

The management board of  
CG Drives & Automation Netherlands B.V.  
Attn. Mr. Troost  
P.O Box 132  
5530 AC BLADEL

Eindhoven, 26 April 2017

ZCHI-ALJMKZ/de

Dear Mr. Troost,

Please find enclosed a copy of the annual report of CG Drives & Automation Netherlands B.V. for the year ended at 31 March 2017 that has been initialed for identification purposes and our auditor's report thereon dated 26 April 2017.

We also send you one copy of the aforementioned auditor's report. We confirm our permission to include this copy of the independent auditor's report of the annual report ended at 31 March 2017, provided that they are identical to the enclosed copy that has been initialed for identification purposes.

We kindly request you to use the copy of the auditor's report without handwritten signature in the version of the annual report that will be published.

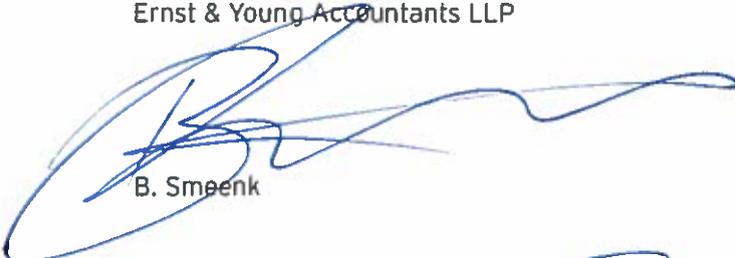
We confirm our permission to publish our auditor's report without a handwritten signature, as included in the section Other information of the enclosed annual report (initialed for identification purposes), subject to adoption of the financial statements, without modification, by the general meeting and on the condition that filing with the Trade Register of the Chamber of Commerce takes place within one month of 26 April 2017. Publication of our auditor's report is only allowed together with the corresponding complete set of the annual report. If you wish to publish the annual report and our auditor's report on the Internet, it is your responsibility to ensure proper separation of the annual report from other information on the website. For example, by presenting the annual report as a separate, read-only file, or by issuing a warning if readers switch from the web page containing the annual report (You are now leaving the secure page containing the audited annual report).

A copy of the annual report is to be signed by management and by the supervisory board and should be presented to the shareholders. The annual report should be adopted by the general meeting and adoption should be recorded in the minutes. If prior to the general meeting of shareholders circumstances arise that require a modification to the annual report, please note that under Section 2:362 sub 6 and Section 2:392 sub 1g of the Dutch Civil Code such modifications should be made prior to the general meeting. In this situation, of course, we withdraw our permission granted above.

The annual report needs to be filed with the Trade Register of the Chamber of Commerce no later than eight days after adoption by the general meeting and prior to 1 April 2018. To prevent the abuse of signatures we recommend to have one copy of the documents signed by management and by the supervisory board for your files and to file a version without handwritten signatures with the Chamber of Commerce. The date of adoption by the general meeting must be recorded on the documents that are published with the Trade Register of the Chamber of Commerce.

Please note that it is legally required to file the annual report with the Trade Register of the Chamber of Commerce and non-compliance is an offence punishable by law. In certain situations by not complying with the publication requirements could even lead to personal liability for management and for the supervisory board.

Yours sincerely,  
Ernst & Young Accountants LLP



B. Smeenk

Initialed for identification purposes:



Enclosures: annual report initialed for identification purposes  
signed independent auditor's report for your files  
original unsigned auditor's report to be included with the documents for publication  
information sheet Publication of auditor's report

## Independent auditor's report

### Report on the audit of the financial statements 2016-2017 included in the annual report

#### Our opinion

We have audited the financial statements for the year ended 31 March 2017 of CG Drives & Automation Netherlands B.V. based in Bladel.

In our opinion the accompanying financial statements give a true and fair view of the financial position of CG Drives & Automation Netherlands B.V. for the year ended March 31, 2017 and of its result for the twelve month period then ended and the notes in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The balance sheet for the year ended 31 March 2017
- ▶ The profit and loss account for the twelve month period then ended
- ▶ The notes comprising a summary of the accounting policies and other explanatory information

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of CG Drives & Automation Netherlands B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO or Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA or Dutch Code of Ethics).

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

### Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- ▶ Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- ▶ Is consistent with the financial statements and does not contain material misstatements
- ▶ Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

## Description of responsibilities for the financial statements

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's 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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 a company to cease to continue as a going concern
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

Eindhoven, 26 April 2017

Ernst & Young Accountants LLP



B. Smeenk

## Independent auditor's report

### Report on the audit of the financial statements 2016-2017 included in the annual report

#### Our opinion

We have audited the financial statements for the year ended 31 March 2017 of CG Drives & Automation Netherlands B.V. based in Bladel.

In our opinion the accompanying financial statements give a true and fair view of the financial position of CG Drives & Automation Netherlands B.V. for the year ended March 31, 2017 and of its result for the twelve month period then ended and the notes in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### The financial statements comprise:

- ▶ The balance sheet for the year ended 31 March 2017
- ▶ The profit and loss account for the twelve month period then ended
- ▶ The notes comprising a summary of the accounting policies and other explanatory information

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of CG Drives & Automation Netherlands B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO or Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA or Dutch Code of Ethics).

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

### Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- ▶ Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

#### Based on the following procedures performed, we conclude that the other information:

- ▶ Is consistent with the financial statements and does not contain material misstatements
- ▶ Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

## Description of responsibilities for the financial statements

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's 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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 a company to cease to continue as a going concern
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

Eindhoven, 26 April 2017

Ernst & Young Accountants LLP

Signed by B. Smeenk



Building a better  
working world

## Publication of auditor's report

### 1 Conditions

Authorization to publish the auditor's report is granted subject to the following conditions:

- ▶ Further consultation with the auditor is essential if, after this authorization has been granted, facts and circumstances become known which materially affect the view given by the financial statements.
- ▶ The authorization concerns inclusion of the auditor's report in the annual report to be tabled at the Annual General Meeting (hereafter AGM) incorporating the financial statements as drawn up.
- ▶ The authorization also concerns inclusion of the auditor's report in the annual report to be filed with the Trade Registrar, provided consideration of the financial statements by the AGM does not result in any amendments.
- ▶ Financial statements for filing at the offices of the Trade Registrar which have been abridged in accordance with Section 397 of Book 2 of the Dutch Civil Code must be derived from the financial statements adopted by the AGM and a draft version of these financial statements for filing purposes must be submitted to us for inspection.
- ▶ The auditor's report can also be included if the financial statements are published electronically, such as on the internet. In such cases, the full financial statements should be published and these should be easily distinguishable from other information provided electronically at the same time.
- ▶ If the published financial statements are to be included in another document which is to be made public, authorization to include the auditor's report must again be granted by the auditor.

### 2 Explanations to the conditions

#### 2.1 Board of supervisory directors and board of executive directors

The auditor usually forwards his report to the board of supervisory directors and to the board of executive directors. This is pursuant to Book 2 of the Dutch Civil Code, section 393 which stipulates *inter alia*: "The auditor sets out the outcome of his examination in a report". "The auditor reports on his examination to the board of supervisory directors and the board of executive directors".

#### 2.2 Annual General Meeting (AGM)

Publication of the auditor's report will only be permitted subject to the auditor's express consent. Publication is understood to mean: making available for circulation among the public or to such group of persons as to make it tantamount to the public. Circulation among shareholders or members, as appropriate, also comes within the scope of the term "publication", so that inclusion of the auditor's report in the annual report to be tabled at the AGM similarly requires authorization by the auditor.

#### 2.3 Auditor's reports and financial statements

The authorization concerns publication in the annual report incorporating the financial statements that are the subject of the auditor's report. This condition is based on the auditors' rules of professional practice, which state that the auditor will not be allowed to authorize publication of his report except together with the financial statements to which this report refers.

The auditor will also at all times want to see the rest of the annual report, since the auditor is not allowed to authorize publication of his report if, owing to the contents of the documents jointly published, an incorrect impression is created as to the significance of the financial statements.

#### 2.4 Events between the date of the auditor's report and the AGM

Attention should be paid to the fact that between the date of the auditor's report and the date of the meeting at which adoption, as appropriate, of the financial statements is considered, facts or circumstances may have occurred which materially affect the view given by the financial statements. Under COS 560, the auditor must perform audit procedures designed to obtain sufficient audit evidence to ensure that all events occurring before the date of the auditor's report that warrant amendment of or disclosure in the financial statements have been identified.

If the auditor becomes aware of events that may be of material significance to the financial statements, the auditor must consider whether those events have been adequately recognized and sufficiently disclosed in the notes to the financial statements. If between the date of the auditor's report and the date of publication of the financial statements, the auditor becomes aware of a fact that may have a material impact on the financial statements, the auditor must assess whether the financial statements should be amended, discuss the matter with management and act as circumstances dictate.

#### 2.5 Trade Registrar

The financial statements are tabled at the AGM (legal entities coming within the scope of Title 9 of Book 2 of the Dutch Civil Code table the directors' report and the other information as well). The AGM considers adoption of the financial statements. Only after the financial statements have been adopted, do they become the statutory (i.e., the company) financial statements. As a rule, the statutory financial statements will be adopted without amendment. The auditor's report must be attached to the statutory financial statements as part of the other information. As a rule, the text of this report will be the same as that issued earlier. The documents to be made public by filing at the offices of the Trade Registrar will consist of the statutory financial statements, the directors' report and the other information. The auditor's report which refers to the unabridged financial statements will then have to be incorporated in the other information. If consideration of the financial statements by the AGM does not result in any amendments, the auditor's report may be attached to the financial statements adopted, by the AGM and, provided the annual report and financial statements are filed promptly at the offices of the Trade Registrar, published as part of these annual report and financial statements.

#### 2.6 Other manner of publication

The financial statements may also be published other than by filing at the offices of the Trade Registrar. In that event, too, inclusion of the auditor's report is permitted, provided the financial statements are published in full. If publication concerns part of the financial statements or if the financial statements are published in abridged form, publication of any report the auditor has issued on such financial statements will be prohibited, unless:

- a. He has come to the conclusion that, in the circumstances of the case, the document concerned is appropriate  
Or
- b. Based on legal regulations, publication of the document concerned is all that is required

If less than the full financial statements are published, further consultation with the auditor is essential. If the financial statements and the auditor's report are published on the internet, it should be ensured that the financial statements are easily distinguishable from other information contained on the internet site. This can be achieved, for example, by including the financial statements as a separate file in a read-only format or by including a warning message when the reader exits the financial statements document.

#### 2.7 Inclusion in another document

If the published financial statements are to be included in another document which is to be made public, this is considered a new publication and authorization must again be obtained from the auditor. An example of this situation is the publication of an offering circular which includes the financial statements, after these financial statements have been filed at the office of the Trade Registrar together with the other annual reports. For each new publication, authorization must again be obtained from the auditor.

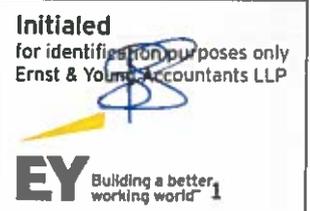
#### 2.8 Events after the AGM

Even if facts and circumstances have become known after the adoption of the financial statements as a result of which they no longer give the statutory true and fair view, the auditor must stand by the report issued on the financial statements as adopted and by the auditor's report filed at the offices of the Trade Registrar. In that event, the legal entity is required to file a statement at the offices of the Trade Registrar on these facts and circumstances accompanied by an auditor's report. In this situation, too, further consultation with the auditor is essential.

**CG Drives & Automation Netherlands B.V.  
Bladel**

**Report on the annual accounts 2016/2017**

**April 26, 2017**



CG Drives & Automation Netherlands B.V.  
Bladel

## Index

	Page
<b>Annual accounts 2016/2017</b>	<b>3</b>
Financial statements	4
Balance sheet as at March 31, 2017	5
Profit and loss account 2016/2017	6
Notes	7
Other information	19

Initialed  
for identification purposes only  
Ernst & Young Accountants LLP

 **EY** Building a better  
working world™ 2

CG Drives & Automation Netherlands B.V.  
Bladel

## Annual accounts 2016/2017

- Financial statements

Initialed  
for identification purposes only  
Ernst & Young Accountants LLP



CG Drives & Automation Netherlands B.V.  
Bladel

## Financial statements

- Balance sheet
- Profit and loss account
- Notes

Initialed  
for identification purposes only  
Ernst & Young Accountants LLP



CG Drives & Automation Netherlands B.V.  
Bladel

## Balance sheet as at March 31, 2017

(before appropriation of result)	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
<b>Assets</b>		
<b>Fixed assets</b>		
Tangible fixed assets	18.241	29.783
Financial fixed assets	0	1.015
	18.241	30.798
<b>Current assets</b>		
Inventories	247.858	239.079
Receivables, prepayments and accrued income	2.458.576	2.110.237
Cash	751.357	695.631
	3.457.791	3.044.947
	3.476.032	3.075.745
<b>Equity and liabilities</b>		
<b>Shareholders' equity</b>		
Issued capital	594.000	594.000
Other reserves	2.030.059	1.921.192
Retained earnings	142.252	108.867
	2.766.311	2.624.059
<b>Provisions</b>	15.306	23.153
<b>Current liabilities, accruals and deferred income</b>	694.415	428.533
	3.476.032	3.075.745

Initialed  
for identification purposes only  
Ernst & Young Accountants LLP



CG Drives & Automation Netherlands B.V.  
Bladel

## Profit and loss account 2016/2017

	<u>2016/2017</u>	<u>2015/2016</u>
	EUR	EUR
Revenue	5.069.771	5.828.115
Cost of goods sold	<u>3.405.595</u>	<u>3.976.684</u>
<b>Gross margin</b>	<b>1.664.176</b>	<b>1.851.431</b>
Wages, salaries and social security charges	1.002.781	1.365.448
Amortization / depreciation	15.388	19.339
Other operating expenses	<u>464.519</u>	<u>311.451</u>
<b>Total expenses</b>	<b><u>1.482.688</u></b>	<b><u>1.696.238</u></b>
<b>Operating result</b>	<b>181.488</b>	<b>155.193</b>
Financial income and expense	<u>145</u>	<u>(13.287)</u>
<b>Result before taxation</b>	<b>181.633</b>	<b>141.906</b>
Taxes on result from ordinary activities	<u>39.381</u>	<u>33.039</u>
<b>Result after taxation</b>	<b><u>142.252</u></b>	<b><u>108.867</u></b>

CG Drives & Automation Netherlands B.V.  
Bladel

## Notes

### General

#### Activities

The activities of CG Drives & Automation Netherlands B.V., with its registered office and its actual place of business in Polakkers 5, Bladel, the Netherlands, filed with the Trade Register at the Chamber of Commerce under number 17033961, primarily consist of: the development, production and marketing of inverter products including electrical motor drives, and the trade of related products.

#### Group structure

The company ultimately is a wholly owned subsidiary of Crompton Greaves Limited, India.

The subsidiaries of Crompton Greaves Limited are referred to as affiliated companies.

The main part of the cost of sales relates to purchases from affiliated companies.

The financial information of the company has been recorded in the consolidated financial statements of Crompton Greaves Limited

### General accounting principles for the preparation of the financial statements

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention, unless presented otherwise.

Income and expenses are accounted for on an accrual basis. Profit is only included when realized on the balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

#### Going concern

The financial statements are prepared according to going concern assumptions.

#### Financial instruments

Financial instruments are both primary financial instruments (such as receivables and debts), and derivative financial instruments (derivatives).

CG Drives & Automation Netherlands B.V.  
Bladel

#### Primary financial instruments

For the principles of primary financial instruments, reference is made to the recognition per balance sheet item of the 'Principles for the valuation of assets and liabilities'.

#### Derivative financial instruments (derivatives)

The company does not use derivative financial instruments.

#### **Translation of foreign currency**

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing as at balance sheet date. Transactions in foreign currency during the financial year are recognized in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as at balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

#### **Principles of valuation of assets and liabilities**

##### **Tangible fixed assets**

Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments. Depreciation is based on the expected future useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use. Land is not depreciated.

Costs for periodical major maintenance are charged to the result at the moment they arise.

##### **Financial fixed assets**

Upon initial recognition the receivables from and loans to associated companies and other receivables are valued at fair value and then valued at amortized cost, which equals the face value, after deduction of any provisions.

Deferred tax assets are stated under the financial fixed assets if and to the extent it is probable that the tax claim can be realized in due course. These deferred tax assets are valued at nominal value and have a predominantly long-term character.

##### **Inventories**

Inventories of raw materials, consumables and goods for resale are valued at acquisition price or lower of net realizable value. This lower net realizable value is determined by individual assessment of the inventories. The valuation of inventories of raw materials and consumables inventories is based on first in, first out.

The inventories of goods for resale are valued individually, at acquisition price or lower net realizable value.

CG Drives & Automation Netherlands B.V.  
Bladel

### **Receivables**

Upon initial recognition the receivables are valued at fair value and then valued at amortized cost. The fair value and amortized cost equal the face value. Provisions deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

### **Cash**

The cash is valued at the face value. If cash equivalents are not freely disposable, then this has been taken into account upon valuation.

### **Provisions**

Provision for deferred tax liabilities:

For amounts of taxation payable in the future, due to differences between the valuation principles in the annual report and the valuation for taxation purposes of the appropriate balance sheet items, a provision has been formed for the aggregate amount of these differences multiplied by the current rate of taxation. These provisions are reduced by amounts of taxation recoverable in the future in respect of the carry-forward of unused tax losses, to the extent that it is probable that future tax profits will be available for settlement. The provision for deferred tax liabilities is valued at nominal value.

Other provisions:

Provision warranties:

The provision for warranties is recorded on behalf of the estimated costs expected to arise from the current warranties on account of goods and services delivered. Warranty claims are deducted from this provision.

Jubilee provision:

Other long-term employee benefits are those benefits that are part of the remuneration package, such as remunerations for jubilee and have a long-term character. The net liability for these employee benefits is the amount of the future and prior reporting periods. This provision has been calculated using the expected discounted future cash outflow

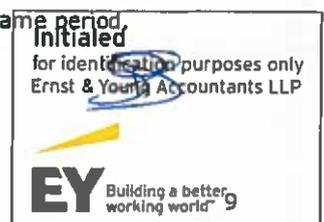
### **Long-term and short-term liabilities**

Upon initial recognition, loans and liabilities recorded are stated at fair value and then valued at amortized cost.

### **Principles for the determination of the result**

Revenues rising from the sale of from goods are accounted for when all major entitlements to economic benefits as well as all major risks have transferred to the buyer. The cost price of these goods is allocated to the same period.

Revenues from services are recognized in proportion to the services rendered, based on the cost incurred in respect of the services performed up to balance sheet date, in proportion to the estimated costs of the aggregate services to be performed. The cost price of these services is allocated to the same period.



CG Drives & Automation Netherlands B.V.  
Bladel

### **Gross margin**

The gross margin consists of the net turnover and the cost of sales. Net turnover represents amounts invoiced for goods and services supplied during the financial year reported on net of discounts and value added taxes.

Other revenues and expenses are recorded in the period in which they originate.

### **Taxation**

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes. Deferred tax assets (if applicable) are recognized only to the extent that realization is probable.

Initialed  
for identification purposes only  
Ernst & Young Accountants LLP



CG Drives & Automation Netherlands B.V.  
Bladel

**Notes to the specific items of the balance sheet**

**Tangible fixed assets**

A summary of the movements in 2016/2017 is given below:

	<u>Machinery and equipment</u> EUR	<u>Office equipment</u> EUR	<u>Total</u> EUR
Balance as at April 1	18.085	11.698	29.783
Acquisitions	<u>0</u>	<u>6.273</u>	<u>6.273</u>
	18.085	17.971	36.056
Disposals	543	1.887	2.430
Depreciation	<u>10.925</u>	<u>4.460</u>	<u>15.385</u>
Balance as at March 31	<u><u>6.617</u></u>	<u><u>11.624</u></u>	<u><u>18.241</u></u>
Accumulated acquisition value	639.037	130.206	769.243
Accumulated depreciation and other impairments as at March 31	<u>632.420</u>	<u>118.582</u>	<u>751.002</u>
Balance as at March 31	<u><u>6.617</u></u>	<u><u>11.624</u></u>	<u><u>18.241</u></u>
Depreciation rate	<u><u>20-33 %</u></u>	<u><u>20-33 %</u></u>	

**Financial fixed assets**

Other receivables:

A summary of the movements in 2016/2017 is given below:

	<u>Balance as at April 1</u>	<u>Decrease</u>	<u>Balance as at March 31</u>
Deferred tax asset	<u><u>1.015</u></u>	<u><u>(1.015)</u></u>	<u><u>0</u></u>

CG Drives & Automation Netherlands B.V.  
Bladel

### Inventories

Inventories contain a provision for obsolete of € 47,064 (March 31, 2016: € 35,977) is made and included the inventory value.

### Receivables, prepayments and accrued income

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
Receivables from trade debtors	945.113	753.890
Affiliates accounts receivable	1.446.938	1.288.467
Taxes and social securities	26.986	39.353
Other receivables, prepayment and accrued income	<u>39.539</u>	<u>28.527</u>
	<u><u>2.458.576</u></u>	<u><u>2.110.237</u></u>

#### Receivables from trade debtors:

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
Debtors	<u>945.113</u>	<u>753.890</u>

#### Affiliates accounts receivable:

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
Intercompany loan	1.400.115	1.250.000
Intercompany debtors	<u>46.823</u>	<u>38.467</u>
	<u>1.446.938</u>	<u>1.288.467</u>

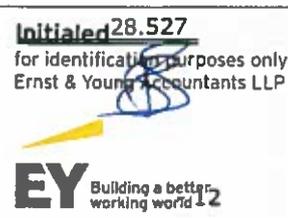
#### Taxes and social securities:

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
Corporate income tax	<u>26.986</u>	<u>39.353</u>

#### Other receivables, prepayment and accrued income:

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
Prepaid expenses	<u>39.539</u>	<u>28.527</u>

Initialed  
for identification purposes only  
Ernst & Young Accountants LLP



**EY** Building a better working world

CG Drives & Automation Netherlands B.V.  
Bladel

**Shareholders' equity**

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
Issued capital	594.000	594.000
Other reserves	2.030.059	1.921.192
Retained earnings	<u>142.252</u>	<u>108.867</u>
	<u><u>2.766.311</u></u>	<u><u>2.624.059</u></u>

**Issued capital**

	<u>2016/2017</u>	<u>2015/2016</u>
	EUR	EUR
Balance as at April 1 / March 31	<u>594.000</u>	<u>594.000</u>

**Other reserves**

	<u>2016/2017</u>	<u>2015/2016</u>
	EUR	EUR
Balance as at April 1	1.921.192	1.470.062
Increase due to appropriation of profit	<u>108.867</u>	<u>451.130</u>
Balance as at March 31	<u><u>2.030.059</u></u>	<u><u>1.921.192</u></u>

**Retained earnings**

	<u>2016/2017</u>	<u>2015/2016</u>
	EUR	EUR
Balance as at April 1	108.867	451.130
Appropriated earnings prior years	<u>(108.867)</u>	<u>(451.130)</u>
	0	0
Retained earnings for the year	<u>142.252</u>	<u>108.867</u>
Balance as at March 31	<u><u>142.252</u></u>	<u><u>108.867</u></u>

**Provisions**

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
Provision for taxes	371	0
Other provisions	<u>14.935</u>	<u>23.153</u>
	<u><u>15.306</u></u>	<u><u>23.153</u></u>



CG Drives & Automation Netherlands B.V.  
Bladel

Provision for taxes:

The movement in this item is as follows:

	<u>2016/2017</u>	<u>2015/2016</u>
	EUR	EUR
Balance as at April 1	0	0
Addition to provision for deferred taxes	371	0
Balance as at March 31	<u>371</u>	<u>0</u>

Other provisions:

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
Warranty provision	0	11.678
Jubilee provision	14.935	11.475
	<u>14.935</u>	<u>23.153</u>

- Warranties:

The movement in this item is as follows:

	<u>2016/2017</u>	<u>2015/2016</u>
	EUR	EUR
Balance as at April 1	11.678	31.885
Usage	(19.889)	(10.010)
	(8.211)	21.875
Mutation	8.211	(10.197)
Balance as at March 31	<u>0</u>	<u>11.678</u>

- Jubilee provision

The movement in this item is as follows:

	<u>2016/2017</u>	<u>2015/2016</u>
	EUR	EUR
Balance as at April 1	11.475	16.505
Mutation	3.460	(822)
	14.935	15.683
Usage	0	(4.208)
Balance as at March 31	<u>14.935</u>	<u>11.475</u>

CG Drives & Automation Netherlands B.V.  
Bladel

**Current liabilities, accruals and deferred income**

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
Debts to suppliers and trade credits	108.021	68.854
Affiliates accounts payable	160.040	18.802
Taxes and social security contributions	257.566	199.765
Other liabilities	<u>168.788</u>	<u>141.112</u>
	<u>694.415</u>	<u>428.533</u>

The accruals and deferred income relate to the short-term portion of deferred turnover from maintenance contracts.

**Debts to suppliers and trade credits:**

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
Creditors	<u>108.021</u>	<u>68.854</u>

**Affiliates accounts payable:**

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
Intercompany creditors	<u>160.040</u>	<u>18.802</u>

**Taxes and social security contributions:**

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
VAT	226.073	166.833
Wage taxes and social securities	<u>31.493</u>	<u>32.932</u>
	<u>257.566</u>	<u>199.765</u>

CG Drives & Automation Netherlands B.V.  
Bladel

Other liabilities:

	<u>31.03.2017</u>	<u>31.03.2016</u>
	EUR	EUR
Holiday pay fund	119.439	112.219
Accrued auditors fees	17.190	20.000
Other liabilities	<u>32.159</u>	<u>8.893</u>
	<u>168.788</u>	<u>141.112</u>

**Non-recognized assets and liabilities and contingent assets and liabilities**

On March 31 2016/2017 the legal entity granted EUR 23,071 (2015/2016 EUR: € 23,071) worth of warranties and guarantees.

The aggregate annual amount of property rental obligations entered into with third parties amounts to EUR 123,750. Of this amount EUR 45,000 expires after 1 year and EUR 78,750 after 5 years.

The obligations for leases entered into with third parties are EUR 323,498. Of this amount EUR 118,391 is due within one year and EUR 205,106 is due after five years.

CG Drives & Automation Netherlands B.V.  
Bladel

## Notes to the separate items of the profit and loss account

Net sales/sales:

The net turnover for 2016/2017 of the legal entity has decreased by 13% compared to 2015/2016.

### Wages, salaries and social security charges

	<u>2016/2017</u>	<u>2015/2016</u>
	EUR	EUR
Wages and salaries	735.458	1.069.979
Social security expenses	<u>267.323</u>	<u>295.469</u>
	<u>1.002.781</u>	<u>1.365.448</u>

### Average number of employees

The average number of employees during the year, converted to full-time equivalents was as follows:

	<u>2016/2017</u>	<u>2015/2016</u>
Employees	<u>14,0</u>	<u>18,0</u>

### Amortization / depreciation

	<u>2016/2017</u>	<u>2015/2016</u>
	EUR	EUR
Tangible fixed assets	<u>15.388</u>	<u>19.339</u>
	<u>15.388</u>	<u>19.339</u>

### Financial income and expense

	<u>2016/2017</u>	<u>2015/2016</u>
	EUR	EUR
Other interest income and similar income	7.999	5.373
Interest charge and similar expenses	<u>(7.854)</u>	<u>(18.660)</u>
	<u>145</u>	<u>(13.287)</u>

Initialed  
for identification purposes only  
Ernst & Young Accountants LLP

 Building a better  
working world

CG Drives & Automation Netherlands B.V.  
Bladel

**Signing of the financial statements**

Bladel, April 26, 2017

Prepared at April 26, 2017

Signed and adopted at .....

Directors board:

M.V. Samuelsson 

A.P. Troost 

V. Sudaram 

N. Kollengode 

S. Singh 

CG Drives & Automation Netherlands B.V.  
Bladel

## Other information

### Independent auditor's report

Reference is made to the auditor's report as included hereinafter.