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DEUTA-WERKE GmbH Bergisch Gladbach	Accounting / financial reports	Annual financial statements for the business year from 01/01/2016 to 12/31/2016	10/01/2018	95%

DEUTA-WERKE GmbH

Bergisch Gladbach

Annual financial statements as of December 31, 2016 and management report

Management report for the financial year from January 1 to December 31, 2016

1. Foundations of society

1.1 Company's business model

DEUTA-WERKE GmbH is an international company with a focus on the railway industry and the product families of display and recorder technology as well as sensor technology. These products are also sold to general industry on a small scale. The company currently has a technical office in Berlin. The previous legally dependent operating facility in Schwarzenbach am Wald was closed; this operating facility ceased operations on December 31, 2016. In addition, DEUTA-WERKE GmbH holds a majority stake in DEUTA Controls GmbH,

DEUTA-WERKE is 100% owned by the DEUTA Group GmbH. The management consists of 2 managing directors and two authorized signatories. Together with the heads of the relevant functional areas, the members of the executive board exercise the management of the company.

1.2 Goals and strategies

DEUTA-WERKE GmbH is increasingly relying on product and technology innovations as well as on niche-oriented market development. In addition, the position in the relevant world markets for rail transport projects is being continuously expanded.

Safety-relevant products and systems are the focus of our further corporate development. In addition to the requirements for the product or the system, we also want to deepen our understanding of the application and make offers to our customers in this regard.

The worldwide sales of our increasingly complex products and the associated further integration into the overall control of the vehicles require more and more local project support from the planning phase to commissioning and service. We already realized this in 2015 when we founded DEUTA America Corp. for the American market. With the establishment of a further subsidiary in China (DEUTA Railway Technologies (Shanghai) Co., Ltd., customer expectations are met. This strategy demands a great deal of human and capital resources from us in the early years. In addition to the challenge of different time zones and languages, we also want to build cultural bridges, as the local companies are equipped with local staff.

1.3 Control system

The quality management system based on the IRIS certification (International Railway Industry Standard), this also includes ISO 9001, the DEUTA-WERKE GmbH serves as a control system for the identification of operational risks. The company-wide, process-integrated risk management at DEUTA-WERKE enables opportunities and risks to be identified and assessed as early as possible and,

through appropriate measures, to seize opportunities and limit economic losses. This is supplemented by the holistic, environmentally-related approach, which was documented with the ISO 14001 certification.

Based on the monthly and thus current reports on the business development, the management and the shareholders of DEUTA-WERKE GmbH receive regular reports. The reporting shows possible deviations from the plan and serves as a basis for finding solutions within the management meetings. Any deviations from the planning targets are recognized immediately and appropriate measures are initiated promptly.

1.4 Research and Development

In order to continue to meet the requirements of a modern and efficient industrial company in the future, investment measures have been planned and implemented as planned at the Bergisch Gladbach and Berlin locations.

There were no major investment projects in equipment and infrastructure, investments were made selectively in capacity expansion, rationalization and replacement requirements. The investment requirement is continuously determined. There are no major investments planned for 2017.

The development activity was shaped in particular in connection with the creation of customer-specific software as an application application in the context of the use of IconTrust and SelectTrust. The changes in the ETCS (European Train Control System) regulations arose for our customers at short notice for application applications that were previously only part of the scope of delivery and service provided by DEUTA-WERKE. This strong, Demand from our customers for software solutions, which was not anticipated in terms of time and which was much more complex in terms of detail, caused development costs to skyrocket. These investments in these upfront services integrate us deeply into our customers' systems.

The intensive cooperation with our customers and the constant endeavor to innovate in our sales markets, in addition to the provision of customer project-specific solutions, led to further product improvements and new developments in our product portfolio in the past financial year. The expense **ratio** for research and development as a percentage of sales **is 26.6% (previous year: 14.9%)** and illustrates the importance of innovations for DEUTA-WERKE GmbH. The qualifications of our workforce continued to develop in 2017 through internal and external training measures.

2. Economic report

2.1 Macroeconomic and industry-specific framework conditions

The rail industry in Germany posted a record turnover in the first half of 2016; the turnover of the branch rose to 5.5 billion EUR, which corresponds to a growth of + 5.8% compared to the same period last year. The rail vehicle business accounts for around three quarters of sales. The export business grew by a good nine percent and rose to 54%.

Thanks to the order record in 2015, the order books in the industry were mostly full. However, the demand for rail technology fell by almost a quarter due to the difficult overall market conditions. The number of employees fell to 51,000, which is a decrease of -3.6%.

The infrastructure equipment sector continues to be a concern of the rail industry - despite the increased funding for replacement investments in the existing rail network. Here sales have stagnated for years and were at a low level of EUR 1.4 billion in the first half of 2016.

The development of demand in the first half of 2016 is declining; While domestic orders remained stable at a good level in the first half of 2016, international orders fell by a good 46%.

Lt. VDB General Manager Ben Möbius must aim to be the leading provider and leading market for digital rail transport of the future. As part of the Memorandum of Understanding for Rail 4.0 made in Germany, the federal government is called upon to promote research and development in the rail sector and to equip the rail network quickly with ETCS, digital interlockings and modern level crossings. (from VDB press release No. 13/16)

In the German electrical industry, total sales amount to EUR 178.6 billion and are at the previous year's level (+ 0.2%).

Domestic sales remained stable with an increase of + 0.3%, sales with foreign customers from the non-euro zone rose by 1.9% compared to the previous year.

Incoming orders were down slightly overall by -1%. The number of employees remained stable. (from ZVEI economic barometer, February 2017 edition)

2.2 Course of business

The following performance indicators provide an overview of the course of the past financial year, with sales and earnings after taxes representing the most important performance indicators used for internal control.

DEUTA-WERKE GmbH did not develop in line with planning in the 2016 financial year. Sales fell by EUR 6.1 million to EUR 29.6 million compared to the previous year. This represents a decrease of 18.2% compared to the planning of EUR 36.2 million. The decline in sales with China that was actually expected for 2015 now occurred unexpectedly in 2016. In addition to the decline in high-speed trains, there was a slump in locomotives. All other countries and customers developed according to plan.

2.3 Location

The company's economic situation is still fundamentally solid. However, we are particularly dissatisfied with the overall economic result. There is financial stability as the basis for any strategic future orientation; in 2016 there was a consumption of assets for these strategic goals. The current sales and earnings situation limits us with the planned future investments, so that these can be used selectively and purposefully. We have to expand our international activities further.

2.3.1 Profit situation

The earnings situation in 2016 is burdened with temporary expenses for our future projects of local market development and presence in the USA and China as well as for the application software development at 2 system houses for secure advertisements at the same time. These temporary expenses are included in the purchased services as well as in the other operating expenses. In addition, the earnings situation is burdened with the costs for the closure of the legally dependent business premises in Schwarzenbach am Wald.

Sales fell by EUR 6.1 million compared to the previous year. The planned sales of EUR 36.2 million were also missed by EUR 6.5 million. Of this, China alone accounts for EUR 5.2 million. The aforementioned temporary expenses are already included in the gross profit (sales + inventory changes + other operating income ./. Material costs). After adjustment, the gross profit ratio is comparable to that of the previous year. The quantitative reduction in sales compared to the planning was also reflected in a quantitative reduction in gross profit.

Personnel expenses rose by 3.0% to EUR 12.3 million due to the increase in direct employment, which is also due to the changed legal and collective bargaining conditions. This increase includes the voluntary social plan for the closure of the legally dependent business premises in Schwarzenbach am Wald.

The 15% increase in depreciation to EUR 1.2 million was mainly caused by scheduled depreciation on new technical equipment and machines as well as new intangible assets.

The other operating expenses increased by 18.8% to EUR 9.6 million. This includes in particular the temporary expenses for opening up the US and China markets as well as one-off expenses for the closure of the legally dependent branch in Schwarzenbach am Wald. Otherwise, other operating expenses developed according to plan.

The result from ordinary business activities fell significantly from EUR 2.7 million to EUR -5.3 million. We cannot and do not want to be satisfied with the development of sales or total costs. The need to invest in the future means that we have to draw on our assets in the reporting year. We expect this to result in positive future corporate development with corresponding growth potential.

The tax expense from income taxes fell in line with the development of the operating result to EUR 0 million (previous year: EUR 0.9 million).

The value added ratio (gross profit / personnel expenses) was 143.9% in 2016 (previous year: 198.4%). This comparison is also burdened with temporary expenses in the purchased services.

The EBITD (operating result + normal depreciation) was EUR -4.2 million in 2016 (previous year: EUR 3.6 million).

2.3.2 Financial position

The cash flow from operating activities totaled EUR -3.2 million in 2016, and was significantly lower than in the previous year (EUR 5.1 million) and is due to the operating loss. The cash flow from investing activities amounts to EUR -1.1 million (previous year: EUR -1.7 million) and from financing activities to EUR +1.2 million (previous year: EUR -1.5 million).

First-degree liquidity ((cash + current assets) / (current liabilities + provisions)) was 191.5% in 2016 (previous year: 237.0%).

The cash flow rate ((annual result + normal depreciation) / total output) was -13.2% in 2016 (previous year: 8.1%).

2.3.3 Financial position

The company's total assets decreased by EUR 5.1 million to EUR 17.9 million. Investment activity in 2016 was below the scheduled depreciation. The fixed assets were thus reduced by 2.8% to EUR 4.4 million. Inventories (-6.68% to EUR 5.8 million) were reduced. There was a further decline in trade receivables (-14.97% to EUR 4.6 million). This is the result of the better inflow of our customers from China with a simultaneous drop in sales. The decrease in receivables from affiliated companies (-53, 1% to EUR 1.8 million) relates in particular to sales with our affiliated company in China. The liquid funds of DEUTA-WERKE GmbH, which are unrestrictedly available, decreased by 97.3% to EUR 76 thousand (previous year: EUR 2,851 thousand).

Provisions fell by 54.4% to EUR 1.8 million in the 2016 financial year (previous year: EUR 4.0 million), mainly due to the earnings-related adjustment of tax provisions. The accrual deferral of costs (outstanding invoices and personnel expenses) and provisions for individual contractual warranty obligations developed in line with sales and earnings. Liabilities rose to EUR 4.1 million (previous year EUR 1.1 million), with trade payables increasing (EUR 1,428 thousand, previous year EUR 958 thousand). Liabilities to affiliated companies rose to EUR 2.0 million (previous year: EUR 24.7 thousand) due to the increase in liquidity. The company's financial situation is in order. The equity ratio fell to 67.2% (previous year: 77.8%) due to the decline in equity by EUR 5.9 million and the lower balance sheet total.

The total return on capital (earnings before income taxes + interest expense) / total capital) was -28.4% in 2016 (previous year: 11.9%).

2.3.4 Non-financial performance indicators

The number of our employees was further increased in 2016 (+ 6.3%). The number of employees means that personnel expenses have increased by 3.0% to EUR 12.3 million compared to the previous year.

DEUTA-WERKE GmbH employed an average of 170 people in 2016 (previous year 160). There were 3 employees in training.

In the 2016 financial year, we were happy to congratulate one employee on their 40th anniversary and two on their 25th anniversary with the company.

As in previous years, the fluctuation rate in the company is very low.

3. Forecast, opportunities and risk report

3.1. Risks

3.1.1 Finance

The primary goal of financial management is an adequate equity ratio. The capital structure is controlled and adjusted taking into account the changed economic framework conditions. In order to minimize risks, financing, investments and exchange rate risks are considered bundled within the company. In 2016 as a whole, no fundamental changes were made to the goals, methods and processes of capital management.

Capital management relates to the company's balance sheet equity.

The maintenance of the company's financial substance despite future-oriented investment activities means that the existence of DEUTA-WERKE GmbH is not endangered. The target corridor of the equity ratio > 50% was also achieved in 2016.

The company ensures its solvency through extensive liquidity planning and control. These plans are made on a long, medium and short term basis. In addition, the company has systematic accounts receivable management to ensure a timely inflow of funds. Interest rate risks are only of minor importance for DEUTA-WERKE GmbH, since, if necessary, the interest rates for long-term liabilities are consequently also fixed.

3.1.2 Environment and industry

The risks for the sales side lie primarily in the ability to finance transport projects. The basic need for mass transport, such as rail, is constantly increasing. The global trend of population concentration in cities and long transport routes from the raw material source to processing continues unabated. The long project lead times with complex approval and approval procedures for railway lines, rolling stock and operation in connection with the available financial resources, including the public sector, harbor implementation and realization risks.

The most important procurement market risks are still due to fluctuations in raw material and energy prices and the long-term availability of the purchased parts we use. These risks on the procurement markets are countered with long-term procurement contracts and, if necessary, with framework agreements with matching deadlines. In addition, the company operates an active obsolescence management.

3.1.3 Economic performance risks

As a manufacturer of electronic and electromechanical products for the rail industry, DEUTA-WERKE GmbH is subject to complex regulatory requirements. The requirements for long-term availability of our products combined with the short product life cycles of our supplier products inevitably lead to higher costs that have to be financed in the long term via product prices and can thus have a negative impact on international competitiveness.

The terms of payment with customers and suppliers are constantly monitored and correspond to the industry and national average. The purchase currency in Europe is primarily the EUR, with a small percentage also the USD. In addition, the company optimizes the production and logistics structures with continuous improvements and thus continuously increases the efficiency of the production process.

3.1.4 Information technology

With the increasing use of information technology in all areas of the company, the information technology risks increase, such as the failure of personal computers or unauthorized access to hardware and software. In order to avert possible dangers, the company has worked with service companies to develop and deploy modern security solutions from prevention to intervention that protect data and IT infrastructure. In addition, there is constant investment in modern information technology, so that the processes in the company become even more stable.

3.1.5 Corporate strategy

DEUTA-WERKE GmbH observes the current market development and the competition in the markets relevant to us critically. At the moment, no risks have been identified that could jeopardize the stability and continued existence of the company. The mechanical in-house production at the Schwarzenbach am Wald location, as well as the product groups with low turnover and low profitability, were discontinued at the end of the year after a corresponding analysis. The mechanical components that were still required were relocated to established suppliers.

3.2 opportunities

The level of awareness and trust in the DEUTA brand continued to develop in 2016 and led to an increase in positive perception in the relevant markets. To this end, we conduct customer surveys and are also evaluated by our customers, who we analyze and implement possible improvement potentials for customer benefits.

The innovative products and applications of DEUTA-WERKE GmbH make it possible to continue on the path of sustainable growth. We want to consistently continue on this path. Especially in the area of safety-relevant products, we see great potential for the future to successfully develop our company. These safety-related products, especially in the display technology product segment, and the safe display of the vehicle speed, which is now mandatory under ETCS, represent an attractive product portfolio for our customers.

3.3 Forecasts

The overall economic situation in the first few months of 2017 is basically stable. Despite the ongoing debt crisis in Europe and global political uncertainties, we are anticipating weak growth in the global economy in 2017. We expect positive impulses for our products and applications primarily from emerging countries in Asia and from rail transport projects in the USA.

DEUTA-WERKE GmbH is increasingly relying on product and technology innovations as well as niche-oriented market development. In addition, the position on the relevant world markets is being continuously expanded. We take this into account with local market development in the USA and China with our own subsidiaries. With the first localized products in the USA in 2017, we are responding to the increasing pressure to have local production in state-sponsored projects.

For the next financial years, we basically expect positive corporate development. Depending on the price and availability volatilities on the raw material markets, which are reflected in the absolute sales value, we strive to increase our sales in the medium term in order to grow adjusted for inflation.

Our sales planning for 2017 envisages an increase of 7.5% to EUR 31.9 million compared to sales for 2016. The sales trend corresponds to our project business. Despite the constant expansion of our workforce and the price increase, especially in relation to materials, we assume that the annual surplus for 2017 will develop in line with plan at EUR 147 thousand. As of March 8, 2017, the total order backlog was EUR 25.8 million, and EUR 17.4 million for the 2017 financial year, with sales of EUR 4.2 million as of March 7, 2017.

4. Risk reporting on the use of financial instruments

DEUTA-WERKE GmbH operates internationally, which means that currency risks on the procurement and sales side cannot be ruled out. On the basis of continuously monitored exchange rate expectations, risks are hedged with suitable financial instruments if necessary. Such financial instruments are currently not in use.

Bergisch Gladbach, April 11, 2017

Balance sheet as of December 31, 2016

assets

	December 31, 2016		December 31, 2015	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible Assets				
Purchased software		520,436.37		807,294.03
II. Tangible assets				
1. Land, land rights and buildings including buildings on third-party land	41,282.00		43,615.00	
2. Technical systems and machines	1,966,162.39		2,134,256.86	
3. Other equipment, factory and office equipment	1,590,125.31		1,302,393.31	
4. Advance payments and assets under construction	133,324.66	3,730,894.36	101,466.16	3,581,731.33
III. Financial assets				
1. Shares in affiliated companies	182,473.67		174,821.55	
2. Other loans	1,000.00	183,473.67	1,000.00	175,821.55
		4,434,804.40		4,564,846.91

December 31, 2016

December 31, 2015

EUR

EUR

EUR

EUR

B. Current Assets

I. Inventories

1. Raw materials and supplies	3,186,459.10		2,981,093.51	
2. Work in progress	2,568,629.02		3,179,348.37	
3. Finished products	28,807.14	5,783,895.26	37,111.41	6,197,553.29

II. Receivables and other assets

1. Trade accounts receivable	4,624,288.58		5,437,706.20	
2. Receivables from affiliated companies	1,783,258.43		3,800,200.65	
3. Other assets	907,465.59	7,315,012.60	11,008.23	9,248,915.08

III. Cash and bank balances

		76,349.73		2,851,015.58
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C. Prepaid expenses

		13,175,257.59		18,297,483.95
		242,406.71		112,142.16
		17,852,468.70		22,974,473.02

liabilities12/31/2016
EUR12/31/2015
EUR

A. Equity

I. Drawn capital			750,000.00	750,000.00
II. Capital reserve			8,868,801.28	8,868,801.28
III. Profit carried forward			7,448,996.31	6,387,758.73
IV. Net loss for the year (previous year net income)			5,074,499.98	1,861,237.58
			11,993,297.61	17,867,797.59

B. Provisions

1. Tax provisions			0.00	1,972,306.34
2. Other provisions			1,808,058.68	1,993,896.95
			1,808,058.68	3,966,203.29

C. Liabilities

1. Liabilities to banks			335,240.47	0.00
2. Advance payments received on orders			0.00	900.00
3. Trade accounts payable			1,427,810.93	957,769.91
4. Liabilities to affiliated companies			2,030,092.34	24,661.87
5. Other Liabilities			257,968.67	157,140.36
- of which from taxes EUR 88,715.51 (previous year EUR 106,456.56) -				
- of which in the context of social security EUR 603.38 (previous year EUR 868.86) -				
			4,051,112.41	1,140,472.14
			17,852,468.70	22,974,473.02

Income statement for the period from January 1 to December 31, 2016

	2016		2015	
	EUR	EUR	EUR	EUR
1. Sales		29,640,277.66		35,721,093.68
2. Reduction of the inventory of unfinished and finished products		-619,023.62		-97,245.80
3. Other operating income		375,672.14		198,134.41
4. Cost of materials				
a) Expenses for raw materials and supplies	8,815,107.43		11,011,298.88	
b) Expenses for purchased services	2,687,108.52	11,502,215.95	1,140,566.02	12,151,864.90
5. Personnel expenses				
a) Wages and salaries	10,446,547.46		10,195,902.32	
b) Social security and pension and support expenses	1,839,405.36	12,285,952.82	1,734,297.95	11,930,200.27

	2016		2015	
	EUR	EUR	EUR	EUR
- of which for pensions EUR 0.00 (previous year EUR 60.00) -				
6. Depreciation on intangible assets and property, plant and equipment		1,196,128.75		1,039,887.40
7. Other operating expenses		9,572,168.28		8,104,551.13
8. Other Interest and Similar Income		121,973.87		151,323.53
9. Interest and Similar Expenses		27,874.80		3,454.00
10. Taxes on income and earnings		356.47		880,557.30
11. Profit after tax		-5,065,797.02		1,862,790.82
12. Other taxes		8,702.96		1,553.24
13. Net loss for the year (previous year net income)		-5,074,499.98		1,861,237.58

Appendix for the 2016 financial year

A. General

The annual financial statements were prepared in accordance with the provisions of the German Commercial Code and the GmbH Act.

DEUTA-WERKE GmbH is based in Bergisch Gladbach in accordance with Section 264 (1a) of the German Commercial Code. It is entered in the Commercial Register B of the Cologne District Court under HRB No. 67107.

The financial year is the calendar year.

DEUTA-WERKE GmbH is a medium-sized corporation in accordance with Section 267 (2) HGB.

Use was made of the relief provision of Section 288 (2) sentence 2 of the German Commercial Code.

The income statement was prepared using the total cost method in accordance with Section 275 (2) HGB.

The BilRUG regulations were applied for the first time in the past financial year.

B. Accounting and valuation methods

Intangible fixed assets are **valued** at their original acquisition cost less accumulated scheduled depreciation. The depreciation is linear.

The **fixed assets** is carried at historical cost for depreciable assets, less accumulated scheduled depreciation.

The depreciation of property, plant and equipment is linear and degressive in accordance with normal useful life. For fixed assets depreciated using the declining balance method, straight-line depreciation is used if this leads to higher depreciation rates. For purchases made after 2011, only the straight-line depreciation is carried out.

The option is exercised to immediately write off low-value assets up to EUR 410.00.

The **financial assets** are stated at cost plus acquisition costs. Write-downs to the lower fair value are made, if necessary.

Raw materials and supplies are valued at the weighted average acquisition cost or at the lower acquisition price on the balance sheet date. Inventory and other risks of usability have been taken into account through discounts.

In addition to the directly attributable material and personnel costs, the production costs of the **finished and unfinished products** also include appropriate parts of the overheads of the material and production area and the depreciation of the fixed assets, insofar as this is caused by the production. Inventory and other risks of usability have been taken into account through discounts.

The trade **receivables** are reported at their nominal values. If there are individual risks, these are taken into account by means of individual value adjustments. The general credit risk is taken into account through general bad debt allowances.

The **tax provisions** and **other provisions** take into account all identifiable risks for uncertain liabilities and impending losses from pending transactions. They are stated at the amount that is necessary based on a reasonable commercial assessment.

The **liabilities** are **stated** at their settlement amount.

Liabilities in foreign currency are converted using the mean spot exchange rate at the time of the transaction; Losses from changes in exchange rates are taken into account on the reporting date. Short-term price gains are acc. Section 256a HGB taken into account on the reporting date

Active deferred taxes are based on the option to apply acc. Section 274 (1) sentence 2 HGB not accounted for.

C. Notes to the balance sheet

Capital assets

The development of the individual items of fixed assets is shown in the fixed asset schedule as an appendix to the notes in accordance with Section 268 (2) HGB.

Financial assets

In October 2011, DEUTA Controls GmbH was founded in Bergisch Gladbach. The participation of DEUTA-WERKE GmbH in this company is 74%. As of December 31, 2016, DEUTA Controls GmbH reported a shortfall not covered by equity of EUR 676 thousand (previous year: EUR 767 thousand). The company closed with an annual surplus of EUR 91 thousand (previous year: annual profit of EUR 36 thousand).

In November 2013, the DEUTA America Corp. based in Hauppauge, New York, USA. As of January 1, 2015, the company relocated to Richmond, Virginia, USA. The participation of DEUTA-WERKE GmbH in this company is 100%. As of December 31, 2016, DEUTA America Corp. equity of TUSD -37 (previous year: TUSD 31). The company closed with an annual result of TUSD -68 (previous year: TUSD 13).

In May 2016, DEUTA Railway Technologies (Shanghai) Co., Ltd. based in Shanghai, China. The participation of DEUTA-WERKE GmbH is 100%. As of December 31, 2016, DEUTA Railway Technologies (Shanghai) Co., Ltd. equity of TRMB 1,459. The company closes with an annual profit of TRMB 459.

Receivables and other assets

Trade accounts receivable have a remaining term of less than one year.

The receivables from affiliated companies total EUR 1,783 thousand (previous year: EUR 3,800 thousand). They amount to EUR 32 thousand (previous year: EUR 462 thousand) against the shareholder.

The other assets in the amount of EUR 4 thousand (previous year: EUR 8 thousand) are creditors with debit balances.

Equity

The sole shareholder is the DEUTA Group GmbH, Bergisch Gladbach. The share capital in the amount of EUR 750 thousand was provided by the assets of the DEUTA Group GmbH transferred at book values by way of the spin-off for the start-up in accordance with Section 123 (3) No. 2 UmwG. A profit distribution for the previous year in the amount of EUR 800 thousand was made.

The management will propose to the shareholders' meeting that the balance sheet profit of EUR 2,374,496.33 reported as of December 31, 2016, be carried forward in full to new account.

Tax provisions

No provisions were made for corporation tax and trade tax for 2016. In 2015, provisions of EUR 121 thousand for corporation tax and EUR 124 thousand for trade tax were posted.

Other provisions

The other provisions amount to a total of EUR 1,808 thousand (previous year: EUR 1,994 thousand) and include, as key items, provisions for guarantee obligations, outstanding vacation, outstanding framework agreements, social plan benefits and partial retirement.

The provisions for partial retirement obligations in the amount of EUR 34 thousand were offset against assets in accordance with Section 246 (2) HGB in the amount of the fair value (amortized cost) of the assets from partial retirement reinsurance of EUR 24 thousand.

liabilities

The liabilities to affiliated companies in the amount of EUR 2,030 thousand (previous year: EUR 25 thousand) relate to loan obligations and those from deliveries and services.

	Total amount 12/31/2016 kEUR	up to 1 year TEUR	from 1 to 5 years kEUR	over 5 years kEUR
Liabilities to through credit institutions	335 (0)	335 (0)	0 (0)	0 (0)
Payments received on orders	0 (1)	0 (1)	0 (0)	0 (0)
Liabilities Supplies and services	1,428 (958)	1,428 (958)	0 (0)	0 (0)

	Total amount 12/31/2016 kEUR	up to 1 year 30th TEUR	from 1 to 5 years kEUR	over 5 years kEUR
Liabilities to affiliates	2,030	30th	2,000	0
other binding opportunities	(25)	(25)	(0)	(0)
	258	258	0	0
	(157)	(157)	(0)	(0)
	4,051	2,051	2,000	0
	(1,140)	(1,140)	(0)	(0)

The figures in brackets relate to the previous year.

The figures in brackets relate to the previous year.

Other financial obligations

The other financial obligations relate to obligations from rental and leasing contracts totaling EUR 1,746 thousand. Of this, EUR 1,615 thousand will be attributable to the next two years. Estre GmbH & Co. KG accounts for EUR 1,459 thousand of the other financial obligations from rental agreements.

There are also other financial obligations from open framework agreements totaling EUR 3,391 thousand. These are valid for up to 5 years.

Contingent liabilities

DEUTA-WERKE GmbH has entered into debt for the obligations arising from loan agreements between DEUTA Controls GmbH and Commerzbank AG and is jointly and severally liable with the borrower. They amount to EUR 371 thousand at the end of 2016. Against the background of the expected business development of DEUTA Controls GmbH, the management sees no risk of a claim.

D. Notes on the income statement

Sales

Of the sales revenue, EUR 9,403 thousand (previous year: EUR 10,247 thousand) was generated in Germany and EUR 20,237 thousand (previous year: EUR 25,474 thousand) was generated abroad.

Other company income

The other operating income includes amounts unrelated to the accounting period in the amount of EUR 220 thousand. They mainly relate to the reversal of provisions.

Other operating expenses

The other operating expenses amount to EUR 9,572 thousand (previous year: EUR 8,105 thousand).

Of the otherwise. Expenses of KEUR 4 are to be regarded as unrelated to the period.

interest

In the interest expense, the interest income of EUR 1 thousand from security deposits was offset against the interest expense of EUR 1 thousand from the discounting of the provision for partial retirement.

Of the interest income, EUR 27 thousand relates to interest income from affiliated companies.

Taxes

In the year under review, no taxes were posted on income.

E. Other information

Parent company

DEUTA-WERKE GmbH is 100% owned by DEUTA Group GmbH, Bergisch Gladbach, and is included in their financial statements.

Managing directors

Thomas Blau, Odenthal (Commercial Director),

Dr. Rudolf Ganz, Overath (technical director).

The directors are not paid by the company. The shareholder is charged with other expenses without being broken down.

Advisory Board

Wolfram Rensch (Advisory Board)

Employed workers

An average of 170 (previous year 160) people were employed during the financial year.

Of which:

31 commercial employees

67 employees in production / logistics

72 technical employees

Bergisch Gladbach, April 11, 2017**DEUTA-WERKE GmbH****Thomas Blau, management****Dr. Rudolf Ganz, management**

Development of fixed assets in the 2016 financial year

	1.1.2016 EUR	acquisition cost			12/31/2016 EUR
		Additions EUR	Rebooking EUR	Disposals EUR	
I. Intangible Assets					
Purchased software	4,468,175.83	237,714.46	0.00	0.00	4,705,890.29
II. Tangible assets					
1. Land, land rights and buildings including buildings on third-party land	68,474.48	9,374.60	0.00	0.00	77,849.08
2. Technical systems and machines	5,595,396.04	77,657.28	0.00	0.00	5,673,053.32
3. Other equipment, factory and office equipment	8,915,249.33	649,700.29	68,001.50	98,987.38	9,533,963.74
4. Advance payments and assets under construction	101,466.16	99,860.00	-68,001.50	0.00	133,324.66
	14,680,586.01	836,592.17	0.00	98,987.38	15,418,190.80
III. Financial assets					
1. Shares in affiliated companies	174,821.55	7,652.12	0.00	0.00	182,473.67
2. Other loans	1,000.00	0.00	0.00	0.00	1,000.00
	175,821.55	7,652.12	0.00	0.00	183,473.67
	19,324,583.39	1,081,958.75	0.00	98,987.38	20,307,554.76
		Accumulated depreciation			
		Depreciation in the			
	1.1.2016 EUR	financial year EUR		Disposals EUR	12/31/2016 EUR
I. Intangible Assets					
Purchased software	3,660,881.80		524,572.12	0.00	4,185,453.92
II. Tangible assets					
1. Land, land rights and buildings including buildings on third-party land	24,859.48		11,707.60	0.00	36,567.08
2. Technical systems and machines	3,461,139.18		245,751.75	0.00	3,706,890.93
3. Other equipment, factory and office equipment	7,612,856.02		414,097.28	83,114.87	7,943,838.43
4. Advance payments and assets under construction	0.00		0.00	0.00	0.00
	11,098,854.68		671,556.63	83,114.87	11,687,296.44
III. Financial assets					
1. Shares in affiliated companies	0.00		0.00	0.00	0.00
2. Other loans	0.00		0.00	0.00	0.00
	0.00		0.00	0.00	0.00
	14,759,736.48		1,196,128.75	83,114.87	15,872,750.36

Book values

	12/31/2016	12/31/2015
	EUR	EUR
I. Intangible Assets	12/31/2016	12/31/2015
Purchased software	520,436.37	807,294.03
II. Tangible assets		
1. Land, land rights and buildings including buildings on third-party land	41,282.00	43,615.00
2. Technical systems and machines	1,966,162.39	2,134,256.86
3. Other equipment, factory and office equipment	1,590,125.31	1,302,393.31
4. Advance payments and assets under construction	133,324.66	101,466.16
	3,730,894.36	3,581,731.33
III. Financial assets		
1. Shares in affiliated companies	182,473.67	174,821.55
2. Other loans	1,000.00	1,000.00
	183,473.67	175,821.55
	4,434,804.40	4,564,846.91

Auditor's report

We have audited the annual financial statements - consisting of the balance sheet, income statement and notes - including the bookkeeping system and the management report of DEUTA-WERKE GmbH, Bergisch Gladbach, for the financial year from January 1 to December 31, 2016. The bookkeeping and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's management. Our job is

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institute of Auditors (IDW). Accordingly, the audit is to be planned and performed in such a way that inaccuracies and violations that have a material impact on the presentation of the asset, financial and earnings position conveyed by the annual financial statements in accordance with the principles of proper bookkeeping and the management report are given with sufficient certainty be recognized. When determining the audit procedures, knowledge of the business activities and the economic and legal environment of the company as well as expectations of possible errors are taken into account. As part of the audit, the effectiveness of the accounting-related internal control system and evidence of the information in the books and records, the annual financial statements and the management report are assessed primarily on the basis of random samples. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the management report. We are of the opinion that our audit forms a sufficiently secure basis for our assessment.

Our audit has not led to any reservations.

In our opinion, based on the knowledge gained during the audit, the annual financial statements comply with the statutory provisions and, in compliance with the principles of proper accounting, give a true and fair view of the asset, financial and earnings position of DEUTA-WERKE GmbH. The management report is consistent with the annual financial statements, complies with the statutory provisions, as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Cologne, April 11, 2017

KPMG AG
auditing company

Mund, auditor

Klotz, auditor

Approval of the annual financial statements

The annual financial statements of DEUTA-WERKE GmbH as of December 31, 2016 were adopted on April 28, 2017.