Combined NIMAK Group

COMBINED SPECIAL PURPOSE FINANCIAL STATEMENTS
31 December 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Building a better working world

Table of contents

Independent Auditor's Report

Combined Special Purpose Financial Statements

Basis of Preparation

General Terms of Contract for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

INDEPENDENT AUDITOR'S REPORT

To: NIMAK Vermögensverwaltungs GmbH & Co. KG, Wissen and NIMAK GmbH, Wissen

Opinion

We have audited the Combined Special Purpose Financial Statements of Combined NIMAK Group (NIMAK GmbH, Wissen, Nickel GmbH, Wissen, NIMAK Vermögensverwaltungs GmbH & Co. KG, Wissen (together "the Companies"), and its selected subsidiaries (together with the Companies the "Combined NIMAK Group"), which comprise the combined special purpose statement of financial position as at December 31, 2018, the combined special purpose statement of comprehensive income for the year ended December 31, 2018, the combined special purpose statement of cash flows for the year ended December 31, 2018, the combined special purpose statement of changes in equity for the year ended December 31, 2018 and the notes to the combined special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Combined Special Purpose Financial Statements of the Combined NIMAK Group for the year ended December 31, 2018 are prepared in all material respects, in accordance with the financial reporting provisions attached to the Combined Special Purpose Financial Statements ("Basis of Preparation").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Combined Special Purpose Financial Statements* section of our report. We are independent of the Combined NIMAK Group in accordance with the ethical requirements that are relevant to our audit of the Combined Special Purpose Financial Statements in Germany, and we have fulfilled our other 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 opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to the Basis of Preparation attached to the Combined Special Purpose Financial Statements, which describes the basis of accounting. The Combined Special Purpose Financial Statements are prepared to assist the Companies in complying with the financial reporting provisions of Sections 7.1 h) and 7.2 c) of the share purchase agreement dated on October 24, 2018 and amended on June 3, 2019 between Paul-Gerhard Nickel, Anja Nickel, Alexander Nickel, Erika Angelika Nickel and Markus Nickel as interest sellers and Herkules Intelligent Technology GmbH & Co. KG as primary buyer and Jiangsu Hagong Intelligent Robot Co., Ltd as secondary buyer. As a result, the Combined Special Purpose Financial Statements may not be suitable for another purpose. Our report is intended solely for the Companies and Jiangsu Hagong Intelligent Robot Co., Ltd and should not be distributed to or used by parties other than the Companies and Jiangsu Hagong Intelligent Robot Co without our written approval. Our opinion is not modified in respect of this matter.

Responsibilities of Companies' Management and Those Charged with Governance for the Combined Special Purpose Financial Statements

Companies' Management is responsible for the preparation of the Combined Special Purpose Financial Statements in accordance with the Basis of Preparation attached to the Combined Special Purpose Financial Statements and for such internal control as Companies' management determines is necessary to enable the preparation of Combined Special Purpose Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Combined Special Purpose Financial Statements, Companies' management is responsible for assessing the entities of the Combined NIMAK Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless Companies' management either intends to liquidate the Companies or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Combined NIMAK Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Combined Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the Combined Special Purpose Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 Combined Special Purpose Financial Statements.

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

- Identify and assess the risks of material misstatement of the Combined Special Purpose Financial Statements, 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Companies' management.

- Conclude on the appropriateness of Companies' management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Companies' 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 Combined Special Purpose Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Companies to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the combined special purpose financial information of the entities or business activities within the Combined NIMAK Group to express an opinion on the Combined Special Purpose Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Limitation of liability

The "General Terms of Contract for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften" [German Public Auditors and Public Audit Firms] in the version issued by the Institut der Wirtschaftsprüfer as of 1 January 2017 ("IDW GTC") apply with respect to the performance of the engagement as well as our responsibility and liability. Third parties may derive claims from contracts between us and NIMAK Vermögensverwaltungs GmbH & Co. KG, NIMAK GmbH and Jiangsu Hagong Intelligent Robot Co., Ltd only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, the IDW GTC also apply to these third parties.

Düsseldorf, June 5, 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Egbers	Crisan
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

COMBINED NIMAK GROUP

COMBINED SPECIAL PURPOSE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

ASSETS	Notes	2018 EUR	2017 EUR
NON-CURRENT ASSETS			
Property, plant and equipment	8	6,418,111.93	6,974,142.44
Intangible assets	9	37,397.00	34,589.00
Non-current financial assets	10.1	580,170.09	592,978.45
Defined benefit plan asset	18	183,785.46	208,161.97
Deferred tax assets	7	172,397.75	324,213.92
		7,391,862.23	8,134,085.78
CURRENT ASSETS			
Inventories	11	8,775,429.95	9,492,347.25
Trade and other receivables	12,13	11,100,080.03	15,187,365.30
Income tax receivables		1,001,266.32	50,254.27
Other current financial assets	10.1	259,857.30	4,696.07
Other current assets	14	426,212.27	445,765.32
Cash	15	9,964,650.40	9,896,702.19
		31,527,496.27	35,077,130.40
TOTAL ASSETS		38,919,358.50	43,211,216.18

EQUITY AND LIABILITIES	Notes	2018 EUR	2017 EUR
EQUITY			
Subscribed capital	16	2,125,590.00	2,125,590.00
Limited partner's interest	16	306,780.00	306,780.00
Retained earnings		30,732,598.00	30,444,986.74
Other components of equity		97,945.91	64,830.27
Total equity		33,262,913.91	32,942,187.01
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	10.2	375,000.00	675,000.00
Provisions for post-employment benefit obligations	18	308,169.47	332,497.92
Other provisions	17	139,570.00	153,787.48
Deferred tax liabilities	7	513,908.56	215,821.29
		1,336,648.03	1,377,106.69
CURRENT LIABILITIES			
Trade and other payables	20	1,139,153.05	2,363,774.95
Interest-bearing loans and borrowings	10.2	300,000.00	1,577,328.61
Other current liabilities	21	1,588,129.77	2,481,080.45
Income tax payable		2,647.00	222,131.07
Accrued liabilities	19	905,475.51	1,684,676.08
Provisions for post-employment benefit obligations	18	38,008.69	38,500.04
Other provisions	17	346,382.54	524,431.28
		4,319,796.56	8,891,922.48
TOTAL LIABILITIES		5,656,444.59	10,269,029.17
TOTAL EQUITY AND LIABILITIES		38,919,358.50	43,211,216.18

COMBINED NIMAK GROUP

COMBINED SPECIAL PURPOSE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 EUR	2017 EUR
CONTINUING OPERATIONS			
Revenue	5	66,659,587.32	72,716,706.00
Cost of sales		(54,450,253.55)	(57,546,995.51)
Gross profit		12,209,333.77	15,169,710.49
Other operating income	6.1	398,991.44	354,776.76
Selling and distribution expenses		(4,760,470.09)	(5,574,341.37)
Administrative expenses	6.8	(3,320,452.32)	(3,680,939.00)
Other operating expenses	6.2	(1,840,456.32)	(341,963.71)
Operating profit		2,686,946.48	5,927,243.17
Finance costs	6.3	(81,361.37)	(97,388.91)
Finance income	6.4	43,708.06	161,716.99
Profit before tax from continuing operations		2,649,293.17	5,991,571.25
Income tax expense	7	(1,237,099.04)	(1,811,111.63)
Profit for the year from continuing operations / Profit for the year		1,412,194.13	4,180,459.62
Attributable to:			
Equity holders of the combined group		1,412,194.13	4,180,459.62
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		22,980.64	(43,194.48)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		22,980.64	(43,194.48)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):			
Remeasurement gains (losses) on defined benefit plans	18	(6,929.00)	(10,155.00)
Change in defined benefit asset	18	17,064.00	32,770.00
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	18	10,135.00	22,615.00
Other comprehensive income/(loss) for the year, net of tax		33,115.64	(20,579.48)
Total comprehensive income/(loss) for the year, net of tax		1,445,309.77	4,159,880.14
Attributable to:			
Equity holders of the combined group		1,445,309.77	4,159,880.14

COMBINED NIMAK GROUP

COMBINED SPECIAL PURPOSE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 EUR	2017 EUR
Operating activities			
Profit before tax		2,649,293.17	5,991,571.25
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	6.5, 8	837,861.92	905,477.76
Amortization of intangible assets	6.5, 8	16,906.50	19,627.00
(Gain)/loss on disposal of property, plant and equipment		9,403.04	15,390.30
Finance income	6.4	(43,708.06)	(161,716.99)
Finance costs	6.3	81,361.37	97,388.91
Movements in provisions, pensions and government grants		(179,698.42)	(859,875.46)
Other non-cash (income) / expenses		24,434.71	134,263.89
Working capital adjustments:			
(Increase)/decrease in trade and other receivables and prepayments		4,157,426.37	(936,283.33)
(Increase)/decrease in inventories		719,254.46	(518,521.49)
Increase /(decrease) in trade and other payables		(2,938,951.77)	3,191,552.91
		5,333,583.29	7,878,874.75
Interest received		39.18	4,115.39
Interest paid		(71,884.79)	(80,460.20)
Income tax paid		(1,990,023.43)	(2,228,379.14)
Net cash flows from operating activities		3,271,714.25	5,574,150.80
Investing activities			
Purchase of intangible assets		(19,714.50)	(21,921.00)
Proceeds from sale of property, plant and equipment		225,470.04	48,975.53
Purchase of property, plant and equipment		(515,816.95)	(461,818.74)
Granting of loans		(30,000.00)	0.00
Net cash flows used in investing activities		(340,061.41)	(434,764.21)
Financing activities			
Repayment of borrowings	10.4	(300,000.00)	(300,000.00)
Proceeds from borrowings from equity holders of the Combined NIMAK Group	10.4	397,898.53	94,774.23
Repayment of borrowings to equity holders of the Combined NIMAK Group	10.4	(2,295,492.31)	(313,789.17)
Dividends paid to equity holders of the Combined NIMAK Group		(709,423.69)	(632,561.69)
Net cash flows from /(used in) financing activities		(2,907,017.47)	(1,151,576.63)
Cash and cash equivalents at the end of the period			
Net increase /(decrease) in cash and cash equivalents		24,635.37	3,987,809.96
Net foreign exchange difference		43,312.84	(30,196.82)
Cash and cash equivalents at 1 January		9,896,702.19	5,939,089.05
Cash and cash equivalents at 31 December	15	9,964,650.40	9,896,702.19

COMBINED NIMAK GROUP

COMBINED SPECIAL PURPOSE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to the equity holders of the parent					
	Subscribed capital	Limited partner's interest	Retained earnings	Foreign currency translation reserve	Remeasurement gains/losses on defined benefit plans	Total
	EUR	EUR	EUR	EUR	EUR	EUR
At 1 January 2017	2,125,590.00	306,780.00	27,012,779.63	66,869.75	18,540.00	29,530,559.38
Profit for the period	0.00	0.00	4,180,459.62	0.00	0.00	4,180,459.62
Other comprehensive income	0.00	0.00	0.00	(43,194.48)	22,615.00	(20,579.48)
Total comprehensive income	2,125,590.00	306,780.00	31,193,239.25	23,675.27	41,155.00	33,690,439.52
Dividends	0.00	0.00	(681,381.01)	0.00	0.00	(681,381.01)
Distribution of profit	0.00	0.00	(66,871.50)	0.00	0.00	(66,871.50)
At 31 December 2017	2,125,590.00	306,780.00	30,444,986.74	23,675.27	41,155.00	32,942,187.01
Profit for the period	0.00	0.00	1,412,194.13	0.00	0.00	1,412,194.13
Other comprehensive income	0.00	0.00	0.00	22,980.64	10,135.00	33,115.64
Total comprehensive income	2,125,590.00	306,780.00	31,857,180.87	46,655.91	51,290.00	34,387,496.78
Dividends	0.00	0.00	(764,175.00)	0.00	0.00	(764,175.00)
Distribution of profit	0.00	0.00	(360,407.87)	0.00	0.00	(360,407.87)
At 31 December 2018	2,125,590.00	306,780.00	30,732,598.00	46,655.91	51,290.00	33,262,913.91

Notes to the combined special purpose financial statements

INDEX TO NOTES TO THE
COMBINED SPECIAL PURPOSE FINANCIAL STATEMENTS

1. Corporate information 1

2. Significant accounting policies 1

2.1 Basis of preparation 1

2.2 Basis of combination 1

2.3 Summary of significant accounting policies 2

2.4 Changes in accounting policies and disclosures 13

3. Capital management 13

4. Combined NIMAK Group information 14

5. Revenue 14

6. Other income/expenses 15

6.1 Other operating income 15

6.2 Other operating expenses 15

6.3 Finance costs 16

6.4 Finance income 16

6.5 Depreciation, amortization, foreign exchange differences and costs of inventories included in the combined statements of profit or loss 16

6.6 Employee benefits expenses 17

6.7 Research and development costs 17

6.8 Administrative expenses 18

7. Income tax 18

8. Property, plant and equipment 22

9. Intangible assets 23

10. Financial assets and financial liabilities 24

10.1 Financial assets 24

10.2 Financial liabilities 25

10.3 Financial instruments risk management objectives and policies 27

10.4 Changes in liabilities arising from financing activities 29

11. Inventories 30

12. Trade and other receivables 31

13. Composition of costs and estimated earnings in excess of billings and billings in excess of costs on uncompleted contracts 33

14. Other current assets 33

15. Cash 34

16. Equity 34

17. Other Provisions 36

18. Provision for post-employment benefit obligations 37

19. Accrued liabilities 40

20. Trade and other payables 41

21. Other current liabilities 41

22. Commitments and contingencies 41

23. Related party disclosures 42

24. Subsequent events 45

25. NIMAK GmbH – Financial Information for selected companies of the Combined NIMAK Group 46

26. Nickel GmbH – Financial Information for selected companies of the Combined NIMAK Group 50

27. NIMAK Vermögensverwaltungs GmbH & Co. KG – Financial Information for selected companies of the Combined NIMAK Group 54

List of abbreviations

AFS	Available for sale
EIR	Effective Interest Rate
EU	European Union
EUR	EURO
GmbH	Gesellschaft mit beschränkter Haftung
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard(s)

1. Corporate information

NIMAK GmbH and Nickel GmbH, both limited liability companies, and NIMAK Vermögensverwaltungs GmbH & Co. KG, a limited partnership with Nickel GmbH as general partner (together the Combined NIMAK Group or the parent) are incorporated and domiciled in Germany. The quota of capital in the Combined NIMAK Group are privately held and the Combined NIMAK Group is under common control of five shareholders, thereof one community of heirs. The registered office for all three companies is located at Frankenthal 2, 57537 Wissen. The combined special purpose financial statements of the Combined NIMAK Group for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 4 June 2019.

The Combined NIMAK Group is a developer and manufacturer of industrial joining equipment and solutions. It has currently three business areas: welding guns, welding machines & automation, adhesives & dosing technology. Information on the Combined NIMAK Group's structure is provided in Note 4. Information on other related party relationships of the Combined NIMAK Group is provided in Note 23.

2. Significant accounting policies

2.1 Basis of preparation

The combined special purpose financial statements of the Combined NIMAK Group have been prepared in accordance with the basis of preparation as described in the document "Basis of preparation" attached to the combined special purpose financial statements.

The combined special purpose financial statements have been prepared on a historical cost basis, except for defined benefit plan assets that have been measured at fair value. The combined special purpose financial statements are presented in Euros (EUR).

2.2 Basis of combination

The combined special purpose financial statements comprise the financial statements of NIMAK GmbH, Nickel GmbH and NIMAK Vermögensverwaltungs GmbH & Co. KG and its subsidiaries NIMAK North America Inc. and NIMAK NAMEX S.A.de C.V. as at 31 December 2018. Control is achieved when the Combined NIMAK Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Combined NIMAK Group controls an investee if, and only if, the Combined NIMAK Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Combined NIMAK Group has less than a majority of the voting or similar rights of an investee, the Combined NIMAK Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Combined NIMAK Group's voting rights and potential voting rights

The Combined NIMAK Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Combination of a subsidiary begins when the Combined NIMAK Group obtains control over the subsidiary and ceases when the Combined NIMAK Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined special purpose financial statements from the date the Combined NIMAK Group gains control until the date the Combined NIMAK Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Combined NIMAK Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Combined NIMAK Group's accounting policies. All intra-Combined NIMAK Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Combined NIMAK Group are eliminated in full on combination.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Combined NIMAK Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

a) Overview of selected measurement methods

Item in the combined special purpose statement of financial position	Measurement Method
Property, plant and equipment	(Amortized) cost
Intangible assets	(Amortized) cost
Financial assets	
Loans and receivables	(Amortized) cost (applying the effective interest method)
Defined benefit plan assets	Fair value
Inventories	Lower of cost or net realizable value
Costs and estimated earnings in excess of billings / billings in excess of costs on uncompleted contracts	Percentage of completion method
Trade receivables	(Amortized) cost
Other current assets and receivables	(Amortized) cost
Cash and cash equivalents	Nominal value
Provisions	
Provisions for post-employment benefit obligations	Settlement value (applying the projected unit credit method)
Other provisions	Present value of the settlement amount
Financial liabilities	(Amortized) cost
Trade and other payables	(Amortized) cost
Other liabilities	Settlement amount

b) Current versus non-current classification

The Combined NIMAK Group presents assets and liabilities in the combined special purpose statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Combined NIMAK Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Fair value measurement

The Combined NIMAK Group measures financial instruments such as plan assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Combined NIMAK Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When determining the fair value of plan assets Combined NIMAK Group uses a valuation technique that is appropriate in the circumstances and for which sufficient data are available to measure its fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In general the fair value is measured or disclosed in the combined special purpose basing on a categorisation within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Since plan assets are recognised in the combined special purpose financial statements at fair value on a recurring basis, the Combined NIMAK Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the determination of the asset value of the qualified reinsurance contracts as plan asset the respective insurance companies are involved.

At each reporting date, the Management of Combined NIMAK Group together with external experts analyse the movements in the values of plan assets.

The Management of Combined NIMAK Group together with external experts also compare the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Combined NIMAK Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Combined NIMAK Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. The Combined NIMAK Group provides normal warranty provisions for general repairs for two years on all its products sold, in line with industry practice. A liability for potential warranty claims is recognised at the time the product is sold – see Note 17 for more information. The Combined NIMAK Group, generally, does not provide any extended warranties or maintenance contracts to its customers.

Rendering of services

Revenue from the refurbishment of welding guns, from the commissioning, maintenance and repairs and from training of customers is recognised when the service is rendered.

Customer-specific construction contracts

Contract revenues are recorded using the percentage of completion method (POC method). For further information see note n).

e) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income and not deducted from the relevant expense. When the grant relates to an asset, it will reduce the carrying amount of the asset. The grant is then recognised in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

In the 2018 fiscal year and in the prior year there were no grants relating to an asset.

f) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Combined NIMAK Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the combined special purpose statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

In the fiscal year 2018 and in the prior year, there were no transactions resulting in the initial recognition of goodwill.

Deferred tax assets are recognised for all deductible temporary differences, and in case of occurrence for the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

In the 2018 fiscal year, and in the prior year, there were no deferred tax assets recognised as a result of unused tax losses, unused tax credits and temporary deductible differences associated with interests in joint arrangements. Refer to Note 7 for more information.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

g) Foreign currencies

The Combined NIMAK Group's combined special purpose financial statements are presented in Euros, which is also the functional currency of NIMAK GmbH, Nickel GmbH and NIMAK Vermögensverwaltungs GmbH & Co. KG. For each entity, the Combined NIMAK Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. For NIMAK North America Inc. the functional currency is the US Dollar. For NIMAK NAMEX S.A. de C.V. the functional currency is the Mexican Peso.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Combined NIMAK Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

On combination, the assets and liabilities of foreign operations are translated into Euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for combination are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

h) Cash dividend

NIMAK GmbH and Nickel GmbH recognise a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the company. As per the corporate laws of Germany, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

In accordance with the provisions of the Articles of Association of NIMAK Vermögensverwaltungs GmbH& Co. KG the profit is distributed to the limited partner shareholder loan accounts when the distribution is approved by the shareholders.

i) Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of plant and equipment are required to be replaced at intervals, the Combined NIMAK Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Buildings 25 to 33 years
- Plant, machinery and equipment 3 to 10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the combined special purpose statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

j) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Combined NIMAK Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Combined NIMAK Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the combined special purpose statement of comprehensive income.

In the 2018 fiscal year, and in the prior year, there were no transactions that were classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the combined special purpose statement of comprehensive income on a straight-line basis over the lease term.

k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the combined special purpose statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

In the fiscal year 2018 and in the prior fiscal year no intangible assets with indefinite useful life have to be recognized.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the combined special purpose statement of comprehensive income when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Combined NIMAK Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

The majority of research and development costs of the Combined NIMAK Group relate to research projects that are partly funded by government grants and that do not yet fulfil the criteria for the capitalization of development costs. The remaining portion of research and development costs comprise costs related to enhancements of existing assets. Accordingly, no development costs have been capitalized in the combined special purpose financial statements.

Licences

The Combined NIMAK Group made upfront payments to purchase licences. Licences for the use of intellectual property are granted for periods ranging between three and five years depending on the specific licences.

A summary of the policies applied to the Combined NIMAK Group's intangible assets is, as follows:

	Licences
Useful lives	Finited (3 to 5 years)
Amortization method used	Amortised on a straight-line basis over the period of the licences
Internally generated or acquired	Acquired

I) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Combined NIMAK Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified to the following category:

Loans and receivables

This category is the only relevant to the Combined NIMAK Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the combined special purpose statement of comprehensive income. The losses arising from impairment are recognised in the combined special purpose statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 12.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Combined NIMAK Group of similar financial assets) is primarily derecognised (i.e., removed from the Combined NIMAK Group's combined special purpose statement of financial position) when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

Further disclosures relating to impairment of financial assets is provided in notes 6.2 and 12.

The Management of Combined NIMAK Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Combined NIMAK Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Combined NIMAK Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Combined NIMAK Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Combined NIMAK Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the combined special purpose statement of comprehensive income. Interest income (recorded as finance income in the combined special purpose statement of comprehensive income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Combined NIMAK Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the combined special purpose statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Combined NIMAK Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings / Trade and other payables

This is the category only relevant to the Combined NIMAK Group. After initial recognition, interest-bearing loans and borrowings, including also trade and other payables, are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the combined special purpose statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 10.2.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the combined special purpose statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined special purpose statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

m) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The lower of cost of raw materials and supplies is determined on the basis of a stock turnover analysis. Raw materials with a turnover period of more than 10 years are written-off by 95% in case that there are no purchases in the last two years. Raw materials with a turnover period of less than 10 years are depreciated by a discount rate of 4% to 5%, which is derived from return on equity of the last two years and the amount of the discounted expected accumulated stock cost.

n) Customer-specific construction contracts

In its welding machines & automation segment NIMAK generates most of its sales revenues from customer-specific construction contracts. Contract revenues are disclosed using the percentage of completion method (POC method) pursuant to IAS 11 “Construction Contracts”. This involves recognizing sales revenues and the planned gross margin in line with the degree to which the contract has been completed. The percentage of completion is calculated on the basis of the costs incurred relative to the total estimated costs. This ensures that both sales revenues and the associated costs are systematically recorded and therefore the profit or loss from the contract is recognized in the period incurred.

Progress billings issued to customers and cash received from customers are deducted without effect on income from costs and estimated earnings in excess of billings on uncompleted contracts or added to billings in excess of costs and estimated earnings.

To the extent that costs have been incurred on contracts, but the amounts cannot yet be billed under the terms of the contracts, they are reported under receivables together with the corresponding estimated earnings as costs and estimated earnings in excess of billings on uncompleted contracts. The invoicing of such amounts is dependent on certain contractually defined milestones being reached. Costs and estimated earnings in excess of billings on uncompleted contracts include directly allocable costs (materials and labour costs and cost of purchased services) as well as an appropriate portion of production-related overheads and estimated earnings.

The POC method is based on estimates. Due to the uncertainties prevailing in this respect, estimates of the expenses required for completion, including expenses for contractual penalties and warranties, may have to be adjusted subsequently. Such adjustments to costs and income are recognized in the period in which the adjustments are determined. Provisions for onerous contracts are recognized in the period in which losses are identified.

o) Impairment of non-financial assets

The Management of Combined NIMAK Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists the Combined NIMAK Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Combined NIMAK Group of assets. Due to the fact that Combined NIMAK Group does not disclose a goodwill acquired in a business combination no CGU’s are determined. An annual impairment is not required as the Combined NIMAK group does not have goodwill acquired in a business combination or intangible assets with an indefinite useful life.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the combined special purpose statement of comprehensive income in expense categories consistent with the function of the impaired asset.

In case of previously recognized impairment losses an assessment for assets is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Management of Combined NIMAK Group estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the combined special purpose statement of comprehensive income.

In the fiscal year 2018 and in the prior fiscal year no impairment or reversal of impairment of non-financial assets has to be recognized in the combined special-purpose financial statements.

p) Cash

Cash in the combined special purpose statement of financial position comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

For the purpose of the combined special purpose statement of cash flows, cash and cash equivalents consist of cash and, if any, of short-term deposits with a maturity of three months or less net of outstanding bank overdrafts as they are considered an integral part of the Combined NIMAK Group's cash management.

q) Accrued liabilities

Accrued liabilities mainly comprise employee bonus obligations, obligations from not taken vacation and other personnel related accrued liabilities. Further information is provided in Note 19.

r) Provisions

General

Provisions are recognised when the Combined NIMAK Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Combined NIMAK Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the combined special purpose statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

s) Pensions

The Combined NIMAK Group operates a defined benefit pension plan in Germany, which requires insurance premiums for qualified reinsurance contracts and direct payments. From time to time pension obligations are transferred to a separately administered fund. These transfers require one time contributions and annual contributions for administration services. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the combined special purpose statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and - if any - the date that the Combined NIMAK Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Combined NIMAK Group recognises service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements under ‘administration expenses’ in the combined special purpose statement of comprehensive income (by function). Net interest expense or income is included in finance costs or income.

2.4 Changes in accounting policies and disclosures

Combined NIMAK Group has adopted the following new or amended standards for its 2018 combined special purpose:

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

None of them had any impact on the combined special purpose.

3. Capital management

For the purpose of the Combined NIMAK Group’s capital management, capital includes subscribed capital, limited partner's capital contribution and all equity reserves attributable to the equity holders of the parent*. The primary objective of the Combined NIMAK Group’s capital management is to maintain a significant equity ratio and to have sufficient lines of credits at banks to ensure liquidity. The Management of Combined NIMAK Group monitors capital using a gearing ratio, which is equity divided by total assets. The Combined NIMAK Group’s policy is to keep the equity ratio (equity / total assets) by approximately 70% and more.

	2018 EUR	2017 EUR
Total equity	33,262,913.91	32,942,187.01
Total assets	38,919,358.50	43,211,216.18
Ratio	85.5%	76.2%

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

4. Combined NIMAK Group information

The combined special purpose financial statements of the Combined NIMAK Group include:

Name	Principal activities	Place of business / Country of incorporation	% equity interest 2018	% equity interest 2017
NIMAK GmbH	Manufacturing of industrial joining equipment and solutions	Wissen / Germany	*	*
Nickel GmbH	General partner of NIMAK Vermögensverwaltungs GmbH & Co. KG	Wissen / Germany	*	*
NIMAK Vermögensverwaltungs GmbH & Co. KG	Holding	Wissen / Germany	*	*
NIMAK North America Inc.	Sales and services	Wilmington / USA	100	100
NIMAK NAMEX S.A. de C.V.	Sales and services	Puebla / Mexico	100	100

* NIMAK GmbH, Nickel GmbH and NIMAK Vermögensverwaltungs GmbH & Co. KG combined are the parent of the Combined NIMAK Group. All shares in the companies combined to be parent of the Group are privately held by five shareholders, thereof one community of heirs.

5. Revenue

	2018 EUR	2017 EUR
Welding guns	42,079,877.26	51,232,314.28
Welding machines & automation	18,408,700.40	16,291,421.12
Adhesives & dosing technology	5,931,303.57	4,865,087.67
Other revenues	239,706.09	327,882.93
Total revenues	66,659,587.32	72,716,706.00

In its welding machines & automation segment NIMAK generates most of its sales revenues from customer-specific construction contracts. Contract revenues are disclosed using the percentage of completion method (POC method) pursuant to IAS 11 “Construction Contracts”. All other revenues are recognized in accordance with IAS 18.

6. Other income/expenses

6.1 Other operating income

	2018 EUR	2017 EUR
Government grants	161,463.45	196,180.41
Release of provisions	58,525.87	55,440.00
Release of bad debt allowance on accounts receivable	0.00	37,255.37
Foreign currency exchange differences	106,187.53	65,900.98
Miscellaneous	72,814.59	0.00
Total other operating income	398,991.44	354,776.76

Government grants have been received as subsidy for the development of new technologies in the business segments welding guns, welding machines & automation and adhesives & dosing technology. There are no unfulfilled conditions or contingencies attached to these grants.

6.2 Other operating expenses

	2018 EUR	2017 EUR
Foreign currency exchange differences	104,960.25	196,367.89
Loss from sale of property, plant and equipment	13,007.85	12,895.56
Provision of bad debt allowance on accounts receivable	1,626,426.22	15,575.97
Miscellaneous	96,062.00	117,124.29
Total other operating expenses	1,840,456.32	341,963.71

The provision of bad debt allowance on accounts receivable includes an amount of EUR 1,598,526.22 that relates to accounts receivable due from NIMAK Welding (Beijing) Ltd. and NIMAK Welding (Xianghe) Ltd., both related parties to the Combined NIMAK Group (see note 23). The major reasons for the bad debt allowance are:

- Following a dispute between the minority shareholder and CEO of the Chinese companies and Management of Combined NIMAK Group the management of the Chinese companies was replaced in February 2019. The new management found evidence for a significant mismanagement in the past that led to the conclusion that this mismanagement has a substantial impact on the companies‘ ability to meet financial obligations.
- There is no reliable financial information available regarding the net assets, financial position and results of operations.
- The current liquidity position of the Chinese companies is critical.
- There is a significant uncertainty whether the companies can generate sufficient cash flows in the future to pay all liabilities.

6.3 Finance costs

	2018 EUR	2017 EUR
Interest on debts and borrowings	17,971.53	23,963.50
Other finance costs	63,389.84	73,425.41
Total finance costs	81,361.37	97,388.91

Other finance costs especially comprise commissions on bank guarantees.

6.4 Finance income

	2018 EUR	2017 EUR
Interest on loans	37,667,67	151,740.44
Interest on loans to shareholder	5,360.50	6,030.53
Other finance income	679.89	3,946.02
Total finance income	43,708.06	161,716.99

6.5 Depreciation, amortization, foreign exchange differences and costs of inventories included in the combined special purpose statements of comprehensive income

	2018 EUR	2017 EUR
Depreciation	837,861.92	905,477.76
Amortization and impairment of intangible assets	16,906.50	19,627.00
Net foreign exchange differences (income)/expense	(1,227.28)	130,466.90
Warranty expense	238,076.68	223,818.00
Costs of inventories recognized as an expense	38,641,502.31	42,881,254.65
Minimum lease payments recognized as an operating lease expense	200,852.86	199,031.81

Amortization of intangible assets is included in cost of sales (EUR 4,728.00; 2017: EUR 6,113.00) and in administrative expenses (EUR 12,178.50; 2017 EUR 13,514.00).

In addition to the amounts disclosed in Note 6.8 (administrative expenses) depreciation and amortization expenses are included in cost of sales amounting to EUR 571,450.12 (2017: EUR 624,958.72). Remaining amounts are included in selling and distribution expenses.

6.6 Employee benefits expenses

	2018 EUR	2017 EUR
Wages and salaries	14,241,551.34	15,378,501.94
Social security costs	2,576,899.09	2,639,182.81
Pension costs	63,806.00	100,575.04
Total employee benefit expenses	16,882,256.43	18,118,259.79

Pension costs are fully included in administrative expenses as disclosed in Note 6.8.

In addition to the amounts disclosed in Note 6.8 (administrative expenses) wages and salaries (EUR 2,604,230.18; 2017: 2,784,084.73) and social and security costs (EUR 471,215.40 / 2017: EUR 477,790.92) are included selling and distribution expenses totaling to EUR 3,075,445.58 (2017: EUR 3,261,875.65). Remaining amounts are included in cost of sales.

6.7 Research and development costs

The Combined NIMAK Group's research and development focuses on the development of welding guns, welding machines & automation and adhesives & dosing technology. The Management of Combined NIMAK Group has determined, based on the terms and conditions of the research and development projects, that these projects do not fulfil the following criteria to be recognised as an intangible asset:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

The majority of research and development project are partly funded by government grants. These projects qualify for government grants because they are in a stage where it is not yet clarified whether the result of the project will be technical feasible and will lead to an asset that will generate future economic benefits. The remaining portion of development projects comprise projects related to enhancements of existing assets. Combined NIMAK Group's management does not classify these enhancements to be new intangible assets that will be available for use or sale but rather classifies them to be necessary updates of existing assets. Accordingly, no development projects are recognised as an intangible asset. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred (in 2018, this was EUR 312,283.29 (2017: EUR 449,991.96)), and they are recognised in administrative expenses.

6.8 Administrative expenses

	2018 EUR	2017 EUR
Research and development costs	312,283.29	449,991.96
Depreciation and amortization	228,397.03	251,450.31
Outsourced services	110,040.64	93,346.32
Minimum lease payments recognised as operate lease expenses	42,880.74	47,725.74
Wages and salaries	1,427,394.85	1,803,145.53
Social security costs	241,856.63	209,724.22
Pension costs	63,806.00	100,575.04
Legal and advisory fees	230,704.01	151,909.71
Running costs facilities	193,977.96	208,851.60
Maintenance costs	102,819.92	84,395.59
Insurance fees	124,678.90	120,497.87
Audit and tax fees	89,900.00	58,592.14
Travel expenses	24,834.47	34,513.32
Other administrative expenses	126,877.88	66,219.65
Total administrative expenses	3,320,452.32	3,680,939.00

7. Income tax

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

Combined profit or loss:	2018 EUR	2017 EUR
Current income tax charge	791,538.60	1,745,342.48
Deferred taxes	445,560.44	65,769.15
Income tax expense reported in the combined special purpose statement of comprehensive income	1,237,099.04	1,811,111.63

Reconciliation of tax expense and the accounting profit multiplied by Germany's domestic tax rate for 2018 and 2017:

	2018 EUR	2017 EUR
Accounting profit before tax from continuing operations	2,649,293.17	5,991,571.25
At Germany's statutory income tax rate of 30.525% (2017: 29.825%)	808,696.74	1,786,986.13
NIMAK Vermögensverwaltungs GmbH & Co. KG not subject to corporate income tax	(72,653.90)	(72,492.61)
Non-deductible expenses for tax purposes	502,682.20	23,274.35
Effect of different tax rate in the United States	(12,866.10)	43,835.44
Unrecognized tax losses	11,240.10	29,508.32
At the effective income tax rate of 46.7% (2017: 30.1%)	1,237,099.04	1,811,111.63
Income tax expense reported in the combined special purpose statement of comprehensive income	1,237,099.04	1,811,111.63

The increase of non-deductible expenses for tax purposes 2018 compared to 2017 is mainly a result of the non-deductibility for tax purposes of the provision of bad debt allowance on accounts receivable due from NIMAK Welding (Beijing) Ltd. and NIMAK Welding (Xianghe) Ltd. (see note 6.2).

German statutory income tax rate:

	2018	2017
Corporate income tax	15.000%	15.000%
Solidarity surcharge	0.825%	0.825%
Trade tax	14.700%	14.000%
Income tax expense reported in the combined special purpose statement of comprehensive income	30.525%	29.825%

Deferred tax relates to the following:

	Combined special purpose statement of financial position		Combined special purpose statement of comprehensive income	
	2018 EUR	2017 EUR	2018 EUR	2017 EUR
Property, plant and equipment	(13,559.28)	12,432.61	25,726.04	3,724.39
Inventories	(12,415.24)	(42,559.80)	(30,099.44)	27,545.63
Percentage of completion valuation of construction contracts	(469,109.46)	(94,273.05)	374,836.42	(53,518.84)
Accounts receivable	(9,330.00)	(34,032.65)	(15,561.20)	24,570.30
Pension	111,122.34	113,688.06	(1,777.30)	20,253.80
Provisions	28,200.00	67,525.15	90,980.95	31,072.40
Trade payables	0.00	11,324.48	1,454.97	79,261.50
Accrued liabilities	23,580.83	74,287.83	0.00	(67,140.03)
Deferred tax expense / (benefit)			445,560.44	65,769.15
Net deferred tax assets / (liabilities)	(341,510.81)	108,392.63		
Reflected in the combined special purpose statement of financial position as follows:				
Deferred tax asset	172,397.75	324,213.92		
Deferred tax liabilities	(513,908.56)	(215,821.29)		
Deferred tax assets / (liabilities), net	(341,510.81)	108,392.63		

Reconciliation of deferred tax liabilities, net

	2018 EUR	2017 EUR
As at 1 January	108,392.63	183,853.78
Deferred tax income/(expense) during the period recognised in profit or loss	(445,560.44)	(65,769.15)
Deferred tax income/(expense) during the period recognised in OCI	(4,343.00)	(9,692.00)
As at 31 December	(341,510.81)	108,392.63

The Combined NIMAK Group has tax losses that arose in Germany of

- Corporate Income Tax EUR 12,700 (2017: EUR 10,800),
- Trade Tax EUR 90,200 (2017: EUR 87,100)

that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Combined NIMAK Group, they have arisen in group companies that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Combined NIMAK Group were able to recognise all unrecognised deferred tax assets, the profit would increase by EUR 15,300 (2017: EUR 14,500).

There are no income tax consequences attached to the payment of dividends in either 2018 or 2017 by the Combined NIMAK Group to its shareholders. Deferred tax liabilities on timing differences in the amount of EUR 753k in connection with potential dividends from subsidiaries have not been recorded due to the fact that no dividend distribution is planned.

8. Property, plant and equipment

	Land and buildings EUR	Technical equipment and machinery EUR	Other Equipment, operating and office equipment EUR	Total EUR
Cost				
At 1 January 2017	7,430,621.66	2,070,020.09	3,632,052.62	13,132,694.37
Additions	10,119.20	333,241.66	118,457.89	461,818.75
Disposals	0.00	(20,671.22)	(184,996.46)	(205,667.68)
Exchange differences	0.00	(11,594.23)	(1,692.63)	(13,286.86)
At 31 December 2017	7,440,740.86	2,370,996.30	3,563,821.42	13,375,558.58
Additions	10,414.97	177,905.54	327,496.43	515,816.94
Disposals	0.00	(224,820.19)	(135,200.60)	(360,020.79)
Exchange differences	0.00	3,800.22	764.51	4,564.73
At 31 December 2018	7,451,155.83	2,327,881.87	3,756,881.76	13,535,919.46
Depreciation and impairment				
At 1 January 2017	2,012,796.20	1,239,176.81	2,394,242.72	5,646,215.73
Depreciation charge for the year	300,529.68	225,239.00	379,709.08	905,477.76
Disposals	0.00	(9,904.11)	(131,381.29)	(141,285.40)
Exchange differences	0.00	(7,627.33)	(1,364.62)	(8,991.95)
At 31 December 2017	2,313,325.88	1,446,884.37	2,641,205.89	6,401,416.14
Depreciation charge for the year	300,253.46	187,259.01	350,349.45	837,861.92
Disposals	0.00	(53,066.12)	(72,081.60)	(125,147.72)
Exchange differences	0.00	2,983.84	693.35	3,677.19
At 31 December 2018	2,613,579.34	1,584,061.10	2,920,167.09	7,117,807.53
Net book value				
At 31 December 2018	4,837,576.49	743,820.77	836,714.67	6,418,111.93
At 31 December 2017	5,127,414.98	924,111.93	922,615.53	6,974,142.44

Land and buildings

Land and buildings with a carrying amount of EUR 3,546,415.61 (2017: EUR 3,693,813.61) are subject to a first charge amounting to EUR 2,500,000.00 to secure the Combined NIMAK Group's bank loans.

9. Intangible assets

	Patents and licences with definite useful life EUR
Cost	
At 1 January 2017	649,293.29
Additions	21,921.00
Disposals	0.00
Exchange differences	0.00
At 31 December 2017	671,214.29
Additions	19,714.50
Disposals	0.00
Exchange differences	0.00
At 31 December 2018	690,928.79
Amortization and impairment	
At 1 January 2017	616,998.29
Amortization	19,627.00
Disposals	0.00
Exchange differences	0.00
At 31 December 2017	636,625.29
Amortization	16,906.50
Disposals	0.00
Exchange differences	0.00
At 31 December 2018	653,531.79
Net book value	
At 31 December 2018	37,397.00
At 31 December 2017	34,589.00

10. Financial assets and financial liabilities

10.1 Financial assets

	2018		
	Current EUR	Non-current EUR	Total EUR
Financial assets at amortised cost			
Trade and other receivables (Note 12)	11,100,080.03	0.00	11,100,080.03
Loan to shareholders	259,857.30	516,659.83	776,517.13
Other financial assets	0.00	63,510.26	63,510.26
Total financial assets			11,940,107.42
Total current	11,359,937.33		11,359,937.33
Total non-current		580,170.09	580,170.09

	2017		
	Current EUR	Non-current EUR	Total EUR
Financial assets at amortised cost			
Trade and other receivables (Note 12)	15,187,365.30	0.00	15,187,365.30
Loan to shareholders	0.00	560,264.21	560,264.21
Other financial assets	4,696.07	32,714.24	37,410.31
Total financial assets			15,785,039.82
Total current	15,192,061.37		15,192,061.37
Total non-current		592,978.45	592,978.45

The fair value of each financial asset is assessed to be approximately in line with its carrying amount.

10.2 Financial liabilities

	2018				
	Interest rate	Maturity	Current EUR	Non-current EUR	Total EUR
Current interest-bearing loans and borrowings					
Bank loans	2,00%	31.03.2021	300,000.00		300,000.00
Total current interest-bearing loans and borrowings			300,000.00		300,000.00
Non-current Interest-bearing loans and borrowings					
Bank loan	2,00%	31.03.2021		375,000.00	375,000.00
Total non-current interest-bearing loans and borrowings				375,000.00	375,000.00
Total interest-bearing loans and borrowings			300,000.00	375,000.00	675,000.00
Current non-interest-bearing loans and borrowings					
Trade and other payables			1,139,153.05		1,139,153.05
Total current non-interest-bearing loans and borrowings			1,139,153.05		1,139,153.05
Total financial liabilities					1,814,153.05
Total current			1,439,153.05		1,439,153.05
Total non-current				375,000.00	375,000.00

	Interest rate	Maturity	2017 Current EUR	 Non-current EUR	 Total EUR
Current interest-bearing loans and borrowings					
Bank loan	2,00%	31.03.2021	300,000.00		300,000.00
Loans due to shareholders / partners [1)]	0,00%	none	1,277,328.61		1,277,328.61
Total current interest-bearing loans and borrowings			1,577,328.61		1,577,328.61
Non-current interest-bearing loans and borrowings					
Bank loan	2,00%	31.03.2021		675,000.00	675,000.00
Total non-current interest-bearing loans and borrowings				675,000.00	675,000.00
Total interest-bearing loans and borrowings			1,577,328.61	675,000.00	2,252,328.61
Current non-interest-bearing loans and borrowings					
Trade and other payables			2,363,774.95		2,363,774.95
Total current non-interest-bearing loans and borrowings			2,363,774.95		2,363,774.95
Total financial liabilities					4,616,103.56
Total current			3,941,103.56		3,941,103.56
Total non-current				675,000.00	675,000.00

[1)] Base Rate German Federal Bank + 2% according to loan contract; currently no interest is charged

The fair value of each financial liability is assessed to be approximately in line with its carrying amount.

Bank loan

The facility is secured by a first charge of EUR 2,500,000.00 over certain of the Combined NIMAK Group's land and buildings, with a carrying value of EUR 3,546,415.61 (2017: EUR 3,693,813.61). This loan is repayable in four instalments per year of EUR 75,000.00.

Loans due to shareholders

These payables result from statutory profit distribution at a limited partnership included in the combined special purpose financial statements to its partners, their contributions and drawings. The payables are unsecured and have no determined maturity.

10.3 Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings as well as trade and other payables. The main purpose of these financial liabilities is to finance the Combined NIMAK Group's operations. The Combined NIMAK Group's principal financial assets include trade and other receivables, loans to shareholders/partners and cash that derive directly from its operations.

The Combined NIMAK Group is exposed to market risk, credit risk and liquidity risk. The Combined NIMAK Group's senior management oversees the management of these risks. It is the Combined NIMAK Group's policy that no trading in derivatives for speculative purposes may be undertaken.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. The Combined NIMAK Group's shares and limited partnership interests are not listed at the capital market. Equity price risk arising from uncertainties about future values of investments are assessed to be insignificant.

Financial instruments affected by market risk include loans and borrowings and deposits.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2018 and 2017.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant at 31 December 2018.

The analyses exclude the impact of movements in market variables on: the carrying values of pension, provisions, and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant combined special purpose statement of comprehensive income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2018 and 2017.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Combined NIMAK Group's exposure to the risk of changes in market interest rates relates primarily to the Combined NIMAK Group's long-term debt obligations. Since no floating interest rates have been contracted the resulting risk is reduced to increasing interest at the time new long-term obligations are needed to substitute others or liabilities due to partners will be charged with interest again.

Long term loans exist only for the purchase of premises and land at the seat of the German NIMAK Group companies in the past. After repaying this loan the need for further long term loans is assessed to be low.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Combined NIMAK Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Combined NIMAK Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Combined NIMAK Group's net investments in foreign subsidiaries.

The Combined NIMAK Group manages its foreign currency risk by granting only short payment terms as far as revenues are concerned. The amount of expenses in foreign currencies is covered by cashflows resulting from operations from Combined NIMAK Group companies in respective countries. The foreign currency risk is expected to be insignificant as the Mexico operations are not material for the Combined NIMAK Group and the US-operations are constant compared to prior year and not subject to material fluctuations in USD.

Commodity price risk

The Combined NIMAK Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase and manufacture of steel or metal or similar raw materials or electronic parts and therefore require a continuous supply of them. The Combined NIMAK Group is exposed to changes in the price of these materials on its forecast raw material purchases.

The Management of Combined NIMAK Group's strategy for commodity price risk comprises the approach to anticipate risks that are expected to occur in a period of approximately 12 month and to considered this risk when calculating the acquisition price offer.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Combined NIMAK Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Combined NIMAK Group's established approach, procedures and control relating to customer credit risk assessment. Credit quality of a customer is evaluated based on a creditability assessment and credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and any engagement agreements to major customers are generally covered also by prepayments.

An impairment analysis is performed at each reporting date using an individual assessment of customers and/or unpaid invoices which are overdue. Generally, trade receivables are written-off if the result of interacting with customers is, that the payments cannot be realized and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 10.1. The Combined NIMAK Group does not hold collateral as security.

The Combined NIMAK Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in successful industries and several jurisdictions and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Management of Combined NIMAK Group. Surplus funds are hold as cash in banks. The Combined NIMAK Group evaluates the risk with respect financial instruments and cash deposits as low.

Liquidity risk

The Combined NIMAK Group monitors its liquidity risk by holding a significant amount of cash in banks.

The Combined NIMAK Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Combined NIMAK Group assessed the concentration of risk with respect to refinancing its debt and concluded to be low. The Combined NIMAK Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relating sensitivity of the Combined NIMAK Group's performance to developments affecting a particular industry. A decrease in the business of the Automotive Industry could affect a decrease of the business of the Combined NIMAK Group.

The table below summarises the maturity profile of the Combined NIMAK Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2018	Up to 12 months EUR	1 to 5 years EUR	Total EUR
Interest-bearing loans and borrowings	300,000.00	375,000.00	675,000.00
Trade liabilities	1,139,153.05	0.00	1,139,153.05
	1,439,153.05	375,000.00	1,814,153.05

Year ended 31 December 2017	Up to 12 month EUR	1 to 5 years EUR	Total EUR
Interest-bearing loans and borrowings	1,577,328.61	675,000.00	2,252,328.61
Trade liabilities	2,363,774.95	0.00	2,363,774.95
	3,941,103.56	675,000.00	4,616,103.56

10.4 Changes in liabilities arising from financing activities

	1 Jan 2018 EUR	Cashflows EUR	Non-cash distribution of profit EUR	31 Dec. 2018 EUR
Current interest-bearing loans and borrowings				
Bank loan	300,000.00	0.00		300,000.00
Loans due to shareholders / partners[1)]	1,277,328.61	397,898.53 (2,295,492.31)	360,407.87	0.00[2)]
Total Current interest-bearing loans and borrowings	1,577,328.61	(1,897,593.78)	360,407.87	300,000.00
Non-Current interest-bearing loans and borrowings				
Bank loan	675,000.00	(300,000.00)		375,000.00
Total Non-current interest-bearing loans and borrowings	675,000.00	(300,000.00)		375,000.00
Total interest-bearing loans and borrowings	2,252,328.61	(2,197,593.78)	360,407.87	675,000.00

[1)] Base Rate German Federal Bank + 2% according to loan contract; currently no interest is charged

[2)] Loan due from shareholders EUR 259,857.30 (Note 10.1)

	1 Jan 2017	Cashflows	Non-cash distribution of profit	31 Dec. 2017
	EUR	EUR	EUR	EUR
Current interest-bearing loans and borrowings				
Bank loan	300,000.00	0.00		300,000.00
Loans due to shareholders / partners[1)]	1,429,472.05	94,774.23 (313,789.17)	66,871.50	1,277,328.61
Total Current interest-bearing loans and borrowings	1,729,472.05	(219,014.94)	66,871.50	1,577,328.61
Non-Current interest-bearing loans and borrowings				
Bank loan	975,000.00	(300,000.00)		675,000.00
Total Non-current interest-bearing loans and borrowings	975,000.00	(300,000.00)		675,000.00
Total interest-bearing loans and borrowings	2,704,472.05	(519,014.94)	66,871.50	2,252,328.61

[1)] Base Rate German Federal Bank + 2% according to loan contract; currently no interest is charged

11. Inventories

	2018 EUR	2017 EUR
Raw materials	9,122,475.96	9,147,542.11
Valuation reserve	(1,909,726.97)	(1,882,487.27)
	7,212,748.99	7,265,054.84
Work in progress	1,562,680.96	2,227,292.41
Total inventories	8,775,429.95	9,492,347.25

During 2018, EUR 27,239.70 (2017: EUR 64,649.72) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

12. Trade and other receivables

	2018 EUR	2017 EUR
Costs and estimated earnings in excess of billings (Note 13)	4,235,119.95	881,692.71
Trade receivables	6,864,960.08	14,305,672.59
	11,100,080.03	15,187,365.30

Customer-specific construction contracts make up a part of NIMAK's business. Sales revenues and receivables from construction contracts are generally recognized using the POC method. A precise assessment of the degree of completion is essential in this respect. The key estimation parameters include total contract revenues and contract costs, the remaining costs of completion and the contract risks. These estimates are reviewed and adjusted regularly.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

As at 31 December 2018, trade receivables with an initial carrying value of EUR 1,732,906.41 (2017: EUR 107,337.23) were impaired and provided for. See below and note 6.2 for the movements in the provision for impairment of receivables:

	Individually impaired EUR
At 1 January 2017	147,792.47
Utilised	(27,860.80)
Charge for the year	15,575.97
Unused amounts reversed	(37,255.37)
At 31 December 2017	98,252.27
Utilised	0.00
Charge for the year	1,626,426.22
Unused amounts reversed	0.00
At 31 December 2018	1,724,678.49

Aging Analysis	Costs and estimated earnings in excess of billings		Trade receivables due from third parties	
	2018 EUR	2017 EUR	2018 EUR	2017 EUR
Neither past due nor impaired at the end of the reporting period	4,235,119.95	881,692.71	4,696,330.35	8,278,968.23
Not impaired at the end of the reporting period, but past due by				
less than 30 days	0.00	0.00	1,025,004.27	2,622,441.95
between 31 and 60 days	0.00	0.00	297,559.10	979,647.84
between 61 and 90 days	0.00	0.00	221,104.34	693,740.44
between 91 and 360 days	0.00	0.00	597,404.06	986,532.99
more than 361 days	0.00	0.00	19,330.04	735,161.13
Total	4,235,119.95	881,692.71	6,856,732.16	14,296,492.58
Net receivables on which specific bad debt allowances have been recognized	0.00	0.00	8,227.92	9,180.01
Net carrying amount	4,235,119.95	881,692.71	6,864,960.08	14,305,672.59

See Note 10.3 on credit risk of trade receivables, which explains how the Combined NIMAK Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

With respect to the trade receivables that were neither impaired nor past due, there was no indication at the end of the reporting period that the debtors would not meet their payment obligations.

The amounts for costs and estimated earnings in excess of billings are offset on a contract basis and are included in either costs and estimated earnings in excess of billings (assets) or billings in excess of costs and estimated earnings (liabilities).

13. Composition of costs and estimated earnings in excess of billings and billings in excess of costs on uncompleted contracts

	2018 EUR	2017 EUR
Assets		
Costs incurred including earnings	7,882,697.53	881,692.71
Less received advances	(3,647,577.58)	0.00
Costs and estimated earnings in excess of billings	4,235,119.95	881,692.71
Liabilities		
Costs incurred including earnings	24,814.35	644,484.13
Less received advances	(51,300.00)	(1,427,736.00)
Billings in excess of costs on uncompleted contacts	(26,485.65)	(783,251.87)
Total		
Costs incurred including earnings	7,907,511.88	1,526,176.84
Less received advances	(3,698,877.58)	(1,427,736.00)
Costs and estimated earnings in excess of billings	4,208,634.30	98,440.84

14. Other current assets

	2018 EUR	2017 EUR
Prepayments	259,522.47	260,863.06
Value added tax asset	59,904.55	65,504.94
Suppliers with debit balance	52,418.20	28,555.00
Deferred expenses	45,657.19	24,266.31
Miscellaneous	8,709.86	66,576.01
	426,212.27	445,765.32

15. Cash

	2018 EUR	2017 EUR
Cash at banks and on hand	9,964,650.40	9,896,702.19
Cash and cash equivalents (combined special purpose statement of cash flows)	9,964,650.40	9,896,702.19

At 31 December 2018, the Combined NIMAK Group had available EUR 13,191,025.22 (2017: EUR 12,781,244.14) of undrawn committed borrowing facilities. Additionally, the Combined NIMAK Group had available another EUR 2,750,985.22 (2017: EUR 2,589,558.49) of undrawn committed bank guarantees.

16. Equity

Equity of the Combined NIMAK Group comprises of the equity of NIMAK GmbH, Nickel GmbH and NIMAK Vermögensverwaltungs GmbH & Co. KG.

NIMAK GmbH and Nickel GmbH are limited liability companies that have a subscribed capital that is not divided into shares but in quotas of subscribed capital. In the articles of association of NIMAK GmbH the subscribed capital is divided into 2,100,000 quotas with a nominal value of EUR 1 each.

	2018 EUR	2017 EUR
Quotas Paul-Gerhard Nickel, nominal value:	700,000.00	700,000.00
Quotas Anja Nickel, nominal value:	700,000.00	700,000.00
Quotas community of heirs Hans-Werner Nickel, nominal value:	416,149.00	416,149.00
Quotas Alexander Nickel, nominal value:	208,958.00	208,958.00
Quotas Markus Nickel, nominal value:	74,893.00	74,893.00
	2,100,000.00	2,100,000.00

In 2018 a dividend per quota of EUR 0.36 (rounded to two decimals) was paid to the shareholders of NIMAK GmbH. For 2017 the paid dividend per quota was EUR 0.32 (rounded to two decimals).

The subscribed capital of Nickel GmbH is divided into 25,590 quotas with a nominal value of EUR 1 each.

	2018 EUR	2017 EUR
Quotas Paul-Gerhard Nickel, nominal value:	8,530.00	8,530.00
Quotas Anja Nickel, nominal value:	8,530.00	8,530.00
Quotas community of heirs Hans-Werner Nickel, nominal value:	6,394.00	6,394.00
Quotas Alexander Nickel, nominal value:	1,068.00	1,068.00
Quotas Markus Nickel, nominal value:	1,068.00	1,068.00
	25,590.00	25,590.00

NIMAK Vermögensverwaltungs GmbH & Co. KG is a limited partnership with Nickel GmbH as general partner. According to the articles of association the limited partner’s interest is divided into five quotas as follows:

	2018 EUR	2017 EUR
Limited partner’s interest Paul-Gerhard Nickel, nominal value:	102,260.00	102,260.00
Limited partner’s interest Anja Nickel, nominal value:	102,260.00	102,260.00
Limited partner’s interest Erika Nickel, nominal value:	41,032.00	41,032.00
Limited partner's interest Alexander Nickel, nominal value:	30,614.00	30,614.00
Limited partner's interest Markus Nickel, nominal value:	30,614.00	30,614.00
	306,780.00	306,780.00

According to German law a limited partner has the irrevocable right to terminate the partnership. Nevertheless, the limited partner's interest is presented as equity because these puttable equity instruments have all of the following features:

(a) It entitles the holder to a pro rata share of the entity’s net assets in the event of the entity’s liquidation.

(b) The instrument is in the class of instruments that is subordinate to all other classes of instruments.

(c) All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.

(d) Apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, and it is not a contract that will or may be settled in the entity’s own equity instruments.

(e) The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity over the life of the instrument (excluding any effects of the instrument).

17. Other Provisions

	Warranties EUR	Personnel obligations EUR	Miscellaneous provisions EUR
At 1 January 2017	234,645.28	247,955.01	18,000.00
Utilized	0.00	(109,381.74)	0.00
Unused amounts reversed	0.00	(44,858.00)	0.00
Arising during the year	5,865.28	172,992.93	153,000.00
At 31 December 2017	240,510.56	266,708.20	171,000.00
Exchange differences	0.00	266.90	0.00
Utilized	0.00	(158,986.52)	(161,000.00)
Unused amounts reversed	(42,110.56)	(16,415.31)	0.00
Arising during the year	0.00	162,750.45	23,228.82
At 31 December 2018	198,400.00	254,323.72	33,228.82
Current provisions			
2017	178,296.35	175,134.93	171,000.00
2018	152,830.00	160,323.72	33,228.82
Non-current provisions			
2017	62,214.21	91,573.27	0.00
2018	45,570.00	94,000.00	0.00

	2018 EUR	2017 EUR
Warranties	198,400.00	240,510.56
Personnel Obligations	254,323.72	266,708.20
Miscellaneous provisions	33,228.82	171,000.00
Total other provisions	485,952.54	678,218.76

18. Provision for post-employment benefit obligations

	2018 EUR	2017 EUR
Defined benefit pension plan	346,178.16	370,997.96

The Combined NIMAK Group operates defined benefit pension plans in Germany comprising pension obligations of four persons. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and a fixed salary level leading up to retirement. The plans face risks, as described below.

A significant part of benefit obligations have been transferred to pension funds. In this case the beneficiaries directly acquire the right to demand payments from the pension funds. However, there are also unfunded plans where the Combined NIMAK Group meets the benefit payment obligation as it falls due. For the major part of this pension obligations qualified reinsurance contracts exist which are qualified as plan assets as far as the asset value does not overstate the pension obligation. Only an insignificant part of this pension obligations is not covered by plan assets.

Responsibility for governance of the plans – including investment decisions and contributions schedules– lies jointly with the management of Combined NIMAK Group and/or pension fund. An investment strategy is agreed between the management of Combined NIMAK Group and the pension fund according to which the portions of the contributions to be invested are invested by or on behalf of the pension fund.

Plan assets are fully represented by qualified reinsurance contracts. The fair values of reinsurance contracts are determined by its active value each. The active value represents the amount of future payments by the insurer which are necessary to cover the obligation from the insurance contract (actuarial reserves) plus profit participation that arises as a surplus for the insurer on the basis of a cautious premium calculation and is partially allocated to the insured. Actuarial assumptions are agreed at the beginning of the contractual period and therefore do not vary as of balance sheet date. Only profit participation is not fixed at the beginning of the contractual period, but it is determined as of balance sheet date and allocated to the active value as of balance sheet date.

The derived fair value of the reinsurance contracts is therefore assessed to be level-2 according to the fair-value hierarchy because quoted prices for identical or similar assets can be derived from markets that are not active.

The provisions for post-employment benefit obligations and the defined benefit plan assets are derived from the following amounts:

	2018 EUR	2017 EUR
Defined benefit obligation	655,951	612,869
Qualified reinsurance contracts	493,558	450,033
thereof: plan assets	309,773	241,871
Pension for post-employment benefit obligations (DBO/plan assets)	346,178	370,998
Defined benefit plan assets (reinsurance contracts/plan assets)	183,785	208,162

The decrease of defined benefit plan assets results from a stronger increase of defined benefit obligations than the increase of plan asset. Defined benefit plan assets result from deducting the active value of each reinsurance contract from the present value of the corresponding defined benefit obligation. If deduction results in a surplus of the plan asset a defined benefit plan asset is recognised. The right of repayment of the defined benefit plan asset to Combined NIMAK Group is not limited and the present value of any economic benefits will be available in the form of refunds. The difference compared to prior year in the amount of EUR 24,377.00 less deferred taxes in the amount of EUR 7,313.00 was disclosed in the other comprehensive income.

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	2018 EUR	2017 EUR
At 1 January		
Plan assets	241,871	339,683
Defined benefit obligation	612,869	748,348
Pension provisions	370,998	408,665
Expenses / (income) disclosed in profit & loss		
Service cost [2)]	63,786	68,268
Interest		
Income [1)]	(4,930)	(5,010)
Expense [2)]	11,309	11,889
Net interest expense	6,379	6,879
Expenses / (income), total	70,165	75,147
Remeasurement gains/(losses) disclosed in other comprehensive income		
Actuarial gains and losses arising from changes in financial assumptions[3)]		
Return on plan assets (excluding amounts included in net interest expense) [1)]	(296)	908
Experience adjustments [2)]	4,328	23,861
Actuarial changes arising from changes in financial assumptions [2)]	5,867	(10,262)
Remeasurement gains and losses, total	9,899	14,507
Change in defined benefit asset[3)]		
Change in plan asset [1)]	(24,377)	140,213
Change in defined benefit obligation [2)]	0	(187,027)
	(24,377)	(46,814)
Expenses / (income), total	(14,478)	(32,307)
Payments		
Insurance premiums [1)]	(38,299)	(38,299)
Benefits paid [2)]	42,208	42,208
At 31 December		
Plan asset	309,773	241,871
DBO	655,951	612,869
Pension provisions	346,178	370,998
Thereof		
Pension provisions < 1 year	38,008	38,500
Pension provisions > 1 year	308,169	332,498

[1)] disclosed to reconcile plan assets

[2)] disclosed to reconcile defined benefit obligation

[3)] before taxes

The principal assumptions used in determining pension obligations for the Combined NIMAK Group's plans are shown below:

	2018 %	2017 %
Discount rate:		
Pension plan	1.85	1.90
Future salary increases	0.00	0.00
Biometric bases of calculation (major assumptions) according to the HEUBECK-Richttafeln 2018 G by Klaus Heubeck:		
Average values		
- Death	0.031182	0.027538
- Death disabled	0.025024	0.025118

A quantitative sensitivity analysis for significant assumptions as at 31 December is, as shown below:

	2018	2017
Defined benefit obligation:		
interest: -0.50% (decrease)	719,688	672,856
change of DBO	63,737	59,987
interest: +0.50% (inrease)	600,975	561,348
change of DBO	-54,976	-51,521
mortality rate: -10.00%	683,686	639,404
change of DBO	27,735	26,535

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The following are the expected payments or contributions to the defined benefit plan within the next 12 months (next annual reporting period):

2018 EUR	2017 EUR
38,299.00	38,299.00

The average duration of the defined benefit plan obligation at the end of the reporting period is 10.7 years (2017: 11.7 years).

Defined contribution pension plans

The contributions to defined contribution state-owned plans amount to:

	2018 EUR	2017 EUR
NIMAK Germany [1) 2)]	2,273,595.82	2,358,739.55
NIMAK North America	63,861.72	53,780.98
	2,337,457.54	2,412,520.53

1) including share of contribution paid by employees in the amount of	1,131,587.48	1,176,533.55
2) including contributions for key management personnel in the amount of	21,056.76 1,131,587.48	20,533.08 1,176,533.55

19. Accrued liabilities

	Employee bonus EUR	Accrual for vacation EUR	Other accrued liabilities EUR
At 1 January 2017	682,573.49	242,886.00	448,567.74
Exchange differences	(9,548.05)	0.00	0.00
Utilized	(622,589.35)	(242,886.00)	(55,320.00)
Unused amounts reversed	0.00	0.00	0.00
Arising during the year	772,938.08	175,659.69	292,394.48
At 31 December 2017	823,374.17	175,659.69	685,642.22
Exchange differences	3,954.27	0.00	0.00
Utilized	(737,740.04)	(175,659.69)	(294,225.98)
Unused amounts reversed	(2,252.16)	0.00	(1,441.59)
Arising during the year	189,141.17	176,061.44	62,962.01
At 31 December 2018	276,477.41	176,061.44	452,936.66

	2018 EUR	2017 EUR
Employee bonus	276,477.41	823,374.17
Accrual for vacation	176,061.44	175,659.69
Other accrued liabilities	452,936.66	685,642.22
Total accrued liabilities	905,475.51	1,684,676.08

The other accrued liabilities primarily comprise flextime balances of employees (EUR 389,974.65; 2017: EUR 457,876.22).

20. Trade and other payables

	2018 EUR	2017 EUR
Billings in excess of costs on uncompleted contracts	26,485.65	783,251.87
Trade payables	1,112,667.40	1,580,523.08
	1,139,153.05	2,363,774.95

Trade payables are non-interest bearing and are normally settled on 14 to 30-day terms.

For explanations on the Combined NIMAK Group's liquidity risk management processes, refer to Note 10.3.

21. Other current liabilities

	2018 EUR	2017 EUR
Wages and salaries	459,738.24	524,481.91
Received advances	414,641.45	586,795.93
Value added tax payable	271,413.14	844,770.75
Wage tax	226,386.36	317,563.38
Social security contributions	66,174.41	109,048.75
Clients with credit balance	46,564.76	84,760.00
Miscellaneous	103,211.41	13,659.73
	1,588,129.77	2,481,080.45

22. Commitments and contingencies

Operating lease commitments – Combined NIMAK Group as a lessee

The Combined NIMAK Group has entered into operating leases on certain motor vehicles and items of office equipment, with lease terms between two and three years. The Combined NIMAK Group has the option, under some of its leases, to lease the assets for additional terms.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2018 EUR	2017 EUR
Within one year	173,523.70	165,275.80
After one year but not more than five years	107,615.54	91,199.16
More than five years	0.00	0.00
	281,139.24	256,474.96

23. Related party disclosures

See note 4 for information about the Combined NIMAK Group’s structure and note 16 for the shareholders of the Combined NIMAK Group.

Key management personnel

The key management personnel of the Combined NIMAK Group comprises the following managers:

- Paul-Gerhard Nickel: shareholder of NIMAK GmbH, Nickel GmbH, NIMAK Vermögensverwaltungs GmbH & Co. KG and CEO of NIMAK GmbH and Nickel GmbH.
- Anja Nickel: shareholder of NIMAK GmbH, Nickel GmbH, NIMAK Vermögensverwaltungs GmbH & Co. KG and CEO of Nickel GmbH.
- Dr. Niels Hammer: CEO of NIMAK GmbH.

Persons with significant influence over the reporting entity

The following persons have significant influence over the reporting entity:

- Alexander Nickel: shareholder of NIMAK GmbH, Nickel GmbH, NIMAK Vermögensverwaltungs GmbH & Co. KG and member of community of heirs of NIMAK GmbH and Nickel GmbH (Note 16).
- Markus Nickel: shareholder of NIMAK GmbH, Nickel GmbH, NIMAK Vermögensverwaltungs GmbH & Co. KG and member of community of heirs of NIMAK GmbH and Nickel GmbH (Note 16).
- Erika Nickel: shareholder of NIMAK Vermögensverwaltungs GmbH & Co. KG and member of community of heirs of NIMAK GmbH and Nickel GmbH (Note 16).

Subsidiaries

As described in section 1 of the document "Basis of preparation" attached to the notes the following subsidiaries of NIMAK Vermögensverwaltungs GmbH & Co. KG are not included in the combined special purpose financial statements of Combined NIMAK Group:

- NIMAK International GmbH, Wissen/Germany.
- NIMAK Welding (Beijing) Ltd., Beijing / China.
- NIMAK Welding (Xianghe) Ltd., Xianghe/China.

Other related parties

- Ruth Nickel: mother of Paul-Gerhard and Anja Nickel.

Due to non-controlling interests of 40% in NIMAK Welding (Beijing) Ltd. and NIMAK Welding (Xianghe) Ltd. the following parties are other related parties:

- Kwanho Lok, CEO and 40% shareholder of NIMAK Welding (Beijing) Ltd. and NIMAK Welding (Xianghe) Ltd.
- SNG International GmbH, Ratingen/Germany (100% shareholder and CEO Kwanho Lok)
- Kwan Ho Lok Export 'SNG Technischer Service', Ratingen/Germany (100% shareholder and CEO Kwanho Lok)
- Beijing SNG Trading (100% shareholder Kwanho Lok)
- Beijing SNG Technique Development (40% shareholder Kwanho Lok)
- Hams Wind Welding Technique (40% shareholder Kwanho Lok)

Compensation of key management personnel:	2018 EUR	2017 EUR
Short-term employee benefits	859,252.11	780,879.16
Post-employment pension benefits	84,842.76	88,801.08
	944,094.87	869,680.24

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Amounts owed by related parties	Amounts owed to related parties	Interest received from related parties	Interest paid to related parties**
		EUR	EUR	EUR	EUR
Key management personnel					
	2018	153,773.37	0.00	0.00	0.00
	2017	0.00	892,178.70	0.00	0.00
Persons with significant influence over the reporting entity					
	2018	622,743.76	0.00	5,360.50	0.00
	2017	560,264.21	385,149.91	6,030.53	0.00
Subsidiaries					
	2018	1,732,419.17*	73,892.94	37,667.67	0.00
	2017	1,330,969.13	81,505.50	151,740.44	0.00
Other related parties					
	2018	0.00	0.00	0.00	0.00
	2017	4,724.79	0.00	0.00	0.00

* Gross amount before provision of bad debt allowance amounting to EUR 1,598,526.22 (see not 6.2)

** Based on an agreement among the parties no interest is charged for the amounts owed to key management personnel and persons with significant influence over the repoting entitiy (Note 10.2)

		Appropriation of profit to related parties	Dividends paid to related parties	Pension obligation to related parties*	Plan assets
		EUR	EUR	EUR	EUR
Key management personnel					
	2018	240,247.88	509,450.00	428,053.00	309,773.00
	2017	44,576.54	454,254,00	369,116.00	241,871.00
Persons with significant influence over the reporting entity					
	2018	120,159.99	254,725.00	0.00	0.00
	2017	23,574.46	227,127.01	0.00	0.00
Other related parties					
	2018	0.00	0.00	227,898.00	0.00
	2017	0.00	0.00	243,753.00	0.00

* Defined benefit obligation before netting with plan assets

		Pensions paid to related parties	Sale of goods to related parties	Sale of services to related parties	Purchases from related parties
		EUR	EUR	EUR	EUR
Subsidiaries					
	2018	0.00	1,666,327.23	62,717.80	191,145.25
	2017	0.00	1,623,445.53	96,790.58	589,423.85
Other related parties					
	2018	42,208.32	156,724.52	0.00	0.00
	2017	42,208.32	316,517.17	0.00	0.00

Pension obligation to Erika Nickel

The Combined NIMAK Group operates defined benefit pension plans in Germany, among others, comprising a pension obligation to Erika Nickel. The pension obligation to Erika Nickel has been fully transferred to a pension fund.

Sales to other related parties

Sales to other related parties comprise the delivery of goods to SNG International GmbH and to Kwan Ho Lok Export 'SNG Technischer Service'.

Amounts owed to and interest received from persons with significant influence over the entity

The amounts owed to and interest received from persons with significant influence over the entity include a loan amounting to EUR 516,659.83 (2017: EUR 560,264.21). The loan was granted to a shareholder of the Combined NIMAK Group is not repayable before the shareholder sells his quota of capital. The Combined NIMAK Group has the right to offset dividends against the loan. An additional voluntary (partial) repayment is possible. Interest is charged at 1% p.a. above the base rate, after 31 December 2020 at 0.5% above the base rate. The minimum interest rate is 0.5%. The loan is secured by the entire property of the shareholder.

Amounts owed to key management personnel and to persons with significant influence over the entity

The amounts owed to to key management personnel and to persons with significant influence over the entity comprise shareholder loans that are basically stemming from the appropriation of profits. The loans are unsecured and repayable upon request.

24. Subsequent events

On 23 May 2019, NIMAK International GmbH entered into the share sale and transfer agreement, under which the 100% shares in NIMAK North America Inc. (and the 98% shares of its subsidiary NIMAK Namex, S.A. de C.V) have been sold and transferred to NIMAK GmbH. For the remaining 2% shares in NIMAK Namex, S.A. de C.V. that were owned by NIMAK International GmbH, the latter entered into the share sale and transfer agreement on 23 May 2019 and sold these shares to NIMAK GmbH.

On 28 May 2019, NIMAK Vermögensverwaltungs GmbH & Co. KG entered into the share sale and transfer agreement under which the shares in NIMAK International GmbH have been sold and transferred to an entity outside the Combined NiMAK Group, Drachenfelssee 1089. Vermögensverwaltungs GmbH & Co. KG.

With share purchase agreement dated on 24 October 2018 and amended on 3 June 2019 the companies included in the Combined NIMAK Group (NIMAK GmbH, Nickel GmbH, NIMAK Vermögensverwaltungs GmbH & Co. KG, NIMAK North America Inc. and NIMAK Namex, S.A. de C.V.) were sold by Paul-Gerhard Nickel, Anja Nickel, Alexander Nickel, Erika Angelika Nickel and Markus Nickel as interest sellers to Herkules Intelligent Technology GmbH & Co. KG as primary buyer and to Jiangsu Hagong Intelligent Robot Co., Ltd as secondary buyer.

25. NIMAK GmbH – Financial Information for selected companies of the Combined NIMAK Group

In accordance with the financial reporting provisions attached to the combined special-purpose financial statements ("Basis of Preparation") in this section the combined financial information for NIMAK GmbH is included.

NIMAK GMBH

COMBINED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 EUR	2017 EUR
CONTINUING OPERATIONS		
Revenue	66,659,587.32	72,716,706.06
Cost of sales	(54,789,150.23)	(57,887,085.98)
Gross profit	11,870,437.09	14,829,620.08
Other income	398,991.44	354,776.76
Selling and distribution expenses	(4,770,810.08)	(5,579,286.00)
Administrative expenses	(3,443,577.10)	(3,796,074.31)
Other operating expenses	(1,840,456.33)	(341,963.71)
Operating profit	2,214,585.02	5,467,072.82
Finance costs	(63,955.32)	(73,940.71)
Finance income	70,645.07	187,652.26
Profit before tax from continuing operations	2,221,274.77	5,580,784.37
Income tax expense	(1,180,416.04)	(1,759,500.93)
Profit for the year from continuing operations / Profit for the year	1,040,858.73	3,821,283.44
Attributable to:		
Equity holders of the group	1,040,858.73	3,821,283.44
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	22,980.64	(43,194.48)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	22,980.64	(43,194.48)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		
Remeasurement gains (losses) on defined benefit plans	(6,929.00)	(10,155.00)
Change in defined benefit asset	17,064.00	32,770.00
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	10,135.00	22,615.00
Other comprehensive income/(loss) for the year, net of tax	33,115.64	(20,579.48)
Total comprehensive income/(loss) for the year, net of tax	1,073,974.37	3,800,703.96
Attributable to:		
Equity holders of the group	1,073,974.37	3,800,703.96

NIMAK GMBH

COMBINED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

ASSETS	2018 EUR	2017 EUR
NON-CURRENT ASSETS		
Property, plant and equipment	2,869,163.32	3,277,367.83
Intangible assets	37,395.00	34,587.00
Non-current financial assets	519,670.09	562,478.45
Defined benefit asset	183,785.46	208,161.97
Deferred tax assets	172,397.75	324,213.92
	3,782,411.62	4,406,809.17
CURRENT ASSETS		
Inventories	8,775,429.95	9,492,347.25
Trade and other receivables	11,128,995.10	15,513,274.31
Income tax receivables	1,001,266.32	44,889.07
Other current financial assets	2,400,000.00	900,000.00
Other current assets	387,844.86	411,606.99
Cash and short-term deposits	9,923,793.07	9,395,605.18
	33,617,329.30	35,757,722.80
TOTAL ASSETS	37,399,740.92	40,164,531.97

EQUITY AND LIABILITIES

	2018 EUR	2017 EUR
EQUITY		
Subscribed capital	2,100,000.00	2,100,000.00
Retained earnings	30,308,225.12	30,031,541.39
Other components of equity	97,945.91	64,830.27
Total equity	32,506,171.03	32,196,371.66
NON-CURRENT LIABILITIES		
Provisions for post-employment benefit obligations	308,169.47	332,497.92
Other provisions	139,570.00	153,787.48
Deferred tax liabilities	513,908.56	215,821.29
	961,648.03	702,106.69
CURRENT LIABILITIES		
Trade and other payables	1,139,153.05	2,366,090.93
Other current liabilities	1,513,802.07	2,480,156.22
Income tax payable	0.00	182,779.07
Accrued liabilities	894,575.51	1,674,096.08
Provisions for post-employment benefit obligations	38,008.69	38,500.04
Other provisions	346,382.54	524,431.28
	3,931,921.86	7,266,053.62
TOTAL LIABILITIES	4,893,569.89	7,968,160.31
TOTAL EQUITY AND LIABILITIES	37,399,740.92	40,164,531.97

NIMAK GMBH

COMBINED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to the equity holders of the group				
	Subscribed capital	Retained earnings	Foreign currency translation reserve	Remeasurement gains/losses on defined benefit plans	Total equity
	EUR	EUR	EUR	EUR	EUR
At 1 January 2017	2,100,000.00	26,891,638.96	66,869.75	18,540.00	29,077,048.71
Profit for the period	0.00	3,821,283.44	0.00	0.00	3,821,283.44
Other comprehensive income	0.00	0.00	(43,194.48)	22,615.00	(20,579.48)
Total comprehensive income	2,100,000.00	30,712,922.40	23,675.27	41,155.00	32,877,752.67
Cash dividends	0.00	(681,381.01)	0.00	0.00	(681,381.01)
At 31 December 2017	2,100,000.00	30,031,541.39	23,675.27	41,155.00	32,196,371.66
Profit for the period	0.00	1,040,858.73	0.00	0.00	1,040,858.73
Other comprehensive income	0.00	0.00	22,980.64	10,135.00	33,115.64
Total comprehensive income	2,100,000.00	31,072,400.12	46,655.91	51,290.00	33,270,346.03
Cash dividends	0.00	(764,175.00)	0.00	0.00	(764,175.00)
At 31 December 2018	2,100,000.00	30,308,225.12	46,655.91	51,290.00	32,506,171.03

NIMAK GMBH

COMBINED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 EUR	2017 EUR
Operating activities		
Profit before tax	2,221,274.77	5,580,784.37
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	690,035.92	757,484.76
Amortization of intangible assets	16,906.50	19,627.00
(Gain)/loss on disposal of property, plant and equipment	9,403.04	15,390.30
Finance income	(70,645.07)	(187,652.26)
Finance costs	63,955.32	73,940.71
Movements in provisions, pensions and government grants	(179,698.42)	(849,305.46)
Other non-cash (income) / expenses	50,092.22	158,681.76
Working capital adjustments:		
(Increase)/decrease in trade and other receivables and prepayments	1,453,933.32	(1,204,330.64)
(Increase)/decrease in inventories	719,254.46	(518,521.49)
Increase /(decrease) in trade and other payables	(3,013,145.92)	3,455,413.45
	1,961,366.14	7,301,512.50
Interest received	39.18	4,115.39
Interest paid	(54,478.74)	(57,053.60)
Income tax paid	(1,902,566.43)	(2,262,670.64)
Net cash flows from operating activities	4,360.15	4,985,903.65
Investing activities		
Purchase of intangible assets	(19,714.50)	(21,921.00)
Proceeds from sale of property, plant and equipment	225,470.04	48,975.53
Purchase of property, plant and equipment	(515,816.95)	(461,818.74)
Granting of loans	1,500,000.00	0.00
Net cash flows used in investing activities	1,189,938.59	(434,764.21)
Financing activities		
Dividends paid to equity holders of the parent	(709,423.69)	(632,561.69)
Net cash flows from /(used in) financing activities	(709,423.69)	(632,561.69)
Cash and cash equivalents at the end of the period		
Net increase /(decrease) in cash and cash equivalents	484,875.05	3,918,577.75
Net foreign exchange difference	43,312.84	(30,196.82)
Cash and cash equivalents at 1 January	9,395,605.18	5,507,224.25
Cash and cash equivalents at 31 December	9,923,793.07	9,395,605.18

26. Nickel GmbH – Financial Information for selected companies of the Combined NIMAK Group

In accordance with the financial reporting provisions attached to the combined special-purpose financial statements (“Basis of Preparation”) in this section the unconsolidated financial information for Nickel GmbH is included.

NICKEL GMBH

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 EUR	2017 EUR
CONTINUING OPERATIONS		
Administrative expenses	(3,104.59)	(2,348.49)
Operating profit	(3,104.59)	(2,348.49)
Finance income	1,279.50	1,559.00
Profit before tax from continuing operations	(1,825.09)	(789.49)
Income tax expense	0.00	(162.70)
Loss for the year from continuing operations / Loss for the year	(1,825.09)	(952.19)
Attributable to:		
Equity holders of the company	(1,825.09)	(952.19)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) for the year, net of tax	0.00	0.00
Total comprehensive income/(loss) for the year, net of tax	(1,825.09)	(952.19)
Attributable to:		
Equity holders of the company	(1,825.09)	(952.19)

NICKEL GMBH

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

ASSETS	2018 EUR	2017 EUR
CURRENT ASSETS		
Other current financial assets	73,143.34	71,863.84
Cash and short-term deposits	5,559.05	8,343.64
	78,702.39	80,207.48
TOTAL ASSETS	78,702.39	80,207.48

EQUITY AND LIABILITIES

EQUITY		
Subscribed capital	25,590.00	25,590.00
Retained earnings	51,212.39	53,037.48
Total equity	76,802.39	78,627.48
CURRENT LIABILITIES		
Accrued liabilities	1,900.00	1,580.00
	1,900.00	1,580.00
TOTAL LIABILITIES	1,900.00	1,580.00
TOTAL EQUITY AND LIABILITIES	78,702.39	80,207.48

NICKEL GMBH

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to the equity holders of the company			
	Subscribed capital	Retained earnings	Other comprehensive income	Total equity
	EUR	EUR	EUR	EUR
At 1 January 2017	25,590.00	53,989.67	0.00	79,579.67
Profit for the period	0.00	(952.19)	0.00	(952.19)
Other comprehensive income	0.00	0.00	0.00	0.00
Total comprehensive income	25,590.00	53,037.48	0.00	78,627.48
Cash dividends	0.00	0.00	0.00	0.00
At 31 December 2017	25,590.00	53,037.48	0.00	78,627.48
Profit for the period	0.00	(1,825.09)	0.00	(1,825.09)
Other comprehensive income	0.00	0.00	0.00	0.00
Total comprehensive income	25,590.00	51,212.39	0.00	76,802.39
Cash dividends	0.00	0.00	0.00	0.00
At 31 December 2018	25,590.00	51,212.39	0.00	76,802.39

NICKEL GMBH

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 EUR	2017 EUR
Operating activities		
Profit before tax	(1,825.09)	(789.49)
Adjustments to reconcile profit before tax to net cash flows:		
Finance income	(1,279.50)	(1,559.00)
Other non-cash (income) / expenses	1,279.50	1,559.00
Working capital adjustments:		
(Increase)/decrease in trade and other receivables and prepayments	0.00	0.00
(Increase)/decrease in inventories	0.00	0.00
Increase /(decrease) in trade and other payables	320.00	(269.50)
	(1,505.09)	(1,058.99)
Income tax paid	0.00	(162.70)
Net cash flows from operating activities	(1,505.09)	(1,221.69)
Investing activities		
Granting of loans	(1,279.50)	0.00
Proceeds from repayments of granted loans	0.00	6,701.51
Net cash flows used in investing activities	(1,279.50)	6,701.51
Financing activities		
Dividends paid to equity holders	0.00	0.00
Net cash flows from /(used in) financing activities	0.00	0.00
Cash and cash equivalents at the end of the period		
Net increase /(decrease) in cash and cash equivalents	(2,784.59)	5,479.82
Cash and cash equivalents at 1 January	8,343.64	2,863.82
Cash and cash equivalents at 31 December	5,559.05	8,343.64

27. NIMAK Vermögensverwaltungs GmbH & Co. KG – Financial Information for selected companies of the Combined NIMAK Group

In accordance with the financial reporting provisions attached to the combined special-purpose financial statements (“Basis of Preparation”) in this section the unconsolidated financial information for NIMAK Vermögensverwaltungs GmbH & Co. KG is included.

The property leased by NIMAK Vermögensverwaltungs GmbH & Co. KG to NIMAK GmbH is classified as investment property according to IAS 40.6 and was initially recognized at cost (IAS 40.20 to IAS 40.22). The subsequent measurement of this investment property is at cost (according to the cost model IAS 40.56) with rental income recognized as revenue on a straight-line basis according to IAS 17.50. Costs, including depreciation, incurred in earning the rental income are recognized as an expense according to IAS 17.51.

NIMAK VERMÖGENSVERWALTUNGS GMBH & CO. KG

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 EUR	2017 EUR
CONTINUING OPERATIONS		
Revenue	688,301.66	686,554.24
Cost of sales	(196,149.76)	(193,597.67)
Gross profit	492,151.90	492,956.57
Other income	0.00	0.00
Selling and distribution expenses	0.00	0.00
Administrative expenses	(17,965.35)	(31,717.23)
Other operating expenses	0.00	0.00
Operating profit	474,186.55	461,239.34
Finance costs	(46,321.12)	(50,448.20)
Finance income	1,978.06	1,064.73
Profit before tax from continuing operations	429,843.49	411,855.87
Income tax expense	(56,683.00)	(51,448.00)
Profit for the year from continuing operations / Profit for the year	373,160.49	360,407.87
Attributable to:		
Equity holders of the company	373,160.49	360,407.87
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) for the year, net of tax	0.00	0.00
Total comprehensive income/(loss) for the year, net of tax	373,160.49	360,407.87
Attributable to:		
Equity holders of the company	373,160.49	360,407.87

NIMAK VERMÖGENSVERWALTUNGS GMBH & CO. KG

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

ASSETS	2018 EUR	2017 EUR
NON-CURRENT ASSETS		
Property, plant and equipment	2,533.00	3,104.00
Investment properties	3,546,415.61	3,693,670.61
Intangible assets	2.00	2.00
Non-current financial assets	60,500.00	30,500.00
	3,609,450.61	3,727,276.61
CURRENT ASSETS		
Trade and other receivables	0.00	3,365.98
Income tax receivables	0.00	5,365.20
Current financial assets	259,857.30	0.00
Other current assets	38,367.41	38,854.40
Cash and short-term deposits	35,298.28	492,753.37
	333,522.99	540,338.95
TOTAL ASSETS	3,942,973.60	4,267,615.56

EQUITY AND LIABILITIES		
EQUITY		
Limited partner's interest	306,780.00	306,780.00
Retained earnings	373,160.49	360,407.87
Total equity	679,940.49	667,187.87
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	375,000.00	675,000.00
CURRENT LIABILITIES		
Trade and other payables	28,915.07	326,959.01
Interest-bearing loans and borrowings	2,773,143.34	2,549,192.45
Other current liabilities	74,327.70	924.23
Income tax payable	2,647.00	39,352.00
Accrued liabilities	9,000.00	9,000.00
	2,888,033.11	2,925,427.69
TOTAL LIABILITIES	3,263,033.11	3,600,427.69
TOTAL EQUITY AND LIABILITIES	3,942,973.60	4,267,615.56

NIMAK VERMÖGENSVERWALTUNGS GMBH & CO. KG

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to the equity holders of the company		
	Limited partner's interest	Retained earnings	Total
	EUR	EUR	EUR
At 1 January 2017	306,780.00	66,871.50	373,651.50
Profit for the period	0.00	360,407.87	360,407.87
Other comprehensive income	0.00	0.00	0.00
Total comprehensive income	306,780.00	427,279.37	734,059.37
Distribution of profit	0.00	(66,871.50)	(66,871.50)
At 31 December 2017	306,780.00	360,407.87	667,187.87
Profit for the period	0.00	373,160.49	373,160.49
Other comprehensive income	0.00	0.00	0.00
Total comprehensive income	306,780.00	733,568.36	1,040,348.36
Distribution of profit	0.00	(360,407.87)	(360,407.87)
At 31 December 2018	306,780.00	373,160.49	679,940.49

NIMAK VERMÖGENSVERWALTUNGS GMBH & CO. KG

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 EUR	2017 EUR
Operating activities		
Profit before tax	429,843.49	411,855.87
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	147,826.00	147,993.00
Finance income	(1,978.06)	(1,064.73)
Finance costs	46,321.12	50,448.20
Movements in provisions	0.00	(9,000.00)
Other non-cash (income) / expenses	(26,937.01)	(25,976.87)
Working capital adjustments:		
(Increase)/decrease in trade and other receivables and prepayments	3,852.97	(36,534.05)
Increase /(decrease) in trade and other payables	(225,206.27)	40,699.82
	373,722.24	578,421.24
Interest paid	(17,406.05)	(23,406.60)
Income tax (paid)/received	(87,457.00)	34,454.20
Net cash flows from operating activities	268,859.19	589,468.84
Investing activities		
Granting of loans	(30,000.00)	0.00
Net cash flows used in investing activities	(30,000.00)	0.00
Financing activities		
Proceeds from borrowings	1,501,279.50	0.00
Repayment of borrowings	(300,000.00)	(306,701.51)
Proceeds from borrowings from equity holders of the company	397,898.53	94,774.23
Repayment of borrowings to equity holders of the company	(2,295,492.31)	(313,789.17)
Net cash flows from /(used in) financing activities	(696,314.28)	(525,716.45)
Cash and cash equivalents at the end of the period		
Net increase /(decrease) in cash and cash equivalents	(457,455.09)	63,752.39
Cash and cash equivalents at 1 January	492,753.37	429,000.98
Cash and cash equivalents at 31 December	35,298.28	492,753.37

Basis of preparation

INDEX TO THE BASIS OF PREPARATION

1. Background ... 1
2. Basis of preparation ... 1
2.1 Basis of combination ... 3
2.2 Financial reporting provisions ... 3
2.2.1 Current versus non-current classification ... 3
2.2.2 Fair value measurement ... 4
2.2.3 Revenue recognition ... 5
2.2.4 Government grants ... 6
2.2.5 Taxes ... 6
2.2.6 Foreign currencies ... 7
2.2.7 Cash dividend ... 8
2.2.8 Property, plant and equipment ... 8
2.2.9 Leases ... 9
2.2.10 Intangible assets ... 9
2.2.11 Financial instruments – initial recognition and subsequent measurement ... 11
2.2.12 Inventories ... 14
2.2.13 Customer-specific construction contracts ... 14
2.2.14 Impairment of non-financial assets ... 15
2.2.15 Cash and short-term deposits ... 16
2.2.16 Equity ... 16
2.2.17 Other Provisions ... 16
2.2.18 Accrued liabilities ... 17
2.2.19 Pensions / Provision for post-employment benefits ... 17
2.2.20 Investment property ... 18
2.2.21 Related Parties ... 18
2.3 Financial information for selected companies of the Combined NIMAK Group ... 18

1. Background

JIANGSU HAGONG INTELLIGENT ROBOT CO., LTD., a company listed at the Shenzhen Stock Exchange, intends to acquire all shares in NIMAK GmbH and Nickel GmbH, both limited liability companies, and NIMAK Vermögensverwaltungs GmbH & Co. KG, a limited partnership with Nickel GmbH as general partner (together the companies "Combined NIMAK Group" or "parent"). In order to get the necessary consents and approvals for this transaction from all relevant current and future stakeholders (especially shareholders and regulators) a set of Combined Special Purpose Financial Statements is required for the Combined NIMAK Group.

The quota of capital in the Combined NIMAK Group are privately held. The registered office for all three companies is located at Frankenthal 2, 57537 Wissen, Germany.

The Combined NIMAK Group is a developer and manufacturer of industrial joining equipment and solutions. It has currently three business areas: welding guns, welding machines & automation, adhesives & dosing technology.

The Combined Special Purpose Financial Statements are to be prepared in order to comply with the financial reporting provisions of Sections 7.1 h) and 7.2 c) of the share purchase agreement dated October 24, 2018 and amended on June 3, 2019 between Paul-Gerhard Nickel, Anja Nickel, Alexander Nickel, Erika Angelika Nickel and Markus Nickel as interest sellers and Herkules Intelligent Technology GmbH & Co. KG as primary buyer and JIANGSU HAGONG INTELLIGENT ROBOT CO., LTD. as secondary buyer. Consequently, the combined financial statements to be prepared in accordance with the basis of preparation explained below will be combined financial statements for a special purpose.

The management of NIMAK GmbH, Nickel GmbH and NIMAK Vermögensverwaltungs GmbH & Co. KG (in the following "management of Combined NIMAK Group") is responsible for the preparation of the Combined Special Purpose Financial Statements in accordance with the accounting principles defined as follows.

2. Basis of preparation

The full set of Combined Special Purpose Financial Statements should comprise a combined special purpose statement of financial position, a combined special purpose statement of comprehensive income, a combined special purpose statement of changes in equity, a combined special purpose statement of cash flows and notes to the Combined Special Purpose Financial Statements for 2018, including the corresponding 2017 comparative financial information. The Combined Special Purpose Financial Statements of the Combined NIMAK Group have to be prepared on the basis of the financial reporting provisions outlined below.

The following table summarizes the standards that are relevant for the Combined NIMAK Group and form the basis of preparation for the Combined Special Purpose Financial Statements. Section 2.2. summarizes the standards that are relevant for the individual line items included the combined special-purpose financial statements.

Combined special purpose financial statement caption	**IAS**	**IFRS**	**Paragraph**
Combined special purpose statement of comprehensive income	1		10b, 29, 32, 38, 38a, 45, 49, 51b-e, 82 (a)(g)(l), 82A, 85, 85A, 90, 99, 103, 81A, 81B (a) (i,ii), (b) (i,ii), 82A, BC55, BC56
Combined special purpose statement of comprehensive income	12		77
Combined special purpose statement of comprehensive income		7	20
Combined special purpose statement of financial position	1		10a, 29, 32, 38, 38a, 45, 49, 51b-e, 54a/b/c/d/g/h/i/k/l/m/n/o/r, 55, 55a, 56, 66, 69, 77, 78e
Combined special purpose statement of financial position		7	8
Combined special purpose statement of changes in equity	1		10c, 29, 38, 38a, 45, 49, 51b-e, 106a/d, 106A, 107
Combined special purpose statement of cash flows	1		10d, 29, 38, 38a, 45, 49, 51b-e,
Combined special purpose statement of cash flows	7		6,7, 10, 16a/b/e, 17c/d, 18b, 20a-c, 21, 22, 28, 31, 35, 36, 43, 44B(a), 44D, 44E, 45, 46, 48, 50a
Notes to the Combined Special Purpose Financial Statements	1		10, 38, 49, 51a-d, 56, 60, 66, 69, 78a-e, 79, 80, 97, 98, 104, 112, 113, 117a/b, 122, 134, 135, 138a-c
Notes to the Combined Special Purpose Financial Statements	8		28
Notes to the Combined Special Purpose Financial Statements	10		17
Notes to the Combined Special Purpose Financial Statements		12	10a (i)

Consolidation measures have to be recognised in accordance with section 2.1.

Anticipating these requirements the Combined Special Purpose Financial Statements shall be prepared on the basis of going concern unless the management of Combined NIMAK Group either intends to liquidate the Combined NIMAK Group or to cease trading, or has no realistic alternative to do so.

The Combined Special Purpose Financial Statements have to be presented in Euros (EUR) without rounding.

Expenses recognised in the combined special purpose statement of comprehensive income have to be presented based on its function applying the so called “cost of sales”-method (IAS 1.99, 1.103).

2.1 Basis of combination

The Combined Special Purpose Financial Statements should comprise the financial statements of NIMAK GmbH, Nickel GmbH, NIMAK Vermögensverwaltungs GmbH & Co. KG (together the "parent" of the Combined NIMAK Group) and NIMAK North America Inc. and NIMAK NAMEX S.A. de C.V. (together "included subsidiaries") for the financial year 2018. The following subsidiaries of NIMAK Vermögensverwaltungs GmbH & Co. KG have to be excluded from the consolidation in the Combined Special Purpose Financial Statements because they are not subject to the acquisition by JIANGSU HAGONG INTELLIGENT ROBOT CO., LTD:

- NIMAK International GmbH
- NIMAK Welding (Beijing) Ltd.
- NIMAK Welding (Xianghe) Ltd.

The Combined Special Purpose Financial Statements have to be prepared on a basis of uniform accounting policies for like transactions and other events in similar circumstances (IFRS 10.19). In case control is lost assets and liabilities of the former subsidiary have to be derecognised, retained investments will be recognised at its fair value and gain and loss associated with the loss of control needs to be recognised in the Combined Special Purpose Financial Statements (IFRS 10.25).

Like items of assets, liabilities, equity, income, expense and cash flows of the companies of the Combined NIMAK Group have to be combined. The carrying amount of parent's investment in each subsidiary have to be offset against the parent's portion of equity of each subsidiary. Intragroup assets, liabilities, equity, income, expense and cash flows relating to transactions between entities of the Combined NIMAK Group and gain and loss resulting from that transactions have to be eliminated in full (IFRS 10.B86).

Profit or loss and each component of OCI have to be attributed to the equity holders of the Combined NIMAK Group.

A change in the ownership interest of a subsidiary, without a loss of control, has to be accounted for as an equity transaction.

Equity of the Combined NIMAK Group has to be the sum of the equity accounts of NIMAK GmbH, Nickel GmbH and NIMAK Vermögensverwaltungs GmbH & Co. KG, identified according to IAS 32.

2.2 Financial reporting provisions

2.2.1 Current versus non-current classification

The Combined NIMAK Group has to present assets and liabilities in the combined special purpose statement of financial position based on current/non-current classification (IAS 1.60 to IAS 1.76). An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets have to be classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Deferred tax assets and liabilities have to be classified as non-current assets and liabilities.

2.2.2 Fair value measurement

Fair value is measured as follows:

• Definition of fair value	IFRS 13.9 to IFRS 13.10
• The asset or liability	IFRS 13.11 to IFRS 13.14
• The transaction	IFRS 13.15 to IFRS 13.21
• Market participants	IFRS 13.22 to IFRS 13.23
• The price	IFRS 13.24 to IFRS 13.26
• Non-performance risk	IFRS 13.42 to IFRS 13.44
• Exposure to market risk	IFRS 13.53 to IFRS 13.55
• Exposure to credit risk of a particular counterparty	IFRS 13.56
• Fair value at initial recognition	IFRS 13.57 to IFRS 13.60
• Valuation techniques	IFRS 13.61 to IFRS 13.66
• Input to valuation techniques – general principals	IFRS 13.67 to IFRS 13.69
• Fair value hierarchy	IFRS 13.72 to IFRS 13.75
• Level 1 to 3 inputs	IFRS 13.76 to IFRS 13.90

Notes to be included in the Combined Special Purpose Financial Statements

• Notes	IFRS 13.91a, 93a/b/d, 94

The Combined NIMAK Group has to measure defined benefit plan assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Combined NIMAK Group.

The fair value of an asset or a liability has to be measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset has to take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When determining the fair value of plan assets Combined NIMAK Group has to use a valuation technique that is appropriate in the circumstances and for which sufficient data are available to measure its fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value has to be measured or disclosed in the Combined Special Purpose Financial Statements based on a categorisation within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the determination of the asset value of the qualified reinsurance contracts as plan asset insurance companies have to be involved.

2.2.3 Revenue recognition

Revenues have to be recognised as follows:

• Measurement of revenue	IAS 18.9 to IAS 18.12
• Identification of the transaction	IAS 18.13
• Sale of Goods	IAS 18.14 to IAS 18.19
• Rendering of services	IAS 18.20 to IAS 18.28
• Interest, royalties and dividends	IAS 18.29 to IAS 18.34
• Customer-specific construction contracts	see 2.2.13

Notes to be included in the Combined Special Purpose Financial Statements

• Notes	IAS 18.35a, IAS 18.35b(i)/(ii)

Revenue has to be recognised to the extent that it is probable that the economic benefits will flow to the Combined NIMAK Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is to be measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods has to be recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is to be measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. A liability for potential warranty claims has to be recognised at the time the product is sold.

Rendering of services

Revenue from the refurbishment of welding guns, from the commissioning, maintenance and repairs and from training of customers has to be recognised when the service is rendered.

2.2.4 Government grants

Government grants have to be recognised as follows:

- Government grants IAS 20.7 to IAS 20.33

Notes to be included in the Combined Special Purpose Financial Statements

- Notes IAS 20.39

Government grants have to be recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it has to be recognised as income. When the grant relates to an asset, it has to reduce the carrying amount of the asset. The grant is then recognised in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

2.2.5 Taxes

Taxes have to be recognised as follows:

- Tax base IAS 12.7 to IAS 12.11
- Recognition of current tax liabilities and current tax assets IAS 12.12 to IAS 12.14
- Recognition of deferred tax liabilities and deferred tax assets IAS 12.15 to IAS 12.45
- Measurement IAS 12.46 to IAS 12.56
- Recognition of current and deferred tax IAS 12.57 to IAS 12.68c
- Presentation IAS 12.69 to IAS 12.78

Notes to be included in the Combined Special Purpose Financial Statements

- Notes IAS 12.79, 80a/c, 81a-e/g, 82A

Current income tax

Current income tax assets and liabilities have to be measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Combined NIMAK Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity has to be recognised in equity and not in the combined special purpose statement of comprehensive income. Management periodically need to evaluate positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax has to be provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities have to be recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets have to be recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets have to be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets have to be recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets has to be reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets have to be re-assessed at each reporting date and have to be recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities have to be measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss has to be recognised outside profit or loss. Deferred tax items have to be recognised in correlation to the underlying transaction either in OCI or directly in equity.

2.2.6 Foreign currencies

Foreign currencies have to be recognised as follows:

• Functional currency	IAS 21.9 to IAS 21.14
• Net investment in a foreign operation	IAS 21.15 to IAS 21.15A
• Monetary items	IAS 21.16
• Summary of the approach required by IAS 21	IAS 21.17 to IAS 21.19
• Reporting foreign currency transactions in the functional currency	IAS 21.20 to IAS 21.37
• Use of a presentation currency other than the functional currency	IAS 21.38 to IAS 21.49
• Tax effect pf all exchange differences	IAS 21.50

Notes to be included in the Combined Special Purpose Financial Statements

• Notes	IAS 21.52

The Combined NIMAK Group's Combined Special Purpose Financial Statements have to be presented in Euros, as far as this is the functional currency of NIMAK GmbH, Nickel GmbH and NIMAK Vermögensverwaltungs GmbH & Co. KG. For each entity, the management of Combined NIMAK Group determines the functional currency and items included in the financial statements of each entity are measured using its functional currency (IAS 21.9 to 21.14).

Transactions and balances

Transactions in foreign currencies have to be initially recorded by the Combined NIMAK Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies have to be translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items have to be recognised in profit or loss.

Non-monetary items that have to be measured in terms of historical cost in a foreign currency and have to be translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency have to be translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value has to be treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

On combination, the assets and liabilities of foreign operations have to be translated into Euros at the rate of exchange prevailing at the reporting date and their statements of comprehensive income have to be translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for combination have to be recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation has to be reclassified to profit or loss.

2.2.7 Cash dividend

Dividends as distributions to owners have to be recognised in the combined special purpose statement of changes in equity (IAS 1.107).

A liability to pay a dividend has to be recognised when the distribution is authorised and the distribution is no longer at the discretion of the Combined NIMAK Group. As per the corporate laws of Germany, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.2.8 Property, plant and equipment

Property, plant and equipment have to be recognised as follows:

• Recognition	IAS 16.7 to IAS 16.14
• Measurement at recognition	IAS 16.15 to IAS 16.28
• Measurement after recognition	IAS 16.29 to 16.66: only the cost model (IAS 16.30) is to be applied
• Derecognition	IAS 16.67 to IAS 16.72
• Impairments	See para. 2.2.14

Notes to be included in the Combined Special Purpose Financial Statements

• Notes	IAS 16.73a-e, 74a, 75

Plant and equipment has to be stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

When significant parts of plant and equipment are required to be replaced at intervals, the Combined NIMAK Group has to depreciate them separately based on their specific useful lives (IAS 16.44). All other repair and maintenance costs have to be recognised in profit or loss as incurred.

Depreciation has to be calculated over the estimated useful lives of the assets. The depreciation method used has to reflect the pattern in which the asset’s future economic benefits are expected to be consumed.

An item of property, plant and equipment and any significant part initially recognised has to be derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) has to be included in the combined special purpose statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment have to be reviewed at each financial year end and adjusted prospectively, if appropriate.

2.2.9 Leases

Leases have to be recognised as follows:

• Classification	IAS 17.7 to IAS 17.19
• Finance Leases	IAS 17.20 to IAS 17.32
• Operating Leases	IAS 17.33 to IAS 17.34

Notes to be included in the Combined Special Purpose Financial Statements

• Notes	IAS 17.35a/c

The determination of whether an arrangement is (or contains) a lease has to be based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Combined NIMAK Group as a lessee

A lease has to be classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Combined NIMAK Group has to be classified as a finance lease.

Finance leases have to be capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments have to be apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges have to be recognised in finance costs in the combined special purpose statement of comprehensive income.

A leased asset has to be depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Combined NIMAK Group will obtain ownership by the end of the lease term, the asset has to be depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments have to be recognised as an operating expense in the combined special purpose statement of comprehensive income on a straight-line basis over the lease term.

2.2.10 Intangible assets

Intangible assets have to be recognised as follows:

• Separate acquisition	IAS 38.25 to IAS 38.32
• Internally generated goodwill	IAS 38.48 to IAS 38.50
• Internally generated intangible assets	IAS 38.51 to IAS 38.67
• Recognition of an expense	IAS 38.68 to IAS 38.71
• Measurement after recognition	IAS 38.72 to IAS 38.87: only cost model (IAS 38.74) is to be applied
• Useful life	IAS 38.88 to IAS 38.96
• Intangible assets with definite useful lives	IAS 38.97 to IAS 38.106
• Intangible assets with indefinite useful lives	IAS 38.107 to IAS 38.110
• Recoverability of the carrying Amount – Impairment losses	IAS 38.111
• Retirements and disposals	IAS 38.112 to IAS 38.117
• Impairments	See para. 2.2.14

Notes to be included in the Combined Special Purpose Financial Statements

• Notes	IAS 38.118a/b, 118c-e, 126

Intangible assets acquired separately have to be measured on initial recognition at cost. Following initial recognition, intangible assets have to be carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, have not to be capitalised and the related expenditure has to be reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets have to be assessed as either finite or indefinite.

Intangible assets with finite lives have to be amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life have to be reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset have to be considered to modify the amortisation period or method, as appropriate, and have to be treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives has to be recognised in the combined special purpose statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset have to be measured as the difference between the net disposal proceeds and the carrying amount of the asset and have to be recognised in the combined special purpose statement of comprehensive income when the asset is derecognised.

Research and development costs

Research costs have to be expensed as incurred. Development expenditures on an individual project have to be recognised as an intangible asset when the Combined NIMAK Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Licences

The Combined NIMAK Group makes upfront payments to purchase licences. Depreciation of an intangible asset with a finite life has to be terminated to the earlier date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5.6 and the date that the asset is derecognised. The depreciation method used has to reflect the pattern in which the asset’s future economic benefits are expected to be consumed

Licences for the use of intellectual property are usually granted for periods ranging between three and five years depending on the specific licences.

2.2.11 Financial instruments – initial recognition and subsequent measurement

Financial instruments have to be recognised as follows:

• Recognition and derecognition	IAS 39.14 to IAS 39.42
• Measurement	IAS 39.43 to IAS 39.70
• Presentation – Liabilities and equity	IAS 32.15 to IAS 32.27
• Interest, dividends, losses and gains	IAS 32.35 to IAS 32.41

Notes to be included in the Combined Special Purpose Financial Statements

• Notes	IFRS 7.6, 7, 16, 21, 25, 29, 31, 32, 33, 34, 36, 39, 40

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets have to be classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets have to be recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) have to be recognised on the trade date, i.e., the date that the Combined NIMAK Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets have to be classified to the following category (IAS 39.9 (2009)):

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets have to be subsequently measured at amortised cost using the effective interest rat (EIR) method, less impairment (IAS 39.45f (2009)). Amortised cost has to be calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation has to be included in finance income in the combined special purpose statement of comprehensive income. The losses arising from impairment have to be recognised in the combined special purpose statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables (IAS 39.56 (2009)).

This category generally applies to trade and other receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Combined NIMAK Group of similar financial assets) has to be primarily derecognised (i.e., removed from the Combined NIMAK Group's combined special purpose statement of financial position) when the rights to receive cash flows from the asset have expired.

When the Combined NIMAK Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it has to evaluate if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Combined NIMAK Group has to continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Combined NIMAK Group also has to recognise an associated liability. The transferred asset and the associated liability have to be measured on a basis that reflects the rights and obligations that the Combined NIMAK Group has retained (IAS 39.20, 39.18 (2009)).

Continuing involvement that takes the form of a guarantee over the transferred asset has to be measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Combined NIMAK Group could be required to repay (IAS 39.30 (2009)).

Impairment of financial assets

The Combined NIMAK Group has to assess, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’), has an impact on the estimated future cash flows of the financial asset or the Combined NIMAK Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Combined NIMAK Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Combined NIMAK Group first has to assess whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Combined NIMAK Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it has to include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised have not to be included in a collective assessment of impairment (IAS 39.63f (2009)).

The amount of any impairment loss identified has to be measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows has to be discounted at the financial asset’s original EIR (IAS 39.65 (2009)).

The carrying amount of the asset has to be reduced through the use of an allowance account and the loss has to be recognised in the combined special purpose statement of comprehensive income. Interest income (recorded as finance income in the combined special purpose statement of comprehensive income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance have to be written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Combined NIMAK Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss has to be increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery has to be credited to finance costs in the combined special purpose statement of comprehensive income (IAS 39.65 (2009)).

Financial liabilities

Initial recognition and measurement

Financial liabilities have to be classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities have to be recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings have to be subsequently measured at amortised cost using the EIR method. Gains and losses have to be recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process (IAS 39.47, 39.56 (2009)).

Amortised cost has to be calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation has to be included as finance costs in the combined special purpose statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability has to be derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification has to be treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts has to be recognised in the combined special purpose statement of comprehensive income (IAS 39.39ff (2009)).

Offsetting of financial instruments

Financial assets and financial liabilities have to be offset and the net amount has to be reported in the combined special purpose statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously (IAS 39.42 (2009)).

2.2.12 Inventories

Inventories have to be recognised as follows:

• measurement of inventories	IAS 2.9 to IAS 2.33
• Recognition as an expense	IAS 2.34 to IAS 2.35

Notes to be included in the Combined Special Purpose Financial Statements

• Notes	IAS 2.36a/b/d/e

Inventories have to be valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition have to be accounted for, as follows:

- Raw materials: acquisition cost on a first-in/first-out basis
- Finished goods and work in progress: production cost including cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The lower of cost of raw materials and supplies has to be determined on the basis of a stock turnover analysis. Raw materials with a turnover period of more than 10 years have to be written-off by 95% in case that there are no purchases in the last two years. Raw materials with a turnover period of less than 10 years have to be depreciated by a discount which is derived from return on equity of the last two years and the amount of the discounted expected accumulated stock cost.

2.2.13 Customer-specific construction contracts

Customer-specific construction contracts have to be recognised as follows:

• Combining and segmenting construction contracts	IAS 11.7 to IAS 11.10
• Contract revenue	IAS 11.11 to IAS 11.15
• Contract costs	IAS 11.16 to IAS 11.21
• Recognition of contract revenue and expenses	IAS 11.22 to IAS 11.35
• Recognition of expected losses	IAS 11.36 to IAS 11.37
• Changes in estimate	IAS 11.38

Notes to be included in the Combined Special Purpose Financial Statements

• Notes	IAS 11.39, 40, 41, 42, 43, 44

Contract revenues have to be disclosed using the percentage of completion method (POC method) pursuant to IAS 11.22 “Construction Contracts”. This involves recognizing sales revenues and the planned gross margin in line with the degree to which the contract has been completed. The percentage of completion has to be calculated on the basis of the costs incurred relative to the total estimated costs. This ensures that both sales revenues and the associated costs are systematically recorded and therefore the profit or loss from the contract is recognised in the period incurred.

Progress billings issued to customers and cash received from customers have to be deducted without effect on income from costs and estimated earnings in excess of billings on uncompleted contracts or added to billings in excess of costs and estimated earnings.

To the extent that costs have been incurred on contracts, but the amounts cannot yet be billed under the terms of the contracts, they have to be reported under receivables together with the corresponding estimated earnings as costs and estimated earnings in excess of billings on uncompleted contracts. The invoicing of such amounts is dependent on certain contractually defined milestones being reached. Costs and estimated earnings in excess of billings on uncompleted contracts include directly allocable costs (materials and labour costs and cost of purchased services) as well as an appropriate portion of production-related overheads and estimated earnings.

The POC method is based on estimates. Due to the uncertainties prevailing in this respect, estimates of the expenses required for completion, including expenses for contractual penalties and warranties, may have to be adjusted subsequently. Such adjustments to costs and income have to be recognised in the period in which the adjustments are determined. Provisions for onerous contracts have to be recognised in the period in which losses are identified.

2.2.14 Impairment of non-financial assets

Impairment of non-financial assets have to be recognised as follows:

• Identifying an asset that may be impaired	IAS 36.7 to IAS 36.17
• Measuring recoverable amount	IAS 36.18 to IAS 36.57
• Recognising and measuring an impairment loss	IAS 36.58 to IAS 36.64
• Reversing an impairment loss	IAS 36.109 to IAS 36.121

Notes to be included in the Combined Special Purpose Financial Statements

• Notes	IAS 36.126a

The management of Combined NIMAK Group has to assess, at each reporting date, whether there is an indication that an asset may be impaired (IAS 36.6, 36.9, 36.66, 36.59). If any indication exists, or when annual impairment testing for an asset is required, the management of Combined NIMAK Group has to estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is to be determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Combined NIMAK Groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset has to be considered impaired and has to be written down to its recoverable amount.

In assessing value in use, the estimated future cash flows have to be discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are to be taken into account. If no such transactions can be identified, an appropriate valuation model has to be used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations have to be recognised in the combined special purpose statement of comprehensive income in expense categories consistent with the function of the impaired asset.

In case of previously recognised impairment losses an assessment for assets has to be made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Combined NIMAK Group has to estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss has to be reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal has to be recognised in the combined special purpose statement of comprehensive income.

2.2.15 Cash and short-term deposits

Cash and cash equivalents have to be presented in the combined special purpose statement of financial position according to IAS 1.54 (i).

Cash and short-term deposits in the combined special purpose statement of financial position have to comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the combined special purpose statement of cash flows, cash and cash equivalents have to consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they have to be considered an integral part of the Combined NIMAK Group's cash management.

2.2.16 Equity

Equity is presented in the combined special purpose statement of financial position according to IAS 1.54(r). Equity of the Combined NIMAK Group has to be the sum of the equity accounts of NIMAK GmbH, Nickel GmbH and NIMAK Vermögensverwaltungs GmbH & Co. KG.

2.2.17 Other Provisions

Provisions have to be recognised as follows:

• Provisions and other liabilities	IAS 37.11
• Relationship between provisions and contingent liabilities	IAS 37.12 to IAS 37.13
• Recognition	IAS 37.14 to IAS 37.35
• Measurement	IAS 37.36 to IAS 37.52
• Reimbursements	IAS 37.53 to IAS 37.58
• Changes in provisions	IAS 37.59 to IAS 37.60
• Use of provisions	IAS 37.61 to IAS 37.62
• Application of the recognition and measurement rules	IAS 37.63 to IAS 37.83

Notes to be included in the Combined Special Purpose Financial Statements

• Notes	IAS 37.84, 85a

Provisions have to be recognised when the Combined NIMAK Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the management of Combined NIMAK Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement has to be recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision has to be presented in the combined special purpose statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions have to be discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time has to be recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs have to be recognised when the product is sold or service provided to the customer. Initial recognition has to be based on historical experience. The initial estimate of warranty-related costs has to be revised annually.

2.2.18 Accrued liabilities

Accrued liabilities have to be recognised according to:

• Relationship between provisions and other liabilities	IAS 37.11

Accrued liabilities are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier. Amounts due to employees (for example, amounts relating to accrued vacation pay) have also to be recognised according to IAS 19.11 to IAS 19.24) and included in this line. Compared to provisions the amount or timing of accrued liabilities is generally much less uncertain. The accrued liabilities will include employee bonuses, amounts relating to accrued vacation and flex-time balances of employees.

2.2.19 Pensions / Provision for post-employment benefits

Pensions have to be recognised as follows:

• Post-employment benefits: Distinction between defined contribution plans and defined benefit plans	IAS 19.26 to IAS 19.49
• Post-employment benefits: Defined contribution state-owned plans	IAS 19.50 to IAS 19.52
• Post-employment benefits: Defined benefit plans	IAS 19.55 to IAS 19.134

Notes to be included in the Combined Special Purpose Financial Statements

• Notes	IAS 19.53, 54, 135, 139, 140, 144, 145, 147, 151b

The Combined NIMAK Group operates a defined benefit pension plan in Germany. The obligation resulting from this pension plan are retirement benefits that have to be recognised as pension provisions. The pension plan requires insurance premiums for qualified reinsurance contracts and direct payments. From time to time pension obligations are transferred to a separately administered fund. These transfers require one-time contributions and annual contributions for administration services. The cost of providing benefits under the defined benefit plan have to be determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), have to be recognised immediately in the combined special purpose statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements have not to be reclassified to profit or loss in subsequent periods.

Past service costs have to be recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and - if any - the date that the Combined NIMAK Group recognises related restructuring costs

Net interest has to be calculated by applying the discount rate to the net defined benefit liability or asset. Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements under 'administration expenses' has to be recognised in the combined special purpose statement of comprehensive income (by function). Net interest expense or income has to be included in finance costs or income.

Pension state plans

Contributions to defined contribution state-owned plans have to be disclosed in the notes to the combined special purpose financial statements.

2.2.20 Investment property

The property leased by NIMAK Vermögensverwaltungs GmbH & Co. KG to NIMAK GmbH is to be classified in the individual financial statements of NIMAK Vermögensverwaltungs GmbH & Co. KG as investment property according to IAS 40.6 and has to be initially recognized at cost (IAS 40.20 to IAS 40.22). The subsequent measurement of this investment property will have to be done at cost (according to the cost model IAS 40.56) with rental income to be recognized as revenue on a straight-line basis according to IAS 17.50. Costs, including depreciation, incurred in earning the rental income are to be recognized as an expense according to IAS 17.51.

2.2.21 Related Parties

Related parties have to be identified and disclosed as follows:

- Identifying related parties — IAS 24.2 to IAS 24.12
- Disclosures to be included in the notes — IAS 12.13b, 17, 18, 19, 20, 21

Further as described in section 2.1 the following subsidiaries of NIMAK Vermögensverwaltungs GmbH & Co. KG are not included in the combined financial statements of Combined NIMAK Group and have to be considered as related parties:

- NIMAK International GmbH, Wissen/Germany.
- NIMAK Welding (Beijing) Ltd., Beijing / China.
- NIMAK Welding (Xianghe) Ltd., Xianghe/China.

2.3 Financial information for selected companies of the Combined NIMAK Group

For the Combined Special Purpose Financial Statements as described in section 2.1 above the following not individually audited (selected) financial information has to be disclosed in the Notes to the Combined Special Purpose Financial Statements. This financial information is the information used for the preparation of Combined Special Purpose Financial Statements of the Combined NIMAK Group as defined in Section 2.1 “Basis of Combination”. For the preparation of the financial information listed above the basis of preparation described in section 2 and the Financial Reporting Provisions described in section 2.2 have to be applied.

NIMAK GmbH

- Combined statement of comprehensive income for the year ended 31 December 2018 (with comparatives for 2017)
- Combined statement of financial position as at 31 December 2018 (with comparatives for 2017)
- Combined statement of changes in equity for the year ended 31 December 2018 (with comparatives for 2017)
- Combined statement of cash flows for the year ended 31 December 2018 (with comparatives for 2017)

Nickel GmbH

- Statement of comprehensive income for the year ended 31 December 2018 (with comparatives for 2017)
- Statement of financial position as at 31 December 2018 (with comparatives for 2017)
- Statement of changes in equity for the year ended 31 December 2018 (with comparatives for 2017)
- Statement of cash flows for the year ended 31 December 2018 (with comparatives for 2017)

NIMAK Vermögensverwaltungs GmbH & Co. KG

- Statement of comprehensive income for the year ended 31 December 2018 (with comparatives for 2017)
- Statement of financial position as at 31 December 2018 (with comparatives for 2017)
- Statement of changes in equity for the year ended 31 December 2018 (with comparatives for 2017)
- Statement of cash flows for the year ended 31 December 2018 (with comparatives for 2017)

The combined financial statements of NIMAK GmbH have to comprise the entities NIMAK GmbH, NIMAK North America Inc. and NIMAK NAMEX S.A. de C.V. These entities will be combined based on the same provisions as described in section 2.1 by assuming that this combination is effective 31 December 2016 / 1 January 2017.

The individual financial statements of NIMAK Vermögensverwaltungs GmbH & Co. KG have to be prepared under the assumption that the shares in its subsidiary NIMAK International GmbH have been carved-out effective 31 December 2016 / 1 January 2017.

[Translator's notes are in square brackets]

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

1. Scope of application

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

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

2. Scope and execution of the engagement

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

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

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

3. The obligations of the engaging party to cooperate

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

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

4. Ensuring independence

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

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

5. Reporting and oral information

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

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

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

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

7. Deficiency rectification

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

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

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

8. Confidentiality towards third parties, and data protection

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

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

9. Liability

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

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

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

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

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

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

10. Supplementary provisions for audit engagements

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

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

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

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

11. Supplementary provisions for assistance in tax matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) support in complying with disclosure and documentation obligations.

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

12. Electronic communication

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

13. Remuneration

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

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

14. Dispute Settlement

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

15. Applicable law

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