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**BDO AG auditing company**

Hamburg

**Annual and consolidated financial statements for the business year from 07/01/2018 to 06/30/2019****Group management report and management report for the financial year from July 1, 2018 to June 30, 2019****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, Fuhrentwiete 12, and has 26 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 DIGITAL GmbH, Hamburg
- BDO Cyber Security GmbH, Hamburg
- BDO DPI AG Wirtschaftsprüfungsgesellschaft, Leer
- BS Nearshoring Center LLC, Kiev
- 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 various 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, 2018, the international BDO network is active in 162 countries with a total of more than 80,000 employees and around 1,600 locations worldwide, as the following diagram shows.



In the 2017/2018 financial year (balance sheet date September 30th), the international BDO network achieved total sales of around US \$ 9.0 billion (€ 7.6 billion), with a currency-adjusted increase of around 10.7 billion compared to the previous financial year %. The international BDO network has thus impressively continued on its sustainable, stable growth path.

In most industrialized countries, for the BRIC countries and in many Eastern European BDO member firms, we continue to work with so-called German desks with German-speaking employees or colleagues sent by BDO Germany. With this we offer a unique combination of personal support and international performance, especially to the growing international, owner-managed medium-sized companies.

In 2018, BDO International was named Network of the Year for the second time after 2016 by the International Accounting Bulletin.

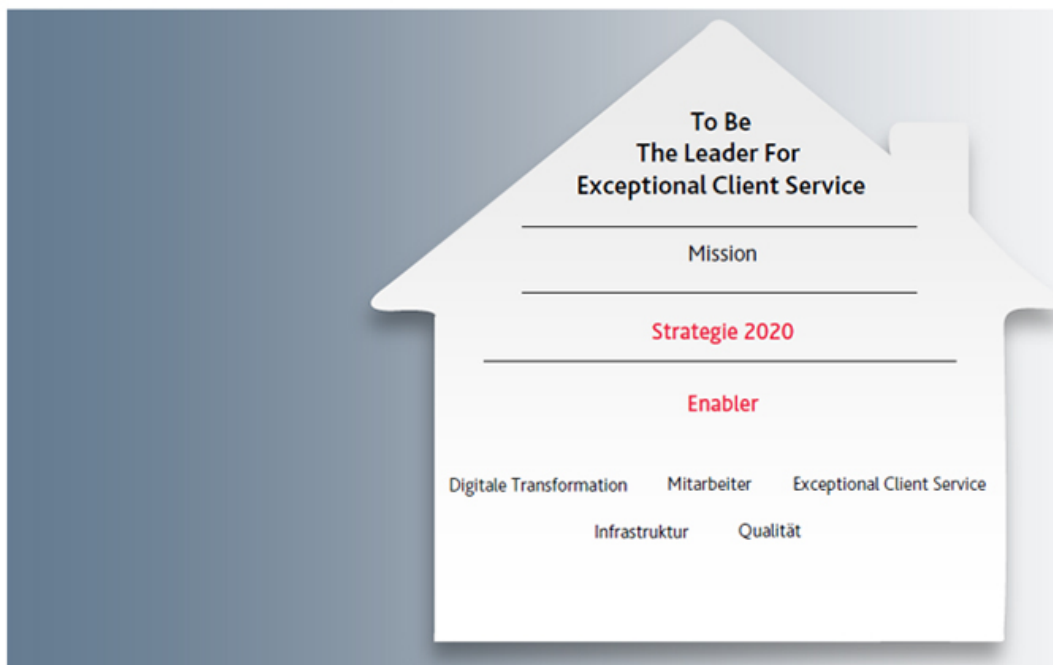
#### **BDO Alliance**

Due to increasing regulatory and market requirements and the challenges of digitization and globalization, there are strong tendencies in Germany to concentrate on the auditing market. Smaller auditing practices need access to an international auditing and advisory network as well as specialist cooperation partners in order to maintain their competitiveness. As an alternative to a corporate merger with larger auditing firms, BDO created a cooperation opportunity for auditing firms in 2019. It is a contractual agreement on the basis of which small and medium-sized auditing practices are given access to the BDO network and professional services are offered in compliance with client protection. The joining alliance companies remain independent and can thus strengthen their own competitiveness. One of the basic considerations of this cooperation offer is to use the Alliance partner to cover regions in which there is no BDO location and to support the Alliance companies, particularly in specialist and industry-specific areas. The joining alliance companies remain independent and can thus strengthen their own competitiveness. One of the basic considerations of this cooperation offer is to use the Alliance partner to cover regions in which there is no BDO location and to support the Alliance companies, particularly in specialist and industry-specific areas. The joining alliance companies remain independent and can thus strengthen their own competitiveness. One of the basic considerations of this cooperation offer is to use the Alliance partner to cover regions in which there is no BDO location and to support the Alliance companies, particularly in specialist and industry-specific areas.

Since January 1, 2019, the renowned law firm Breidenbach und Partner PartG mbB in Wuppertal has been the first independent member of the BDO Germany Alliance. Another new member, 8P Partnerschaftsgesellschaft mbH, Siegen, joined at the beginning of the following financial year. We are in contact with other interested parties.

#### **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. National studies confirm that we are valued by our clients as trustworthy, reliable advisors. In the course of digitization, we are also adapting our communication channels and collaboration options with our customers to new technological conditions.

For important special and cross-cutting issues, we have set up departments in our three corporate divisions that work 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.

Starting in 2016, we responded to the growing need for advice in the IT sector and, with BDO DIGITAL GmbH and BDO Cyber Security GmbH, created a bundling of expertise that enables us to offer our clients a comprehensive service portfolio in the IT sector, including IT Offer security and security. The new IT companies from seven locations with currently more than 150 employees offer comprehensive advice and support in the technological and organizational implementation of new IT-driven technologies and security concepts.

In addition to our industry knowledge, the main reasons for commissioning us are therefore also 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 achieving their growth goals: be it through professional recruiting or through appropriate action plans to retain employees in the company or new employees for us to inspire (employer brand campaign). 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 and actively involve them in the idea phase.

We promote communication, teamwork and leadership skills through workshops, targeted trainings tailored to the changed requirements 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 further 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.

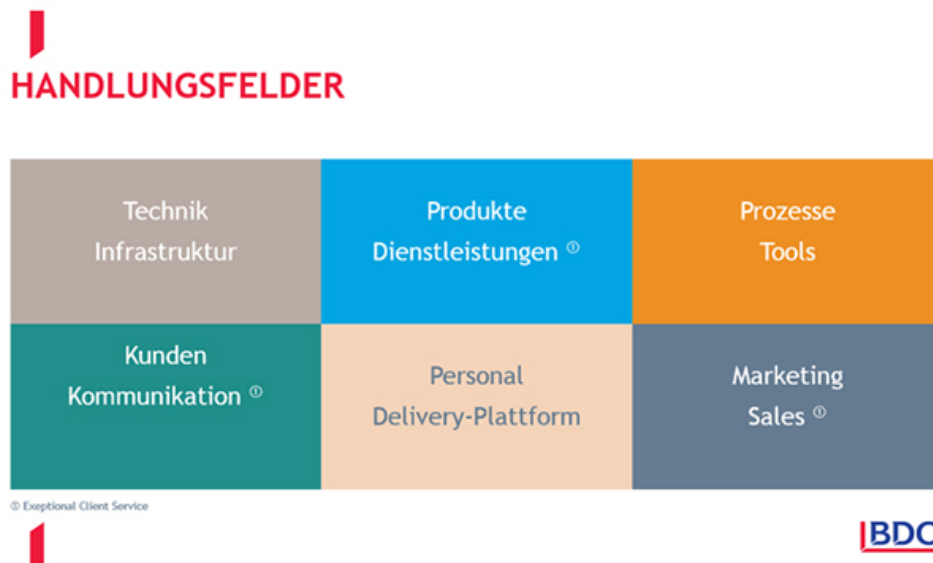
This cooperation is also carried out with the aim of actively contributing to the further development of the profession. Accordingly, we are extensively involved in professional bodies and institutions. We enable experienced professionals to get actively involved in the profession and to achieve this 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 is continuously working on the further development and implementation of our digital agenda. The fields of action defined in the specification of the digital agenda are systematically pursued as part of our agile project management.



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. As described above, we can offer our customers new services in the field of IT services through IT 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 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 internal IT organization (CIT - Corporate IT) accordingly on January 1, 2018 and focused on IT development. Our revised CIT strategy takes into account all of the aspects outlined above and aligns our CIT with these needs.

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 on our website [www.bdo.de](http://www.bdo.de) in October 2018 in accordance with the professional regulations.

### 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.

In the past financial year, in addition to the expansion of the IT companies to include BDO Cyber Security GmbH, a subsidiary was founded in Kiev, Ukraine. With the implementation of this new company, designed as a nearshoring center, we have made further process optimizations. The nearshoring center offers support in the audit office, tendering and graphics services as well as the preparation of studies within the framework of a BDO institute. A further expansion of the range of services as well as the expansion of the offer for other BDO member firms is in preparation.

On October 1, 2018, a majority stake in BDO DPI AG Wirtschaftsprüfungsgesellschaft, Leer, was also acquired.

As of June 30, 2019, 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, Leer, Leipzig, Lübeck, Munich, Oldenburg, Rostock, Stuttgart and Wiesbaden.

**B. Economic report****B. 1. Business development and situation of the group and society****B.1.1. Macroeconomic and industry-related developments**

The German economy developed stably in 2018 with a growth in gross domestic product (GDP) of 0.7% (previous year 2.1%) (compared to the first quarter of the year in each case)<sup>1</sup>. The German economy continues to grow in the first quarter of 2019. The gross domestic product increased by 0.6% compared to the same quarter of the previous year, adjusted for price, seasonality and calendar changes. The German Institute for Economics (DIW) forecasts<sup>2</sup> for 2019, Berlin, a further decline in economic output, which has its origins in stagnating industry and is now having macroeconomic consequences. The incalculable consequences of Brexit and possible trade conflicts are now having an impact on the entire German economy. However, these uncertainties lead to an increased need for advice, so that it is expected that this negative trend will not have a direct impact on the consulting industry.

<sup>1</sup> Cf. [https://www.destatis.de/DE/Presse/press\\_releases/2019/05/PD19\\_196\\_811.html](https://www.destatis.de/DE/Presse/press_releases/2019/05/PD19_196_811.html)

<sup>2</sup> Cf. DIW Economic Barometer of July 31, 2019, [https://www.diw.de/de/diw\\_01.c.670970.de/diw\\_konjunkturbarometer\\_juli\\_industrieschwaechte\\_strahlt\\_auf\\_gesamte\\_deutsche\\_wirtschaft\\_aus.html](https://www.diw.de/de/diw_01.c.670970.de/diw_konjunkturbarometer_juli_industrieschwaechte_strahlt_auf_gesamte_deutsche_wirtschaft_aus.html)

According to the current study by the market research company Lünendonk from July 2019, total sales in 2018 grew by an average of 8.7% (adjusted for outliers; previous year 7.3%; forecast from spring 2016: 8.9%). The growth within the top 25 examined varied. According to the so-called BIG 4, a group of 6 companies with a turnover of at least € 100 million is formed. In this respect, the term “next ten” must be viewed differently, as the spread within the next ten is also advancing further. The market volume of the WP industry recorded a growth of 5.8% in 2018.

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 2018/2019 financial year, BDO was rated by Manager Magazin<sup>3</sup> as the best consultant according to the so-called BIG 4 in the overall assessment in the areas of final examinations, other audit services, management and IT and transaction consulting as well as in digital transformation. BDO is one of the best performing auditors and consultants in these sectors. In the M&A review by Thomson Reuters, BDO ranks 4th in Germany for small and mid caps.

**B.1.2. Group business development**

For the 2018/2019 financial year, we reported consolidated sales of € 232.1 million (previous year: € 213.1 million) and increased our consolidated sales in the financial year by € 19.0 million (+8.9 million) %; (Previous year 7.5%). The increase from organic growth amounts to € 14.9 million (+7.0%). According to the forecast report 2018/2019, 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.

Sales in the individual BDO divisions have developed as follows:

Sales in the auditing division were € 107.1 million (previous year: € 97.5 million), € 9.6 million higher than the previous year's sales (+ 9.8%), while sales in the tax and commercial law advisory division increased by € 3.9 million to € 84.3 million (previous year € 80.4 million) (+4.9%). Sales in the Advisory Services division developed particularly well, increasing by € 4.6 million (+14.6%) to € 36.2 million (previous year: € 31.6 million).

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

In the 2018/2019 financial year, a total of 355 new employees were hired across the Group (previous year 233). The appointments took place in all three company 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.

<sup>3</sup> Manager Magazin EXTRA Issue 4/2019

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 also took part in a total of 17 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 1,781 full-time employees, 6.5% above the previous year's figure (1,673).

In order to do justice to initial vocational training and targeted further training at a high technical level, we invested a total of € 13.3 million (previous year: € 12.5 million) in training and further education in the 2018/2019 financial year.

**Group results of operations**

For the 2018/2019 financial year, we reported consolidated sales of € 232.1 million (previous year: € 213.1 million). We were able to increase our group sales by 8.9% (previous year 7.5%). The sales increase of € 19.0 million is based on around € 14.9 million on organic growth, which corresponds to an increase of 7.0% compared to the previous year.

Other operating income increased by € 2.0 million to € 8.4 million compared to the previous year. The increase is mainly due to the reversal of provisions that are no longer required in the area of risk provisioning.

Personnel expenses increased from € 147.9 million in the previous year to € 169.4 million. This is based on the one hand on the increase in our personnel capacity, and here mainly on the expansion of the Advisory Services business area, and on the other hand on the increase in fees incurred for the remuneration of freelancers and cooperation partners as well as foreign BDO partner companies.

The other operating expenses increased by € 3.9 million to € 59.9 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 € 8.6 million in the previous year to € 10.0 million. The increase of € 1.4 million is mainly due to the increased interest on pension provisions compared to the previous year totaling € 9.7 million (previous year: € 8.4 million) with an actuarial interest rate of 2.94% (previous year: 3.45%).

The consolidated net profit for the year under review amounts to € 0.9 million (previous year: € 1.8 million).

**Group financial position**

The group continues to have a good liquidity position. Liquidity (fixed asset securities, cash in hand, bank balances) amounted to € 25.3 million at the end of the financial year (previous year: € 29.5 million).

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

### Group financial position

The balance sheet total in the group increased by € 11.6 million to € 156.4 million at the end of the financial year.

The Group's assets consist of 21% long-term values (including fixed asset securities) and 79% short-term values.

Property, plant and equipment decreased as planned by € 0.4 million to € 7.9 million. The intangible assets also decreased as planned by € 1.5 million to € 11.8 million.

In the 2018/2019 financial year, we made investments in property, plant and equipment and intangible assets (excluding goodwill) in the amount of € 2.4 million (previous year: € 1.7 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 € 115.4 million to € 124.7 million. Of the increase of € 9.3 million, € 9.0 million is attributable to the increase in provisions for pensions and € 0.3 million to the increase in other provisions. The pension provisions amount to 61% of the balance sheet total. According to BilMoG, the discount rate for pension provisions as of June 30, 2019 is 2.94% (previous year 3.45%).

Liabilities increased by € 1.8 million from € 18.7 million in the previous year to € 20.5 million. The increase is mainly due to the increase in trade payables.

At 7.0%, the equity ratio is at the previous year's level (7.1%).

### B.1.3. Business development BDO

In the 2018/2019 financial year, BDO achieved sales that were € 11.0 million higher at € 206.3 million (previous year: € 195.3 million); this corresponds to an increase in sales of 5.6%. The year-on-year increase in sales is mainly due to an increase in sales in the auditing (+ 7.9%) and tax and legal advice (+ 4.7%) corporate 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 2017/2018 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:

	2018/2019	2017/2018	change
Auditing	€ 103.1million	€ 95.6 million	+ 7.9%
Tax and commercial law advice	€ 76.3 million	€ 72.9 million	+ 4.7%
Advisory Services	€ 22.1 million	€ 22.4 million	-1.3%

285 new employees were hired in the 2018/2019 financial year. On average, the personnel capacity was 1,554 full-time employees, slightly above the previous year's figure (1,520).

### Profit situation of BDO

Personnel expenses at BDO increased to € 147.3 million (previous year € 135.2 million). The increase is explained by the higher personnel capacity, the increase in expenses for salaries, higher expenses for pensions and, essentially, with the increase in the fees incurred for remuneration of freelancers and cooperation partners as well as for foreign BDO partner companies.

Other operating expenses increased by € 0.9 million to € 54.4 million compared to the previous year. 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.

BDO's interest expense increased from € 8.6 million in the previous year to € 9.9 million. The increase results mainly from the compounding of the pension provisions in the amount of € 9.7 million (previous year: € 8.4 million) with an actuarial interest rate of 2.94% (previous year 3.45%).

The annual surplus in the 2018/2019 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	2018/2019	2017/2018
Liquidity (long-term securities, cash in hand, bank balances)	€ 22.9 million	€ 29.0 million
Total assets	€ 153.9 million	€ 143.7 million
Ratio of long-term values (including fixed asset securities) to short-term values	23.3% / 76.7%	31.4% / 68.6%
Investments in property, plant and equipment and intangible assets	€ 2.3 million	€ 1.6 million
Financial position	2018/2019	2017/2018
Equity	€ 14.7 million	€ 13.5 million
Share of provisions in the balance sheet total excluding equity	87.5%	87.3%
Equity ratio	9.5%	9.4%

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

### B.2.1. Auditing division

Auditing continued its growth trend in the 2018/2019 financial year and achieved sales of € 107.1 million (previous year: € 97.5 million). The auditing market continues to be subject to intense cutthroat competition. The limited availability of experienced employees, the pressure to innovate and the global positioning play a decisive role in the selection of the auditor. In this environment we were able to increase sales by € 9.6 million (9.8%). Particularly noteworthy is that of this, € 7.9 million (8.1%) can be attributed 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, as well as in innovative solutions in our traditional services. These investments enable us to carry out economically attractive auditing and consulting projects in the banking and financial services, insurance, health and energy industries. In addition, our traditionally strong services in the field of IFRS consulting as well as forensic, risk & compliance consulting remain unchanged. We continue to invest in auditing professionals

In addition to investing in new employees, investing in digital transformation is another focus of our activities. The thematic focus is on solutions for exchanging information and generating added value from data and process analyzes.

For the current financial year, we again expect significant growth impulses from the areas mentioned, fortunately in the traditional audit as well as in consulting.

### **B.2.2. Taxes and business law advice**

In the past financial year, the 4.9% increase in sales in the Taxes and Business Law Consulting division, which increased by 4.9% to € 84.3 million, developed satisfactorily, especially since some special projects that increased sales in the previous year ended. There was no impetus from the legislature for the demand for tax and tax law advisory services. The still good economic situation led to a sustained high demand for high-quality consulting services in the field of creative and international tax advice, so that the locations in the metropolises in particular were able to achieve significantly above-average sales growth,

The locations in which the transformation away from the focus on compliance activities towards a provider of more complex consulting services was also successful were successful. In the departments, particularly in sales tax and international tax law, an appealing sales growth was achieved. In the area of sales tax, the development of web-based solutions for automated declaration purposes was advanced according to plan and the cooperation with third parties for checking tax determination in ERP systems was expanded. The recruiting of suitable specialist staff, which remained very difficult, posed a great challenge and set clear limits to the growth path we had taken.

The development of the BDO portal for comprehensive communication and collaboration with our clients was advanced on an international level with delays right up to the pilot phase, which will go from the planning stage to implementation in Germany in the next financial year. Due to the functionalities of the portal, we will also be able to offer a convincing TaxCMS solution by using it. We continue to push the development of tools such as B. for digital data exchange and for the visualization of relevant company data as well as the process standardization in the area of our service provision.

The focus of the new financial year will be on the introduction of the BDO portal to the clients who can derive the greatest benefit from the platform, along with the expansion of the tax technology area and the development of further application scenarios. In addition, with the help of experienced experts, we will expand our consulting portfolio in both breadth and depth. Overall, higher sales growth than in the past financial year is to be expected.

### **B.2.3. Advisory Services division**

The Advisory Services division grew by 14.6% this year. The turnover is thus € 36.2 million. The growth drivers were the advice in the areas of IT and corporate finance. Particularly noteworthy is the successful establishment of a unit in the field of cyber security, which at the same time had a significant influence on the positive development in sales.

According to general forecasts, the number of transactions is currently falling slightly, but with a very high number of transactions at the same time. We therefore assume that Corporate Finance will continue its positive development. BDO participated in over 1,400 transactions internationally in the past financial year and thus assumed a market-leading role. This year too, BDO Germany made a significant contribution to this development. The basis for further growth has been laid by expanding our market position.

Due to the continuing need for IT consulting, especially in the context of digitization and cyber security, we assume that the various IT divisions will continue to grow significantly in the coming year. Personnel additions in these areas are imminent.

In the next year, the focus will also be on the significant expansion of our activities in the areas of public business consulting and healthcare. We want to further strengthen these services, as the demand in these areas will also increase noticeably due to the topics of e-health and e-government.

## **C. Risk, Opportunity and Forecast Report**

### **Risk report**

Our group-wide risk management system is aligned with the relevant legal requirements, the specifically identified additional risk areas, the corporate strategy and the risk management and quality structures of the international BDO network.

In the context of risk management, we distinguish between five basic risk areas, namely external, internal, performance, financial and compliance risks. We are continuously developing the risk management system by e.g. B. Evaluate risks on an ongoing basis and back up the control of the risks with specific measures. The risk management system is supported by suitable IT systems.

In the area of quality management, which largely affects the practice of the profession, the measures within the framework of our risk management range from the careful examination of the acceptance of a mandate from a risk perspective to the examination of professional independence requirements, the use of modern and efficient IT systems, regular intensive training measures that are specific to the individual Assignment of appropriate staffing (including the involvement of specialists and specialist departments as part of the consultation) and the annual internal quality review.

Our quality assurance measures are also checked both by external quality control (Section 57a WPO) and by regular inspections by the auditor's supervisory body (Section 62b WPO).

Ensuring professional quality within the framework of our quality assurance system is of the utmost importance to us, also in order to avoid regulatory measures and damage to reputation and liability. In this context, we also maintain appropriate insurance cover.

Among the external risks, a relevant risk can currently arise primarily from the deterioration in the general economy, which is intensified, among other things, by current international trade disputes, international tensions and the possible Brexit.

In the area of internal company risks, maintaining and securing the IT infrastructure required for the provision of services and the necessary internal issues is a measure of permanent importance Data integrity through the employment of highly qualified IT staff, through the provision of the latest technical state of the IT hardware and suitable back-up systems as well as considerable investments in securing the systems. Furthermore, corresponding instructions accompany

Recruiting and retaining qualified employees against the background of demographic developments and the general boom in recent years is still of considerable importance in the area of internal company risks. In order to achieve our goals in this regard, considerable investments are made and a large number of measures are implemented, in particular to increase our visibility and attractiveness as an employer.

In the area of economic performance risks, the digitization of service provision is particularly important for future corporate success. In this area, we make and invest heavily in secure communication, the digitization of our existing services and internal processes and the expansion of the product range with new digital products.

In order to ward off financial risks, the company continues to take measures to prevent damage, ie the structured defense against unjustified claims brought against the company in close cooperation with the company's professional liability insurer.

In the context of compliance risks, we deal with the legal regulations that apply to the company and take suitable measures to ensure that they are complied with. This includes, for example, internal company guidelines, training, control and reporting mechanisms and the establishment of an appropriate and effective compliance management system. The compliance issues that are particularly noteworthy in this context include the implementation of the EU General Data Protection Regulation and the constantly evolving provisions of the Money Laundering Act.

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.

### **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 and also to acquire or cooperate with auditing companies with a strong understanding of medium-sized companies and proven medium-sized companies and thus to play 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 nearshoring center, which was newly established in 2018/2019, also supports us with professional research and support services for tendering and graphics services. Through current studies by the BDO Institute, we document our understanding of the industry and our expertise in selected market sectors and segments.

We use the ongoing investments in the optimization of IT-supported internal processes and an improved internal IT organization as well as the expansion of IT-specific service offerings for more efficient order processing and the expansion of digital products and services.

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 DIGITAL GmbH, but also BDO Cyber Security GmbH, enables us to support our customers in digitization issues as well as in the great challenge of IT security and protection.

Through our distinctive understanding and almost 100 years of competence in personal support and advice to our clients, our broad and highly specialized range of services and our integration into the powerful and rapidly growing international BDO network, we underline our special positioning and differentiation in the market as the largest independent medium-sized company Providers 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. We consider ourselves to be well positioned in terms of both the market and our internal structures.

#### **Events after the balance sheet date**

With effect from July 1, 2019, BDO took over the majority of the shares in Dr. Daiber Stuttgart GmbH & Co. KG auditing company; As a result, we have doubled sales and the number of employees at the Stuttgart location. Our Stuttgart location underlines its competence in the field of auditing and increases its presence in the area of tax and commercial law advice.

#### **Forecast report**

According to the Lünendonk study from July 2019, conservative average growth of 3.9% is expected for the overall market. The top 25 sees the advisory area as the fastest growing area. For 2019, the so-called Next Ten see particular growth opportunities in the areas of tax advice and corporate finance.

According to Lünendonk, digitization and the recruiting of qualified personnel will continue to be defined as central challenges. But standardization and digital workplaces are also seen as central investment areas.

For the new 2019/2020 financial year, we assume that we will increase our sales and earnings by a single-digit percentage range. We assume that this applies to both the consolidated financial statements and the annual financial statements. It will be of decisive importance how quickly the implementation of the further developed strategy W2 Change & Growth will succeed. Significant investments in the further digitization of the business model as well as market focus and strengthening the acquisition of international customers are central parameters.

For the auditing division, we expect significant growth impulses for audit-related advisory services in 2019/2020, in particular for our services on the topics of forensic, risk & compliance and accounting advisory (especially IFRS accounting) as well as in the banking, financial services 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, 2019**

**Balance sheet as of June 30, 2019****ASSETS**

	attachment	06/30/2019 T €	T €	06/30/2018 T €
A. Fixed assets				
I. Intangible Assets	(3, 4, 16)			
1. Computer software		2,221		2,050
2. Goodwill or practice values	(15)	7,069		8,691
			9,290	10,741
II. Tangible assets	(4, 17)			
1. Land and buildings		3,069		3,202
2. Office equipment		4,216		4,766
			7,285	7,968
III. Financial assets	(5)			
1. Shares in affiliated companies		6,360		4,472
2. Holdings		6,215		6,215
3. Fixed asset securities	(6, 18)	3,710		12,050
4. Other loans	(6)	2,945		3,667
			19,230	26,404
			35,805	45,113
B. Current Assets				
I. Inventories				
1. Work in progress	(7)	13,768		12,529
2. Advance payments received	(7)	-3,322		-3,202
			10,446	9,327
II. Receivables and other assets	(8th)			
1. Receivables from services		61,032		53,558
2. Receivables from affiliated companies	(19)	7,495		7,252
3. Claims against companies with which there is a participation relationship		1,119		1,579
4. Other assets	(9, 20)	9,182		3,096
			78,828	65,485
III. Cash in hand, bank balances	(10, 21)		19,209	16,924
			108,483	91,736
C. Prepaid expenses			2,974	2,565
D. Deferred Tax Assets	(14, 22)		6,651	4,255
			153,913	143,669

**LIABILITIES**

	attachment	06/30/2019 T €	T €	06/30/2018 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)	5,500		4,300
			6,280	5,080
III. retained profit			600	600
			14,680	13,480
B. Provisions				
1. Provisions for pensions	(11, 20, 21, 26)	94,552		85,730
2. Tax provisions	(12, 27)	36		102

		06/30/2019		06/30/2018
	attachment	T €	T €	T €
3. Other provisions	(12, 21, 28)	27,182		27,869
			121,770	113,701
C. Liabilities	(13, 29)			
1. Trade accounts payable		4,523		2,904
2. Liabilities to affiliated companies	(30)	542		1,076
3. Other Liabilities	(32)	12,065		12,068
			17,130	16,048
D. Prepaid expenses			333	440
			153.913	143,669

### Income statement from July 1, 2018 to June 30, 2019

		07/01/2018 - 06/30/2019		07/01/2017 - 06/30/2018
	attachment	T €	T €	T €
1. Sales	(35)	206.250		195.343
2. Change in the inventory of work in progress		1,239		258
			207,489	195,601
3. Other operating income	(20, 36)		7,791	6,146
			215.280	201,747
4. Personnel expenses	(37)			
a. wages		115.245		108,882
b. Social security and pension and support expenses	(11)	20,686		18,170
c. Fees		11,414		8,149
		147,345		135.201
5. Depreciation on intangible assets and property, plant and equipment	(3, 4)	4,413		4,338
6. Other operating expenses	(38)	54,423		53,528
			206.181	193,067
			9,099	8,680
7. Income from profit transfer agreements		0		66
8. Income from participations	(39)	442		494
9. Other Interest and Similar Income	(40)	1,047		1,195
10. Depreciation on financial assets		80		0
11. Expenses from the assumption of losses		746		0
12. Interest and Similar Expenses	(11, 20, 37, 41)	9,866		8,586
13. Income taxes	(42)	-1,354		600
			-7,849	-7,431
14. Profit after tax			1,250	1,249
15. Other taxes			50	49
16. Annual net income			1,200	1,200
17. Allocation to retained earnings	(25)		600	600
18. Balance sheet profit			600	600

### Consolidated balance sheet as of June 30, 2019

#### ASSETS

		06/30/2019		06/30/2018
	attachment	T €	T €	T €
A. Fixed assets				
I. Intangible Assets	(3, 4, 15, 16)			
1. Computer software		2,240		2,059
2. Goodwill		9,551		11,197
			11,791	13,256
II. Tangible assets	(4, 17)			
1. Land and buildings		3,080		3,203
2. Office equipment		4,772		5,017

		06/30/2019		06/30/2018
	attachment	T €	T €	T €
III. Financial assets	(5)		7,852	8,220
1. Shares in affiliated companies		52		52
2. Holdings		6,234		6,215
3. Fixed asset securities	(6, 18)	3,710		12,050
4. Other loans	(6)	2,945		3,667
			12,941	21,984
			32,584	43,460
B. Current Assets				
I. Inventories				
1. Work in progress	(7)	17,166		14,192
2. Advance payments received	(7)	-4,817		-3,584
		-	12,349	10,608
II. Receivables and other assets	(8th)			
1. Receivables from services		67,978		60,780
2. Receivables from affiliated companies	(19)	12th		40
3. Claims against companies with which there is a participation relationship		1,119		1,579
4. Other assets	(9, 20)	9,636		3,440
			78,745	65,839
III. Cash in hand, bank balances	(10, 21)		21,563	17,469
			112,657	93,916
C. Prepaid expenses			3,131	2,652
D. Deferred Tax Assets	(14, 22)		8,077	4,730
			156,449	144,758

**LIABILITIES**

		06/30/2019		06/30/2018
	attachment	T €	T €	T €
A. Equity	(23)			
I. Drawn capital	(24)		7,800	7,800
II. Retained earnings	(25)		7,722	6,522
III. Consolidated balance sheet loss			5,623	4,104
IV. Non-controlling interests			974	37
			10,873	10,255
B. Provisions				
1. Provisions for pensions	(11, 20, 21, 26)	94,974		86,012
2. Tax provisions	(12, 27)	480		319
3. Other provisions	(12, 21, 28)	29,247		29,062
			124,701	115,393
C. Liabilities	(13, 29)			
1. Trade accounts payable		5,442		3,167
2. Liabilities to affiliated companies	(30)	33		32
3. Liabilities to companies with which a participation relationship exists	(31)	0		232
4. Other Liabilities	(32)	15,066		15,239
			20,541	18,670
D. Prepaid expenses			334	440
			156,449	144,758

**Consolidated income statement from July 1, 2018 to June 30, 2019**

		07/01/2018 - 06/30/2019		07/01/2017 - 06/30/2018	
	attachment	T €	T €	T €	T €
1. Sales	(35)	232,130		213,066	
2. Change in the inventory of work in progress		2,479		-272	
			234,609		212,794
3. Other operating income	(20.36)		8,438		6,408

attachment	07/01/2018 - 06/30/2019		07/01/2017 - 06/30/2018	
	T €	T €	T €	T €
		243,047		219.202
4. Personnel expenses (37)				
a. wages	131,349		118.964	
b. Social security and pension and support expenses (11)	23,191		19,729	
c. Fees	14,813		9,218	
	169.353		147.911	
5. Depreciation on intangible assets and property, plant and equipment (3.4)	5,633		5,072	
6. Other operating expenses (38)	59,877		55.995	
		234,863		208,978
		8,184		10,224
7. Income from participations	59		163	
8. Other Interest and Similar Income	917		972	
9. Interest and Similar Expenses (11, 20, 37)	10,029		8,589	
10. Income taxes (42)	-1,864		922	
		-7,189		-8,376
11. Profit after tax		995		1,848
12. Other taxes		56		54
13. Consolidated net income		939		1,794
14. Profit due to non-controlling interests		1,258		907
15. Consolidated net loss / profit		-319		887
16. Loss carryforward		4,104		4,391
17. Allocation to retained earnings		1,200		600
18. Consolidated balance sheet loss		-5,623		-4,104

### Notes and Notes to the Consolidated Financial Statements

The annual 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 drawn up in accordance with Section 290 (1) 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 group's asset, financial and earnings position in accordance with Section 296 (2) of the German Commercial Code (HGB). Under section III. the list of shareholdings lists the holdings. At BDO IP GbR, Hamburg, the AG owns only 5% of the voting rights, contrary to its participation rate.

The scope of consolidation has increased through the establishment of BDO Cyber Security GmbH, Hamburg, and BS Nearshoring Center LLC, Kiev.

Likewise, after the acquisition of shares, BDO DPI AG Wirtschaftsprüfungsgesellschaft, Leer, is included in the consolidated financial statements for the first time.

#### 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 have been offset. The exchange of services between the companies included in the consolidated financial statements does not result in any significant interim results, so that these are of subordinate importance for conveying a true and fair view of the asset, financial and earnings position; The interim results were therefore not eliminated (Section 304 (2) HGB).

#### 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 longest 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. Other loans are capitalized at their nominal value.
  7. The work in progress is valued at production cost, including proportionate 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 € 79, Group T € 136) 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 "mortality tables 2018 G" 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 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, at 2.94% (previous year: 3.45%). The salary trend was 2.0%, the pension trend, depending on the respective pension regulations, was 1, 17% 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.
  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 the AG is involved. 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 the AG. The combined income tax rate includes corporation tax, trade tax and solidarity surcharge and amounts to 31.96% in 2019.

#### **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 € 9,551 is reported in the consolidated financial statements. This includes additions in the reporting year from the acquisition of shares in BDO DPI AG Wirtschaftsprüfungsgesellschaft, Leer, in the amount of € 920 thousand. Practical values are included in the individual financial statements (€ 7,069 thousand).
16. The additions to intangible assets relate to investments in software. This also includes software developed in-house (BDO LEAD). This is an in-house developed individual software for an IT-supported work aid. The inventory also includes a computer-aided audit workflow that was created in-house as part of the Audit Information System (AIS). For the intangible assets, use was made of the option to capitalize in accordance with Section 248 (2) HGB, and they were capitalized with an amount of € 1,645 thousand. A distribution block is still T € 649.
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 contain receivables with a remaining term of more than one year for the AG amounting to € 79 thousand and in the group amounting to € 159 thousand (previous year AG € 77 thousand, group € 130 thousand). These include claims from the reinsurance of pension commitments and, in accordance with the BilMoG provisions, were in the past financial year for the AG in the amount of T € 971 and in the Group in the amount of T € 1,257 (previous year AG and Group T € 1,008) with the provisions for pensions offset and the income contained therein in the amount of T € 62 (previous year: T € 61) is offset against the expenses from the compounding of the pension provisions. Likewise, unrealized income from interest income and loans to members of the Board of Management, Employees and travel expense advances are shown. The loans to members of the Management Board in the amount of T € 120 are subject to an interest rate of 2.54% and are due by December 31, 2021 at the latest.
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 € 625 (previous year: T € 692) was offset against the provisions for partial retirement (T € 37) and the provisions for pensions (T € 625, previous year T € 655) in accordance with the BilMoG provisions in the previous year.
22. The deferred tax assets essentially result from the differing tax values of the pension provisions. There are further differences in both valuation and approach between the commercial and tax balance sheets. From timing differences in accounting - both own and those of companies in the tax group - a future tax relief of € 6,651 thousand for the AG and € 8,077 thousand in the group is expected. These are subject to a distribution block.
23. Equity is reported in accordance with the provisions of DRS 22.
24. The subscribed capital of the AG is divided into 156,000 registered shares with restricted transferability of € 50 each.
25. The change in the other revenue reserves results from the addition of half of the annual surplus of the AG in the amount of T € 600. The other revenue reserves amount to T € 5,500 as of June 30, 2019, which are subject to the distribution block (T € 19,096) (cf. Items 16, 22 and 26).
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 € 3,228 thousand at the AG and € 3,236 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 € 11,796 for the AG and T € 11,823 for the Group compared to the discounting with the average market rate of the past seven years. This difference is blocked for distribution. For indirect obligations, the amount not shown in the balance sheet amounts to T € 8,213 (previous year: T € 7,186), as no use was made of the option to passivate the liabilities in accordance with Art. 28 Paragraph 1 Clause 2 EGHGB. 796 at the AG and in the amount of T € 11,823 in the group. This difference is blocked for distribution. For indirect obligations, the amount not shown in the

balance sheet amounts to T € 8,213 (previous year: T € 7,186), as no use was made of the option to passivate the liabilities in accordance with Art. 28 Paragraph 1 Clause 2 EGHGB. 796 at the AG and in the amount of T € 11,823 in the group. This difference is blocked for distribution. For indirect obligations, the amount not shown in the balance sheet amounts to T € 8,213 (previous year: T € 7,186), 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 and to affiliated companies only have terms of up to one year.

The other liabilities account for a term of up to one year in the AG T € 11,835, in the Group T € 13,073 (previous year AG T € 11,833, Group T € 12,116). T € 230 in the AG (previous year: T € 235) is for a term of more than one year (of which T € 37 over 5 years, previous year T € 96). In the group, a term of more than one year accounts for € 1,466 thousand (of which € 37 thousand over 5 years), in the previous year € 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 reported in the group in the previous year resulted from ongoing clearing transactions.

32. The other liabilities relate, among other things, to obligations towards the August Lattmann support association of Deutsche Waren-Treuhand-Aktiengesellschaft eV (€ 1,200 thousand, previous year € 1,800 thousand), taxes (AG € 8,806 thousand, group € 9,575 thousand; previous year AG € 1,800 thousand) € 8,181, Group € 8,876 thousand) as well as social security liabilities (AG € 479,000, Group € 481,000; previous year AG and Group € 505,000).

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	11,885	12,649
2-5 years	36,472	39,665
from 6 years	22,804	24,307
total	71,161	76,621

In addition, the AG has entered into two maximum amount guarantees for a total of T € 6,310. A claim is not expected due to the debtor's financial position.

34. Trust assets totaling T € 11,301 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			
	07/01/2018 to 06/30/2019		07/01/2017 to 06/30/2018		07/01/2018 to 06/30/2019		07/01/2017 to 06/30/2018	
	Million €	%	Million €	%	Million €	%	Million €	%
Auditing	103.1	50.0	95.6	48.9	107.1	46.2	97.5	45.8
Tax and commercial law advice	76.3	37.0	72.9	37.3	84.3	36.3	80.4	37.7
Advisory Services	22.1	10.7	22.4	11.5	36.2	15.6	31.6	14.8
other income	4.8	2.3	4.4	2.3	4.5	1.9	3.6	1.7
	206.3	100.0	195.3	100.0	232.1	100.0	213.1	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 as well as T € 329 out of period amounts for customizing an IT-based tool (BDO LEAD). In addition, extraordinary income within the meaning of Section 314 (1) No. 23 of the German Commercial Code (HGB) from the disposal of participations in the amount of € 3,427 thousand is reported.

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 € 3,788 at the AG and T € 3,831 in the Group (previous year AG T € 2,336, Group T € 2,344). These do not include the amounts from the compounding of pension provisions in the amount of € 9,653 thousand for the AG and € 9,679 thousand in the group (previous year AG: € 8,355 thousand, group € 8,374 thousand), 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 comprised audit services in the amount of T € 128 for the AG and T € 163 in the group as well as T € 10 for other services.

39. Income from participations includes income from affiliated companies (AG T € 384, previous year AG T € 332).

40. The other interest and similar income of the AG includes interest from affiliated companies in the amount of T € 463 (previous year: T € 247).

41. The interest and similar expenses of the AG include interest to affiliated companies in the amount of € 3 thousand (previous year: € 51 thousand) as well as from the discounting at the AG in the amount of € 15 thousand, in the group in the amount of € 22 thousand ( Previous year AG and Group T € 32) included.

42. In income taxes, corporation tax, trade tax and solidarity surcharge, taxes for previous years and deferred taxes are shown. The income from the change in deferred tax assets amounts to € 2,396 thousand for the AG and € 3,347 thousand in the group (previous year: € 134 thousand in the AG, € 181 thousand in the group).

#### Transfer statement AG:

T €	Reporting period	Previous year
Earnings before income taxes (commercial balance sheet)	-154	+1,800
Expected income tax income Group tax rate 31.96% (previous year: 31.9691%)	-49	+575
Transition:		
Different foreign tax burden	0	0

T €	Reporting period	Previous year
Tax share for:		
tax-free income	-1,115	-64
non-tax deductible expenses	+109	+114
temporary differences and losses	+2,421	-47
Tax credits	0	0
Actual taxes relating to other periods	-764	-275
Effects from changes in tax rates	0	0
Other tax effects	+440	+163
Income (previous year: expense) from deferred taxes	-2,396	+134
Deferred tax effect	0	0
Reported income tax income (previous year's expense)	-1,354	+600

**Group reconciliation:**

T €	Reporting period	Previous year
Earnings before income taxes (commercial balance sheet)	-925	+2,716
Expected income tax income (previous year's expense) Group tax rate 31.96% (previous year: 31.9691%)	-296	+868
Transition:		
Different foreign tax burden	0	0
Tax share for:		
tax-free income	-1,115	-64
non-tax deductible expenses	+165	+143
temporary differences and losses	+2,435	-105
Tax credits	0	0
Actual taxes relating to other periods	-51	-275
Effects from changes in tax rates	0	0
Other tax effects	+345	+174
Income (previous year: expense) from deferred taxes	-3,347	+181
Deferred tax effect	0	0
Reported income tax income (previous year's expense)	-1,864	+922

**Other Information****43. Organs of society****Supervisory board**

Johann C. Lindenberg

Chairman

Member of various supervisory boards

Hamburg

Dr. Erhard Schipporeit

Deputy Chairman Member

various supervisory boards

Hanover

Andreas Engelhardt

Managing personally liable partner of Schüco International KG

Bielefeld

Anja Halbbrodt \*

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 Parwáz Rafiqoor, Düsseldorf  
 WP StB Manuel Rauchfuss, Munich and Stuttgart (until December 31, 2018)  
 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	3,874
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	1,605
Pension provisions for former members of the Board of Management or their surviving dependents	16,915

#### 45. Average number of employees

	AG		Group	
	07/01/2018 to 06/30/2019	07/01/2017 to 06/30/2018	07/01/2018 to 06/30/2019	07/01/2017 to 06/30/2018
CPA Tax Consultant	446	426	473	441
Other skilled workers	883	794	1,069	916
Administrative staff	406	389	438	411
	1,735	1,609	1,980	1,768

#### 46. Supplementary report

With effect from July 1, 2019, the AG took over the majority of the shares in BDO Dr. Daiber GmbH & Co. KG auditing company, Stuttgart. Beyond this, there have been no events of material importance for the asset, financial or earnings position of the AG or the group after the balance sheet date.

#### 47. List of shareholdings

	Participation rate %	Held by	Signed Capital T €	Equity T €	Annual surplus / annual deficit T €
I. Affiliated companies included in the consolidated financial statements					
1. BDO ARBICON GmbH & Co. KG auditing company, Oldenburg	65.0	BDO Bet.	515	456	1,711
2. BDO ARBICON Verwaltungsgesellschaft mbH Wirtschaftsprüfungsgesellschaft, Oldenburg	100.0	BDO Bet.	25th	17th	-3
3. BDO Beteiligungsgesellschaft mbH Wirtschaftsprüfungsgesellschaft, Hamburg	100.0	BDO	25th	45	-116
4. BDO Cyber Security GmbH, Hamburg	100.0	BDO	40	76	36
5. BDO DIGITAL GmbH, Hamburg	55.1	BDO	500	1,726	-1,225
6. BDO DPI AG Wirtschaftsprüfungsgesellschaft, Leer	50.7	BDO	350	661	229
7. BDO IT GbR, Hamburg	90.9	BDO	55	55	0
8. BDO Restructuring GmbH, Hamburg	100.0	BDO	25th	831	306
9. BDO Technik- und Umweltconsulting GmbH, Düsseldorf	51.0	BDO	51	65	6th
10. BeGeKo GmbH Wirtschaftsprüfungsgesellschaft, Hamburg <sup>(1)</sup>	100.0	BDO	100	100	0
11. BS Nearshoring Center LLC, Kiev	100.0	BDO	1	67	66
II. Affiliated companies not included in the consolidated financial statements					
12. HBV Hanseatische Beteiligungs- und Vermögensverwaltung GmbH, Hamburg	100.0	BDO	26	20th	1

	Participation rate %	Held by	Signed Capital T €	Equity T €	Annual surplus / annual deficit T €
13. Unitesta Revisions- und Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft, Oldenburg	100.0	BDO ARBICON	26	36	-21
III. Companies with which there is a participation relationship					
14. BDO IP GbR, Hamburg	95.0	BDO	694	6,424	79
15. UNIVERSA Prüfungs- und Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft, Hamburg	25.5	BDO	60	60	112

<sup>(1)</sup> Company with which there is a profit and loss transfer agreement.

#### Development of fixed assets from July 1, 2018 to June 30, 2019

	July 1, 2018 T €	Acquisition costs		June 30, 2019 T €
		Additions T €	Disposals T €	
AG				
Intangible assets				
EDP software	13,327	1,138	11	14,454
Business and practical values	20,754	0	428	20,326
Total immat. Assets	34,081	1,138	439	34,780
Property, plant and equipment				
Land and buildings	5,946	0	0	5,946
Business equipment	28,390	1,158	1,576	27,972
Total property, plant and equipment	34,336	1,158	1,576	33,918
Financial assets				
Shares in affiliated companies	4,472	3,980	2,012	6,440
Holdings	6,215	0	0	6,215
Fixed asset securities	12,050	674	9,014	3,710
Other loans	3,667	612	1,334	2,945
Total financial assets	26,404	5,266	12,360	19,310
Total fixed assets	94,821	7,562	14,375	88,008
		Depreciation		
	July 1, 2018 T €	Additions T €	Disposals T €	June 30, 2019 T €
AG				
Intangible assets				
EDP software	11,277	967	11	12,233
Business and practical values	12,063	1,622	428	13,257
Total immat. Assets	23,340	2,589	439	25,490
Property, plant and equipment				
Land and buildings	2,744	133	0	2,877
Business equipment	23,624	1,691	1,559	23,756
Total property, plant and equipment	26,368	1,824	1,559	26,633
Financial assets				
Shares in affiliated companies	0	80	0	80
Holdings	0	0	0	0
Fixed asset securities	0	0	0	0
Other loans	0	0	0	0
Total financial assets	0	80	0	80
Total fixed assets	49,708	4,493	1,998	52,203
		Book values		
		June 30, 2019 T €		June 30, 2018 T €
AG				
Intangible assets				
EDP software			2,221	2,050
Business and practical values			7,069	8,691
Total immat. Assets			9,290	10,741

	Book values	
	June 30, 2019 T €	June 30, 2018 T €
Property, plant and equipment		
Land and buildings	3,069	3,202
Business equipment	4,216	4,766
Total property, plant and equipment	7,285	7,968
Financial assets		
Shares in affiliated companies	6,360	4,472
Holdings	6,215	6,215
Fixed asset securities	3,710	12,050
Other loans	2,945	3,667
Total financial assets	19,230	26,404
Total fixed assets	35,805	45.113

**Development of fixed assets from July 1, 2018 to June 30, 2019**

	July 1, 2018 T €	Acquisition costs		June 30, 2019 T €
		Additions € <sup>1</sup> thousand	Disposals T €	
GROUP				
Intangible assets				
EDP software	13,608	1,179	11	14,776
Business values	25,996	1,500	806	26,690
Total immat. Assets	39,604	2,679	817	41,466
Property, plant and equipment				
Land and buildings	6,098	30th	0	6.128
Business equipment	29,078	2,435	1,575	29,938
Total property, plant and equipment	35.176	2,465	1,575	36,066
Financial assets				
Shares in affiliated companies	52	0	0	52
Holdings	6,215	19th	0	6.234
Fixed asset securities	12,050	674	9,014	3.710
other loans	3,667	612	1,334	2,945
Total financial assets	21,984	1,305	10,348	12,941
Total fixed assets	96,764	6,449	12,740	90,473

	July 1, 2018 T €	Depreciation		June 30, 2019 T €
		Additions <sup>2</sup> T €	Disposals T €	
GROUP				
Intangible assets				
EDP software	11,549	998	11	12,536
Business values	14,799	2,558	218	17.139
Total immat. Assets	26,348	3,556	229	29,675
Property, plant and equipment				
Land and buildings	2,895	153	0	3,048
Business equipment	24,061	2,663	1,558	25.166
Total property, plant and equipment	26,956	2,816	1,558	28,214
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	53,304	6,372	1,787	57,889

	Book values	
	June 30, 2019 T €	June 30, 2018 T €
GROUP		
Intangible assets		

	Book values	
	June 30, 2019	June 30, 2018
	T €	T €
EDP software	2,240	2,059
Business values	9,551	11,197
Total immat. Assets	11,791	13,256
Property, plant and equipment		
Land and buildings	3,080	3,203
Business equipment	4,772	5,017
Total property, plant and equipment	7,852	8,220
Financial assets		
Shares in affiliated companies	52	52
Holdings	6,234	6,215
Fixed asset securities	3,710	12,050
other loans	2,945	3,667
Total financial assets	12,941	21,984
Total fixed assets	32,584	43,460

<sup>1</sup> This includes additions from subsidiaries consolidated for the first time in the amount of € 1.23 thousand.

<sup>2</sup> This includes additions from subsidiaries consolidated for the first time in the amount of € 739 thousand

#### Consolidated cash flow statement for the financial year from July 1, 2018 to June 30, 2019

	07/01/2018 -	07/01/2017 -
	06/30/2019	06/30/2018
	T €	T €
1. Profit or loss for the period (consolidated profit / loss for the year including minority interests)	+939	+1,794
2. + / - write-downs / write-ups on fixed assets	+5,633	+5,072
3. + / - increase / decrease in provisions	+1,772	-6,459
4. + / - Other non-cash expenses / income	-6,049	-336
5. - / + Increase / decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	-12,665	-5,701
6. + / - Increase / decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	+2,723	-628
7. - / + profit / loss from the disposal of fixed assets	-3,327	-443
8. +/- interest expenses / interest income	+9,112	+7,617
9. - Other investment income	-59	-163
10. +/- expenses / income from extraordinary items	+647	+647
11. + / - Income tax expense / income	+1,482	+741
12. + Payments from extraordinary items	0	0
13. - Payouts from extraordinary items	0	0
14. - / + income tax payments	-3,185	-1,901
15. = Cash flow from operating activities (sum of 1 to 14)	-2,977	+240
16. + Payments from the disposal of intangible assets	+4,234	0
17. - Payments for investments in intangible assets	-1,153	-765
18. + Payments from the disposal of items of property, plant and equipment	-302	+486
19. - Payments for investments in property, plant and equipment	-1,438	-935
20. + Payments from the disposal of financial assets	+ 10,349	+10,306
21. - Payments for investments in financial assets	-1,286	-11,764
22. + Income from disposals from the scope of consolidation	0	0
23. - Payments for additions to the scope of consolidation	-1,319	0
24. + Payments due to financial investments in the context of short-term financial management	0	0
25. - Payments due to financial investments in the context of short-term financial management	0	0
26. + Payments from extraordinary items	0	0
27. - Payouts from extraordinary items	0	0
28. + Interest received	+917	+972
29. + Dividends received	+59	+ 163
30. = Cash flow from investing activities (sum of 16 to 29)	+ 10,061	-1,537
31. + Payments from equity injections from shareholders of the parent company	0	0
32. + Payments from equity injections from other shareholders	0	0
33. - Payments from equity capital reductions to shareholders of the parent company	0	0
34. - Payments from equity capital reductions to other shareholders	0	0



	Non-controlling interests		Profits / losses attributable to non-controlling interests	Group equity	
	Non-controlling interests before difference in equity from currency translation and annual result			total	total
As of June 30, 2018	295		-258	37	10,255
Capital increase / decrease z. B.:					
Issue of Shares				0	0
Acquisition / sale of own shares				0	0
Redemption of Shares				0	0
Capital increase from company funds				0	0
Calling in / paying in deposits not yet called in				0	0
Allocation to / withdrawal from reserves				0	0
distribution			-1,677	-1,677	-1,677
Currency conversion				0	0
Other changes	1,356			1,356	1,356
Changes in the scope of consolidation				0	0
Consolidated net income / loss for the year			1,258	1,258	939
As of June 30, 2019	1,651		-677	974	10,873

After the sale of a 24.9% stake in BDO Digital GmbH, the other changes in non-controlling interests relate to shares owned by the non-affiliated BDO Legal Rechtsanwaltsgesellschaft mbH of € 1,192 thousand and the minority shareholders of BDO DPI AG Wirtschaftsprüfungsgesellschaft (€ 213 thousand) minus one Reduction of the non-controlling interests after the departure of two shareholders from BDO ARBICON GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (T € -49). as of June 30, 2018

	Parent Company Equity						total
	Subscribed capital		legal reserve	Reserves		total	
	Common stock	total		Retained earnings	other retained earnings		
As of June 30, 2017	7,800	7,800	780	5,142	5,922	13,722	
Capital increase / decrease z. B.:							
Issue of Shares		0			0	0	
Acquisition / sale of own shares		0			0	0	
Redemption of Shares		0			0	0	
Capital increase from company funds		0			0	0	
Calling in / paying in deposits not yet called in		0			0	0	
Allocation to / withdrawal from reserves		0		600	600	600	
distribution		0			0	0	
Currency conversion		0			0	0	
Other changes		0			0	0	
Changes in the scope of consolidation		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			total	
	Balance sheet profit / loss				
	Profit carryforward / loss carryforward	surplus / deficit given to the parent company	total		
As of June 30, 2017	-2,670		-1,721	-4,391	9,331
Capital increase / decrease z. B.:					
Issue of Shares					0
Acquisition / sale of own shares					0
Redemption of Shares					0
Capital increase from company funds					0
Calling in / paying in deposits not yet called in					0

## Parent Company Equity

	Balance sheet profit / loss				total
	Profit carryforward / loss carryforward	surplus / deficit given to the parent company	total		
Allocation to / withdrawal from reserves distribution		-600	-600		0
Currency conversion					0
Other changes	-1,721	1,721	0		0
Changes in the scope of consolidation					0
Consolidated net income / loss for the year		887	887		887
As of June 30, 2018	-4,391	287	-4,104		10,218
					Group equity
	Non-controlling interests				
	Not	Don't go			
	controlling interests before equity difference from currency translation and	controlling interests any gains / losses	total		total
As of June 30, 2017	295	-174	121		9,452
Capital increase / decrease z. B. :					
Issue of Shares			0		0
Acquisition / sale of own shares			0		0
Redemption of Shares			0		0
Capital increase from company funds			0		0
Calling in / paying in deposits not yet called in			0		0
Allocation to / withdrawal from reserves distribution			0		0
Currency conversion			-991	-991	-991
Other changes			0		0
Changes in the scope of consolidation			0		0
Consolidated net income / loss for the year		907	907		1,794
As of June 30, 2018	295	-258	37		10,255

**ACKNOWLEDGMENT OF THE INDEPENDENT GROUP AUDITOR**

To BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg:

**Examination Opinions**

I have the annual financial statements - consisting of the balance sheet, income statement and notes - including the bookkeeping of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, as well as the consolidated financial statements of BDO AG Wirtschaftsprüfungsgesellschaft and its subsidiaries - consisting of the consolidated balance sheet as of June 30, 2019, the group - Income statement, the consolidated equity statement and the consolidated cash flow statement for the financial year from July 1, 2018 to June 30, 2019 as well as the notes to the consolidated financial statements, including the presentation of the accounting and valuation methods. In addition, I have the combined group management report and management report of BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, for the financial year from July 1, 2018 to June 30, 2019. I have not checked the content of the declaration on corporate governance according to Section 289f (4) HGB (information on the quota of women) contained in Section C. of the combined management report, in accordance with German legal regulations.

In my opinion, based on the knowledge gained during the examination

- the attached annual financial statements and consolidated financial statements comply in all material respects with the German commercial law regulations applicable to corporations and, in compliance with the German principles of proper accounting, give a true and fair view of the asset and financial position of the company and the group as of June 30, 2019 and its earnings position for the financial year from July 1, 2018 to June 30, 2019 and
- the attached combined management report gives an overall accurate picture of the position of the group and the company. In all material respects, this combined management report is consistent with the annual and consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. My audit opinion on the combined management report does not cover the above-mentioned components that have not been audited of the combined management report.

In accordance with Section 322, Paragraph 3, Clause 1 of the German Commercial Code, I declare that my audit has not led to any objections to the correctness of the annual and consolidated financial statements and the combined management report.

**Basis for the examination results**

I have carried out my audit of the annual financial statements and the consolidated financial statements and the combined management report in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institut der Wirtschaftsprüfer (IDW). My responsibility in accordance with these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the annual financial statements and the consolidated financial statements and the combined management report" of my auditor's report. I am independent of the company and the group companies in accordance with the German commercial and professional regulations and have fulfilled my other German professional obligations in accordance with

these requirements. I am of the opinion that the audit evidence I have obtained is sufficient and suitable to serve as a basis for my audit opinions on the annual financial statements and consolidated financial statements and the combined management report.

#### Other Information

The legal representatives are responsible for the other information. The other information includes the components of the combined management report that have not been audited in the "Audit Opinions" section.

My audit opinions on the annual financial statements, the consolidated financial statements and the combined management report do not cover the other information, and accordingly I do not express an audit opinion or any other form of audit conclusion on this.

In connection with my audit of the annual financial statements and the consolidated financial statements, it is my responsibility to read the other information and, in doing so, to assess whether the other information

- have material inconsistencies with the annual financial statements and the consolidated financial statements, the content-related audited components of the combined management report or my knowledge acquired during the audit or
- otherwise appear materially misrepresented.

If, on the basis of the work I have carried out, I come to the conclusion that there has been a material misrepresentation of this other information, I am obliged to report this fact. I have nothing to report in this context.

#### Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the consolidated financial statements and the combined management report

The legal representatives are responsible for the preparation of the annual financial statements and the consolidated financial statements, which comply with German commercial law in all material respects, and for ensuring that the annual financial statements and the consolidated financial statements, in compliance with German generally accepted accounting principles, provide a true and fair view of the assets, The financial and earnings position of the company and the group Furthermore, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with the German principles of proper accounting,

When preparing the annual financial statements and the consolidated financial statements, the legal representatives are responsible for assessing the ability of the company and the group to continue business activities. They are also responsible for disclosing matters relating to the going concern of the company, if relevant. In addition, they are responsible for accounting for the going concern basis of accounting, unless actual or legal circumstances conflict with this.

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

The Supervisory Board is responsible for monitoring the company's accounting process for the preparation of the annual financial statements and the consolidated financial statements and the combined management report.

#### Auditor's responsibility for the audit of the annual financial statements and the consolidated financial statements and the combined management report

My aim is to obtain sufficient certainty as to whether the annual financial statements and the consolidated financial statements as a whole are free from material - intended or unintentional - misstatements, and whether the combined management report as a whole gives an accurate picture of the position of the group and the company as well as in is consistent with all material matters with the annual financial statements and the consolidated financial statements as well as with the knowledge gained during the audit, complies with German legal requirements and accurately presents the opportunities and risks of future development, and issues an auditor's report, which contains my audit opinions on the annual financial statements and the consolidated financial statements and the combined management report.

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

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

During the exam, I exercise my dutiful discretion and maintain a critical attitude. Furthermore

- I identify and assess the risks of material - intentional or unintentional - misrepresentations in the annual financial statements and in the consolidated financial statements and in the combined management report, plan and perform audit procedures in response to these risks and obtain audit evidence that is sufficient and suitable to serve as a basis for my audit opinions to serve. The risk that material misrepresentations are not detected is higher in the case of violations than inaccuracies, since violations can involve fraudulent cooperation, forgeries, intentional incompleteness, misleading representations or the overriding of internal controls;
- I gain an understanding of the internal control system relevant to the audit of the annual financial statements and the consolidated financial statements and the precautions and measures relevant to the audit of the combined management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim To issue an audit opinion on the effectiveness of these company's systems.
- I assess the appropriateness of the accounting methods used by the legal representatives as well as the acceptability of the estimated values presented by the legal representatives and related information.
- I draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances, the significant doubts about the ability of the company and the group Business continuity. If I come to the conclusion that there is a material uncertainty, I am obliged to draw attention in the auditor's report to the relevant information in the annual financial statements and consolidated financial statements and in the combined management report or, if this information is inappropriate, to modify my respective audit opinion. I draw my conclusions based on the audit evidence obtained up to the date of my auditor's report. Future events or circumstances can, however, mean that the company and the group can no longer continue their business activities; I draw my conclusions based on the audit evidence obtained up to the date of my auditor's report. Future events or circumstances can, however, mean that the company and the group can no longer continue their business activities; I draw my conclusions based on the audit evidence obtained up to the date of my auditor's report. Future events or circumstances can, however, mean that the company and the group can no longer continue their business activities;

- I assess the overall presentation, structure and content of the annual financial statements and the consolidated financial statements, including the information, as well as whether the annual financial statements and the consolidated financial statements present the underlying business transactions and events in such a way that the annual and consolidated financial statements reflect the actual accounting principles in accordance with German principles of proper bookkeeping. Provide a true and fair view of the asset, financial and earnings position of the company and the group.
- I obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the group in order to issue audit opinions on the annual financial statements and the consolidated financial statements and the combined management report. I am responsible for the direction, supervision and implementation of the annual and consolidated financial statements. I am solely responsible for my test results;
- I assess the consistency of the combined management report with the annual financial statements and the consolidated financial statements, its compliance with the law and the picture it provides of the situation of the company and the group;
- I perform audit procedures on the future-oriented information presented by the legal representatives in the combined management report. On the basis of sufficient suitable audit evidence, I particularly follow up the significant assumptions on which the future-oriented information is based by the legal representatives and assess the appropriate derivation of the future-oriented information from these assumptions. I am not giving an independent audit opinion on the future-oriented information or the underlying assumptions. There is a considerable unavoidable risk that future events will differ materially from the forward-looking statements.

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

**Hamburg, September 5, 2019**

*Inzelmann, auditor*

### **Supervisory Board Report**

In the 2018/19 financial year, the Supervisory Board performed the tasks incumbent on 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 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 - granted 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, 2018 to June 30, 2019 are approved by the auditor elected by the annual general meeting on December 18, 2018 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 25, 2019, 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, 2018 to June 30, 2019, 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 on 11.

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 approved the annual financial statements and the consolidated financial statements drawn up by the Board of Management. The annual financial statements of BDO AG Wirtschaftsprüfungsgesellschaft are thus adopted. As of December 31, 2018, auditor and tax advisor Manuel Raufhuss resigned from the company's management board when his appointment expired.

As part of the strategy project Change &: Growth of the Company, the Supervisory Board decided in its meeting on September 17, 2019 to restructure the Management Board and create new Management Board departments. In the course of this, Mr WP StB RA Werner Jacob, Mr WP StB Klaus Eckmann and Mr StB Frank Biermann left the company's management board on October 31, 2019. However, you will continue to work in a prominent position in society. The Supervisory Board thanks Mr. Jacob, Mr. Eckmann and Mr. Biermann for their many years of very successful work on the Management Board and for their willingness to continue to contribute to the company's success in a new role.

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 11, 2019**

*Johann C. Lindenberg, Chairman of the Supervisory Board*

### **Shelling over the use of the annual surplus**

The Annual General Meeting on December 12, 2019 decided to transfer the annual surplus of € 1,200,000.00 to the other revenue reserves in the amount of € 600,000.00, of which an amount of € 390,000.00 - is allocated to a separate reserve reserved for distribution purposes. With regard to the resulting balance sheet profit of € 600,000, it is proposed to the general meeting that this also be transferred to the other revenue reserves.

