

Draft Audit Report

Only the bound paper copy
is authoritative

CG Drives & Automation Germany GmbH

Financial Statements and
Independent Auditor's Report
As of and for the year ended
March 31, 2018

Kenn-Nr.: 10931

Hen/Gom

Table of Contents

| | Seite |
|--|--------------|
| A. APPOINTMENT OF AUDITORS | 4 |
| B. OPINION ON THE ASSESSMENT OF THE SITUATION OF THE COMPANY BY THE MANAGING DIRECTOR | 4 |
| C. PURPOSE, NATURE AND EXTENT OF THE AUDIT | 5 |
| I. Purpose of the audit | 5 |
| II. nature and extent of the audit | 5 |
| D. CONCLUSIONS UND EXPLANATIONS RELATING TO FINANCIAL REPORTING | 7 |
| I. Correctness of financial reporting | 7 |
| 1. Bookkeeping and other audited records | 7 |
| 2. Financial Statements | 7 |
| II. Overall financial statement presentation | 8 |
| E. AUDITOR'S REPORT | 9 |

APPENDICES

- I. Financial Statements as of March 31, 2018
- II. Regulatory and taxation matters
- III. General Engagements Terms for German Public Auditors and Public Audit Firms (Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) as of January 1, 2017

A. APPOINTMENT OF AUDITORS

- 1 In accordance with a resolution approved at the shareholder meeting in March 2018, the management of CG Drives & Automation Germany GmbH, Wernigerode (the “Company” or “CG D&A”), appointed us to audit the Company's financial statements as of March 31, 2018, together with the underlying books and records.

The audit report was issued in accordance with the principles of the German auditing standard IDW 450.

Management is responsible for the financial statements and representations made to us. The purpose of the audit is, based on our audit procedures, to express an opinion on the financial statements.

We confirm that we are in compliance with all independence requirements in accordance with Article 321(4a) HGB.

The terms governing this engagement are set out in the General Engagements Terms for German Public Auditors and Public Audit Firms (Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version of January 1, 2017, which also govern our relations with third parties in the context of this engagement.

B. OPINION ON THE ASSESSMENT OF THE SITUATION OF THE COMPANY BY THE MANAGING DIRECTOR

- 2 Our opinion is based on management's evaluation of the company's situation as presented in the financial statements as of March 31, 2018. Furthermore, to evaluate the company's situation, we reviewed, among other things, the accounting system and the budget.

Management has prepared the annual financial statements under the premise of continuing the business activities. Management's assessment is based on the budget for the financial year 2018/2019.

- 3 Net income for the financial year 2017/2018 amounted to € 192.0k in comparison to v 100.0k in the prior year.

This is due to the € 1,800.0k increase in revenue in the financial year 2017/2018 to a total of € 17.144.6k. The increase in revenue corresponds to the increase in cost of materials and personnel expenses as compared to the prior year.

The equity of € 1,349.0k corresponds to an equity ratio of 27.23 %.

The solvency of the company was given in the year under review and until the time of the audit. At the balance sheet date, the company had cash and cash-equivalents amounting to € 161.0k.

- 4 Our assessment based on the findings of the audit to assess the situation of the company is consistent with that of management.

C. PURPOSE, NATURE AND EXTENT OF THE AUDIT

I. PURPOSE OF THE AUDIT

In accordance with the terms of the audit engagement, and Sec. 317 HGB (“Handelsgesetzbuch”: German Commercial Code), we examined whether the books and records and the financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, comply with the relevant legal requirements.

Assessment criteria for our audit of the financial statements were the accounting provisions of Secs. 242 to 256a and Secs. 264 to 288 HGB and the special provisions of the GmbHG (“Gesetz betreffend die Gesellschaften mit beschränkter Haftung”: German Limited Liability Companies Act). No additional accounting requirements result from the articles of incorporation and bylaws.

Management of CG Drives & Automation Germany GmbH is responsible for the books and records and the preparation of the financial statements in accordance with German commercial law as well as the explanations and documents provided to us. Our responsibility is to express an opinion on the financial statements based on our audit, including the books and records and the information and evidence provided to us.

II. NATURE AND EXTENT OF THE AUDIT

- 5 The audit procedures were carried out from April 3rd to April 12th at the offices of the company.

All requested explanations and evidence were provided to us. Management confirmed to us in a management representation letter that, in consideration of the generally accepted accounting principles included in the audited financial statements for the financial year ending March 31, 2018, all assets, liabilities, accruals, and special items of the company are included, all expenses and income transactions are recorded and all required information was provided.

We conducted our audit of the financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – “Institute of Public Auditors in Germany”).

Those standards require that the auditors, while exercising due diligence, plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements are detected with reasonable assurance. Therefore, a full audit is not required.

Our audit strategy is based on a risk-oriented audit approach. It requires a preliminary assessment of the business environment and the system of internal controls, information obtained from management regarding significant goals, strategies, and business risks, as well as analytical audit procedures to assess our audit risk.

As a result of our assessment, we identified the audit objectives and areas of focus, developed the audit strategy, as well as the nature and extent of our audit procedures.

In view of the Company's size and its transparent policies and procedures, we primarily performed substantive tests on this engagement. We concentrated on the following audit areas and performed the following audit procedures:

- Analysis of the process related to the preparation of the financial statements
- Recognition and valuation of inventories
- Recognition and valuation of trade receivables
- Completeness and valuation of trade payables
- Recognition and completeness of cash and cash equivalents
- Accrual basis matching and measurement of revenue and cost of materials.

We also performed the following standard audit procedures:

- We took part in the physical inventory count in Wernigerode
- We determined that trade receivables and payables are appropriately valued in the balance sheet by requesting balance confirmations for a sample
- We obtained a written confirmation from the Company's tax advisor on pending appeals, disputed tax assessment notices and existing tax risks
- We obtained bank confirmations
- To gain comfort in the opening balances of the balance sheet, we agreed these to the prior year financial statements audited by Ernst & Young GmbH.

D. CONCLUSIONS UND EXPLANATIONS RELATING TO FINANCIAL REPORTING

I. CORRECTNESS OF FINANCIAL REPORTING

1. Bookkeeping and other audited records

- 6 According to our findings, the bookkeeping and the other audited documents comply with the statutory provisions. Based on our audit conclusion, all required transactions were recorded in a continuous, complete, and timely manner.

All requested explanations, as well as proof of assets through inventory records of assets and accounts payable (asset schedule, contracts, inventory records, bank statements, list of account balances) and other suitable records were provided.

Records management is organized in an orderly manner.

Data obtained from other audited documents are properly reflected in the books and records and the financial statements.

2. Financial Statements

- 7 The company is considered a small company according to § 267 (1) of the German Commercial Code (HGB). The balance sheet as of March 31, 2018 and the income statements for the financial year ended March 31, 2018 are properly generated from the company's books and records and, as well as the notes to the financial statements, are in accordance with German generally accepted accounting principles applicable to Limited Liability Companies, while taking into account the principles of generally accepted accounting practices.

To be comfortable with the opening balances of the balance sheet, we agreed these to the prior year financial statements audited by Ernst & Young GmbH.

The approach, the disclosure and the valuation of the line items included in the financial statements, as well as the notes to the financial statements, are consistent with the applicable regulatory requirements.

II. OVERALL FINANCIAL STATEMENT PRESENTATION

- 8 In our opinion, the financial statements present fairly, in all material respects, the net assets and the financial position of the Company as of March 31, 2018, and the results of its operations, for the year then ended, in accordance with the accounting policies mentioned above and in accordance with accounting principles generally accepted in Germany.

Significant accounting policies used in preparing the financial statements are included in Annex I. They are in line with the significant accounting policies used to prepare the prior year financial statements.

E. AUDITOR'S REPORT

- 9 Based upon our audit procedures, we issued the following unqualified opinion on April 12, 2018

„ CG Drives & Automation Germany GmbH
Wernigerode

We have audited the accompanying financial statements prepared by CG Drives & Automation Germany GmbH Wernigerode, comprising the balance sheet, the income statement and the notes to the financial statements for the fiscal year from April 1, 2017 to March 31, 2018.

Management is responsible for the preparation and fair presentation of these financial statements and the management report in accordance with German commercial law. Our responsibility is to express an opinion on the financial statements and the management report based on our audit.

We conducted our audit of the financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – “Institute of Public Auditors in Germany”).

Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with the applicable financial reporting framework are detected with reasonable assurance.

Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal controls relevant to the preparation and fair presentation of the financial statements and the evidence supporting the disclosures in the financial statements are examined primarily on a test basis within the framework of the audit.

The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not led to any reservations.

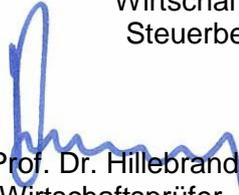
In our opinion, based on the findings of our audit, the financial statements comply with the legal requirements and present fairly, in all material respects, the net assets and the financial position of the Company as of March 31, 2018, and the results of its operations for the year then ended, in accordance with accounting principles generally accepted in Germany.“

We have submitted the above report in compliance with the legal regulations and generally accepted reporting principles for audits.

Berlin, April 12, 2018

DOMUS AG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft



Prof. Dr. Hillebrand
Wirtschaftsprüfer
(German Public Auditor)



Fiolka
Wirtschaftsprüfer
(German Public Auditor)

APPENDICES

Translation from the German language

CG Drives & Automation Germany GmbH, Wernigerode
Balance sheet as of March 31, 2018

| Assets | EUR | 31 Mar 2017 EUR k | Equity and liabilities | EUR | 31 Mar 2017 EUR k |
|---|---------------------|----------------------|--|---------------------|----------------------|
| A. Fixed assets | | | A. Equity | | |
| I. Intangible assets | 555.00 | 39 | I. Subscribed capital | 25,564.59 | 26 |
| II. Property, plant and equipment | 288,416.06 | 256 | II. Capital reserves | 225,354.89 | 225 |
| III. Financial assets | 50,736.13 | 135 | III. Profit carryforward | 905,773.64 | 805 |
| | <u>339,707.19</u> | <u>430</u> | IV. Net income for the year | <u>192,421.33</u> | <u>101</u> |
| | | | | 1,349,114.45 | 1,057 |
| B. Current assets | | | B. Provisions | 584,314.53 | 454 |
| I. Inventories | 772,638.31 | 1,045 | | | |
| II. Receivables and other assets | 3,620,174.46 | 3,264 | C. Liabilities | 3,021,173.58 | 3,665 |
| II. Cash on hand and bank balances | 161,547.51 | 485 | thereof for taxes: EUR 195,803.68 (prior year: EUR 200k) | | |
| | <u>4,554,360.28</u> | <u>4,794</u> | thereof for social security: EUR 453.43 (prior year: EUR 0k) | | |
| | | | | | |
| C. Prepaid expenses | 60,535.09 | 52 | | | |
| | <u>4,954,602.56</u> | <u>5,276</u> | | <u>4,954,602.56</u> | <u>5,276</u> |

non-binding sample

CG Drives & Automation Germany GmbH, Wernigerode
Income statement for 2017/2018

| | EUR | EUR | 2016/2017 EUR k |
|--|---------------|---------------|--------------------|
| 1. Revenue | 17,144,586.04 | | 15,344 |
| 2. Decrease/Increase in finished goods and work in process | -149,346.74 | | 149 |
| 3. Other operating income | 207,239.08 | | 189 |
| | | 17,202,478.38 | 15,682 |
| 4. Cost of materials | | | |
| a) Cost of raw materials, consumables and supplies and of purchased merchandise | 12,235,810.62 | | 11,489 |
| b) Cost of purchased services | 544,150.46 | | 249 |
| 5. Personnel expenses | | | |
| a) Wages and salaries | 2,107,680.05 | | 1,813 |
| b) Social security, pension and other benefit costs | 372,480.18 | | 328 |
| thereof for old-age pensions: EUR 1,500.00 (prior year: EUR 0k) | | | |
| 6. Amortization of intangible assets and depreciation of property, plant and equipment | 133,037.85 | | 138 |
| 7. Other operating expenses | 1,519,782.58 | | 1,498 |
| | | 16,912,941.74 | 15,515 |
| 8. Other interest and similar income | 2,638.83 | | 20 |
| thereof from affiliates: EUR 0,00 (prior year: EUR 11k) Interest | | | |
| 9. and similar expenses | 2,501.94 | | 49 |
| thereof to affiliates: EUR 0,00 (prior year: EUR 48k) | | | |
| | | 136.89 | -29 |
| 10. Income taxes | | 91,378.18 | 31 |
| 11. Earnings after taxes | | 198,295.35 | 106 |
| 12. Other taxes | | 5,874.02 | 5 |
| 13. Net income for the year | | 192,421.33 | 101 |

NOTES to the financial statements as of 31 March 2018 CG**Drives & Automation Germany GmbH
Giesserweg 3, 38855 Wernigerode****I. General**

These financial statements were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB [“Handelsgesetzbuch”: German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG [“Gesetz betreffend die Gesellschaften mit beschränkter Haftung”: German Limited Liability Companies Act]. The Company is subject to the requirements for small corporations.

There were no fundamental changes in the exercise of valuation options compared to the prior year.

The income statement is classified using the nature of expense method.

The Company is entered in the commercial register of Stendal local court under HRB no. 111447 as “CG Drives & Automation Germany GmbH” with its registered offices in Wernigerode.

II. Accounting and valuation methods

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Purchased and internally generated intangible assets are recognized at acquisition or production cost and are amortized over their useful lives if they have a limited life.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. Production cost includes directly allocable costs as well as required overheads and production-related depreciation expenses. Depreciation was recorded using the straight-line method and on the basis of the expected useful life of the assets.

With regard to financial assets, loans are disclosed at nominal value.

Inventories of raw materials, consumables and supplies are valued at the lower of average cost or market on the balance sheet date. Merchandise is recognized at cost or market.

Receivables and other assets were stated at their nominal value taking into account all recognizable risks.

Cash and cash equivalents were stated at their nominal value and comprise cash on hand and bank balances.

Expenses recorded before the balance sheet date that relate to a certain period after this date are posted under prepaid expenses.

Tax provisions and other provisions account for all uncertain liabilities. They are recognized at the settlement value deemed necessary according to prudent business judgment.

Prepayments received are stated at nominal value.

Liabilities were recorded at the settlement value.

Notes to the balance sheet

Receivables from and liabilities to shareholders

There are no receivables from or liabilities to the shareholder.

Receivables by remaining term

As in the prior year, all receivables are due within one year.

Receivables from affiliates break consist of the following:

| | |
|-------------------|------------|
| Trade receivables | EUR 53.5k |
| Other receivables | EUR 272.0k |

Liabilities by remaining term

Liabilities due in more than one year amount to EUR 50.0k.

Liabilities to affiliates consist of the following:

Trade payables EUR 2,496k

Notes to the income statement

Income relating to other periods

Income of EUR 93k was recognized from the reversal of provisions.

Purchased services/other operating expense

Due to the nature of 2 accounts, the related balances have been disclosed under a different financial statement line item in the current year. The accounts were re-grouped from other operating expenses to purchased services; and as such the related financial statements line items are not exactly comparable to the prior year balance. Had the same grouping of financial statement line items been used in the prior year financial statements, purchased services would have amounted to EUR 407.8k and other operating expenses would have amounted to EUR 159.6k.

III. Additional notes

There are other financial obligations resulting from rent and lease agreements amounting to EUR 1.122k.

The Company had 35 employees on average.

CG Power and Industrial Solutions Limited in Mumbai, India, prepares the consolidated financial statements for the largest group of companies.

CG International BV, Amsterdam, Netherlands, prepares the consolidated financial statements for the smallest group of companies.

The consolidated financial statements can be inspected at the registered offices of the respective companies.

IV. Appropriation of profits and reserves

In agreement with the shareholders, management proposes the following appropriation of profit: The net income for the fiscal year 2017/18 will be carried forward to new account.

V. Other notes

Disclosures on the members of the company boards:

The Company was managed by the following persons in the past fiscal year:

General manager: Rainer Gessing
Mikael Samuelson
Venkateswaran Sundaram (until March 22, 2018)
Kapil Agrawal (starting March 23, 2018)

Wernigerode, April 12 2018

Rainer Gessing

Mikael Samuelson

Kapil Agrawal

Regulatory Matters

Company: CG Drives & Automation Germany GmbH

Registered Office: Wernigerode

Company Foundation: 2011

Entry in the commercial register: Amtsgerichts Stendal unter HRB 111447

Articles of Incorporation:

The articles of incorporation and bylaws dated September 30, 2011, and last amended on October 9, 2014, apply.

Objective of the Company:

The objective of the Company is the manufacture, sale, maintenance and repair of electronic devices and facilities in the area of drive technology as well as conducting any business that is closely or otherwise related.

Fiscal Year:

The Company's fiscal year begins on April 1 of a given year and ends on March 31 of the following year.

Shareholders:

CG International BV, Amsterdam, Netherlands, is the sole shareholder of CG Drives & Automation Germany GmbH.

Executive bodies of the Company:

Management and Shareholders

Management:

Herr Rainer Gessing, Wernigerode (Germany)

Herr Mikael Samuelsson, Sweden

Herr Venkateswaran Sundaram, India – until March 22, 2018

Herr Kapil Agrawal, Sweden – from March 23, 2018

If only one general manager is appointed, he represents the Company alone. If more than one general manager is appointed, the Company is either represented by two general managers or by one general manager together with an authorized signatory.

Mr. Rainer Gessing holds sole power of representation.

Shareholder Meetings:

The following resolutions were adopted at the shareholder meeting on June 22, 2017:

- Approval of the financial statements as of March 31, 2017;
- Exoneration of management for the fiscal year from April 1, 2016 to March 31, 2017;
- Decision to carry forward net income of €100,729.47 to new account.

The following resolutions were adopted at 2 shareholder meetings in March 2018:

- Mr. Venkateswaran Sundaram is removed from his office as managing director of the company effective immediately;
- Mr. Kapil Agrawal is appointed as additional managing director of the company effective immediately;
- Appointment of DOMUS AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as auditor for the fiscal year 2017/ 2018.

Taxation Matters

The Company is subject to unlimited tax liability for corporate income tax, trade tax and VAT.

The assessment was conducted up to and including the 2016 (calendar year) assessment period and is subject to verification.