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QUIPU GmbH
Frankfurt am Main

Annual financial statements, management report and Auditor´s Report for the financial year from 1 January 2023 to 31 December 2023

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QUIPU GmbH
Frankfurt am Main

Annual financial statements, management report and Auditor´s Report for the financial year from 1 January 2023 to 31 December 2023

QUIPU GmbH
Annual Financial Statements as of 31 December 2023

Königsberger Str. 1
60487 Frankfurt am Main

HR Frankfurt am Main Section B No. 90104
Tax ID 47 241 42045

Balance Sheet

BALANCE SHEET of Quipu GmbH, Frankfurt am Main, as of 31 December 2023

in EUR	(Note)	31.12.2023	31.12.2022
A. Fixed assets			
I. Intangible assets			
1. Licences, commercial and intellectual property rights and similar rights	(3)	990,607.00	1,329,733.00
2. Licences, commercial and intellectual property rights		-	40,950.00
II. Property, plant and equipment			
1. Other equipment, furniture and fixtures	(4)	4,733,607.00	5,499,153.00
2. Advance payments equipments			-
III. Financial assets			
1. Shares in subsidiaries	(5)	107,549.48	107,549.48
2. Loans to subsidiaries		632,798.52	498,131.00
3. Securities held as fixed assets		239.62	239.62
		6,464,801.62	**7,475,756.10**
B. Current assets			
I. Inventories			
1. Work in progress	(6)	423,600.00	148,748.00
II. Receivables and other assets			
1. Trade accounts receivable (of which, with a remaining term of more than one year: 0.00)	(7)	3,759,824.48	3,009,953.52
2. Receivables from affiliated companies (of which, with a remaining term of more than one year: 0.00)	(8)	6,870,159.46	485,166.19
4. Other assets (of which, with a remaining term of more than one year: EUR 79,222.28; previous year: EUR 53,590.22)	(9)	1,329,340.35	1,303,658.72
III. Cash in hand, balances at German central bank, balances at banks and cheques	(10)	2,085,708.87	2,149,499.17
		14,468,633.16	**7,097,025.60**
C. Prepaid expenses and deferred charges	(11)	9,183,711.68	6,470,988.04
Total assets		**30,117,146.46**	**21,043,769.74**
A. Equity			
I. Subscribed capital	(12)	1,000,000.00	1,000,000.00
II. Revenue reserves			
1. Other revenue reserves		-	-
III. Net income for the year	(13)	-	-
		1,000,000.00	**1,000,000.00**
B. Accruals			
1. Accruals for taxes		-	
2. Other accruals	(14)	1,396,267.69	872,634.51
		1,396,267.69	**872,634.51**
C. Liabilities			
1.Liabilities to banks (of which, with a remaining term of up to one year: EUR 24,000,000.00; Previous year EUR 12,000,000.00)	(15)	24,000,000.00	17,000,000.00
2. Trade accounts payable (of which, with a remaining term of up to one year: EUR 1,805.761.66; previous year: EUR 1,011,222.04)	(16)	2,557,590.16	1,011,222.04
3. Liabilities to affiliated companies (of which, with a remaining term of up to one year: EUR : EUR 600,360.98: previous year: EUR 363,282.45.53)	(17)	600,360.98	363,282.45
4. Other liabilities (of which, for taxes EUR164,535,49; previous year: EUR 134,888.65) (of which, for social security: EUR 47,791.78; previous year: EUR 31,197.58)	(18)	212,327.27	166,086.23
		27,370,278.41	18,540,590.72
D. Deferred income	(19)	350,600.36	630,544.51
Total equity and liabilities		**30,117,146.46**	**21,043,769.74**

Income Statement

INCOME STATEMENT of Quipu GmbH, Frankfurt am Main, as of 31 December 2023

in EUR	(Note)	1. Jan - 31. Dec 2023	1. Jan - 31. Dec 2022
1. Sales revenue	(20)	42,332,241.67	37,819,326.86
2. Increase or decrease of inventory		260,152.00	60,870.00
3. Other operating income	(21)	213,421.74	509,302.71
(of which, from currency translation; EUR 135,806.12; previous year: EUR 431,667.86)			
4. Material expenses			
a) Cost of raw materials, production inputs and goods	(22)	*75,871.52*	*34,277.01*
b) Cost of purchased services	(23)	*6,599,191.25*	*4,389,775.71*
5. Personnel expenses:	(24)		
a) Wages and salaries		*12,813,649.21*	*12,282,744.60*
b) Social insurance contributions and expenses for retirement pensions		*2,834,254.95*	*2,674,388.01*
(of which, for retirement pensions: EUR 93,625.94; previous year: EUR 77,118.22)			
6. Depreciation on intangible and tangible fixed assets	(25)	2,806,863.67	2,889,033.21
7. Other operating expenses	(26)	22,332,305.92	15,674,170.81
(of which, from currency translation: EUR 199,848.27; previous year: EUR 297,772.47)			
Intermediary result		**-4,656,321.11**	**445,110.22**
8. Income from participations	(27)	0.00	350,000.00
(of which, from affiliated companies: EUR 0 ; previous year: EUR 350,000.00)			
9. Other interest and similar income	(27)	18,571.15	13,554.74
(of which, from affiliated companies: EUR 18,082.63; previous year: EUR 13,396.84)			
Income from financing activities		**18,571.15**	**363,554.74**
10. Other interest and similar expenses	(28)	867,374.85	373,649.05
(of which, from affiliated companies: EUR 0; previous year: EUR 60,039.00)			
Expenses from financing activities		**867,374.85**	**373,649.05**
11. Taxes on income and profit	(29)	6,648.31	1,654.50
12. Profit (loss) on ordinary business operations		**-5,511,773.12**	**433,361.41**
13. Other taxes	(30)	**326,895.52**	**388,459.53**
14. Net income for the year before transfer of profit		**-5,838,668.64**	**44,901.88**
15. Profit transferred on the basis of a profit transfer agreement		**5,838,668.64**	**-44,901.88**
16. Profit for the year		**0.00**	**0.00**

Notes to the Financial Statements as of 31 December 2023

A. BASIC ACCOUNTING INFORMATION

1. Group affiliation

Quipu GmbH, a medium-sized incorporated company, is an affiliated company of ProCredit Holding AG Frankfurt am Main (ProCredit Holding) and included in their consolidated financial statements. ProCredit Holding prepares consolidated financial statements according to the International Financial Reporting Standards (IFRS) for both the largest and the smallest circle of companies, in accordance with the provisions of section 315e (1) of the German Commercial Code (HGB). The consolidated financial statements are published in the company register (section 325 (1) HGB). The ProCredit Holding is registered with the Regional Court of Frankfurt am Main under HRB 132455. Quipu GmbH is registered with the Regional Court of Frankfurt am Main under HRB 90104.

The profit and loss transfer agreement with ProCredit Holding was changed to a control and profit/loss transfer agreement on 21 July 2011. As a result, the total profit/loss for the year is transferred to the ProCredit Holding. The control and profit/loss transfer agreement forms the basis for the VAT and income tax affiliation with ProCredit Holding.

2. Accounting, measurement and disclosure methods

The annual financial statement of Quipu GmbH (Quipu GmbH), Frankfurt am Main, for the 2023 financial year is prepared in accordance with the regulations of the German Commercial Code (HGB) and the German Limited Liability Companies Act.

Intangible and tangible assets are recognised at acquisition or production costs and reduced by regular amortisation/depreciation to the extent that they are subject to wear and tear. Regular depreciation is applied on a straight-line basis over the expected useful life of the assets:

Intangible fixed assets	5 years
Office and operating equipment	3–25 years

Low-value assets with individual acquisition costs of up to EUR 800 are written off in full in the year of their addition and reported as disposals.

Financial assets are recognised at acquisition cost. If, on the balance sheet date, a reduction in value is expected to be permanent, extraordinary write-downs are applied to the corresponding assets. If the respective reasons cease to apply, financial assets are written up to no more than their purchase costs.

Inventory consists of work in progress. Contractually agreed performance not yet invoiced by the balance sheet date was measured on the basis of completed person days times the daily rate.

Receivables and other assets are entered at acquisition cost in compliance with the lower of cost or market value principle.

Cash-in-hand and bank balances are recognized at nominal amounts.

Prepaid expenses consist of expenditures before the balance sheet date that represent expenses for a specific period after the balance sheet date. The deferred income item represents income from revenues after the balance sheet date.

Equity is recognized at nominal value.

The provisions take into account all statutory or factual obligations to third parties identifiable as of the balance sheet date, which are uncertain in terms of their exact amount(s). The recognized amount is determined based on the prudence principle. Provisions are entered at their expected settlement amount(s) as determined in accordance with the commercial prudence principle (sec. 253 (1) HGB). In the financial year, the provisions have a term of less than one year and are not discounted (sec. 253 (2) HGB).

Liabilities are stated at their settlement amount(s).

The option to recognize software development costs on the assets side pursuant to sec. 248 (2) HGB is not utilised.

The income statement is prepared according to the total cost method (sec. 275 (2) HGB).

All amounts are shown in euros. In the balance sheet for Quipu GmbH, currency items are valued at the average rate of exchange at the end of the reporting period (sec. 256a HGB). The exchange rate on 31 December 2023 was EUR 1/USD 1.1050. Income and expenses from the conversion of these currency items are recognised under “Other operating income/other operating expenses”. Expenses and income in foreign currency are converted at the transaction rate.

Tax assets/liabilities are disclosed at the level of the ProCredit Holding, as it forms an income tax group with Quipu GmbH.

There are no supplementary provisions of the memorandum of association.

B. NOTES TO THE BALANCE SHEET

FIXED ASSETS

3. Intangible assets

The Intangible assets mainly consist of purchased software licenses. The assets schedule provides a detailed overview of the development of the intangible assets (Annex to the Notes).

4. Tangible assets

Tangible assets are comprised of technical equipment and servers, office furniture and equipment, company vehicles and tenant installations. Please see the assets schedule regarding the development of tangible assets (Annex to the Notes).

5. Financial assets

The table below shows the shares held by Quipu GmbH in and the loans granted to affiliated companies:

Name of subsidiary	Address	Subscribed capital incl. capital reserve (EUR)	Revenue reserves and other reserves (EUR)	Profit (Loss) for the year (EUR)	Loans to to affiliated companies (EUR)
		12/31/2023	12/31/2023	2023	12/31/2023
Quipu Shpk, Prishtina, Kosovo	Rexhep Mala 16 Prishtina, Kosovo	5,000.00	439,610.00	313,371.00	38,131.52
Quipu S.A., San Salvador, El Salvador	Avenida La Revolución No. 178 Colonia San Benito, San Salvador, El Salvador.	92,927.80	131,735.34	31,799.56	0.00
Quipu Dooel, Skopje, Mazedonien	Ui. Chedomir Minderovikj No. 31 Sjopje, Mazedonien	5,041.06	230,824.71	64,727.19	294,667.00
Limited Liability Company "Quipu GmbH" Kiev, Ukraine	Holosiivskyi district, Krasylivska Str. 5 03040 Kiev, Ukraine	4,580.62	-233,372.50	-59,988.73	300,000.00

Quipu SH.P.K., Prishtina, Kosovo, offers services in bank card personalisation for the Eastern European, Latin American and African markets. The company in El Salvador provides services for ProCredit Bank in Ecuador as well as for third-party clients in Central and South America. Quipu DOOEL in Skopje, Northern Macedonia, is responsible for providing services to ProCredit banks in Europe. Quipu GmbH, a limited-liability company in Kiev, Ukraine, was established on the 7th of October 2019 for the purpose of setting up and operating a data centre in Kiev and provides services provision and IT services as well for ProCredit banks in Eastern Europe.

Shares in subsidiaries

in EUR

Subsidiary	Equity exposure as of 01.01.2023	Additions in 2023	Disposals in 2023	Net book value as of 31.12.2023	Share in %	as of 31.12.2022	Share in %
Quipu Shpk, Prishtina, **Kosovo**	5,000.00	0.00	0.00	5,000.00	100.0%	5,000.00	100.0%
Quipu S.A., San Salvador, **El Salvador**	92,927.80	0.00	0.00	92,927.80	99.4%	92,927.80	99.4%
Quipu Dooel, Skopje, **North Macedonia**	5,041.06	0.00	0.00	5,041.06	100.0%	5,041.06	100.0%
Limited Liability Company "Quipu GmbH" Kiev, **Ukraine**	4,580.62	0.00	0.00	4,580.62	100.0%	4,580.62	100.0%
Total	**107,549.48**	**0.00**	**0.00**	**107,549.48**		**107,549.48**	

CURRENT ASSETS

6. Work in progress

Work in progress relates to work already performed but not yet invoiced for projects in progress, which, in accordance with the contractual agreement, will only be invoiced upon completion.

7. Trade receivables

Of the total amount of EUR 3,759,824.48 (prior year: EUR 3,009,953.52), EUR 2,585,160.23 (prior year: EUR 1,679,333.92) are receivables from affiliated companies and EUR 1,174,664.25 from third parties (prior year: EUR 1,330,619.60). As of the reporting date, EUR 2,135,874.81 (prior year: EUR 1,870,984.87) of the total receivables had not yet reached maturity, EUR 1,623,949.67 (prior year: 1,138,968.65) had reached maturity.

8. Receivables from affiliated companies

These consist of receivables from subsidiaries and from the shareholder.

The receivables from the shareholder are VAT receivables in connection with the entity's VAT group membership (EUR 146,601.53; prior year: EUR 155,932.17), IT services (EUR 645,952.56; prior year: EUR 103.712,38) and the net loss for the year to be settled (EUR 5,838,668.64; prior year EUR 0.00) against ProCredit Holding.

The receivables from the subsidiaries (EUR 238,936.73); prior year: EUR 225,521.64) consist mainly of leasing invoices and accrued interest on loans.

9. Other assets

Other assets

in EUR	31 Dec. 2023	31 Dec. 2022
Tax refunds due	1,191,661.70	1,200,228.27
Deposits	79,222.28	53,590.22
Other	58,456.37	49,840.23
Total	**1,329,340.35**	**1,303,658.72**

The tax refund claims are for refundable claims against the Romanian tax authorities (EUR 436,713.82) for value added tax from business transactions in Romania, and in Ecuador (EUR 754,764.08) for withholding tax in connection with invoices for services rendered to ProCredit Bank Ecuador.

10. Cash-in-hand and bank balances

in EUR	12/31/2023	12/31/2022
Inland banks	1,892,876.17	1,963,156.87
Foreign banks	186,202.38	178,463.88
Cash	6,630.32	7,878.42
Total	**2,085,708.87**	**2,149,499.17**

DEFFERALS AND ACCRUALS

11. Prepaid expenses and other current assets

in EUR	31 Dec. 2023	31 Dec. 2022
Rent	62,998.28	102,000.36
Insurance	68,006.43	46,057.01
Consulting services	0.00	17,936.00
Maintenance	1,035,961.76	1,413,719.94
Subscription fees	7,951,946.44	4,799,712.25
Other	64,798.77	91,562.48
Total	**9,183,711.68**	**6,470,988.04**

EQUITY

12. Subscribed capital

As at 31 December 2023, the subscribed capital was held by ProCredit Holding (100%).

13. Profit/loss of the year

Based on the control and profit/loss transfer agreement concluded on 21 July 2011, the net loss of the year in the amount of EUR 5,838,668.64 (prior year: profit of EUR 44,901.88) is settled by the ProCredit Holding.

PROVISIONS

14. Other provisions

in EUR	31 Dec. 2023	31 Dec. 2022
Accruals for holiday	536,658.79	406,734.21
Rental expenses and decommissioning commitments	14,068.90	30,952.30
Other invoices	365,500.00	129,500.00
Outstanding invoices freelancers	389,040.00	107,008.00
Employers' liability insurance contributions, charge for not employing disabled persons and international health insurance	40,000.00	32,440.00
Staff expenses/Severance payments	0.00	115,000.00
Annual financial statements	51,000.00	51,000.00
Total	**1,396,267.69**	**872,634.51**

LIABILITIES

15. Liabilities to banks

in EUR	31.12.2023	31.12.2022
- less than one year	24.000.000,00	12.000.000,00
- between 1-5 years	0,00	5.000.000,00
	24.000.000,00	**17.000.000,00**

Liabilities to banks refer to liabilities to ProCredit Bank AG, Frankfurt am Main. These are collateralized by a hard letter of comfort from the ProCredit Holding AG.

16. Trade liabilities

in EUR	31.12.2023	31.12.2022
- less than one year	1,805,761.66	1,011,222.04
- between 1-5 years	751,828.50	0.00
Total	**2,557,590.16**	**1,011,222.04**

This has a maturity of up to 1 year and includes trade liabilities to affiliated companies of the ProCredit Group in the amount of EUR 6,174.82 (prior year: EUR 794.35).

17. Liabilities to affiliated companies

This item includes liabilities in connection with invoices for services of Quipu DOEEL in Northern Macedonia, Quipu SH.P.K. in Kosovo and LLC “Quipu GmbH” in Kiev in the amount of EUR 594,748.22 (prior year: EUR 308.168,97) and liabilities to the shareholder in the amount of EUR 5,612.76 (prior year: EUR 55,113.48).

The liabilities to the shareholder consist of accrued guarantee fees.

18. Other liabilities

Tax liabilities in the amount of EUR 164,535.49 consisted solely of liabilities from wage and church taxes as of 31 December 2023 (prior year: EUR 134,888.65).

Social security liabilities amounted to EUR 47,791.78
(prior year EUR 31,197.58).

19. Deferred income

This item includes income from ProCredit Bank Kosovo in the amount of EUR 321,373.00 and EUR 29,227.36 from Banco de Desarrollo Rural Honduras for services to be provided by Quipu GmbH after the balance sheet date.

C. NOTES TO THE INCOME STATEMENT

20. Sales revenues

The majority of sales is generated from the provision of IT services to the ProCredit group. The IT services comprise the provision of the banking software for ProCredit banks, software maintenance, and the resale of IT hardware and software.

in EUR	2023	2022
Sales revenue from the ProCredit Group	37,325,328.93	32,677,045.78
Sales revenue from third parties	5,006,912.74	5,142,281.08
Total sales revenue	**42,332,241.67**	**37,819,326.86**

in EUR	2023	2022
Sales revenue Germany	5,798,946.76	4,989,633.64
Sales revenue East Europe	13,197,747.85	11,383,661.38
Sales revenue Southeast Europe	15,862,331.56	13,394,625.48
Sales revenue Africa	2,006,716.37	2,555,040.61
Sales revenue Central and South America	5,466,499.13	5,496,365.75
Total sales revenue	**42,332,241.67**	**37,819,326.86**
	36,533,294.91	32,829,693.22

21. Other operating income

Sonstige betriebliche Erträge

in EUR	2023	2022
Extraordinary income	1,735.26	6,436.24
Income from reversals of Tax provisions	0.00	0.00
Income from reversal of accruals	4,582.80	20,447.75
Income from currency translation	135,806.12	431,667.86
Income from insurance compensation	0.00	365.00
Other	71,297.56	50,385.86
	213,421.74	**509,302.71**

Income from currency translation relates exclusively to realised income.

22. Cost of purchased merchandise

The cost of purchased merchandise item includes expenses for purchased hardware, most of which is resold directly to the ProCredit group.

23. Cost of purchased services

The cost of purchased services item includes payments for services to independent professionals and HR services providers as well as for services purchased from subsidiaries.

24. Amortisation and write-downs of intangible fixed assets and tangible assets

A detailed overview of amortisation/write-downs is provided in the asset schedule (Annex 1 to the Notes).

25. Other operating expenses

in EUR	2023	2022
License and maintenance, exp. for software and hardware	12,204,537.09	8,638,932.46
Operating lease expenses	3,364,309.64	1,780,680.75
Services provided by foreign subsidiaries (Latin America, Macedonia)	2,263,563.00	1,682,042.05
Communication	1,029,598.07	616,526.86
Travel expenses	761,463.48	610,646.10
Other personnel expenses	640,930.48	593,641.94
Legal and advisory expenses	635,090.43	508,226.29
Expenses from currency translation	358,856.90	297,772.47
Charges to be passed on for services received	286,043.70	272,796.27
Other administrative expenses	199,848.27	258,787.86
Accounting expenses	143,882.48	145,714.68
Entertainment and hospitality expenses	134,054.50	112,018.37
IT materials	119,856.28	77,569.48
Insurance	92,575.99	75,405.99
Disposal of fixed assets	76,210.61	2,429.00
Lost receivables	21,485.00	980.24
Total	**22,332,305.92**	**15,674,170.81**

Expenses from currency translation relate exclusively to realised expenses.

26. Other interest and similar income

Of the total amount of EUR 18,571.15, EUR 18,082.63 relate to interest income from loans granted to affiliated companies.

27. Interest and similar expenses

The total amount of EUR 867,374.85 refers to loans from banks.

28. Income tax

Income tax refers to foreign income tax for the Regional Office in Accra, Ghana (EUR 84.72; prior year: EUR 1.654,50) as well as to retrospective tax payment for the regional office in Kiew, Ukraine, which was closed (EUR 6,563.59; prior year: EUR 0.00).

29. Other taxes

Other taxes include withholding tax on sales generated in the Congo (EUR 148,579.12; prior year: EUR 210,956.98) as well as local withholding and sales tax paid in Romania, Ghana, Ecuador and Northern Macedonia (EUR 177,946.40; prior year: EUR 177,132.55) and vehicle tax (EUR 370.00; prior year EUR 370.00).

D. ADDITIONAL INFORMATION

30. Personnel expenses

During the 2023 financial year, Quipu GmbH had an average of 197 employees (2022: 222), of which 64 were women and 133 men. As of 31 December 2023, the total number of employees of Quipu GmbH was 193 (2022: 207), 65 women and 128 men.

As of 31 December 2023, Quipu GmbH had four senior executives and 193 salaried employees.

31. Other financial obligations

Quipu GmbH has total liabilities in the amount of EUR 2,783,097.88. These are composed of rental (EUR 2,172,459.54) and leasing contracts (EUR 16,744.20) as well as interest liabilities from loan agreements concluded at arm's length with ProCredit Bank (EUR 593,894.14).

32. Total auditing fees

The total auditing fees for the 2023 financial year amount to EUR 33,000.00 (prior year: EUR 25,000.00) The company did not make use of any additional services of the auditing firm.

33. Management

The managing directors of the company during the reporting period were: Ms. Daniela Enache, Bucharest / Romania, business economist, and Mr. Andrei Georgescu, Frankfurt am Main, business economist, Mr. Petru Jucovshi, Frankfurt am Main, graduate computer scientist, and Mr. Diamant Ibrahimi, Frankfurt am Main, business economist.

The total remuneration of the management during the reporting period was EUR 610,093.24 (prior year: EUR 334,245.73).

The company is represented by two managing directors.

Frankfurt am Main, 20 June 2024

QUIPU GmbH
The Management Board

Daniela Enache Petru Jucovshi Andrei Georgescu Diamant Ibrahimi

Petru Jucovschi (Jul 24, 2024 15:02 GMT+2) Andrei Georgescu (Jul 24, 2024 17:20 GMT+2)

Annex 1: Schedule of assets

in EUR	Acquisition cost					Accumulated depreciation				Net book values	
	As of: 01/01/2023	Additions	Disposals/ Write-downs	Reclassifications	As of: 12/31/2023	As of: 01/01/2023	Additions	Disposals/ Write-downs	As of: 12/31/2023	As of: 12/31/2023	As of: 12/31/2022
I. Intangible assets											
1. Licences, commercial and intellectual property rights and similar rights	5,744,311.71	236,025.92	0.00	40,950.00	6,021,287.63	4,414,578.71	616,101.92	0.00	5,030,680.63	990,607.00	1,329,733.00
2. Advance payments intangible assets	40,950.00	0.00	0.00	-40,950.00	0.00	0.00	0.00	0.00	0.00	0.00	40,950.00
	5,785,261.71	236,025.92	0.00	0.00	6,021,287.63	4,414,578.71	616,101.92	0.00	5,030,680.63	990,607.00	1,370,683.00
II. Property, plant and equipment											
1. Other equipment, furniture and fixtures	17,371,533.48	436,029.05	126,555.33	1,010,671.70	18,691,678.90	11,872,380.48	2,190,761.75	105,070.33	13,958,071.90	4,733,607.00	5,499,153.00
2. Advance payments for property, plant and equ	0.00	1,010,671.70	0.00	-1,010,671.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	17,371,533.48	1,446,700.75	126,555.33	0.00	18,691,678.90	11,872,380.48	2,190,761.75	105,070.33	13,958,071.90	4,733,607.00	5,499,153.00
III. Financial assets											
1. Shares in subsidiaries	107,549.48	0.00	0.00	0.00	107,549.48	0.00	0.00	0.00	0.00	107,549.48	107,549.48
2. Loans to subsidiaries	498,131.00	228,000.00	93,332.48	0.00	632,798.52	0.00	0.00	0.00	0.00	632,798.52	498,131.00
3. Securities held as fixed assets	239.62	0.00	0.00	0.00	239.62					239.62	239.62
	605,920.10	228,000.00	93,332.48	0.00	740,587.62	0.00	0.00	0.00	0.00	740,587.62	605,920.10
Total fixed assets	**23,762,715.29**	**1,910,726.67**	**219,887.81**	**0.00**	**25,453,554.15**	**16,286,959.19**	**2,806,863.67**	**105,070.33**	**18,988,752.53**	**6,464,801.62**	**7,475,756.10**

Management Report

1. Basic company information

1.1 Business model

Quipu GmbH (hereinafter “Quipu”), established in 2004, is a software development and IT solutions integration company headquartered in Frankfurt am Main, offering support services and customized solutions for banks and other financial institutions. Quipu specialises in the development and implementation of a full range of banking software covering the needs of fully licensed commercial banks, with a focus on the financing of small and medium-sized companies.- The software supports activities in the areas of treasury, online banking, customer service, data warehouse and data analysis, as well as front office and back office. Quipu as a Third Party Processor (TPP) services, provides supporting a wide range of card products within the VISA, MasterCard and UPI payment systems. The TPP services also include a centre for credit and debit card personalisation. Additionally Quipu also maintains a private cloud in Frankfurt, from where it provides data hosting and software as a service for its clients. The company’s main customers are the ProCredit Holding AG (hereinafter “ProCredit Holding”) and its subsidiaries, the majority of which are banks. However, Quipu also serves customers outside of the ProCredit group, especially in Africa, Central America and Central Asia.

Quipu supports their customers in designing and developing or selecting the appropriate IT (information technology) solutions for their business model and implementing these solutions both efficiently and effectively. Quipu provides support services for the deployed IT solutions by combining security, reliability and a cost-effective approach with a coherent, integrated user experience, helping banks to fully utilize their IT solutions and services through self-service and automation capabilities. Quipu aims to offer third-party solutions entirely as SaaS (Software as a Service) hosted on its platform, the hybrid cloud, which it has built over the last eight years as part of its centralization program.

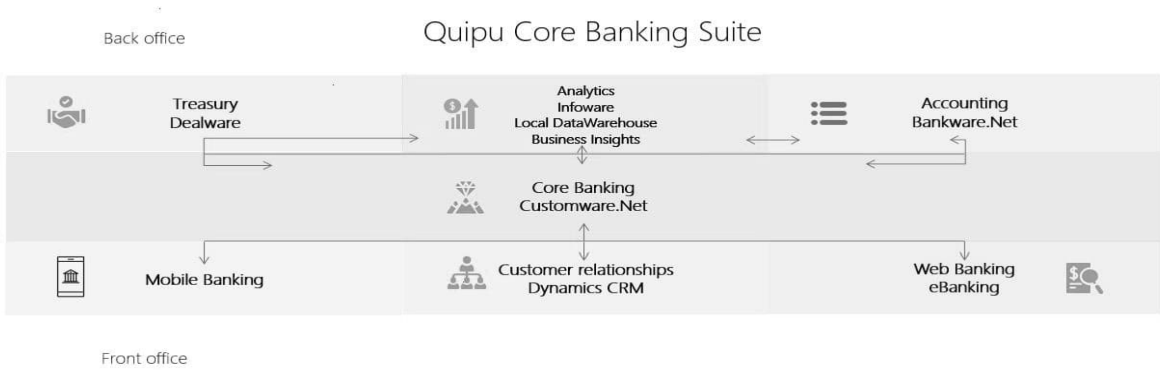
The company has its main office in Frankfurt am Main. Quipu also has regional offices in Central America (a subsidiary in San Salvador, El Salvador), South East and Eastern Europe (subsidiaries in Skopje, North Macedonia, Kyiv, Ukraine) and branches in Moscow, Russia, and Bucharest, Romania, to provide its customers with optimised support. In addition, a subsidiary in Prishtina, Kosovo, offers personalisation services for the bank cards and credit cards issued by the banks. In 2023, Quipu closed its branch office in Africa (Accra) and decided to discontinue business activities in El Salvador and in Russia in 2024.

Quipu is wholly owned by ProCredit Holding.

1.2 Development

Quipu currently develops its products aligned with the development needs of the ProCredit banks. At the core of the Quipu Banking Software Suite package are the two modules CustomWare.NET and BankWare. CustomWare.NET is a tool for supporting daily banking transactions with customers and for recording and processing data for a wide range of business transactions. The resulting booking transactions are recorded centrally in BankWare and made available for further processing and analysis. Both systems serve as a data source for InfoWare, an extension module that covers the business intelligence functions, but also allows data standardization and central reporting to the group. The BankWare.NET application, an enhanced accounting software to support IFRS accounting and reporting, with the required improved productivity, efficiency, reduced maintenance costs, high security and scalability, is currently being rolled out across the ProCredit banks. Daily treasury transactions and full chain information from all treasury or financing transactions of all ProCredit banks are supported through the DealWare add-on software module. The CRM (Customer Relationship Management) module was customised for the group based on the Microsoft Dynamics® Framework and primarily serves as a tool to support business departments in the organised, systematic management of their relatively complex business clients. The bank's customers can access their accounts and carry out transactions in the e-Banking and mobile banking application, which has been introduced for almost all customers.

Below is an overview of the products included in the Quipu Banking Suite



The focus areas for the further development of the different products are determined by the Management Board of ProCredit Holding in consultation with the Group IT Committee ("GITC") are described in the annual Group IT Strategy. This document also defines the priority or sequence in which new software and upgrades are implemented across the Group's banks. In addition, IT working groups under the leadership of a member of the Management Board of one of the ProCredit banks or a process owner of ProCredit Holding are dedicated to a key application or key services. They determine the development priorities and monitor development progress and implementation plans..

From 2023, Quipu adopted a product-focused approach for the development of electronic channels (e-Banking and mobile banking). There are also additional resources for the development of the front-office application to address the specific needs of the different institutions and meet local market requirements.

Each quarter, the GITC, chaired by a representative of the management of ProCredit Holding, provides an overview of development initiatives and sets priorities for each IT working group, with all strategic decisions being presented to the Management Board of ProCredit Holding for approval.

Research and development costs in the past financial year totalled TEUR 3,219 (2022: TEUR 1,583) and can be broken down as follows: CustomWare.NET TEUR 334 (2022: TEUR 114), DealWare TEUR 155 (2022: TEUR 96), InfoWare TEUR 243 (2022: TEUR 140), BankWare TEUR 238 (2022: TEUR 151), e-Banking/CRM TEUR 1.661 (2022: TEUR 879), BankWare.NET TEUR 131 (2022: TEUR 65) and mobile banking application TEUR 457 (2022: TEUR 138).

2. Report on the financial position

2.1 Development of business

2.1.1 General business environment

The development of Quipu's business is influenced by macroeconomic factors and the dynamics of the IT banking sector. The bank's performance was impacted by economic factors such as growth in the global economy, inflation rates, exchange rate fluctuations and geopolitical tensions. Global growth is projected to stay at the previous year's level in 2024 by the IMF, with a year-on-year growth rate of 3.1 %.
The IT banking sector was confronted with a dynamic macroeconomic environment in 2023, characterized by significant digital transformation initiatives. Remote working and digital collaboration became the norm, fuelled by the ongoing impact of the COVID-19 pandemic, which fundamentally changed the way banks are working and interacting with employees and customers. Banks invested heavily in technology to optimize processes and improve customer experience while trying to keep up with evolving regulatory requirements, particularly regarding data protection and cybersecurity. Cybersecurity remained a high priority and banks implemented effective measures to protect customer data against continued threats. The Eastern European economy is growing rapidly and the digital economy and information and communication technology (ICT) sector in Central and Eastern Europe (CEE) have undergone significant changes and expansions in recent years.

The dynamic chanche in the the business environment has accelerated the emergence of new trends, such as artificial intelligence, cyber security and cloud technology which will influence the digital economy in the future. . The cybersecurity sector, in particular, might soon experience growth in this region due to increased market demand as a result of Russia’s hybrid aggression.

Against this background, Quipu continued to implement its business strategy in line with the ProCredit group's IT strategy, focussing on two main focus areas – the digitalization of customer interactions and the automation of back-office processes. The strategic goals for the year were reached, and most of the planned projects were successfully completed.

All business areas continuously contributed to the company's development as demand for Quipu's services such as new features for existing products, digital solutions for the customer journey and back-office automation increased In particular, significant resources were invested in the implementation of the direct banking strategy, especially in the digitisation of non-financial transactions, including remote identification technologies, digital signature solutions and improvements to front-line applications for customers, as well as the implementation of the new credit risk analysis in CRM.

Another focus in 2023 was the continued introduction of solutions facilitating the digitisation of the back office and the automation of processes within the group, as well as the consolidation of the IT infrastructure and strengthening the security of IT processes.

In line with the structural transformation that was started in 2023, the requirements included not only a technology overhaul, but also a change in the company's approach to developing and implementing technologies for customers with the goal of ultimately delivering innovative future products and services and becoming more attractive to customers. Quipu took steps to align the company towards agile software development, but also to modernise the core banking system to introduce micro-services and modularisation along with a comprehensive API package.

Taking all of the above into account, Quipu forecasts a negative financial result of TEUR 9,400 for 2024 due to high investments in capacity expansion, technology modernisation and the development of new applications. At the same time, however, Quipu is optimistic about the long-term benefits of these strategic initiatives, which provide the potential to improve competitiveness, innovation and customer satisfaction. Quipu is convinced that by investing in its core competencies and introducing state-of-the-art technologies, the company will be able to create added value for customers and achieve sustainable growth in the future.

2.1.2 Upgrades and implementation of product versions

In line with the group's superordinate strategic goals, the main objectives in 2023 continued to be improving the digitisation of customer interactions (including non-financial transactions) and the automation of back-office processes. The focus here was on technologies for remote identification through digital signature solutions and the updating of front-line applications for customers. Starting in 2023, Quipu introduced an escalated agile approach to align the company's value delivery with customers' needs. This marks a departure from the traditional waterfall model commonly used by segmented functional units. To make this vision a reality, the plan for 2024 is as follows:

- Establishment of a product-oriented, domain-centric organisational structure

- Encouragement of agile methods and working practices: This includes the development and implementation of a comprehensive training programme for all staff to disseminate knowledge about agile methods.

- Modernisation of the technology stack through transformation of the in-house developed core platform to a composable architecture and expansion of the base platform by a range of APIs to allow third-party products to complement existing functions and features.

- Finalisation of the quality assurance framework (a process also initiated in 2023), special focus on expanding SQA resources and skills and improving SQA procedures for all products, especially test automation.

In 2023, the focus of the digital strategy for mobile banking was on increasing customer satisfaction, the rapid provision of new functions, regular updates, improvements to the user interface and integration of third-party services.
Quipu focuses on recruitment, retraining and forming a technology modernisation partnership with the help of third parties (currently Musala Soft).
Together with Artkai, Quipu initiated the development from scratch of a new mobile banking app with a new architecture and front-end design, allowing for a significant number of features, faster deployment and scalability. The estimated timeline for implementing the new application with the first customer is September 2024, according to a nine-month schedule that started in December 2023. The planned new product will be rolled out continuously and swiftly in the third quarter of 2024 and the first quarter of 2025, with prices for customers remaining unchanged until 2026.

The automation of the account opening process is another key area. It is a comprehensive programme that applies to all banks and covers front-office (especially the mobile banking application) as well as back-office systems, including core banking and AML/KYC processes (e.g. Siron). Each bank's onboarding process is assessed with respect to local regulations and assigned a score from 0–100 for level of automation. The programme aims to achieve full automation (100 %), if permitted by local laws. By the end of 2023, the group's total automation rate was 51%. The target for 2024 is an automation rate of 89%. The level of automation is subject to restrictions imposed by local laws.

As one of the main channels for the digital support of bank customers, the e-Banking application is currently equipped with all major transaction functions. Over the last three years, the increased upgrades of e-Banking applications in all banks using the Quipu platform have led to an increase in the average number of functions available per bank.

The strategic focus will now be on improving user-friendliness and further optimising existing functions, which is why partnerships with third parties Equilobe and Artkai were entered into.

In 2023, the main focus in the development of CustomWare.NET was on continuing the architectural overhaul of the application and on refactoring. The ability to easily integrate third-party tools and providers is becoming more and more important. The further expansion of the REST API was planned in order to support this trend.

The planning of the API development started in 2023, and it became clear that external support was needed. This led us to involve third-party provider Musala Soft in the process due to CW.NET client to web, no-code/low-code. With regard to the “Digital Journey” project, we contacted FintechOS and for CW.NET SEE deployments, Quipu has started working with Equilobe.

The key strategic project in accounting is BankWare.NET, which is intended to replace BankWare to improve the integration with the other systems in the Quipu Banking Suite. The application facilitates automated and detailed accounting in compliance with IFRS and simultaneously offers cost accounting features, creating the basis for comprehensive financial reporting.

The goal is to continue the implementation process in all banks in order to adapt the developed functions to a real-world accounting environment, in order to verify that the concept meets all the requirements of the financial sector in general and to identify any areas where further fine-tuning or redevelopment may be required.

CRM is the main tool used by Business Client Advisers (BCAs) and Client Advisers (Cas) to manage the bank's interaction with commercial and private clients in a compliant and systematic manner. It also is an essential tool for business unit managers to manage commercial customers, store data for analytics purposes and monitor the work of the BCAs and CAs.

In 2023, updates to the current CRM versions were introduced in the ProCredit banks in Bulgaria, Bosnia and Herzegovina and Romania, and the migration to cloud-based solutions was being prepared. Together with third-party providers, the Group intends to develop AI-supported applications to tap into the benefits of the technology, starting with the integration of a new CRM system for omni-channel and sales processes. This system is being developed together with the Aleman Software Group (ASG), an affiliated company of Microsoft, using Microsoft Dynamics. The implementation will include the PCBs in Romania, Bulgaria, Ukraine,

Kosovo, Albania, North Macedonia, Germany, Georgia and the Republic of Moldova. Quipu GmbH has already started the entire project in 2023..
As part of IT-related regulatory compliance, the Digital Operational Resilience Act (DORA) has a higher priority for Quipu and its EU customers. Effective from January 2025 and with a highly detailed project plan to establish compliance with the regulation, a project was initiated to conduct a detailed gap analysis and ensure consistent interpretation and compliance across different entities and related set-ups. The project aims to analyse and address new DORA-based requirements going beyond the existing regulatory framework of the banking supervisory requirements for IT (BAIT) and the EBA guidelines on information and communication technology (ICT).

2.1.3 Data centre

Quipu's data centre (QPC) offers members of the ProCredit group a comprehensive range of card business services. Card-based transactions are particularly important for the Group in line with the strategic focus on digitised transactions, with the aim of improving the efficiency, convenience and security of payments, promoting customer loyalty and generating income from fees.
QPC's services provide for German security standards and the international Payment Card Industry Data Security Standard as defined by MasterCard, Visa and other card payment systems. QPC is affiliated with five payment systems: Visa, MasterCard, UPI (Union Pay International), Amex and DinaCard (local payment system in Serbia). Eleven banks from the group and 23 institutions outside the group are currently linked to the data centre.

Consistent with the 2022 concept and in line with global trends, a significant increase in the acceptance of cashless payment methods, both in shops and online, was seen in 2023.
The following security and compliance audits are carried out regularly: PCI DSS, PCI 3DS and 3DS 2.X certification for the issue and acquisition of services and PCI CPP for the card personalisation service.

2.1.4 Cloud services from Quipu

In 2015 the group launched a programme to gradually centralise the IT infrastructure once it became evident that increasingly more synergies and economies of scale could be achieved at IT infrastructure level.

In the meantime, Quipu has expanded the project scope beyond the centralisation of hardware, data and software in our hybrid public-private cloud environment to fully centralise all ProCredit group IT operations. The additional scope goes along with significant restructuring and a transfer of IT staff from the banks to Quipu.

Centralising IT operations through the consolidation of components maximises the performance/cost ratio and accelerates product adoption and innovation by enabling the rapid and successful replication of implementations from one bank to another. These services were further improved in 2023 and the plan to strengthen the resilience, availability and modernisation as well as increase process automation still stands. Significant progress was made in 2023, e.g. the expansion of local hyperconverged container-based solutions provided by Nutanix, simplified data provisioning using Delphix and the integration of a cloud-first strategy for in-house or purchased solutions.

To ensure the quality and security of the global IT operations, Quipu obtained ISO 20000 certification in IT service Management, ISO 9001 for Quality Management and ISO 27001 for Information Security Management.

2.1.5 Development of FTE

The local branch in Accra, Ghana, was closed in September 2023. As a result, the total number of employees had dropped to 193 at the end of 2023 (prior year: 207). In addition to the number of active employees, the company also saw a decline in the number of fee-based contracts with freelancers in the regional offices. At the end of 2023, Quipu had a total of 227 employees and freelancers (prior year: 246).

However, in line with the ongoing transformation process, and in addition to changes in full-time positions, the number of employees was increased by additional staff, either through the outsourcing or outstaffing. Hence, 40 people were employed mainly in software development and quality assurance at the end of 2023.

The main capacity building areas in 2024 and beyond will be related to the development and deployment of the core banking system, which will require Quipu to expand the range of APIs and update the core through by adding micro services. Quipu also intends to create a new software quality assurance function to increase technology testing. This will improve the quality and reduce the workload for the banks during acceptance.
The number of teams previously involved in software implementation will also increase during the transformation. New roles such as Scrum Master, Product Delivery Manager and others will be introduced and the number of FTE in existing roles required to implement the agile framework and accelerate time to market will increase. Business analyses are another growing key function for improving the quality of results and shortening the time to market of functions. In addition, the modernisation of the mobile banking app follows the strategy of using mainly external resources with a small mix of internal resources, with the aim of keeping the know-how in the group.

2.2 Situation

2.2.1 Earnings position

The company's performance in 2023 was similar to the management's original sales estimates. However, due to higher sales and also due to significant operating expenses as well as wages and salaries, the profit/loss of the year for 2023 was much lower than originally planned. The focus on the product side of the organisational structure had not yet been sufficiently reviewed to be able to identify all components (mainly wages and salaries) and their impact on the profit/loss of 2023. Sales in 2023 increased by 12% against the previous year.

The following financial performance indicators are used for internal management purposes:

- *Sales*
- *Profit/loss of the year before profit/loss transfer*
- *Capitalisation ratio (the ratio of fixed assets to total assets)*

Year	*Sales* in EUR	*Profit/loss of the year before Profit/loss transfer*, in EUR	*Capitalisation ratio* in %
2019	27,307,998	-282,382	44.5%
2020	32,528,253	402,551	50.4%
2021	34.990.450	853.928	37,6%
2022	37,819,326	44,901	35.5%
2023	42,332,242	-5,838,669	21.5%

	Forecast 2023	Actual 2023
Sales in EUR	42,223,150	42,332,242
Profit/loss of the year before profit/loss transfer, in EUR	324	-5,838,669
Capitalisation ratio in %	27.7%	21.5%

As can shown in the table above, sales increased by 12% or TEUR 4,513 in 2023, and hence significantly more than in the previous year (8.1%). The higher sales are the result of higher income from data centre services (higher number of card transactions) and Quipu Cloud Services (increase in usage-based components and new services offered). For the current financial year, sales are expected to increase further by 15% to TEUR 48,795

As in the previous financial year, a smaller percentage of the total sales (2022: TEUR 2,465) corresponding to TEUR 2,743 was invoiced in USD at TEUR 2,743 with the percentage remaining the same (6.5%). The increase is due to the fact that one of our third-party customers is no longer able to make payments in EUR. We therefore had to start issuing our invoices to this customer in USD starting in March 2023.

In 2023, higher growth in sales was recorded from customers across almost all regions. In Africa, we see the effects of the closure of the regional office in Accra.

in EUR	**2023**	**2022**
Sales Germany	5,798,946.76	4,989,633.64
Sales Eastern Europe	13,197,747.85	11,383,661.38
Sales Southern Europe	15,862,331.56	13.394,625.48
Sales Africa	2,006,716.37	2,555,040.61
Sales Central and South America	5,466,499.13	5,496,365.75
Total sales	**42,332,241.67**	**37,819,326.86**

Our prices offered to customers remained unchanged throughout 2023.
Operating costs rose by 25%, which is significantly more than the increase of 18% projected for 2023. This was due to the 44% increase in the cost of materials and other operating costs to TEUR 8,909 over the previous year, mainly as a result of general inflation, which had an impact on administrative costs such as rent and incidental costs. These incidental costs rose by TEUR 370 as a result of technological change, which was reflected in an increase by TEUR 3,562 in hardware maintenance and licensing costs, while the subsidiaries contributed to the total resources with an additional amount of TEUR 1,682. Costs for outstaffing (EUR 722 thousand) and outsourcing (from EUR 42 thousand to EUR 668 thousand) in connection with the transformation process, which were new items in 2023, contributed to the increase by 15%. Wages and salaries increased by TEUR 691 or 5,1 %. This amount includes employer's contributions to the BVV pension insurance scheme in the amount of TEUR 93 (2022: TEUR 77). Amortisation costs fell slightly by 3% or TEUR 82, following the 4.4% increase reported in the previous Management Report. This was mainly attributable to a number of investments

from the period of 2016–2018, which had reached their EOL. The profit and loss transfer agreement with ProCredit Holding covers the profit/loss of the year before profit/loss transfer in the amount of TEUR -5,839 (2022: TEUR 45).

2.2.2 Financial position

The subscribed capital remained unchanged at TEUR 1,000.

The credit line of TEUR 250 granted by Frankfurter Sparkasse was not utilised during the financial year.

In 2019, Quipu agreed on a new financing structure with ProCredit Bank Germany and ProCredit Holding to cover the long-term financing of ProCredit's central data centre due to scheduled additional investments.

In October 2023, Quipu was granted a credit line of TEUR 7,000 for one year by ProCredit Bank Germany to support the complex current restructuring and transformation process. The total loan amount was TEUR 24,000 at the end of 2023.

The balance of accruals as at 31 December 2023 increases by TEUR 524 to TEUR 1,396 (2022: TEUR 873) due to pending invoices from independent contractors / outstaffing services and other invoices. Trade liabilities increased by TEUR 1,546 (2022: TEUR 1,011), driven by annual payment cycles from suppliers at the end of the year and payment terms of more than 30 days.

The company's liquidity position was adequate and the company was able to meet its payment obligations at all times.

2.2.3 Asset position

Fixed assets as at 31 December 2023 were valued at TEUR 6,465, which was below the TEUR 7,476 of 2022. The capitalisation ratio therefore was 21.5% relative to the balance sheet total, which was lower than the number forecast in last year's Management Report. This is owed to the fact that ProCredit's central data centre assets purchased in 2018 had reached the end of their useful life and the focus was on a programme to modernise the technical architecture by implementing a hyperconverged platform solution for containers.

The company's current assets, which include receivables and other assets, increased by TEUR 7,372 (2022: TEUR 7,097) to TEUR 14,469. The increase is mainly due to the increase in trade receivables. The balance sheet item "Cash in hand and bank balances" dropped to EUR 2,086 thousand as at 31 December 2023 (2022: TEUR 2,149).
We consider the profit/loss position of the 2023 financial year as reflective of Quipu's investments in capacity expansion and technology during the year. This will result in better quality services for clients in coming years and will be fully backed by ProCredit Holding on the basis of a profit/loss transfer agreement.

3. Report on expected developments, opportunities and risks

3.1 Report on expected developments

In 2023, a detailed analysis for the business areas of development and maintenance for each of Quipu's applications was conducted based on the results of the 2023 cost accounting. This analysis revealed significant discrepancies between the calculated annual subscription fees and the actual costs incurred for the maintenance and further development of these applications. As a result, the management decided to increase the annual subscription fees of some applications, while the fees for Quipu's other applications remained unchanged due to their proven market relevance.

For the financial year 2024 , the management expects total sales to increase by approx. 15%, driven by planned implementation and centralisation projects in combination with the aforementioned increase in annual subscription rates. Nevertheless, costs are forecast to rise more sharply than in previous years, resulting in a higher annual loss than in 2023. According to the business plan, operating costs are expected to increase by 36% in 2024. Similar to 2023, the management is forecasting a loss of TEUR 9,400 for 2024, as the effects of the investments and costs associated with the modernisation, automation and organisational transformation initiatives will only manifest on the income side once the respective projects have been completed.

Quipu invoices implementation fees for software upgrades and other related projects on a time and material (T&M) basis. Having seen the positive results of this approach, Quipu has broadened its scope to include cloud services and data centres in 2023.

The key objectives for 2024 are:

- Driving **digital customer interactions** (through initiatives such as mobile onboarding of customers using identify self-verification technologies, modernising the architecture and user experience of mobile applications, implementing AI-controlled contact centres and automating marketing campaigns)
- **Automation of back-office processes** (with a focus on the opening of accounts by individuals), stepping up robotic process automation (RPA) and no-code/low-code technologies with UiPath and Microsoft Power Platform
- **Modernisation of core banking processes** by expanding the APIs for a more flexible integration with third-party services
- Continuation of the **agile method** approach, development towards a product-focused organisation, driven by training programmes and improved software quality assurance practices
- Using the potential of **AI technology** by introducing a new CRM system for omni-channel and sales processes for PCBs in Romania, Bulgaria, Ukraine, Kosovo, Albania, North Macedonia, Germany, Georgia and Moldova, developed in collaboration with the Aleman Software Group (ASG) and Quipu GmbH, based on Microsoft Dynamics.

In the current year, upgrades to the CustomWare.NET front office application, the BankWare.NET accounting application as well as the mobile banking and e-Banking applications in the banks will continue to be rolled out.

In the payments area, the strategic focus for 2024 is on further optimising the payment platform through continuous software updates, ensuring stability and scalability, increasing automation and expanding the monitoring of related systems. Following the implementation of a new rule manager covering smart routing and commission calculation, the focus for 2024 remains on the further optimisation of payment processes and compliance with the new ISO 20022 format for Target2 (ESMIG) and SWIFT (CBPR+) payments.

The group's focus in 2023 was on projects in risk classification, the quantification of credit risks (LLP tool), ESG risk management and the improvement of credit risk processes for lending activities and credit risk. The projects were successfully defined, developed and implemented across ten projects. The focus in 2024 will shift to improving data quality and management through planned IT projects in line with the digitisation agenda and back-office automation.
In conjunction with the opportunities presented by Quipu's data centre, the global shift from cash to digital payments also means that the possibility of card fraud increases. As customers are more and more dependent upon digital payments, it is desirable for them to access their cards at any time, as necessary.

In 2024, the priority will be risk control and service excellence for cardholders. This includes the improvement of issuing services by reducing refusals, the offer of direct issuing of digital cards and improved security. Purchased services are also being modernised through innovative solutions such as telephone tapping technology and contactless ATMs. Efforts are also being made to achieve greater sustainability in the design and issue of cards.

A few years ago, the group initiated a modernisation programme for the technical architecture with the following five main pillars: Application infrastructure, security architecture, software development processes, architectural coupling, and data architecture. Significant progress was made, including the integration of a cloud-first strategy, deployment of a hyperconverged platform solution for containers and simplified data provisioning. The focus in 2024 will be on improving the security architecture, improving software development processes and transitioning to modular application architecture based on microservices. There will also be a migration of the application server infrastructure to expand container support using Nutanix technology.

Following two serious IT incidents in 2023 relating to data storage, the hardware architecture was restructured to minimise the impact at group level should a similar incident happen again. While monolithic storage systems offer a number of benefits in terms of scalability, versatility, flexibility and cost-effectiveness, Quipu has found that even premium class systems designed to be fully redundant and protected from failure are not infallible. The company built smaller hardware islands in 2023, splitting the infrastructure into lower-impact areas, each hosting a smaller number of banks and thereby reducing the impact for severe incident scenarios. Most banks will migrate to these islands in 2024.

With regard to cloud services, the plan for 2024 is to gradually introduce new components of the shared services infrastructure in the banks in order to maximise synergies and achieve economies of scale in IT services, which differ very little between the group's banks. Specific measures include scaling hyper-converged technology, redesigning infrastructure to achieve better incident management, modernising the core network and back-up systems, deploying remote cloud-native application implementation and Zero Trust Network Access using SailPoint for identity and access management, and introducing AI-powered support services.

The implementation of shared services at ProCredit Bank Bosnia and Herzegovina stalled due to additional regulatory requirements and subsequently as a result of a shift in focus and resources to dealing with the consequences of the Russian invasion of Ukraine. This implementation had been scheduled to be completed in 2023, but was postponed to 2024 following the complete centralisation and migration of the core banking suite at ProCredit Bank

Serbia, which was also planned for 2024. The centralisation of the divisional infrastructure and IT operations at ProCredit Bank Bosnia and Herzegovina and ProCredit Bank Georgia is scheduled to be completed in 2025.

The ProCredit group considers the upcoming Digital Operational Resilience Act (DORA) and related standards as a key reference point for IT-related regulation. The regulation, which will enter into force in January 2025, has a broad scope of application and is highly detailed. Compliance is therefore a top priority for Quipu and the banks.
Quipu has obtained several certifications such as ISO 9001, ISO 20000 and ISO 27001 as well as PCI DSS, which demonstrates the quality and security of its operations. To further strengthen customer trust, improve risk management procedures and demonstrate affinity for data protection and privacy, Quipu has launched a 14 to 18 month programme to become SOC 2 certified by the middle of the second quarter of 2025.

The cybersecurity objectives in 2024 will focus on improving data protection, governance and risk management at the ProCredit group institutions. This includes further enhancing the group's endpoint data loss protection solution, extending Zscaler to include LAN operations, evaluating Microsoft Purview for data governance, finalising the implementation of the new identity and access management systems at ProCredit Holding, ProCredit Bank Germany and ProCredit Bank Romania, and implementing a new IT/IS risk management solution. These efforts are aimed at strengthening the security, ensuring compliance and mitigating risks in the organisation's IT infrastructure.

The ProCredit group is aware of the growing demand for IT emergency response and recovery procedures to ensure business continuity. In this regard, the Group has decided to invest in state-of-the-art resilience resources for its IT infrastructure, prioritising availability, scalability and security. Business continuity plans now cover scenarios such as pandemics or cyber-attacks with on the dependencies of IT systems as well as recovery targets derived from impact analyses. The group has introduced a centralised Business Continuity Management (BCM) platform for the automated management of disaster recovery and business continuity programmes for improved efficiency.

3.2. Risk report

Due to the company’s connection to the ProCredit group, its business risks are closely linked to the development of the group. ProCredit Holding, the ProCredit banks and Quipu are jointly involved in defining and implementing the IT strategy on a group-wide basis.

Quipu is exposed to various types of risks during its business activities, e.g. operational, financial, legal and reputational risks. To ensure that these risks are identified, assessed, monitored and mitigated, Quipu has established a comprehensive risk management system overseen by the Executive Board and supported by the risk department and various committees.

Risk assessment is part of the Information, Risk and Compliance Department, which reports directly to the Management Board. The risk team is responsible for implementing and maintaining the risk management system, which includes the following responsibilities:

- Development and updating of risk policies, processes and guidelines
- Identification and assessment of risks relating to the company and its projects, products and services
- Monitoring and reporting of risk exposures and incidents to the Management Board and the relevant committees

• Providing risk advice and guidance to the business units and project teams
• Implementation of risk awareness and training programmes for employees

The following committees advise and support the Management Board, in particular in the risk management tasks:

- Risk Management Committee
- Operational Risk Committee
- Compliance Committee

Quipu is exposed to the following types of risk:

- Foreign currency risks
- Default risks
- Liquidity risks
- Market price risks
- Operational risks
- Sales risks

The section below explains the risks and opportunities.

Quipu uses an *IT Risk Management System* for the processing centre. Quipu applies the *Risk Policy* of the ProCredit Holding Group.

3.2.1 Foreign currency risks

Foreign currency risks arise from the requirement to purchase US dollars in the range of USD 3.4 million per year to cover the ongoing operating costs of the Quipu branches in Latin America and Africa (until the closure of the branch) as well as outstaffing costs in connection with updates to the e-Banking applications. So far, no active risk management for open foreign currency items in the form of hedging has been considered necessary. The current pricing model offers banks the option of charging the annual fees for using the software in either USD or EUR in order to limit foreign currency risks.

This created an opportunity as Quipu did not have to buy additional USD currency in 2023. This is expected to continue in 2024. At the same time, it reduces the foreign currency risk of the ProCredit banks that switched to invoicing in USD, as they will have to buy lesser amounts EUR to settle the invoices of Quipu.

The occurrence of this risk is therefore assessed as having a low impact on the financial situation.

3.2.2 Default risks

Default risks in connection with the invoices issued for services rendered are very transparent and can be ruled out almost entirely, since the bulk of the company's clients is from within the ProCredit group. Quipu continues to identify default risks for 2024 due to the military conflict in Ukraine, to which the social unrest and political turmoil in the US, Europe and other countries due to elections and fragile parliamentary coalitions will continue to contribute.

Unpaid invoices to third-party customers only were EUR 1,272,000 or 2.8% of the total income as at 31 December 2023 and therefore represented a low risk.

Should this risk materialise, it is considered to have a big impact on the financial position.

3.2.3 Liquidity risks

The ***Liquidity risk*** is managed through contracts for the performance of project-related work designed to ensure that sufficient liquidity will be available in the form of interim instalments when items of work are completed or at payment at predefined intervals. The sales generated from the Processing Centre and the cloud services are billed monthly for the previous month. This allows for reliable planning and ensures a regular flow of liquidity.

The existing pricing system makes it possible to structure the contracts in such a way that the annual leasing instalments for the software are payable in advance at the beginning of the year, unless the bank expressly requires a different method of payment due to regulatory requirements.

The company agreed a credit line totalling TEUR 1,250 with its two principal banks, Frankfurter Sparkasse and ProCredit Bank Germany, to bridge short-term liquidity bottlenecks in 2023.

The occurrence of this risk is assessed as having little impact on the financial position.

3.2.4 Market price risks

The ***price risk*** is minimised through flexible contracts. The prices specified in the contracts for the use of the software were set on the principle that, based on the assumptions of the current business plan, the prices can remain unchanged for the next year. In addition, the company can adjust the existing usage and maintenance agreements annually to respond to potential cost increases.

This now makes it possible to plan for software development in the medium term, as the prospective income can already be calculated today. The occurrence of this risk is assessed as having little impact on the financial position.

3.2.5 Operational risks

Operational risk is the risk of losses resulting from the inadequacy or failure of internal processes, people and systems or as a result of external events. This definition covers fraud risk, IT risk, legal risk, reputational risk and outsourcing risk. Quipu implements a set of operational and fraud risk management principles across the institution through specific policies and guidelines in line with regulatory requirements.

The management of IT incidents and issues is a recurring topic for the Operational Risk Management Committee, which is the body responsible for reviewing significant risk events and recommending corrective actions to prevent recurrence such as system outages, security failures or other events that disrupt business processes. The ***operational risk*** for the Processing Centre was reduced through ongoing ISO and PCI DSS certifications. The documentation of procedures and the standardisation of processes is ongoing in the other divisions.

The migration to a professional data centre reduced the susceptibility of the IT infrastructure to operational risks. In the case of ProCredit's central data centre project, particular attention will have to be paid to procedures and standardised processes in order to avoid operational risks. The company obtained ISO 27001, 20000 and 9001 for both QPC and Cloud Services.

Additional operational risks could arise from the conflict in Ukraine. The immediate threat to the city of Kyiv in the first months of the conflict meant that our office and the local data centre were also at risk. There were no direct incidents affecting Quipu's assets in 2023. In order to ensure the continued operational capability of the bank, the data of ProCredit Bank Ukraine was successfully migrated to our data centre in Frankfurt. This was possible because the National Bank of Ukraine authorised the banks to export data outside Ukrainian territory. This migration therefore minimised the risk of data loss.

However, Quipu is exposed to another risk if the data centre were to be directly affected by military operations, as hardware insurance is no longer offered in Ukraine. To minimise this risk, the data centre is scheduled to be closed entirely and decommissioned in 2024. This process was postponed to the end of 2023 due to lack of potential buyers, and hence remains the goal for 2024. Alternatively, the hardware could be donated if no suitable buyer is found.

The occurrence of this risk is assessed as having a high impact on the financial position.

3.2.6 Sales risks

Income from implementation services increased by 19.4% to TEUR 1,954 in 2023 (2022: TEUR 1.574), exceeding the forecast TEUR 1,700, whereby a further increase of 36.5% is forecast and a total amount of TEUR 3,077 is expected to be reached by the end of 2024. This increase is attributable to the increase in resources for deployment and high customer demand for IT projects.

The expansion of the service portfolio offers the benefit that Quipu's services will be much more transparent for customers in the future, as the implementation projects will be documented in detail.

Should this risk materialise, it is considered to have a big impact on the financial position. In brief, the introduction of the pricing model in 2014 and the associated contractual arrangements have further reduced the risks for the company.

A particular sales risk is the potential impact of the war in Ukraine, as the sales generated by our branch in Kyiv in the form of implementation services account for 11% of the total amount forecast for 2024, which does not represent a significant change compared to 2023. However, our staff in Kyiv is still fully available and working at full capacity. Quipu has taken steps from 2023 to ensure business continuity and make sure that important members of our staff are supported by colleagues from other offices.

Quipu has already demonstrated its commitment and flexibility in dealing with the COVID-19 pandemic by developing new ways of working to remain fully operational without affecting performance, responding promptly to key projects and supporting core banking systems to respond to new developments and maintain quality and security of operations.

Quipu remains fully operational despite the global situation and plans to continue to support customer needs, particularly in areas where the operating environment presents new challenges, with all employees working in a hybrid working environment.

The management assesses the outlook for the further development of the company's business as positive. When ProCredit Holding acquired Quipu, its role as the strategic IT partner of the ProCredit group was underscored and strengthened. This creates a high degree of planning reliability for Quipu, which will continue in the years to come.

Frankfurt am Main, 20 June 2024

Quipu GmbH

Management

Daniela Enache   Andrei Georgescu   Petru Jucovschi   Diamant Ibrahimi

Andrei Georgescu (Jul 24, 2024 17:20 GMT+2)   Petru Jucovschi (Jul 24, 2024 15:02 GMT+2)

INDEPENDENT AUDITOR'S REPORT

To QUIPU GmbH, Frankfurt am Main

AUDIT OPINIONS

We have audited the annual financial statements, of QUIPU GmbH, Frankfurt am Main, which comprise the balance sheet as at 31 December 2023 and the statement of profit or loss for the financial year from 1 January 2023 to 31 December 2023 and notes, including the presentation of the recognition and measurement policies.

In addition, we have audited the management report of QUIPU GmbH for the financial year from 1 January 2023 to 31 December 2023.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 and
- the accompanying management report as a whole provides an appropriate view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT" section of our auditor's report.

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

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

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

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

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

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

Furthermore, the executive directors are responsible for the preparation of the management report, that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

AUDITOR'S REPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

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

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

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

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, and intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of internal controls of the company or these arrangements and measures.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and the management report, or if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the company's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Frankfurt, 27 June 2024

BDO AG
Wirtschaftsprüfungsgesellschaft

Signed by Grunwald
Wirtschaftsprüfer
(German Public Auditor)

Signed by Gruchott
Wirtschaftsprüfer
(German Public Auditor)

- Special Terms and Conditions -

1. General Provisions

(a) We render our services based on (i) the engagement letter and any possible attachments to the engagement letter (in particular any service descriptions, revocation notices for consumers and portal terms of use), (ii) these Special Terms and Conditions (hereinafter the "STC"), and (iii) the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften of the Institute of German Certified Accountants (hereinafter the "GET") (hereinafter collectively referred to as the "**Client Agreement**"). The same also applies to any part of our services that may be rendered by us before the Client Agreement is signed with legal effect. Different or conflicting terms and conditions will apply only if they have been expressly accepted by us in writing. The provisions of our engagement letter, the STC and GET will apply even if we do not expressly object to an order placed on the basis of different terms and conditions (e.g., terms and conditions of written orders).

(b) Unless otherwise agreed, these STC and GET also apply if we render services in addition to those agreed upon in the engagement letter or any attachments thereto.

2. Fees, Payment Due Date

(a) Our invoices, including any invoices for installment payments or prepayments, will be issued in Euro and will be due for payment immediately. We will invoice you at cost for any subcontractor services.

(b) Any demands for advance payments are subject to section 13 (1) sentence 2 of the GET. We have the right to invoice the client for reasonable installment payments on fees, charges and expenses, including incidental costs, at any time.

(c) All information we provide regarding the expected amount of fees generally is only a cost estimate, unless the Client Agreement expressly provides for a flat fee. A quoted flat fee may be exceeded, if unforeseeable events beyond our control will result in a considerable amount of additional work.

(d) If we should discontinue our services early, we shall have the right to invoice the client for the number of hours worked up to that point in time, unless termination of the contract is due to wrongful conduct on our part. However, in the latter case we may invoice you for the number of hours worked, if and to the extent that the services rendered are utilizable despite early termination.

(e) The German Regulations on Fees of Tax Advisors (*Steuerberatervergütungsverordnung - StBVV*) shall apply only to the extent expressly agreed in writing. If after the Client Agreement is signed you request from our firm services that are not included in the engagement letter, we will invoice you for those services either based on a separate agreement or, absent a separate agreement, based on our standard hourly rates applicable to those services, which are available upon request.

(f) If we are requested or required (whether before or after services are rendered) to make available information about our services to a competent court, a trustee or insolvency administrator, a public, regulatory or supervisory authority (*WPK, PCAOB, DPR*) or to any other third party (including the hearing of our personnel as witnesses), we shall have the right to invoice you for the time expended in this context based on hourly rates as agreed in the Client Agreement.

3. Limitations of our Liability

(a) Unless otherwise specified in this section 3 of the STC our liability is governed by section 9 of the GET. In derogation of section 9 (2) and (5) of the GET, each of the liability limits stated therein shall however be replaced throughout by the amount of € 5 million. Section 9 (1) of the GET shall in each case remain unaffected.

(b) If in your opinion the risk associated with our services substantially exceeds the amount of € 5 million, we are prepared to discuss the possibility and costs of increasing our liability limit with you and our liability carrier. You are responsible for any additional premiums incurred in connection therewith.

(c) Contrary to section 9 (2) of the GET and section 3 (a) of the STC our liability is unlimited only if (i) expressly agreed in writing, or (ii) as far as we have to perform our work without any limitations of liability to meet the requirements of the laws of the United States of America concerning the independence of auditors.

4. Our Work Results

Work results that must be delivered in writing and signed by us shall be binding only if the original is signed by two employees or, in case of e-mails, if two employees are named as signatories. Unless otherwise agreed or in violation of any applicable laws or professional standards, we may also deliver our work results to you exclusively (i) as a PDF file and/or (ii) by e-mail and/or (iii) with a qualified electronic signature.

5. Disclosure of Our Work Results, Rights to Work Results

(a) Our work results are intended solely for the agreed purpose, and they are therefore addressed exclusively to you and may not be used for any other purpose. Any disclosure of our work results to third parties or any use of our work results for advertising purposes is subject to section 6 of the GET.

(b) Unless otherwise agreed in writing, we generally will consent to a disclosure of our work results to third parties only under the condition that a standard disclosure agreement (hold harmless release letter) has been signed by the third party/parties. Any disclosure of our work results must be made in full text and include all appendices. § 334 of the German Civil Code (*Bürgerliches Gesetzbuch - BGB*) shall remain unaffected by any such disclosure.

(c) You agree to hold harmless and indemnify us from and against any and all losses and damages that may result from any non-compliance with the foregoing provisions in section 5 (a) and/or (b).

(d) We will grant you rights to use our work results only to the extent necessary given the purpose of the applicable Client Agreement.

6. Principles of Our Cooperation

(a) The amount of time needed to render our services and used to calculate our fees depends in substantial part on satisfaction of the requirements set forth in section 3 (1) of the GET.

(b) Unless otherwise provided by the engagement letter, binding laws to which we are subject or any other provisions or applicable standards, we shall have no obligation to review any information made available to us for accuracy or completeness.

7. Special Clause for Tax Advice

(a) You hereby instruct and authorize us to electronically submit in your name all statements prepared for you that are intended and have been approved for electronic transmission to the responsible office of the German tax authority directly through DATEV eG. The foregoing instruction and authorization shall be effective immediately and may be revoked at any time. Any notice of revocation must be at least in text form.

(b) If documents requiring action by a certain deadline are submitted to us, we shall have no obligation to take any steps to meet the deadline unless the documents are transmitted to us by regular mail or fax.

8. Electronic Communication and Antivirus Protection

Electronic communication is subject to section 12 of the GET. You hereby further acknowledge that data sent via the Internet cannot be reliably protected against access by third parties, might be subject to loss, delay or viruses. To the extent permitted by law, we therefore disclaim any responsibility and liability for the integrity of e-mails after they leave our control, and for any damages you or any third parties may suffer as a result. This also applies if despite antivirus programs used by us, viruses enter your system as a result of receiving e-mails from us.

9. BDO Network, Sole Recourse

(a) We are a member of BDO International Limited, a British company with limited capital contributions, and we are part of the international BDO network of legally independent member firms. BDO is the brand of the BDO network and the BDO member firms (hereinafter "BDO Firms"). To render services, we may involve other BDO Firms as subcontractors. For this purpose, you hereby release us from our duty of confidentiality in relation to such BDO Firms.

(b) You hereby acknowledge and agree that in such cases we will bear full responsibility for both our acts and/or omissions and also all acts and/or omissions of any BDO Firms assisting us as subcontractors. Accordingly, you agree that you shall bring no claims or proceedings of any kind whatsoever against any BDO subcontractors (including BDO International Limited or Brussels Worldwide Services BVBA). This shall not apply to any claim or proceeding founded on an allegation of fraud or willful misconduct or any other claims that cannot be excluded under the laws of the Federal Republic of Germany.

(c) The liability provisions of this Client Agreement, including, without limitation, the limitations of liability, shall also apply for the benefit of any BDO Firms assisting us as subcontractors. Such BDO subcontractors have the right to directly invoke the provisions of the foregoing section 9 (b) of these STC.

10. BDO Legal Rechtsanwaltsgesellschaft mbH (BDO Legal) and BDO Group

(a) If in connection with our services you are also engaging BDO Legal or other companies of the BDO group, you hereby release us from our duty of confidentiality with respect to all engagement-related information in relation to BDO Legal and/or other companies of the BDO group, so that services can be rendered as smoothly and efficiently as possible.

(b) We are legally independent from BDO Legal and from other companies of the BDO group, we neither assume responsibility for their actions or omissions, nor do we form partnership under civil law (*Gesellschaft bürgerlichen Rechts - GbR*) with BDO Legal or any company of the BDO group, nor are we subject to joint and several liability with BDO Legal or any company of the BDO group.

11. Money-Laundering Act, Sanctions

Under the provisions of the German Money-Laundering Act (*Geldwäschegesetz - GwG*) we are required to follow certain identification procedures with respect to our contract partners. You are obligated to provide us, fully and truthfully, with all information and documentation that must be provided under the German Money-Laundering Act, and you are obligated to update such information and documentation without demand in the further course of the business relationship. We hereby expressly advise you of our obligations to terminate business relationships in accordance with applicable provisions of the German Money-Laundering Act. We further note that we also review our business relationships, *inter alia*, for relevant national or international sanctions. We reserve the right to terminate a business relationship without notice if we determine in the course of any sanction reviews that you and/or any of your controlling shareholders/partners are subject to relevant sanctions.

12. Marketing

Unless we are instructed otherwise by you in writing or highly personal matters or mandates of consumers within the meaning of § 13 of the German Civil Code are involved, you hereby allow us to use the type and nature of our contract with you for marketing purposes. This authorization exclusively covers a factual description of the basic nature of the contract and the client (e.g., reference lists with firm and logo, as well as scorecards).

13. Statute of Limitations

(a) The limitation of warranty claims is subject to section 7 (2) of the GET. The limitation of all other claims is as provided in the following subsections.

(b) In cases of simple negligence not involving harm to life, body, freedom or health, all claims against us shall be subject to a general limitation period of one year.

(c) The limitation period shall begin to run at the end of the calendar year in which the claim occurred and in which you discovered or absent gross negligence would have discovered the circumstances giving rise to the claim as well as the identity of the liable party ("knowledge or grossly negligent lack of knowledge"). Irrespective of the above, claims shall be time-barred after a period of five years after they occurred, or, without regard to their occurrence and to your knowledge or grossly negligent lack of knowledge, ten years after the act, breach of duty or any other event triggering the damage. Whichever deadline expires first shall be relevant.

(d) Except as provided herein, the limitation of claims shall be governed by applicable law.

14. Jurisdiction, Form, Severability

(a) If you are a merchant (*Kaufmann*), a legal entity under public law or a special fund under public law, or if you do not have a general place of jurisdiction in Germany, the place of jurisdiction for any and all disputes arising from or in connection with the Client Agreement shall, at our option, be (i) Hamburg/Germany, (ii) the place at which the work in dispute was performed, or (iii) the place of your registered office or residence.

(b) Any amendment, supplement or cancellation of the Client Agreement shall be made at least in text form (§ 126b German Civil Code). This shall also apply to any amendment, supplement or cancellation of this clause 14 (b) STC.

(c) If any provision of this agreement - in whole or in part - is held to be invalid or otherwise impracticable, the other provisions shall remain in full force and effect. Any invalid or impracticable provision shall be deemed to be replaced by such valid and enforceable provision as comes as close as possible to the economic intent of the invalid or unenforceable provision. The foregoing shall apply, *mutatis mutandis*, if any provision has been inadvertently omitted from this agreement.

[Translator's notes are in square brackets]

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

1. Scope of application

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

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

2. Scope and execution of the engagement

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

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

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

3. The obligations of the engaging party to cooperate

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

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

4. Ensuring independence

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

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

5. Reporting and oral information

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

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

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

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

7. Deficiency rectification

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

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

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

8. Confidentiality towards third parties, and data protection

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

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

9. Liability

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

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

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

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

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

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

10. Supplementary provisions for audit engagements

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

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

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

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

11. Supplementary provisions for assistance in tax matters

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

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

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

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

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

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

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

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

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

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

12. Electronic communication

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

13. Remuneration

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

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

14. Dispute Settlement

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

15. Applicable law

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