 2018

ASSETS

		06/30/2018		06/30/2017
	attachment	T €	T €	T €
A. Fixed assets				
I. Intangible Assets	(3,4,15,16)			
1. Computer software		2,059		1,985
2. Goodwill		11,197		13,403
			13,256	15,388

	attachment	06/30/2018 T €	T €	06/30/2017 T €
II. Tangible assets	(4.17)			
1. Land and buildings		3,203		3,344
2. Office equipment		5,017		6.159
			8,220	9,503
III. Financial assets	(5)			
1. Shares in affiliated companies		52		52
2. Holdings		6.215		7.130
3. Fixed asset securities	(6.18)	12,050		13,344
4. Other loans	(6)	3,667		0
			21,984	20,526
			43,460	45,417
B. Current Assets				
I. Inventories				
1. Work in progress	(7)	14,192		14,464
2. Advance payments received	(7)	-3,584		-3,435
			10,608	11,029
II. Receivables and other assets	(8th)			
1. Receivables from services		60,780		55.186
2. Receivables from affiliated companies	(19)	40		49
3. Claims against companies with which there is a participation relationship		1,579		981
4. Other assets	(9.20)	3,440		3.126
			65,839	59,342
III. Cash in hand, bank balances	(10.21)		17,469	20,555
			93,916	90.926
C. Prepaid expenses			2,652	2,745
D. Deferred Tax Assets	(14.22)		4,730	4,911
			144,758	143,999

LIABILITIES

	attachment	06/30/2018 T €	T €	06/30/2017 T €
A. Equity	(23)			
I. Drawn capital	(24)		7,800	7,800
II. Retained earnings	(25)		6,522	5,922
III. Loss carryforward			4,391	2,670
IV. Consolidated net income / loss for the year that is attributable to the parent company			287	-1,721
V. Non-controlling interests			37	121
			10,255	9,452
B. Provisions				
1. Provisions for pensions	(11,20,21,26)	86.012		83,242
2. Tax provisions	(12.27)	319		1.927
3. Other provisions	(12,21,28)	29,062		29,058
			115.393	114.227
C. Liabilities	(13.29)			
1. Trade accounts payable		3,167		3,621
2. Liabilities to affiliated companies	(30)	32		43
3. Liabilities to companies with which a participation relationship exists	(31)	232		380
4. Other Liabilities	(32)	15,239		15,754
			18,670	19,798
D. Prepaid expenses			440	522
			144,758	143,999

Consolidated income statement from July 1, 2017 to June 30, 2018

	07/01/2017 - 06/30/2018	07/01/2016 - 06/30/2017

	attachment	07/01/2017 - 06/30/2018	T €	07/01/2016 - 06/30/2017	T €
	attachment	T €	T €	T €	T €
1. Sales	(35)	213.066		198.170	
2. Change in the inventory of work in progress		-272		1,015	
			212.794		199.185
3. Other operating income	(20.36)		6,408		2,691
			219.202		201,876
4. Personnel expenses	(12.37)				
a. wages		118.964		113,328	
b. Social security and pension and support expenses	(11)	19,729		19,181	
c. Fees		9,218		6,433	
		147.911		138,942	
5. Depreciation on intangible assets and property, plant and equipment	(3.4)	5,072		5,627	
6. Other operating expenses	(38)	55.995		53,314	
			208,978		197,883
			10,224		3,993
7. Income from participations		163		120	
8. Other Interest and Similar Income		972		210	
9. Interest and Similar Expenses	(11,20,37)	8,589		7,347	
10. Income taxes	(42)	922		-3,256	
			-8,376		-3,761
11. Profit after tax			1,848		232
12. Other taxes			54		51
13. Profit for the year	(25)		1,794		181

Closing for the fiscal year
from July 1, 2017 to June 30, 2018

Notes and Notes to the Consolidated Financial Statements

The financial statements and the consolidated financial statements of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg (AG, Hamburg District Court, HRB 1981) are explained together below. Unless otherwise noted, the statements in the appendix apply to both financial statements. The serial numbers refer to the corresponding financial statements.

As in the previous year, the financial statements are prepared in accordance with the provisions of the Commercial Code and the special provisions of the Stock Corporation Act. The total cost method is used when preparing the profit and loss account. The figures for the financial statements are rounded to the nearest thousand. The information in the notes and the notes to the consolidated financial statements is also given in thousands of euros.

Scope of consolidation

1. The consolidated financial statements were prepared in accordance with Section 290 (1) of the German Commercial Code (HGB). A complete list of shareholdings has been included under note 47. The companies included in the consolidated financial statements are listed under item I. of the list of shareholdings. The group companies listed separately in the list of shareholdings under Item II. Were not included due to their overall minor importance for the asset, financial and earnings position of the group in accordance with Section 296 (2) of the German Commercial Code (HGB).

Consolidation principles

2. Capital consolidation was carried out using the revaluation method for companies newly acquired from the 2010 financial year, and using the book value method for companies that existed until then. The resulting active differences were allocated to the goodwill.

Receivables and liabilities between the companies included in the consolidated financial statements as well as expenses and income from reciprocal services were offset and interim results were eliminated with an effect on income.

Accounting and valuation principles

All companies included in the consolidated financial statements apply uniform accounting and valuation principles that have not changed compared to the previous year in accordance with the provisions of the Commercial Code in the version of the Accounting Directive Implementation Act (BilRUG).

3. Under the intangible assets of the fixed assets, acquired practice values and client bases from the individual financial statements and the differences resulting from the capital consolidation, insofar as they are to be regarded as good or practice values, are shown. The existing goodwill is amortized over ten years, at the most over a probable useful life of fifteen years, as we assume that it will be amortized over this period through additional income.

4. EDP software and property, plant and equipment are valued at acquisition cost less scheduled straight-line depreciation. Low-value assets are treated in accordance with the regulations on pool depreciation.

5. Shares in affiliated companies and participations are reported at acquisition cost or at the lower fair value on the balance sheet date.

6. Fixed asset securities are shown at acquisition cost on the balance sheet date. The other loans are capitalized at their nominal value.

7. The work in progress is valued at production cost including proportional overheads. In addition to the overheads for the provision of services, the overhead costs include an appropriate share of the administrative overheads and the company pension scheme. Necessary individual value adjustments have been made. For the work in progress, sufficient flat-rate value adjustments were made on the basis of empirical values. Advance payments received are openly deducted from the work in progress.

8. Receivables and other assets are shown in the balance sheet with their nominal amounts, reduced by appropriate individual and general value adjustments.

If assets that serve exclusively to meet pension obligations or comparable long-term obligations are not accessible to all other creditors, the assets are offset against the corresponding debts.

9. The claims from the reinsurance of pension commitments reported under other assets (AG T € 77, Group T € 130) are accounted for with the business plan plus credit from premium refunds.

10. Cash in hand and bank balances are shown at their nominal values.

11. The provisions for pensions are based on the “2005 G mortality tables” by Prof. Dr. Klaus Heubeck calculated actuarially. The projected unit credit method is used for entitlements and the present value method for current pensions. Using the simplification rule i. S. v. Section 253 (2) sentence 2 of the German Commercial Code (HGB) is based on the average market interest rate determined by the Deutsche Bundesbank for the past ten years for the respective valuation date, with an assumed remaining term of 15 years, of 3.45% (previous year: 3.86%)). The salary trend was 2.0%, the pension trend, depending on the respective pension regulations, was 1, 25% to 2.25% assumed. The interest portion from the transfers to the pension provisions is shown under interest and similar expenses.

12. The tax provisions and the other provisions cover all identifiable risks and obligations in an appropriate amount. Provisions that contain an interest component are discounted. When evaluating the provisions for partial retirement obligations, a discount rate of 1.10% and a wage increase of 2.0% were applied.

13. The liabilities are each stated with their settlement amount.

14. Deferred tax assets are determined for temporary differences (temporary differences) between the commercial and tax valuations of assets, debts and prepaid expenses. In addition to the differences from the company's own balance sheet items, such differences are also included in the calculation of deferred taxes that exist at subsidiaries in which BDO AG has a stake. Deferred tax assets and liabilities are netted. Deferred taxes are determined on the basis of the combined income tax rate of the tax group of BDO AG. The combined income tax rate includes corporation tax, trade tax and solidarity surcharge and is 31,

Information on the balance sheet and the consolidated balance sheet

15. The breakdowns and the development of the fixed assets can be found in the fixed asset tables at the end of this appendix and the group appendix.

Goodwill in the amount of T € 11,197 is reported in the consolidated financial statements. Practical values are included in the individual financial statements (T € 8,691).

16. The additions to intangible assets relate to investments in software. In-house software from previous years is also included in the inventory. This is custom software developed in-house for a computer-aided audit workflow within the framework of the Audit Information System (AIS). For these, the option to capitalize under Section 248 (2) HGB was used and capitalized with an amount of € 928 thousand. A distribution block is still subject to T € 371.

17. The additions to property, plant and equipment relate to the modernization of the technical infrastructure and the equipping of our employees with state-of-the-art hardware.

18. The long-term securities consist essentially of investment funds that invest primarily in equity-related and bond-related investments. The changes result from purchases and sales in the financial year. Owning the securities means that there are no financial relationships that could raise doubts about our independence.

19. The receivables from affiliated companies are mainly related to the exchange of services and profit transfers within the group.

20. The other assets include receivables with a remaining term of more than one year for the AG amounting to € 77 thousand and in the group amounting to € 130 thousand (previous year AG: € 75 thousand, group: € 123 thousand). These include claims from the reinsurance of pension commitments and, in accordance with the BilMoG provisions, were offset against the provisions for pensions in the amount of € 1,008 thousand (previous year: € 1,046 thousand) and the income contained therein amounting to € 61 thousand (previous year: € 61 thousand) € 60) offset against the expenses from the compounding of the pension provisions. Unrealized income from interest income as well as loans to members of the Board of Management, employees and travel expense advances are also shown.

21. The credit balances at banks are mainly held to invest short-term surplus liquidity and invested as overnight money and time deposits. The pledged credit amounting to T € 692 (previous year: T € 768) was allocated to the provisions for partial retirement (T € 37, previous year: T € 78) as well as to the provisions for pensions (T € 655, previous year: T € 690) charged.

22. The deferred tax assets essentially result from the differing tax values of the pension provisions. From timing differences in accounting - both own and those of companies in the tax group - a future tax relief for the AG of € 4,256 thousand and in the group of € 4,730 thousand is expected. These are subject to a distribution block.

23. Equity is reported in accordance with the amended provisions of DRS 22. The previous year was adjusted accordingly.

24. The subscribed capital of the AG is divided into 156,000 registered shares with restricted transferability of € 50 each.

25. The change in other revenue reserves results from the addition of half of the annual surplus of the AG in the amount of € 600 thousand. The other revenue reserves amount to € 4,300 thousand as of June 30, 2018, which are subject to the distribution block (€ 17,172 thousand) (cf. Items 16, 22 and 26). Non-controlling interests account for a total profit share of € 907 thousand of the group's net income for the year of € 1,794 thousand.

26. The change in the valuation of provisions for pensions according to BilMoG resulted in an additional one-off provision amount for the AG in the amount of T € 9,685, in the Group in the amount of T € 9,708. Use was made of the transitional regulation pursuant to Art. 67 (1) sentence 1 EGHGB and one fifteenth of these amounts were allocated to the pension provisions at the AG in the amount of € 646 thousand and in the group in the amount of € 647 thousand. The amount not yet shown in the balance sheet from the initial application of € 3,874 thousand at the AG and € 3,883 thousand in the group will be added to the pension provisions within the remaining transition period. The discounting with the average market interest rate of the past ten years results in a difference of T € 12,545 for the AG and T € 12,560 for the Group compared to the discounting with the average market interest rate of the past seven years. This difference is blocked for distribution. For the indirect obligations, the amount not shown in the balance sheet is € 7,186 thousand (previous year: € 6,790 thousand), as no use was made of the option to passivate the liabilities in accordance with Art. 28 Paragraph 1 Clause 2 EGHGB. 545 at the AG and in the amount of T € 12,560 in the group. This difference is blocked for distribution. For the indirect obligations, the amount not shown in the balance sheet is € 7,186 thousand (previous year: € 6,790 thousand), as no use was made of the option to passivate the liabilities in accordance with Art. 28 Paragraph 1 Clause 2 EGHGB. 545 at the AG and in the amount of T € 12,560 in the group. This difference is blocked for distribution. For the indirect obligations, the amount not shown in the balance sheet is € 7,186 thousand (previous year: € 6,790 thousand), as no use was made of the option to passivate the liabilities in accordance with Art. 28 Paragraph 1 Clause 2 EGHGB.

27. The tax provisions contain amounts for taxes that have not yet been assessed for previous years.

28. The other provisions relate primarily to obligations in the personnel area such as remaining vacation, obligations from partial retirement contracts and bonuses, as well as risk provisioning for obligations and outstanding incoming invoices.

29. The trade accounts payable to affiliated companies as well as to companies with which a participation relationship exists exclusively have terms of up to one year.

In the case of other liabilities, a term of up to one year accounts for T € 11,833 in the AG and T € 12,116 in the Group. T € 235 in the AG is for a term of more than one year (of which T € 96 is over 5 years). In the group, a term of more than one year accounts for € 3,123 thousand (of which € 96 thousand over 5 years).

30. The liabilities to affiliated companies relate almost exclusively to the exchange of services within the group.

31. The liabilities to companies with which there is a participation relationship result from ongoing clearing transactions.

32. Other liabilities include obligations to the August Lattmann support association of Deutsche Waren-Treuhand-Aktiengesellschaft eV (T € 1,800), taxes (AG T € 8,181, Group T € 8,876) as well as social security liabilities (AG and group T € 505).

33. Other financial obligations not shown in the balance sheet relate to payment obligations from rental contracts for real estate and leasing contracts and are due as follows:

	AG in € thousand	Group in T €
1 year	11,742	12,250
2-5 years	35,983	37,475
from 6 years	18,201	18,722
	65,926	68,447

In addition, the AG has entered into a maximum amount guarantee of € 5,000 thousand. A claim is not expected due to the debtor's financial position.

34. Trust assets totaling T € 9,334 were transferred to the AG for security and administration purposes.

Information on the income statement and consolidated income statement

35. Breakdown of sales by business sector

	AG				Group			
	07/01/2017 to 06/30/2018		07/01/2016 to 06/30/2017		07/01/2017 to 06/30/2018		07/01/2016 to 06/30/2017	
	Million €	%	Million €	%	Million €	%	Million €	%
Auditing	95.6	48.9	90.1	48.2	97.5	45.8	92.5	46.7
Tax and commercial law advice	72.9	37.3	72.8	38.9	80.4	37.7	78.0	39.3
Advisory Services	22.4	11.5	20.5	11.0	31.6	14.8	24.4	12.3
other income	4.4	2.3	3.6	1.9	3.6	1.7	3.3	1.7
	195.3	100.0	187.0	100.0	213.1	100.0	198.2	100.0

The sales include fees and expenses charged on (expenses and external services) and were almost exclusively achieved in Germany.

36. Other operating income mainly includes costs charged on, income from the reversal of provisions that are no longer required and value adjustments on receivables.

37. For a better assessment of the earnings situation, the fees are shown under personnel expenses. Of the personnel expenses, expenses for pensions account for T € 2,336 at the AG and T € 2,344 in the Group (previous year AG T € 2,174, Group T € 2,181). These do not include the amounts from the compounding of pension provisions in the amount of T € 8,355 for the AG and T € 8,374 in the Group (previous year AG: T € 7,045, Group T € 7,065), which are reported in interest and similar expenses.

38. The other operating expenses mainly include expenses for buildings and offices, training and further education, insurance premiums, contributions, risk provisions, marketing, communication systems, consulting expenses and travel expenses for employees.

The auditor's fee included auditing services in the amount of € 111 thousand for the AG and € 134 thousand for the group.

39. Income from participations includes income from affiliated companies (AG T € 332, previous year AG T € 49).

40. The other interest and similar income of the AG includes interest from affiliated companies in the amount of T € 247 (previous year: T € 291).

41. The interest and similar expenses of the AG include interest to affiliated companies in the amount of € 51 thousand (previous year: € 48 thousand) as well as € 32 thousand from discounting (previous year: € 48 thousand).

42. In income taxes, corporation tax, trade tax and solidarity surcharge, taxes for previous years and deferred taxes are shown. The expense from the change in deferred tax assets amounts to € 134 thousand for the AG and € 181 thousand in the group (previous year: income AG € 4,390 thousand, group € 4,911 thousand).

Transfer statement AG:

T €	Reporting period	Previous year
Earnings before income taxes (commercial balance sheet)	+1,800	-1,601
Expected income tax expense (previous year income) Group tax rate 31.96910% (previous year: 31.925%)	+575	-511
Transition:		
Different foreign tax burden	0	0
Tax share for:		
tax-free income	-64	-52
non-tax deductible expenses	+114	+163
temporary differences and losses	-47	+1.096
Tax credits	0	0
Actual taxes relating to other periods	-275	-650
Effects from changes in tax rates	0	0
Other tax effects	+163	+142
Expenses (previous year: income) of deferred taxes	+134	-4,390
Deferred tax effect	0	+1,401
Reported income tax expense (previous year income)	+600	-2,801

Group reconciliation:

T €	Reporting period	Previous year
Earnings before income taxes (commercial balance sheet)	+2,716	-3,075
Expected income tax expense (previous year income) Group tax rate 31.96910% (previous year: 31.925%)	+868	-982

T €	Reporting period	Previous year
Transition:		
Different foreign tax burden	0	0
Tax share for:		
tax-free income	-64	-52
non-tax deductible expenses	+143	+165
temporary differences and losses	-105	+825
Tax credits	0	0
Actual taxes relating to other periods	-275	-596
Effects from changes in tax rates	0	0
Other tax effects	+174	+867
Expenses (previous year: income) of deferred taxes	+181	-4,911
Deferred tax effect	0	+1,428
Reported income tax expense (previous year income)	+922	-3,256

Other Information

43. Organs of society

Supervisory board

Johann C. Lindenberg

Chairman

Member of various supervisory boards

Hamburg

Dr. Erhard Schipporeit

Deputy Chairman

Member of various supervisory boards

Hanover

Andreas Engelhardt

Managing personally liable partner

of Schüco International KG

Bielefeld

Anja Halfbrodt *

Administrative assistant

Hamburg

Ira Hübecker-Kleusch *

Head of Examination

Dusseldorf

Marianne Voigt

Member of the management of bettermarks GmbH

Berlin

* Employee representatives

Board

WP StB RA Dr. Holger Otte, chairman, Hamburg

WP StB RA Werner Jacob, Deputy Chairman, Hamburg and Essen

Tax officer Frank Biermann, Hamburg

WP StB Andrea Bruckner, Munich

WP StB Klaus Eckmann, Düsseldorf

RA Parwäz Rafiqpoor, Düsseldorf

WP StB Manuel Rauchfuss, Munich and Stuttgart

WP StB Roland Schulz, Berlin

Honorary Chairman of the Society

WP Prof. Hans-Heinrich Otte

Former chairman of the supervisory board

of BDO AG Wirtschaftsprüfungsgesellschaft

Lübeck

44. Remuneration of the organs

	in T €
Total remuneration of the members of the Board of Management	3,797
Total remuneration of the members of the supervisory board	320
Total remuneration of the former members of the Board of Management or their surviving dependents	1,496
Pension provisions for former members of the Board of Management or their surviving dependents	16,224

45. Average number of employees

	AG		Group	
	07/01/2017 to 06/30/2018	07/01/2016 to 06/30/2017	07/01/2017 to 06/30/2018	07/01/2016 to 06/30/2017
CPA Tax Consultant	426	456	441	469
Other skilled workers	794	777	916	866
Administrative staff	389	392	411	415
	1,609	1,625	1,768	1,750

46. Supplementary report

After the balance sheet date there were no events of major importance for the asset, financial or earnings position of the AG and the group.

47. List of shareholdings

	Participation rate	Held by	Signed capital	Equity	Annual surplus / annual deficit
	%		T €	T €	T €
I. Affiliated companies included in the consolidated financial statements					
1. BDO ARBICON GmbH & Co. KG auditing company, Oldenburg	51	BDO Bet.	515	433	1,055
2. BDO ARBICON Verwaltungsgesellschaft mbH Wirtschaftsprüfungsgesellschaft, Oldenburg	100	BDO Bet.	25th	20th	-2
3. BDO Beteiligungsgesellschaft mbH Wirtschaftsprüfungsgesellschaft, Hamburg	100	BDO	25th	61	-290
4. BDO IT GbR, Hamburg	91	BDO	55	55	0
5. BDO IT GmbH, Hamburg	80	BDO	500	251	-600
6. BDO Restructuring GmbH, Hamburg	100	BDO	25th	1,133	908
7. BDO Technik- und Umweltconsulting GmbH, Düsseldorf	51	BDO	51	112	48
8. BeGeKo GmbH Wirtschaftsprüfungsgesellschaft, Hamburg (1)	100	BDO	620	620	66
II. Affiliated companies not included in the consolidated financial statements					
9. HBV Hanseatische Beteiligungs- und Vermögensverwaltung GmbH, Hamburg	100	BDO	26	19th	1
10. Unitesta Revisions- und Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft, Oldenburg	100	ARBICON	26	57	-2
III. Companies with which there is a participation relationship					
11. BDO IP GbR, Hamburg	95	BDO	694	6,346	-5
12. UNIVERSA Prüfungs- und Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft, Hamburg	26	BDO	60	60	94

(1) Company with which there is a profit and loss transfer agreement.

Development of fixed assets from July 1, 2017 to June 30, 2018

	Acquisition costs			
	07/01/2017	Accesses	Departures	06/30/2018
	T €	T €	T €	T €
AG				
Intangible assets				
EDP software	12,834	755	262	13,327
Business and practical values	21,262	0	508	20,754
Total immat. Assets	34.096	755	770	34,081
Property, plant and equipment				
Land and buildings	5,946	0	0	5,946
Business equipment	29,275	842	1,727	28,390
Total property, plant and equipment	35,221	842	1,727	34,336

	Acquisition costs			
	07/01/2017	Accesses	Departures	06/30/2018
	T €	T €	T €	T €
Financial assets				
Shares in affiliated companies	3,622	850	0	4,472
Holdings	7.130	0	915	6.215
Fixed asset securities	13,344	7,764	9,058	12,050
Other loans	0	4,000	333	3,667
Total financial assets	24.096	12,614	10.306	26,404
Total fixed assets	93,413	14,211	12,803	94,821

	Depreciation			
	07/01/2017	Accesses	Departures	06/30/2018
	T €	T €	T €	T €
AG				
Intangible assets				
EDP software	10,856	683	262	11,277
Business and practical values	10,949	1,622	508	12,063
Total immat. Assets	21,805	2,305	770	23,340
Property, plant and equipment				
Land and buildings	2,611	133	0	2,744
Business equipment	23,408	1,900	1,684	23,624
Total property, plant and equipment	26,019	2,033	1,684	26,368
Financial assets				
Shares in affiliated companies	0	0	0	0
Holdings	0	0	0	0
Fixed asset securities	0	0	0	0
Other loans	0	0	0	0
Total financial assets	0	0	0	0
Total fixed assets	47,824	4,338	2,454	49,708

	Book values	
	06/30/2018	06/30/2017
	T €	T €
AG		
Intangible assets		
EDP software	2,050	1,978
Business and practical values	8,691	10,313
Total immat. Assets	10,741	12,291
Property, plant and equipment		
Land and buildings	3,202	3,335
Business equipment	4,766	5,867
Total property, plant and equipment	7,968	9,202
Financial assets		
Shares in affiliated companies	4,472	3,622
Holdings	6.215	7.130
Fixed asset securities	12,050	13,344
Other loans	3,667	0
Total financial assets	26,404	24.096
Total fixed assets	45.113	45,589

Development of fixed assets from July 1, 2017 to June 30, 2018

	Acquisition costs			
	07/01/2017	Accesses	Departures	06/30/2018
	T €	T €	T €	T €
GROUP				
Intangible assets				
EDP software	13,105	765	262	13,608
Business values	25,996	0	0	25,996
Total immat. Assets	39.101	765	262	39,604

	Acquisition costs			
	07/01/2017	Accesses	Departures	06/30/2018
	T €	T €	T €	T €
Property, plant and equipment				
Land and buildings	6,098	0	0	6,098
Business equipment	29,988	935	1,845	29,078
Total property, plant and equipment	36,086	935	1,845	35.176
Financial assets				
Shares in affiliated companies	52	0	0	52
Holdings	7.130	0	915	6.215
Fixed asset securities	13,344	7,764	9,058	12,050
Other loans	0	4,000	333	3,667
Total financial assets	20,526	11,764	10.306	21,984
Total fixed assets	95,713	13,464	12,413	96,764

	Depreciation			
	07/01/2017	Accesses	Departures	06/30/2018
	T €	T €	T €	T €
GROUP				
Intangible assets				
EDP software	11,120	691	262	11,549
Business values	12,593	2,206	0	14,799
Total immat. Assets	23,713	2,897	262	26,348
Property, plant and equipment				
Land and buildings	2,754	141	0	2,895
Business equipment	23,829	2,034	1,802	24,061
Total property, plant and equipment	26,583	2.175	1,802	26,956
Financial assets				
Shares in affiliated companies	0	0	0	0
Holdings	0	0	0	0
Fixed asset securities	0	0	0	0
Other loans	0	0	0	0
Total financial assets	0	0	0	0
Total fixed assets	50,296	5,072	2,064	53,304

	Book values	
	06/30/2018	06/30/2017
	T €	T €
GROUP		
Intangible assets		
EDP software	2,059	1,985
Business values	11,197	13,403
Total immat. Assets	13,256	15,388
Property, plant and equipment		
Land and buildings	3,203	3,344
Business equipment	5,017	6.159
Total property, plant and equipment	8,220	9,503
Financial assets		
Shares in affiliated companies	52	52
Holdings	6.215	7.130
Fixed asset securities	12,050	13,344
Other loans	3,667	0
Total financial assets	21,984	20,526
Total fixed assets	43,460	45,417

Consolidated cash flow statement
for the financial year from July 1, 2017 to June 30, 2018

		01.07.2017 -30.06.2018	07/01/2016 - 06/30/2017
		T €	T €
1.	Profit or loss for the period (consolidated profit / loss for the year including minority interests)	+1,794	+181

			01.07.2017 -30.06.2018	07/01/2016 - 06/30/2017
			T €	T €
2.	+ / -	Depreciation / write-ups on fixed assets	+5,072	+5,627
3.	+ / -	Increase / decrease in provisions	-6,459	+3,246
4th	+ / -	Other non-cash expenses / income	-336	-4,995
5.	- / +	Increase / decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	-5,701	-951
6th	+ / -	Increase / decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	-628	-792
7th	- / +	Gain / loss from the disposal of fixed assets	-443	-238
8th.	+ / -	Interest expenses / interest income	+7,617	+7,137
9.	-	Other investment income	-163	-120
10.	+ / -	Expenses / income from extraordinary items	+647	+647
11.	+ / -	Income tax expense / income	+741	+1,655
12th	+	Payments from extraordinary items	0	0
13th	-	Payouts from extraordinary items	0	0
14th	- / +	Income tax payments	-1,901	-753
15th	=	Cash flow from operating activities (sum of 1 to 14)	+240	+10,644
16.	+	Payments received from the disposal of intangible assets	0	0
17th	-	Payments for investments in intangible assets	-765	-1,653
18th	+	Payments received from the disposal of items of property, plant and equipment	+486	+357
19th	-	Payments for investments in property, plant and equipment	-935	-1,637
20th	+	Inpayments from the disposal of financial assets	+10,306	+16,822
21.	-	Payments for investments in financial assets	-11,764	-21,577
22nd	+	Incoming payments from disposals from the scope of consolidation	0	0
23	-	Payments for additions to the scope of consolidation	0	-1,553
24	+	Payments due to financial investments in the context of short-term financial management	0	0
25th	-	Payments due to financial investments in the context of short-term financial management	0	0
26.	+	Payment from extraordinary items	0	0
27	-	Payment from extraordinary items	0	0
28.	+	Interest received	+972	+210
29	+	Dividends received	+163	+120
30th	=	Cash flow from investing activities (total from 16 to 29)	-1,537	-8,911
31.	+	Payments from equity injections from shareholders of the parent company	0	0
32.	+	Payments from equity injections from other shareholders	0	+100
33.	-	Payments from equity capital reductions to shareholders in the parent company	0	0
34.	-	Payments from equity capital reductions to other shareholders	0	0
35.	+	Payments from issuing bonds and taking out (financial) loans	0	0
36.	-	Payouts from the repayment of bonds and (financial) loans	-700	-500
37.	+	Payments from grants / grants received	0	0
38.	+	Payments from extraordinary items	0	0
39.	-	Payouts from extraordinary items	0	0
40	-	Interest Paid	-216	-282
41.	-	Dividends paid to shareholders in the parent company	0	0
42.	-	Dividends paid to other shareholders	-873	-931
43.	=	Cash flow from financing activities (total from 31 to 42)	-1,789	-1,613
44.		Cash changes in financial resources (total of 15,30,43)	-3,086	+120
45.	+ / -	Changes in financial resources due to exchange rate and valuation-related changes	0	0
46.	+ / -	Changes in financial resources due to the scope of consolidation	0	0
47.	+	Cash funds at the beginning of the period	+20,555	+20,435

			01.07.2017 -30.06.2018 T €	07/01/2016 - 06/30/2017 T €
48.	=	Cash funds at the end of the period (sum of 44 to 47)	+17,469	+20,555

The financial resources fund consists of cash balances and bank balances.

Change in securities fixed assets	-1,294	+8,201
Change in financial resources	-3,086	+120
Change in financial resources and securities, fixed assets	-4,380	+8,321

Group Equity Capital
to 06/30/2018

	Parent Company Equity					
	Subscribed capital		Reserves retained earnings			
	Common stock	total	legal reserve	other retained earnings	total	total
As of June 30, 2017	7,800	7,800	780	5,142	5,922	13,722
Allocation to / withdrawal from reserves		0		600	600	600
distribution		0			0	0
Other changes		0			0	0
Consolidated net income / loss for the year		0			0	0
As of June 30, 2018	7,800	7,800	780	5,742	6,522	14,322

	Parent Company Equity		
	Profit carryforward / loss carryforward	Consolidated net income / loss for the year that is attributable to the parent company	total
As of June 30, 2017	-2,670	-1,721	9,331
Allocation to / withdrawal from reserves		-600	0
distribution			0
Other changes	-1,721	1,721	0
Consolidated net income / loss for the year		887	887
As of June 30, 2018	-4,391	287	10,218

	Non-controlling interests			Group equity
	Non-controlling interests before difference in equity from currency translation and annual result	Profits / losses attributable to non-controlling interests	total	total
As of June 30, 2017	295	-174	121	9,452
Allocation to / withdrawal from reserves			0	0
distribution		-991	-991	-991
Other changes			0	0
Consolidated net income / loss for the year		907	907	1,794
As of June 30, 2018	295	-258	37	10,255

AUDITOR'S REPORT

I have the annual financial statements - consisting of balance sheet, income statement and appendix - including the bookkeeping of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, as well as the consolidated financial statements prepared by it - consisting of balance sheet, profit and loss account, appendix, cash flow statement and equity statement - and audited its report on the position of the company and the group for the financial year from July 1, 2017 to June 30, 2018. The bookkeeping and the preparation of these documents in accordance with German commercial law and the supplementary provisions of the Articles of Association are the responsibility of the company's Management Board. My job is,

I have carried out my annual and consolidated financial statements 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). According to this, the audit is to be planned and carried out in such a way that inaccuracies and violations that relate to the presentation of the picture of the assets conveyed by the annual financial statements and the consolidated financial statements in compliance with the generally accepted accounting principles and the report on the position of the company and the group , The financial position and results of operations can be identified with sufficient certainty. When determining the audit procedures, knowledge of the business activities and the economic and legal environment of the company and the group as well as expectations of possible errors are taken into account. As part of the audit, the effectiveness of the accounting-related internal control system as well as evidence for the information in the bookkeeping, the annual and consolidated financial statements and in the report on the position of the company and the group are assessed primarily on the basis of random samples. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the delimitation of the scope of consolidation,

I am of the opinion that my examination forms a sufficiently secure basis for my assessment.

My examination did not lead to any objections.

In my opinion, based on the knowledge gained during the audit, the annual financial statements and the consolidated financial statements comply with the statutory provisions and the supplementary provisions of the articles of association and, in compliance with the principles of proper accounting, convey a true and fair view of the company's assets, financial and earnings position of the group. The report on the position of the company and the group is consistent with the annual financial statements and the consolidated financial statements, complies with the legal requirements, as a whole provides an accurate picture of the position of the company and the group and accurately presents the opportunities and risks of future development.

Hamburg, September 6, 2018

Inzelmann, auditor

Supervisory Board Report

In the 2017/18 financial year, the Supervisory Board performed the tasks incumbent upon it by law and the Articles of Association and monitored the management of the Management Board on the basis of verbal and written reports. It regularly and comprehensively informed itself from the Executive Board about the course of business and the economic situation of the company and its group companies, corporate planning including financial, investment and personnel planning, the development of the earnings and financial position, internal and external quality control measures and about have other significant business transactions and measures reported.

Four Supervisory Board meetings took place in the financial year. At these meetings, the Management Board reported to the Supervisory Board on matters of fundamental importance and significant business transactions, in particular those that require the consent of the Supervisory Board according to the law and the articles of association. The Supervisory Board intensively examined the matters and business transactions submitted to it and - where necessary - gave its approval.

The Supervisory Board dealt intensively, above all, with questions relating to the company's strategic orientation, quality and risk management, employment policy and questions relating to professional development. In addition, the chairman of the supervisory board was informed in regular discussions with the management board, in particular with the chairman of the management board, about significant developments in the company and decisions of the management board.

The annual financial statements and the consolidated financial statements as well as the report on the situation of BDO AG Wirtschaftsprüfungsgesellschaft and the group for the financial year from July 1, 2017 to June 30, 2018 are approved by the auditor elected by the annual general meeting on December 15, 2017 and commissioned by the supervisory board, Auditor and tax advisor Dipl.-Kfm. Rainer Inzelmann, Hamburg and given an unqualified audit certificate.

In its meeting on September 26, 2018, the balance sheet committee examined the annual financial statements and the consolidated financial statements as well as the management report and the group management report and discussed the results of the audit in detail with the auditor. The auditor's reports were submitted to the Supervisory Board and were dealt with intensively at the Supervisory Board's balance sheet meeting. Based on the report on the audit of the financial statements and the consolidated financial statements for the financial year from July 1, 2017 to June 30, 2018, as well as on the basis of the combined management report and the information provided by the auditor to the balance sheet committee, the members of the balance sheet committee agreed with the full Supervisory Board at its meeting at 16.

The Supervisory Board noted and approved the audit reports and audit results. After the final result of its own examination, the Supervisory Board raised no objections and approved the annual financial statements, the consolidated financial statements, the combined management report and the Management Board's proposal for the appropriation of the balance sheet profit. Today it adopted the annual financial statements of BDO AG Wirtschaftsprüfungsgesellschaft prepared by the Board of Directors and approved the consolidated financial statements.

On October 25, 2017, our long-time partner and managing counsel, Mr. Eckhard Keyl, passed away. He belonged to our company from March 1978 to December 2007 and has headed the central legal department since January 1, 1994. In this role, Mr. Keyl played a key role in shaping the development of our company. Society will keep him in an honorable memory.

Our long-standing member of the Supervisory Board, Senator retired Gunnar Uldall, died on November 14, 2017. From July 2010 to December 2016, he was a member of the Supervisory Board and a highly valued advisor and companion to our company. Society will keep him in an honorable memory.

Our long-time member of the advisory board, Mr. Klaus Müller-Gebel, passed away on June 11, 2018. He was a member of our former advisory board from January 2003 to July 2011 and has closely accompanied the company's path during this time. Society will keep him in an honorable memory.

The Supervisory Board expresses its thanks and appreciation to the Management Board and all employees for the work they have done in the year under review.

Hamburg, November 16, 2018

Johann C. Lindenberg, Chairman of the Supervisory Board

Decision on the use of the annual surplus

The Annual General Meeting on December 18, 2018 resolved to transfer the annual surplus of € 1,200,000 to retained earnings. It was also decided to transfer an amount of € 390,000 to a separate reserve reserved for distribution purposes. Due to the changed legal framework, this cannot yet be distributed. As soon as the conditions for the distribution block no longer apply, the distributions will be made up.
