

CG Drives & Automation Sweden AB
556232-2643

Annual Report

for the Financial Year 2016-04-01 - 2017-03-31

The Board of Directors and the managing director for CG Drives & Automation Sweden AB hereby submit the following annual financial statement.

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Seat of the Board of Directors: Helsingborg

The company's currency: Swedish Kronor (SEK).

Unless otherwise stated, all amounts are posted in thousands of Swedish Kronor (SEK '000).

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Directors' Report

Information about the operations

CG Drives & Automation Sweden AB develops, manufactures and markets equipment for control and protection of industrial processes and equipment run by electrical engines. The group's main product area consists of frequency inverters, turbine power monitors, softstarters and control systems. Together with key customers, the group also develops control systems adapted to the customers' specific application needs. Manufacturing and assembly is performed at the company's headquarters in Helsingborg. Laboratories and development resources are primarily located in Helsingborg.

Sale and marketing is performed by own operations in the company's home markets of Scandinavia, Germany and Benelux as well as through distributors and partners at multiple markets outside of the home markets.

Expected future development and risk and factors of uncertainty

To be at the fore front with regards to the development of new products is of utmost strategic importance, and with our current product portfolio and up-coming products we feel prepared to meet the demands of the market. The development resources are primarily located in Helsingborg, but development is also performed in collaboration with the Indian group company. The largest financial risk is in connection to currency fluctuation, although these are largely eliminated due to the fact that most purchases as well as sales are made in EUR.

Research and development

Research and development is mainly focused on rotation speed regulated electric motors. Of research and development investments, around 30% are for customer or application specific products, while 70% are for the development of standard products. Our products are sold at a mature and highly competitive market, which is why application specific innovation, cost effective production and product design are areas of focus. During this year, we have developed an entirely new product for control of waste water pumps which substantially reduces the energy consumption of pump stations. We have also introduced a two new ranges of very compact variable speed drives for small powers, as well as new range of complete drive systems for rotating heat exchangers.

Company branch abroad

CG Drives & Automation Sweden AB Shanghai Rep. Office

Ownership

The Indian industrial company Crompton Greaves Limited, listed on the national stock market in India, is the largest parent company, which establishes a group consolidated annual report, in the group. Crompton Greaves Limited owns via CG Internation B.V (34224124) in Holland, the smallest parent company in the group which establishes an annual report. CG International B.V. owns the parent company CG Industrial Holdings Sweden AB (556852-4119). CG Industrial Holdings Sweden AB is the parent company of CG Drives & Automation Sweden AB. CG Industrial Holdings Sweden AB does not establish a group annual report, in accordance with Årsredovisningslagen chapter 7, § 2. The consolidated group annual report can be downloaded on the group web site: www.cgglobal.com.

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Multi-year overview	2016/17	2015/16	2014/15	2013/14
Net turnover	243 039	236 449	225 752	216 384
Profit/loss after financial items	20 052	3 086	33 565	66 391
Operating margin (%)	9,5%	2,4%	12,9%	26,3%
Return on equity (%)	7,8%	1,2%	14,3%	26,4%
Balance sheet total	420 431	445 619	446 562	303 959
Equity/asset ratio (%)	63,5%	56,2%	55,4%	73,4%
Number of employees	71	67	70	72

Proposals for profit allocation

The Board of Directors recommends the profit/loss and brought forward profits available for disposition:

Profit/loss carried forward	192 327
This year's profit/loss	16 436
	208 763
to be distributed so that they are:	
carried over	208 763
	208 763

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Income Statement

	Note	2016-04-01 -2017-03-31	2015-04-01 -2016-03-31
Net sales	1	243 039	236 449
Work performed by the company for its own use and capitalized		15 224	10 440
Other operating income	2	20 063	0
		278 326	246 889
<i>Operating expenses</i>			
Raw material and consumables		-150 132	-140 584
Other external costs	3,4	-26 801	-28 758
Personnel costs	5	-59 759	-55 513
Depreciation of equipment and intangible assets		-18 496	-16 388
Other operating costs		0	-76
		-255 188	-241 319
Operating profit/loss	6	23 138	5 570
<i>Profit/loss from financial items</i>			
Other interest income and similar profit/loss items	7	1 306	1 771
Interest expense and similar profit/loss items	8	-4 391	-4 255
		-3 085	-2 484
Profit/loss after financial items		20 053	3 086
Pre-tax profit/loss		20 053	3 086
Tax on profit for the financial year	9	-3 616	-50
Net profit/loss for the year		16 437	3 036

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Balance Sheet

	Note	2017-03-31	2016-03-31
ASSETS			
<i>Non-current assets</i>			
<i>Intangible fixed assets</i>			
Capitalized expenditure for research and development and similar posts	10	50 381	63 122
Software	11	3 347	4 465
Work in progress for research and development	12	24 866	13 237
		78 594	80 824
<i>Tangible fixed assets</i>			
Machinery and equipment	13	1 119	1 465
		1 119	1 465
<i>Financial assets</i>			
Receivables from group companies	14	255 731	266 585
Deferred tax assets	15	6 372	9 988
		262 103	276 573
Total non-current assets		341 816	358 862
<i>Current assets</i>			
<i>Stock-in-trade etc.</i>			
Raw material and consumables		23 994	26 246
Work in progress		5 311	4 544
Finished goods and goods for resale		1 778	3 454
		31 083	34 244
<i>Current receivables</i>			
Accounts receivable		25 742	20 227
Receivables from group companies		15 102	20 265
Current tax assets		2 671	2 176
Other receivables		2 460	1 095
Prepaid expenses and accrued income	16	720	882
		46 696	44 645
<i>Cash and bank balances</i>	17	836	7 868
Total current assets		78 615	86 757
TOTAL ASSETS		420 431	445 619

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Balance Sheet

	Note	2017-03-31	2016-03-31
EQUITY AND LIABILITIES			
EQUITY			
<i>Restricted reserves</i>			
Share capital (25 631 985 aktier)		25 632	25 632
Reserv for development expenses	19	15 210	0
Statutory reserve		17 337	17 337
		58 179	42 969
<i>Non-restricted equity</i>			
Retained earnings or losses		192 327	204 501
Profit/loss for the year		16 436	3 036
		208 763	207 537
Total equity		266 942	250 506
Provisions			
Other provisions	20	1 000	1 000
		1 000	1 000
Non-current liabilities			
Liabilities to group companies	21	106 622	139 567
		106 622	139 567
Current liabilities			
Cheque account with overdraft facility	22, 24	0	2 770
Accounts payable		30 184	20 339
Liabilities to group companies		0	16 370
Other liabilities		1 982	1 732
Accrued expenses and deferred income	23	13 701	13 335
		45 867	54 546
TOTAL EQUITY AND LIABILITIES		420 431	445 619

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Report of changes in equity

	<i>Restricted reservs</i>		<i>Non-restricted reservs</i>			Totalt
	Share capital	Reserv for development expenses	Statutory reserve	Retained earnings or losses	Profit/loss for the year	
Opening balance 2015-04-01	25 632	0	17 337	180 009	24 492	247 470
Transfer of previous year's gain/loss	0	0	0	24 492	-24 492	0
Profit/loss	0	0	0	0	3 036	3 036
Closing balance 2016-03-31	25 632	0	17 337	204 501	3 036	250 506
Transfer of previous year's gain/loss	0	0	0	3 036	-3 036	0
Capitalized development expenses	0	15 224	0	-15 224	0	0
Depreciation on this year's development expenses	0	-14	0	14	0	0
This year's loss	0	0	0	0	16 436	16 436
Utgående balans 2017-03-31	25 632	15 210	17 337	192 327	16 436	266 942

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Cash flow statement

	Note	2016-04-01 -2017-03-31	2015-04-01 -2016-03-31
Cash flow from operations			
Operating result		23 138	5 570
Adjustment for non-cash flow items			
Depreciation and write-down		18 496	16 388
Scrapping losses of fixed assets		73	0
		41 707	21 958
Received interest		1 306	1 771
Paid interest		-4 391	-4 245
Paid income tax		-495	-917
Cashflow from operations before change in working capital		38 127	18 568
<i>Cashflow from change in working capital</i>			
Change in inventories		3 161	-9 149
Change in receivables		-1 556	4 179
Change in liabilities		-5 910	1 967
Cash flow from operations		33 822	15 565
<i>Investments</i>			
Investments in tangible assets		-401	-547
Investments in intangible assets		-15 592	-17 584
Cash flow from investments		-15 993	-18 131
<i>Finance</i>			
Increase/reduction of financial assets/non-current liabilities, group companies		-22 091	-5 946
Change cheque account with overdraft facility		-2 770	-2 770
Cash flow from finance		-24 861	-8 716
Current year cash flow		-7 032	-11 282
Liquid assets at the beginning of the financial year		7 868	19 150
Liquid assets at the end of the financial year	17	836	7 868

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Supplementary information

Accounting policies etc.

Accounting and valuation principles

Årsredovisningslagen (1995:1554) and BFNAR 2012:1 Årsredovisning och koncernredovisning (K3) have been implemented for the annual report.

Assessments and estimates

The following estimates made by the Board of Directors have had a substantial effect on the carrying amounts in the annual report: Assessments and estimates effect mainly reserach and development and the posting of deferred tax receivables. The capitalization of expenditures for reserach and development projects is made only when these are expected to generate future revenue. In accounting policies the process for handling reserach and development projects is described from an accounting perspective. The assement for the deferred tax receivables is that it will be utilized within a period of five years.

Group

The Indian industrial company Crompton Greaves Limited, listed on the national stock market in India, is the largest parent company, which establishes a group consolidated annual report, in the group. Crompton Greaves Limited ownes via CG Internation B.V (34224124) in Holland, the smallest parent company in the group which establishes an annual report. CG International B.V. ownes the parent company CG Industrial Holdings Sweden AB (556852-4119). CG Industrial Holdings Sweden AB is the parent company of CG Drives & Automation Sweden AB. CG Industrial Holdings Sweden AB does not establish a group annual report, in accordance with Årsredovisningslagen chapter 7, § 2. The consolidated group annual report can be downloaded on the group web site: www.cgglobal.com.

Revenue recognition

Sales of goods

The revenue is recognised at the fair value of what the company has received or will receive. In other words, the company reports revenues at nominal value (amount invoiced) if the company receives payment in the form of liquid funds upon delivery. Deductions are made for discounts.

Revenue recognition for the sales of goods is normally made when the substantial risks and benefits connected to ownership of the goods have been transferred from the company to the customers.

Lease agreements

The company as leasee

All lease agreements, financial as well as operational, have been recognised as operational leasing. The cost of operational leasing agreements is distributed linearly over the leasing period.

See note 4.

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Compensation to employees

Compensation to employees consists of all types of compensation given to employees by the company. The compensations is made up of salaries, vacation pay, paid absence, bonus and compensation at termination (pension), amongst others. These are recorded when they are acquired. Compensation to employees after termination consists of pension plans, which are either fee or benefit based. Pension plans for which fixed fees are paid and no obligations, legally or informal, are attached, are classified as benefit based plans. Other pension plans are classified as fee based plans. The company has no other non-current compensation recorded to employees.

The company has benefit based pension plans where a pension fee is paid. These plans are recorded as fee based pension plans in accordance with the simplification rule of BFNAR 2012:1.

Re-calculation of posts in foreign currency

Receivables and liabilities in foreign currency has been valued to the exchange rate of the balance sheet date. Exchange rate gains and losses for operating receivables and liabilities are posted as operating income, while exchange rate gains and losses for financial receivables and liabilities are posted as financial posts.

Taxes

Total taxes are made up of current tax and deferred tax. Taxes are posted in the income statement, except for when transactions that are posted to equity, where the then occurring tax effect is also posted to equity.

Current tax

Current tax consists of income tax for the current year and previous years' income tax, if these have not been regulated. Current tax is calculated from the current tax rate per the balance sheet day.

Deferred tax

Deferred tax is an income tax for future years as a result of previous events. This is posted in accordance with the balance sheet method. According to this, deferred tax liability and deferred tax receivables for temporary differences is posted. Temporary differences arise when there is a difference between book value and taxation value for receivables or liabilities or for credits or fiscal losses. Deferred tax receivables and deferred tax liabilities are posted as a net only if they can be regulated through a net payment. Deferred tax liability is calculated according to the current tax rate at the balance sheet date. The effect of changes in current tax rate will effect the income statement in the period during which the tax rate has legally been changed. Deferred tax receivables are reduced by the part which is unlikely to be realized in the conceivable future. Deferred tax receivables are posted as a financial fixed asset and deferred tax liabilities as a provision.

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Fixed assets

Intangible and tangible fixed assets are posted at the acquisition value less accumulated depreciation and any write-downs.

Tangible fixed assets have been divided up in substantial components when the expected useful life of the components is viewed as being materially different.

Depreciable amount is the net of acquisition value and calculated residual value, should this be substantial. Depreciation is posted linearly over the expected useful life period.

The following depreciation is applied:

Intangible fixed assets

Capitalized expenditure for research and development and similar posts	5-10 years
Software	5 years

Tangible fixed assets

Machinery and equipment	3-5 years
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Capitalized expenditure for research and development and similar posts

The company capitalizes all expenditures which according to the criteria set of BFNAR 2012:1 can be capitalized as intangible assets. These are depreciated over the expected useful life period.

The monetary posts of the company's foreign branches are posted according to the exchange rate per the balance sheet day, while the non-monetary posts are posted according to the exchange rate at the day of occurrence.

Inventories

The inventories are valued at the lower of acquisition cost and net realisable value on the balance sheet date. In order to determine the acquisition cost, a weighted average calculation is used. The net realisable value refers to the calculated sales price of the products less selling costs. Deduction for inventory obsolescence has been made after individual assessment.

Receivables, liabilities and provisions

When nothing else has been specified above, current receivables are valued to the lowest of acquisition value and the amount by which they are expected to be regulated. Non-current receivables and non-current liabilities are valued to accrued acquisition value. Other liabilities and provision are valued to the amount by which they are expected to be regulated. Other receivables are posted at acquisition value, provided nothing else is specified.

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Notes

Note 1 Distribution of net sales

The net sales are distributed over the following geographical markets:

	2016/17	2015/16
Germany	81 718	76 541
Nordic	48 179	47 957
Benelux	34 220	37 006
China	17 925	14 081
Russia	18 030	11 747
Chile	9 943	10 052
Rest of the world	33 024	39 065
Sum	243 039	236 449

Note 2 Other operating income

	2016/17	2015/16
Intercompanies services*	19 050	0
Other operating income	1 013	0
Sum	20 063	0

*Business support to our intercompanies for product warranty and product service.

Note 3 Auditor fee

	2016/17	2015/16
Financial year audit	394	320
Other services	0	10
Sum	394	330

Note 4 Leasing agreement - leasee

<i>Operational leasing</i>	2016/17	2015/16
Expensed leasing fees regarding operational leasing agreements	3 986	4 094
Future minimum leasing fees regarding non-terminable operational lease agreements		
To be paid within 1 year	4 033	3 985
To be paid within 2-5 years	1 029	1 157
To be paid after 5 years	0	0
Sum	5 062	5 142

The company has entered into the following agreements which are posted as operational lease agreements:

The substantial lease agreements that the company has entered are related to lease for premises for office and production. The length of the lease is three years. The rent is determined yearly through index regulation related to the consumer price index.

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Note 5 Employees and personnel costs

Average number of employees

	2016/17	2015/16
Women	19	19
Men	52	48
Sum	71	67

	2016/17	2015/16
<i>Salaries and other contributions</i>		
Board of Directors and CEO	1 556	2 020
Other employees	33 522	32 921
Sum	35 078	34 941

Bonus payment to the Board of Directors and CEO - -

Pensions and other similar costs

Pension costs for the Board of Directors and CEO	568	441
Pension costs for other employees	5 097	4 841
Other costs, regulated by law or agreement	11 608	11 203
Sum	17 273	16 485

	2017-03-31	2016-03-31
Outstanding pension liabilities to the Board of Directors and CEO	-	-

Gender distribution among the directors

Women on the board	40%	40%
Men on the board	60%	60%
Women among the directors	20%	25%
Men among the directors	80%	75%

Note 6 Transactions among group entities

	2016/17	2015/16
Percentage of total purchases for the year made from other group entities	10%	16%
Percentage of total sales for the year made to other group entities	43%	46%

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Note 7 Other interest income and similar profit/loss items

	2016/17	2015/16
Interest income from group entities	1 295	1 727
Other interest income	11	44
Sum	1 306	1 771

Note 8 Interest expense and similar profit/loss items

	2016/17	2015/16
Interest expense from group entities	-907	-1 329
Other interest expense	-242	-740
Exchange rate differences	-3 114	-2 080
Other financial expenses	-128	-105
Sum	-4 391	-4 254

Note 9 Tax on profit for the financial year

	2016/17	2015/16
Change in deferred tax	3 616	50
Sum posted tax	3 616	50

Average effective tax rate 18,0% 1,6%

Reconciliation of effective tax rate

Net result before tax	20 052	3 086
Tax on net result, current tax rate (22 %):	4 411	679
Tax effect from:		
Other non-deductible expenses	58	77
Obsolescence	0	677
Non taxable income	0	-1
Other adjustments	-854	-1 382
Sum posted tax	3 616	50
Effective tax rate	18,0%	1,6%

Information about deferred tax receivables and tax liabilities
For change in deferred tax liability, see note 15

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Note 10 Capitalized expenditure for research and development and similar posts

	2017-03-31	2016-03-31
Acquisition value, opening balance	147 426	129 473
Purchase	0	7 144
Sales/Scrapping	-3 086	-
Reclassifications	3 325	10 809
Accumulated acquisition value, closing balance	147 665	147 426
Depreciations, opening value	-84 304	-70 760
Sales/Scrapping	3 016	-
Depreciation for the year	-15 996	-13 544
Accumulated depreciation, closing balance	-97 284	-84 304
Book value, closing balance	50 381	63 122

Note 11 Software

	2017-03-31	2016-03-31
Acquisition value, opening balance	11 406	11 406
Purchase	638	-
Sales/Scrapping	-1 809	-
Accumulated acquisition value, closing balance	10 236	11 406
Depreciations, opening value	-6 941	-5 080
Sales/Scrapping	1 809	0
Depreciation for the year	-1 756	-1 861
Accumulated depreciation, closing balance	-6 888	-6 941
Book value, closing balance	3 347	4 465

Not 12 Work in progress for research and development

	2017-03-31	2016-03-31
Acquisition value, opening balance	13 237	13 606
Purchase	15 224	10 440
Reclassifications	-3 595	-10 809
Accumulated acquisition value, closing balance	24 866	13 237
Book value, closing balance	24 866	13 237

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Note 13 Machinery and equipment

	2017-03-31	2016-03-31
Acquisition value, opening balance	26 442	25 895
Purchase	401	547
Sales/Scrapping	-1 984	
Accumulated acquisition value, closing balance	24 859	26 442
Depreciations, opening value	-24 977	-23 992
Sales/Scrapping	1 981	0
Depreciation for the year	-744	-985
Accumulated depreciation, closing balance	-23 740	-24 977
Book value, closing balance	1 119	1 465

Note 14 Receivables from group companies

	2017-03-31	2016-03-31
Acquisition value, opening balance	268 794	265 115
Added receivables	3 154	3 679
Amortisation	-14 008	-
Accumulated acquisition value, closing balance	257 940	268 794
Amortisation	-2 209	-2 209
Accumulated depreciation, closing balance	-2 209	-2 209
Book value, closing balance	255 731	266 585

Note 15 Deferred tax receivables

	2017-03-31	2016-03-31
Opening balance	9 988	10 038
Reversed tax receivables	-3 616	-50
Sum	6 372	9 988

See also note 9 Tax on profit for the financial year.

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Note 16 Prepaid expenses and accrued income

	2017-03-31	2016-03-31
Prepaid rent expenses	269	266
Other prepaid expenses	451	616
Sum	720	882

Note 17 Cash and bank

	2017-03-31	2016-03-31
Petty cash	22	20
Bank balance	814	7 848
Sum	836	7 868

Note 18 Numer of shares and ratio value

	Number of shares	Ratio value
Number of A-shares	19 454 590	1
Number of B-shares	6 177 395	1
Sum	25 631 985	

Note 19 Reserv for development expenses

	2017-03-31	2016-03-31
Opening balance	0	0
Allocation to reserve	15 224	0
Transfer	-14	0
Sum	15 210	0

Note 20 Provisions

	2017-03-31	2016-03-31
<i>Other provisions</i>		
Opening balance	1 000	1 000
Sum	1 000	1 000

Specification other provisions

Warranty	1 000	1 000
Sum	1 000	1 000

Note 21 Non-current liabilities

	2017-03-31	2016-03-31
To be paid after 5 years		
Liabilities to group entities	106 622	139 567
Sum	106 622	139 567

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Not 22 Cheque account with overdraft facility

	2017-03-31	2016-03-31
Approved credit	10 000	10 000
Used credit	0	-2 770

Note 23 Accrued expenses and deferred income

	2017-03-31	2016-03-31
Accrued vacation salaries	4 204	3 464
Accrued social security contribution	2 730	2 728
Accrued salaries	2 645	2 230
Other accrued expenses	4 122	4 913
Sum	13 701	13 335

Not 24 Collateral pledged

	2017-03-31	2016-03-31
Collateral pledged		
Chattels mortgage	10 000	10 000
Guarantee to Tullverket (Swedish Import services)	80	80
Sum Collateral pledged	10 080	10 080

Not 25 Proposals for profit allocation

	2017-03-31	2016-03-31
Profit/loss carried forward	192 327	204 501
This year's profit/loss	16 436	3 036
	208 763	207 537
to be distributed so that they are:		
carried over	208 763	207 537
	208 763	207 537

Not 26 Definition key ratios

Operating margin
Operating result in percent of net turnover

Adjusted equity
Equity deducted by deferred tax on untaxed reserves

Return on equity
Gain/loss after financial items in percent of average adjusted equity


Equity/asset ration
Adjusted equity in percent of total balance

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Helsingborg 16/5-2017



KN Neelkant
Chairman



Venkateswaran Sundaram



Irène Josefsson
Employee representative



Mikael Samuelsson
CEO



Dragica Gaspar
Employee representative

Our audit opinion has been given 16/5-2017

Ernst & Young AB



Peter Gunnarsson
Auktoriserad Revisor

Auditor's report

To the general meeting of the shareholders of CG Drives and Automation Sweden AB, corporate identity number 556232-2643

Report on the annual accounts

Opinions

We have audited the annual accounts of CG Drives and Automation Sweden AB for the year 2016/2017.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of CG Drives and Automation Sweden AB as of 31 March 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of CG Drives and Automation Sweden AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. 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 accounts.

As part of an audit in accordance with ISAs, We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, 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 opinions. 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.
- Obtain an understanding of the company's internal control relevant to our 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any 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 annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. 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 continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.