

## search result

Surname	Area	information	V. date
Diehl Foundation & Co. KG Nuremberg	Accounting / financial reports	Consolidated financial statements for the financial year from 01/01/2018 to 12/31/2018	December 10, 2019

**Diehl Foundation & Co. KG**

Nuremberg

**Consolidated financial statements for the financial year from 01/01/2018 to 12/31/2018****Group management report for the 2018 financial year****of the Diehl Foundation & Co. KG****General economic conditions**

After nine years of remarkable economic growth in Germany, the economy weakened significantly in 2018. Contrary to initial fears, however, the German economy did not slide into recession in the final quarter. According to calculations by the Federal Statistical Office, growth was up 1.5% despite the weak year-end; However, the positive development has lost momentum compared to previous years. The reason for this is the declining demand in international business - weaknesses are particularly evident in automobile production and the manufacturing industry - while the domestic economy is proving to be extremely stable.

For 2019, the Deutsche Bundesbank continues to see positive impulses against the background of the still excellent labor market situation and strong wage increases in private consumption. According to the Council of Economic Experts, the number of people in employment is likely to continue to rise, and wage growth will remain high. The Ifo Institute and DIW expect the significantly slower growth to continue. The federal government has also significantly lowered its growth forecast for the current year. In its new annual economic report, the Ministry of Economic Affairs expects growth of only 0.5% for 2019. In its autumn forecast, the federal government had assumed an increase of 1.8%. Reasons for the strong downward revision include a weaker global economy, temporary production problems in the auto and chemical industries, the decline in exports to important sales markets and the hangover over Great Britain's exit from the EU. According to the Council of Economic Experts, a recession is currently not expected in view of the robust domestic economy. However, the increasing political uncertainties worldwide make forecasts increasingly difficult. All in all, according to the DIW, a normalization after a period of boom can currently be assumed. With the reservation, however, that a disorderly Brexit, a renewed sovereign debt crisis in the euro area,

**Business development of the Diehl Group**

The main control parameters for business development at group level are both sales and earnings (EBIT).

At € 3,693.5 million, Group sales of the Diehl Group were just below the record level of the previous year (€ 3,749.2 million) and thus also below the sales forecast of € 3.8 billion. The stormy growth of 2017 could not be continued, but sales stabilized at a high level. Both metering and defense recorded growth in 2018, while aviation, controls and metal declined. Defense and metering are now back on a stable growth path.

The number of employees has increased by 125 people or 0.7% to 17,298 employees compared to the reporting date. A significant increase in the workforce, particularly due to hiring in the Defense (168) and Aviation (138) subgroups, is accompanied by a reduction in Controls at the Mexico location (175).

Sales and earnings targets were not achieved in the year under review. The generated EBIT of € 215.3 million was below the previous year's figure of € 274.3 million. It should be noted here that 2018 includes one-time expenses from the application of the new mortality table to adjust pension provisions and provisions for restructuring measures amounting to around € 40 million, as well as a positive effect from the settlement of a legal dispute. Additional costs from the price increase for electronic components, performance and economic influences in the automotive business as well as unauthorized export transactions in the defense sector also contributed to the reduction in earnings.

**Assets and financial position**

The Diehl Group's total assets increased by € 75.2 million to € 2,432.6 million in the year under review. On the assets side, fixed assets increased by € 21.7 million, in particular due to investments in the expansion of production capacities, and in the case of intangible assets due to the acquisition of software licenses. Inventories and advance payments have increased by a total of € 140.2 million and are mainly related to large orders. These higher advance payments were more than offset by an increase in advance payments received for orders by € 159.9 million to € 265.9 million. Receivables and other assets rose by € 21.2 million to € 628.3 million due to the reporting date. On the liabilities side, equity increased by € 29.9 million to € 763.5 million due to the positive earnings situation; the equity ratio improved to 31.4% compared to 31.1% in the previous year. The € 45.5 million change in provisions results mainly from the increase in pension provisions, in particular due to the changes in interest parameters and the application of the new mortality tables from Prof. Dr. Heubeck. Liabilities fell in the year under review by € 16.4 million to € 603.1 million, primarily to our suppliers. The € 45.5 million change in provisions results mainly from the increase in pension provisions, in particular due to the changes in interest parameters and the application of the new mortality tables from Prof. Dr. Heubeck. Liabilities fell in the year under review by € 16.4 million to € 603.1 million, primarily to our suppliers. The € 45.5 million change in provisions results mainly from the increase in pension provisions, in particular due to the changes in interest parameters and the application of the new mortality tables from Prof. Dr. Heubeck. Liabilities fell in the year under review by € 16.4 million to € 603.1 million, primarily to our suppliers.

Cash and cash equivalents increased by € 46.1 million to € 376.1 million and, less current financial liabilities of € 20.4 million, result in cash and cash equivalents of € 355.6 million compared to € 302.7 million in the previous year. The cash flow from operating activities improved by € 16.9 million to € 222.1 million and, after deducting the negative cash flow from investing activities of € 112.1 million, leads to a free cash flow of € 110.0 million. The cash flow from financing activities resulted in an outflow of € 57.4 million in the reporting year. Compared to the previous year, this corresponds to an improvement of € 51.0 million, which contributed significantly to the increase in cash and cash equivalents.

### Advance payments

Investments (additions to property, plant and equipment and intangible assets) totaled € 118.5 million in the year under review (after € 104.2 million in the previous year). In a multi-year comparison, the value has thus reached a new record level. As in previous years, most of the investments were made in metal, aviation and controls; But Defense and Metering are also well above the previous year's figures. In the metal sector, investments were mainly made in internationalization, for example in synchronizer ring production in China and in the growth technologies of stamping and coating for sensors, as well as in the growing product field of cell contact systems for alternative drives. At Aviation, further investments were made in the infrastructure at the Hungarian production site in Nyírbátor (new logistics hall) and construction of an engineering and support center continued in neighboring Debrecen. While the focus at Controls was on the modernization of production processes and the start-up of new projects, Metering used its funds in particular in the context of the ongoing innovation and technology offensive. The focus of investment activities at Defense was on expansion, rationalization and modernization. While the focus at Controls was on the modernization of production processes and the start-up of new projects, Metering used its funds in particular in the context of the ongoing innovation and technology offensive. The focus of investment activities at Defense was on expansion, rationalization and modernization. While the focus at Controls was on the modernization of production processes and the start-up of new projects, Metering used its funds in particular in the context of the ongoing innovation and technology offensive. The focus of investment activities at Defense was on expansion, rationalization and modernization.

In order to secure the future, spending on research and development rose again in the year under review to € 325.2 million (after € 307.3 million in the previous year). These include, in particular, persistently high development costs in the area of cabin equipment from Diehl Aviation. At Diehl Defense, the focus was on various development projects, such as the modern VULCANO guided ammunition, which is being developed together with the Italian partner Leonardo, and the area of laser-based protection systems for military aircraft and helicopters. At Metering, the focus was on the further development of ultrasound technology and the associated measurement technology, as well as the expansion of the radio system.

### Changes in corporate law

In the year under review there were again some important changes under company law:

At the beginning of the year, Diehl Ventures GmbH acquired a stake in Symvaro GmbH in Klagenfurt, Austria, a company that specializes in the simple and efficient management of water meter data. The Metering subgroup is thus experiencing a strengthening of its digitization topics.

Since the spring of the reporting year, Diehl's aviation division with the Diehl Aircabin, Diehl Comfort Modules and Apparatebau Gauting business units has been operating under the new Diehl Aviation brand at all locations and is thus called Diehl Aviation Laupheim, Diehl Aviation Gilching and Diehl Aviation Hamburg. The new uniform designation also marked the beginning of a further organizational integration of the subgroup. Diehl Aerospace as a joint venture with the French partner Thales continues to operate under the traditional name.

### metal

In 2018, the metal subgroup was able to almost maintain the sales level of the previous year. This is due, among other things, to a slight increase in metal prices. When looking at the pure finishing business, the values of the previous year in the pressed and drawn products and at Diehl Metal Applications were reached or even exceeded. In contrast, sales in the forgings business area were significantly below the previous year.

The pressed and drawn products business area offers a broad product portfolio of high-quality semi-finished metal products made from standard brass as well as new, innovative alloys for demanding applications in numerous industries. New products for the automotive and plumbing sectors saw volume growth again in the year under review. The major investment in a new pipe press in Röthenbach - an important future decision for the subgroup based in Germany - will soon go into regular operation.

The forged parts business area - a recognized supplier for the international automotive industry with synchronizer rings made of brass and steel as well as closed-die forgings for safe drinking water applications - could not continue the successful growth in Europe and China in previous years. In Europe, both sales of brass synchronizer rings and sales of steel synchronizer rings were significantly below the previous year. The main reasons for the decline were the loss of an important order and the reluctance of the automotive industry due to the introduction of the uniform test procedure for measuring consumption and exhaust emissions (WLTP - Worldwide Harmonized Light Vehicles Test Procedure). Even in China, after years of very successful growth, the business area recorded a decline in sales for the first time due to the economic situation. Both sales with the main German customer and with the local Chinese OEMs declined. In contrast, the cooperation with the Schaeffler Group for the manufacture of synchronization systems for the Chinese market continues to develop positively. The first joint projects are already in the implementation phase. The situation in Brazil remains difficult for the forgings business area. Unfortunately, the positive economic mood in the first half of 2018 did not last, so that here too there was a decline in sales compared to the previous year. In contrast, positive expectations are associated with the start of further customer projects in India. The investment focus of the business area lies in the localization of the steel synchronizer ring production in China in order to realize the current orders in the automotive sector.

The Diehl Metal Applications (DMA) business unit combines electroplating and stamping production in Germany and France. The fully integrated value chain ranges from alloy development to the manufacture of application-specific current-carrying solutions or future-oriented metal-plastic composite systems for electronic and electrotechnical applications. The trend towards a higher proportion of electronics in automobiles led to broad utilization of the business area along the entire value chain in the reporting year. To accommodate this increase, the focus of investment activity was on further capacity building in the technology areas of punching and coating for equipping with additional driver assistance systems and in the growing product field of cell contact systems for alternative drives. In the future market of electromobility, in particular, the business area is expanding its activities and pooling expertise with its partner LEONI in order to jointly offer system solutions for high-voltage battery systems in e-vehicles. The rolling mills were also able to benefit from the increasing demand for strip material for the electrification of automobiles. In the future market of electromobility, in particular, the business area is expanding its activities and pooling expertise with its partner LEONI in order to jointly offer system solutions for high-voltage battery systems in e-vehicles. The rolling mills were also able to benefit from the increasing demand for strip material for the electrification of automobiles. In the future market of electromobility, in particular, the business area is expanding its activities and pooling expertise with its partner LEONI in order to jointly offer system solutions for high-voltage battery systems in e-vehicles. The rolling mills were also able to benefit from the increasing demand for strip material for the electrification of automobiles.

For 2019, Diehl Metall expects business to develop differently in the relevant markets in accordance with economic forecasts. The growth focus at Diehl Metall is increasingly on other applications that advance the advancing electrification of automobiles and alternative drives. Business with synchronizer rings in Europe is developing in the opposite direction. Therefore, the marketing of steel synchronizer rings in China as well as the development and expansion of new applications are to be promoted further.

### Controls

In the year under review, Diehl Controls remained below the previous year in terms of both sales and earnings. The reason for this is the decline in the ordering behavior of major customers in the household appliance industry, who in turn are struggling with significant drops in sales in important markets. From the second half of 2018 in particular, consumers in Europe became increasingly unsettled. But even in the Chinese market, which has been growing steadily to date, the corresponding demand has fallen significantly in the wake of the declining construction boom. In addition, there is the continuing shortage of special electronic components on the world market, which leads to noticeable additional costs in procurement and delivery bottlenecks. Only through close monitoring of the supply chain, regular coordination with customers and suppliers worldwide and the establishment of safety stocks can it currently be ensured that the required delivery capability of all Diehl Controls locations is guaranteed. As part of the necessary adjustment measures, the number of employees has therefore decreased in all regions.

The Appliance Europe business unit with the companies Diehl AKO and Diehl Polska is primarily affected by the decline in sales. Diehl Controls' business is customer-specific application developments of electronic controls and operating systems for stoves, hobs, washing machines, dryers, dishwashers and refrigerators for the latest generations of appliances in the white goods industry.

The Appliance Asia business unit (Diehl Controls Nanjing) also recorded a decline. The reluctance to buy large household appliances in China was not foreseeable in this form and was probably a side effect of the declining construction boom. Whether this trend will continue or intensify is difficult to predict at the moment. The business of Appliance Americas with the companies Diehl Controls North America and Diehl Controls Mexico was also below the previous year, although not comparable with the decline in Europe and China. Fortunately, a well-known manufacturer of commercial washing machines in the USA was won as an important new customer in the field of large commercial electrical appliances (professional appliances). The product development for this takes place at Diehl Controls in Mexico, where the first projects will go into production from 2020.

As expected, the European market for air-water heat pumps is developing positively. In Germany significantly influenced by the continued positive construction industry. The business with drive controls for brushless motors for these systems, which is part of the Drive Solutions division, is therefore continuing to pick up speed. There is also a positive development in the area of air conditioning, where an important new customer for frequency converters has been won. Diehl Connectivity Solutions (DCS), which underwent a realignment of activities in 2018, has positive prospects.

Diehl Controls does not expect a recovery in demand for large household appliances in Europe and China before the middle of the current year. The delivery schedules of the key customers in the respective markets will be particularly important. Unaffected by this, the price pressure on suppliers remains high, so that Diehl Controls continues to focus on continuous improvement programs at all locations in order to ensure continued competitiveness.

### Defense

Diehl Defense was able to further stabilize its defense business in the reporting year. After years of stabilization, the subgroup's development and production capacities are well utilized at the individual locations. Despite individual losses in the export business, the subgroup continued on its stable growth path in sales. The result was also increased for the third year in a row.

The defense industry usually develops independently of the general economy. This is determined by the European and international security situation, as well as tensions and an increasing number of crises in various countries and regions. In view of these developments, the German arms industry, as part of national security and defense, is being made more responsible again. Politicians created the necessary financial prerequisites for the start of large procurement programs. Despite this increasing domestic demand, companies in Germany are still dependent on exports in order to be able to maintain skills and know-how.

Diehl Defense GmbH & Co. KG, as a high-tech company in the areas of ground-based air defense, guided missiles, ammunition, training and protection systems, succeeded in further increasing the high order backlog in the reporting year. Despite national program delays and firmly planned exports, which ultimately could not be realized due to a lack of permits, sales stabilized at the previous year's level and even increased slightly. Developments and manufacturing services in the transatlantic RAM (Rolling Airframe Missile) program as well as orders for the Sidewinder, Spike and PARS guided missile programs played a major role. The company has established itself as a system provider for ground-based air defense. In addition to the delivery of the first launcher systems to the Swedish armed forces, this is underpinned in particular by a further export order for several complete systems. The participation in the tactical air defense system of the German armed forces as well as the national need for close and close range protection offer good opportunities for further growth in the future. The same applies to the increased need for far-reaching artillery ammunition with high precision. With the development of the modern VULCANO guided ammunition as part of a German / Italian government agreement, Diehl and its partner company Leonardo are setting international standards. Successful development work in the field of laser-based protection systems for military aircraft and helicopters, which can also be used to defend against unmanned micro-aircraft, also offers further growth potential.

JUNGHANS Microtec GmbH, together with the French subsidiary JUNGHANS T2M SAS, is a leading supplier of high-tech detonators in Europe and on international markets. The company offers a comprehensive portfolio of mechanical and electronic ammunition fuses and safety devices for rockets, guided missiles, ammunition and torpedoes. Demand in European exports was able to compensate for delays in national orders and ensure order intake above the previous year's level. Business development was positive overall compared to the previous year, which is reflected in a slight increase in sales, a better result and a higher number of employees. In the top group of component suppliers for thermal imaging devices and search heads for missiles, AIM Infrared-Module GmbH also remained on a growth path with an increase in sales. To secure its international competitive position, the company relies on the consistent continuation of development activities in all product areas. With its infrared technology, AIM was also able to establish itself successfully in the space-based applications market. To secure its international competitive position, the company relies on the consistent continuation of development activities in all product areas. With its infrared technology, AIM was also able to establish itself successfully in the space-based applications market.

As part of an economically strong, independent and family-run technology group, Diehl Defense makes a contribution to life in a safe environment. The sustainable strategy of product-specific cooperation with selected strong partners on international markets has proven itself again. Various projects were started in 2018 to generate business added value through digital solutions, accompanied by intensive training courses for all managers on the topic of digital awareness.

### Aviation

The Aviation subgroup was unable to continue its stormy growth course, which had persisted for several years, in the reporting year, but stabilized at the sales level of the previous year. At first glance, this is surprising given the unchanged positive development in deliveries by the two globally dominant aircraft manufacturers Airbus and Boeing. Airbus alone delivered 800 aircraft in the year under review, 93 of which were the A350 XWBs, which are highly profitable for Diehl Aviation (after 78 in the previous year). However, other important market segments and programs for Diehl fell short of expectations. The weak demand for large aircraft such as the A380 continued (only 12 were delivered in 2018; the end of production was announced for 2021) and the A330neo continues. In addition, there are persistent problems in the global industrial supply chain, which are dampening the rise in aircraft deliveries. However, the aircraft manufacturers are still sticking to the forecast of rising production rates, especially for the A320 Family and Boeing 737 types.

In the year under review, the subgroup intensified its cooperation with its partner Lufthansa Technik for the cabin retrofit market segment and began delivering large cabin monuments for the so-called "High Density Solution" to the partner. This includes a completely newly developed cabin monument for the Airbus A320 family, which integrates the rear kitchen and a handicapped-accessible double toilet facility in a single cabin element, which enables significant weight savings and at least six additional passenger seats.

Diehl Aviation's global presence has also been expanded. Since the reporting year, the newly established Diehl locations in Charleston, South Carolina (USA) and Montreal (Canada) have supported the interfaces to the local OEM customers in the "On-Site Support" network. In addition, the infrastructure at the Hungarian production site in Nyírbátor was expanded with a new logistics hall. In neighboring Debrecen, also in Hungary, the construction of an engineering and support center (ESC) was continued, which was officially opened in the current year. Diehl Aviation ESC in Debrecen will be the subgroup whose development and production activities, with the exception of Nyírbátor, have so far mainly been based in Germany, in the field of engineering, but also in administration, program management, customer services and purchasing. Up to 150 employees will be working in Debrecen by 2020. A letter of intent on strategic cooperation for the local market was also signed with aviation supplier AVIC for the Chinese market.

Of great importance for Diehl Aviation in 2018 was winning a work package to power the emergency lighting on board Boeing 787 aircraft. On the other hand, new tenders for existing work packages and the award of contracts to several suppliers planned by the manufacturers have a negative impact. The scope of previous work packages is at least partially in question for the future. Also, no fundamentally new sales opportunities opened up in the reporting year. Concrete plans for a new commercial aircraft from Boeing - the only currently emerging new project among the established manufacturers of civil aircraft - are not expected until mid-2019. New products in the military aviation market,

The re-branding that took place in April 2018 with the introduction of the current name Diehl Aviation is aimed at growing the subgroup closer together and bundling the market presence. In this context, a new organizational structure was subsequently introduced, which enables greater operational optimization of the processes. The realignment will also include the aspect of restructuring. Diehl Aviation continues to work on its competitiveness and future-proof market positioning.

For 2019, Diehl Aviation expects business development to continue at a consistently high level, but the ramp-up of the A350 line is already leveling off due to the expansion of production at Airbus. The decisive factor here will be the extent to which the run-down of the A380 production rate can be compensated for by the run-up in other aircraft programs.

### Metering

In the year under review, the Metering subgroup was able to resume its usual growth path until 2015 and realize the planned increase in sales. This positive development was primarily carried by the increasing trend towards remote reading of consumption data. Diehl Metering sees remote reading as the main driver for investments in data-based business models and the incentive for consistent strategic orientation as a solution provider. In order to be able to develop new market potential in the context of digitization, the existing partner network was therefore continuously expanded. In the reporting year, new partnerships were concluded with Microsoft Azure, among others; In addition, the long-term technology partnership with the Fraunhofer Society was further intensified. Focusing even more on the customer, improving the global positioning and efficiently bundling Diehl Metering's competencies - that is the goal of an organizational realignment that began in 2018 and is already showing initial successes. The growth was achieved through large orders in the Middle East and in the North American business that is starting up. In contrast, business was weaker in the core European markets - mainly with key customers in Germany and France. Business in China also fell short of expectations again.

In terms of customer segments, growth in the year under review was concentrated in the gas and water sector. The delivery of gas meters with radio reading as part of a multi-year French major order played a major role in this. The increase in sales in the water customer segment is based on the high demand from customers in the Middle East and the Caribbean as well as the continuously growing market success in southern China and the USA. In addition to innovative measuring devices based on ultrasound technology with integrated radio technology, global customers were particularly interested in high-quality mechanical water meters that can be read remotely using a radio attachment. The thermal energy customer segment continued to be characterized by the expiry of a long-term partnership and unfavorable regulatory changes in China and once again remained without growth. Due to declining requests from key customers in Germany and France, the measurement service provider segment was unable to make any contribution to overall growth.

In order to achieve its strategic goals, the subgroup consistently continued the innovation and technology offensive initiated in 2018. The focus remained on the further development of ultrasonic measurement technology, radio systems and improvements in the software and service offering. An example of this is the new generation of the HYDRUS ultrasonic water meter, which will set new standards in dynamics and accuracy thanks to its improved measurement technology. In addition to the further development of radio systems, the highly promising "MIOTY" (a low power wide area network technology) was developed as part of the intensified cooperation with the Fraunhofer-Gesellschaft, which is characterized by its long range, high energy efficiency, high interference immunity and scalability. This technology is a networking concept that focuses on high network coverage and low energy consumption. It represents a new global standard that is not limited to metering applications.

Thanks to the increased international positioning, the high innovative and technological strength of the company and the resumption of growth, Diehl Metering sees itself as being excellently positioned to further develop market potential, also against the background of the sustainable handling of dwindling resources and the effects of digitization and urbanization. A renewed increase in sales is therefore expected for 2019.

### Opportunities, risks and outlook

The result of the DIHK business survey at the beginning of the year shows that clouds are gathering on the horizon for German companies this year. Business expectations are assessed as being significantly worse in all branches of the economy and the general economic conditions are increasingly viewed as a risk factor. The employment outlook is falling slightly for the third time in a row. Everything points to a slower pace. At the moment, however, it cannot be foreseen how the simmering trade conflicts, Brexit and the elections to the European Parliament will affect consumer sentiment. After nine years of growth, the positive economic development has stalled, The Diehl Group is not spared from this either. In addition, the 2018 collective bargaining agreement resulted in a substantial pay increase and more "time sovereignty" for employees. A collective bargaining conflict is smoldering at the Hamburg location. The company's orientation as a technology conglomerate has a stabilizing effect, but Diehl is also affected by economic fluctuations in some subgroups. The risk management practiced in the Diehl Group based on the management information system allows risks of an economic nature to be recognized in good time and enables countermeasures to be taken promptly. In addition, the 2018 collective bargaining agreement resulted in a substantial pay increase and more "time sovereignty" for employees. A collective bargaining conflict is smoldering at the Hamburg location. The company's orientation as a technology conglomerate has a stabilizing effect, but Diehl is also affected by economic fluctuations in some subgroups. The risk management practiced in the Diehl Group based on the management information system allows risks of an economic nature to be recognized in good time and enables countermeasures to be taken promptly. nevertheless Diehl is also affected by economic fluctuations in some subgroups. The risk management practiced in the Diehl Group based on the management information system allows risks of an economic nature to be recognized in good time and enables countermeasures to be taken promptly. nevertheless Diehl is also affected by economic fluctuations in some subgroups. The risk management practiced in the Diehl Group based on the management information system allows risks of an economic nature to be recognized in good time and enables countermeasures to be taken promptly.

The company's areas of activity show a number of special features:

Around half of the business volume in the metal subgroup depends on the market prices for copper and zinc. High volatility leads to fluctuations in sales, but these have no effect on the employment situation. It is therefore fundamentally difficult for Diehl Metall to make sales forecasts. The price of electricity is of considerable importance for the competitiveness of the German locations in particular. There is a persistent risk that German metal manufacturers, as energy-intensive companies, will suffer considerable disadvantages in international competition in view of the politically desired German pioneering role in matters of renewable energies. Components made of metal alloys are indispensable for e-mobility and driver assistance systems. The core business of the subgroup remains the automotive market, but with significant growth in both electrification in the automotive business. An economic slowdown is to be expected in the classic automotive business. Diehl therefore continues to rely on metal as a versatile and proven material for which there are always new areas of application.

Controls' supply business with the white goods industry is still characterized by high price pressure and a simultaneous shortage of certain electronic components. Consolidation in the area of international home appliance manufacturers and a stagnating market in Europe have exacerbated this pressure even further. Despite recent declines, the Chinese home appliance market remains interesting. With the recognized competence in the development of new controls and operating elements in combination with the advantages of an international manufacturing network, Diehl offers good prerequisites to remain a sought-after and competitive partner for OEMs in the future, as well as in the extend the core business such as B.

In view of the global trouble spots and tensions, the Federal Government has decided to reverse the trend in financing the Bundeswehr, which, among other things, should take into account the need for material conservation and ammunition stocks. Even if the goal agreed with the NATO partners in 2014, the so-called NATO quota, to raise the share of defense spending in gross domestic product to 2%, will probably not be achieved in the Alliance, the commitment of 1.5% for 2024 is undoubtedly another clearer one Step within the NATO target corridor. Diehl has been a reliable and successful partner of the Bundeswehr since it was founded. The range of capabilities has been geared towards modern operational scenarios as well as national and alliance defense for years. Therefore, Diehl Defense is very well positioned for the currently increasing procurement of classic and new defense technology products - nationally and internationally. For defense-related exports, only the primacy of politics applies, which is expressed in the federal government's still restrictive approval practice.

Continuously rising passenger numbers and high order backlogs from manufacturers make the aviation business continuously interesting. However, the competition on the supplier side continues to increase and the increasing consolidation of the industry as well as insourcing efforts by manufacturers are increasing the pressure, especially on medium-sized and small providers, including Diehl Aviation. New aviation programs are currently not recognizable.

After the significant reduction in A380 production rates in recent years, Airbus has recently announced that it will stop A380 production in 2021. No unplanned material effects on earnings are expected for the 2019 financial year.

The supply business for the international aviation industry is invoiced almost exclusively in dollars. This leads to a significant impact of the dollar rate on sales volume and earnings. The central finance department of Diehl Stiftung & Co. KG ensures that this risk is reduced according to a defined strategy.

The global metering market continues to be characterized by its high level of attractiveness. Because intelligent measuring systems and modern measuring devices create the prerequisites for systematically evaluating data for customers so that efficient resource management becomes possible. With its consistent focus as a solution provider for products and services for remote reading of consumption data, Diehl Metering has been one of the most innovative and powerful players in the industry for many years. With the innovation and technology offensive launched in the reporting year, the subgroup has further strengthened its capabilities in terms of networking through wireless network solutions,

The digital transformation will be continued in the previous understanding in the subgroups and in a group-wide group. For Diehl, the digital transformation means an opportunity to further develop the existing business in a customer-oriented manner, to offer new, data-driven business models and to sharpen the capabilities of the organization and processes.

The risks existing in the subgroups are classified as manageable from the Diehl Group's perspective due to the established risk management system. The declining macroeconomic growth will undoubtedly impair the positive development of the Diehl Group, but there are some indications that the group's positioning as a community of opportunities and risks will once again prove itself. Due to the economic and structural challenges, the Group will maintain the sales level of 2018 in 2019, with a moderately lower earnings level.

**Nuremberg, April 10, 2019**

**Diehl Stiftung & Co. KG**  
**The management**  
**Diehl Verwaltungs-Stiftung**  
*Dr. Karl Tragl*  
*Wolfgang Weggen*

### CONSOLIDATED BALANCE SHEET AS OF December 31, 2018

#### THE DIEHL STIFTUNG & Co. KG

#### assets

	December 31, 2018	December 31, 2017
	T €	T €
		scroll ↔
A. Fixed assets		
I. Intangible Assets	22,815	18,560
II. Tangible assets	545,479	528,717
III. Financial assets	14,182	13,546
	582,476	560,823
B. Current Assets		
I. Inventories		
1. Raw materials and supplies	312,653	278,071
2. Work in progress, work in progress	430,262	436,447
3. Finished products and merchandise	162,961	133,685
4. Advance payments made	84,931	2,379
5. Advance payments received on orders	-265,880	-105,952
	724,927	744,630
II. Receivables and other assets		
1. Accounts receivable from deliveries and services	429,002	421,364
2. Receivables from affiliated companies	3	120
3. Claims against companies with which there is a participation relationship	103,346	86,424
4. Other assets	95,956	99,227
	628,307	607,135
III. Securities		
Other securities	1,291	1,255
IV. Cash in hand, bank balances and checks	376,088	329,995
	1,730,613	1,683,015
C. Prepaid expenses	6,745	6,755
D. Deferred Tax Assets	112,422	106,127
E. Active difference from asset offsetting	321	643
total	2,432,577	2,357,363

#### liabilities

	December 31, 2018	December 31, 2017
	T €	T €
A. Equity		
I. Capital shares		
1. General partner capital	0	0
2. Limited partnership capital	103,000	103,000
	103,000	103,000
II. Diehl Stiftung & Co. KG reserves	218,540	211,973
III. Other reserves of the group	389,488	369,701
IV. Difference in equity from currency conversion	-14,242	-12,112
V. Non-controlling interests	66,746	61,042
	763,532	733,604
B. Provisions		
1. Provisions for pensions and similar obligations	599,643	554,130
2. Tax provisions	9,630	16,105
3. Other provisions	439,636	417,858
	1,048,909	988,093
C. Liabilities		

	December 31, 2018	December 31, 2017
	T €	T €
1. Liabilities to banks	122.293	119,877
2. Trade accounts payable	292.028	312,775
3. Liabilities to affiliated companies	2,707	2,090
4. Liabilities to companies with which a participation relationship exists	47,736	40.025
5. Other Liabilities	138,371	144,730
	603.135	619.497
D. Prepaid expenses	6.330	4.136
E. Deferred Tax Liabilities	10,671	12,033
	2,432,577	2,357,363

## GROUP PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1.1. UNTIL 31.12.2018

### THE DIEHL STIFTUNG & Co. KG

	2018	2017
	T €	T €
1. Sales	3,693,515	3,749,206
2. Increase / decrease in stocks of finished and unfinished products	13,833	-49,777
3. Other own work capitalized	10,565	8,726
4. Other operating income	110,550	125,965
5. Cost of materials		
a) Expenses for raw materials, consumables and supplies and for purchased goods	-1,738,600	-1,777,957
b) Expenses for purchased services	-243,251	-239.176
	-1,981,851	-2,017,133
6. Personnel expenses		
a) Wages and salaries	-857.372	-822,583
b) Social security and pension and support expenses	-173,625	-159,978
- of that for pensions :	-16,232	-8,426
	-1,030,997	-982,561
7. Depreciation on intangible assets and property, plant and equipment	-91,964	-85.008
8. Other operating expenses	-508,468	-476,612
9. Income from participations	351	357
- of which from affiliated companies:	98	155
10. Result from investments in associated companies	-282	1,190
11. Other Interest and Similar Income	3,647	3,246
- of which from affiliated companies:	21st	20th
12. Depreciation on financial assets and securities of the Current assets	-2	-69
13. Interest and Similar Expenses	-83,021	-69,276
- of which to affiliated companies:	-4	-5
14. Taxes on income and earnings	-68,467	-72,705
- of which deferred income taxes:	7,703	1,510
15. Profit after tax	67,409	135,549
16. Annual net income	67,409	135,549
- of which non-controlling interests:	24,599	20,670

## Notes to the consolidated financial statements for the 2018 financial year

### of the Diehl Foundation & Co. KG

#### I. General explanations

Diehl Stiftung & Co. KG, based in Nuremberg, is entered in the commercial register of the Nuremberg Local Court under number HRA 552.

The consolidated financial statements of Diehl Stiftung & Co. KG are prepared in accordance with the accounting regulations of the German Commercial Code.

The annual financial statements of the companies included in the consolidated financial statements are drawn up in accordance with the accounting and valuation methods applicable in the Diehl Group. In the case of foreign companies, the accounting is adjusted to the uniform accounting and valuation principles insofar as this is important for the presentation of the asset, financial and earnings position.

#### II. Scope of consolidation and associated companies

In addition to Diehl Stiftung & Co. KG, 43 domestic and 28 foreign companies are included in the consolidated financial statements, over which Diehl Stiftung & Co. KG can exercise direct or indirect controlling influence.

The companies GMD Beteiligungs GmbH and Diehl Aviation Interiors Holding GmbH, as well as Diehl Aviation Holding GmbH and Diehl Aviation Interiors Holding GmbH, were merged.

7 domestic holdings were included in the consolidated financial statements as associated companies. The group of associated companies was expanded from the 2018 financial year by Diehl VC GmbH.

Due to their subordinate importance for conveying a true and fair view of the Group's asset, financial and earnings position, 8 companies were not consolidated. Two companies are not included in the consolidated financial statements in accordance with Section 296, Paragraph 1, No. 1 of the German Commercial Code (HGB), as the assets are limited to the respective corporate purpose.

An overview of the shareholdings and the scope of consolidation can be found in an appendix to the notes.

#### III. Consolidation principles

For companies that were included in the consolidated financial statements as fully consolidated companies as of December 31, 2009, capital consolidation is based on the book value method.

For subsidiaries that were included in the consolidated financial statements for the first time as of January 1, 2010, capital consolidation is based on the revaluation method. The assets and debts are stated at their full fair value and the acquisition value of the investment is offset against the proportional fair value of the equity capital at the time of acquisition. Any difference remaining after offsetting on the assets side is shown as goodwill.

The shares in associated companies are developed in accordance with the equity accounting rules. They are included at the time of acquisition using the book value method.

Intercompany results, sales, expenses and income as well as receivables and liabilities between fully consolidated companies are eliminated. The elimination of interim results in relation to associated companies was dispensed with, as the influence on the overall picture of the situation is of subordinate importance.

Tax deferrals are made on the consolidation processes that affect income, provided that the differing tax expenses are expected to be balanced out in later financial years.

#### IV. Accounting and valuation principles, currency conversion

The following accounting and valuation methods continued to apply to the preparation of the annual financial statements.

##### 1. Fixed assets

The **intangible assets acquired** against payment are shown at acquisition cost, less scheduled or unscheduled depreciation. The useful life is generally based on 3 years, unless a different period, e.g. B. due to the duration of usage rights. The amortization period for goodwill is a maximum of 15 years.

The **tangible assets** is valued at acquisition or production cost, reduced by scheduled or unscheduled depreciation. Production costs of self-constructed plants include not only the directly attributable costs but also a proportion of overheads and depreciation. From 2010, new investments are depreciated on a straight-line basis. Investments before 2010 are depreciated according to the tax options using the degressive or linear method. The transition to the straight-line method takes place as soon as this leads to higher depreciation. Scheduled depreciation for buildings and parts of buildings is based on useful lives of between 3 and 50 years, depending on the load. For technical systems and machines as well as other systems and items of operating and office equipment, the useful lives are in the range from 1 to 25 years. Low-value assets with acquisition costs of up to € 800 are fully written off in Germany in the year of acquisition. A fixed value is sometimes formed for tools and devices. Extraordinary depreciation is taken into account through unscheduled depreciation. A fixed value is sometimes formed for tools and devices. Extraordinary depreciation is taken into account through unscheduled depreciation.

**Shares in affiliated companies and participations** are valued at acquisition cost or the lower applicable value.

The valuation of the **shares in associated companies** is further developed in accordance with the principles of equity accounting, based on the book value. This is based on the most recent annual financial statements of these companies.

Interest-bearing **loans** are reported at their nominal value, non- interest-bearing **loans** at their present value.

**Securities held as fixed assets** are generally stated at acquisition cost or the lower applicable value.

##### 2. Current Assets

In the case of **inventories**, raw materials, consumables and supplies as well as merchandise are valued at acquisition cost or the lower stock exchange or market price.

In the case of valuation of metal inventories according to the lower of cost or market principle, the contractually agreed sales prices for the metal portion are taken into account, provided that corresponding sales contracts are already in place on the balance sheet date.

The unfinished and finished products are valued at production costs. In addition to the directly attributable costs for material and production wages, they also include a proportion of overheads.

Devaluations for inventory and usability risks are made to an appropriate extent.

If, at the time the balance sheet is drawn up, write-downs are recognizable due to cost costs not being fully covered in the proceeds, appropriate deductions are made for loss-free valuation.

Prepayments made and received are shown at their nominal value. Advance payments received are openly deducted from inventories in accordance with Section 268 (5) sentence 2 HGB.

**Receivables, other assets and cash and cash equivalents** are generally stated at their nominal values. In addition, recognizable individual risks through individual value adjustments and general credit risks as well as the costs of collecting receivables through general value adjustments are taken into account to a reasonable extent. Interest-free receivables that are expected to be received after a period of 12 months are shown at their present value. **Marketable securities** are **stated** at acquisition cost, the lower stock exchange price or at redemption value.

##### 3. Provisions / Liabilities

The **provisions for pensions and similar obligations** are valued using the actuarially modified entry age method. The calculations are based on the 2018 G mortality tables by Prof. Dr. Klaus Heubeck is based. The valuation takes into account assumptions about the future development of certain parameters. An increase of 2.90% pa is used as the wage and salary trend, the pension dynamic is assumed to be 1.65% pa. The discount is based on the interest rate of 3.21% pa set by the Bundesbank for a remaining term of 15 years

The **tax provisions** and **other provisions** take into account all uncertain obligations and all discernible risks. They are set in the amount of the settlement amount necessary according to a reasonable commercial assessment including future price and cost increases. Provisions with a remaining term of more than one year are discounted. The discount is based on the remaining term of the provision using the average market interest rate determined by the Bundesbank for the past 7 financial years.

If no valuation units are formed between metal purchase contracts and the metal portion of sales contracts, these positions are subject to a review with regard to impending losses.

All **liabilities** are **stated** with their settlement amount.

##### 4. Currency Conversion

The valuation date for the conversion of foreign currencies is generally the date of acquisition for fixed assets and the date of origin for receivables and liabilities. Short-term assets and liabilities with a term of less than one year are converted using the mean spot exchange rate on the reporting date. Receivables and liabilities with a remaining term of more than one year are valued at the mean spot exchange rate on the reporting date, taking into account the imparity principle.

Balance sheet items in foreign currency financial statements are converted at the rate on the balance sheet date. The individual equity items are converted at historical rates; the annual result is converted at the average rate for the year.

The items in the income statement are converted at the average rate for the year. Differences between the closing rate, historical rates and average rates are shown in the capital of the Diehl Stiftung & Co. KG subgroup or in the shares of other outside shareholders with no effect on income. Differences compared to the previous year's translation are taken into account without affecting income.

Currency risks are generally hedged as part of a group-wide risk management strategy. Valuation units are formed and documented in accordance with Section 254 of the German Commercial Code. When covering with forward transactions, the valuation is carried out using the corresponding hedging rates. Receivables and liabilities in the same currency and with approximately the same term are combined into valuation units, provided they correspond in terms of amount.

The freezing method (compensatory valuation) is used to account for the effective parts of the valuation units formed. The ineffective part is accounted for according to the imparity principle. As a result, positive market values are not shown in the balance sheet and a provision for impending losses is only formed for negative market values if the valuation unit created results in a negative surplus or a loss occurs in an open position.

## V. Notes on the balance sheet

### 1. Fixed assets

The development of fixed assets and depreciation is shown in an appendix to the notes. In the "Changes" column, all changes in the opening balance due to additions and disposals in the scope of consolidation and due to currency translation differences are shown.

### 2. Receivables and other assets

The following amounts of the respective items have a remaining term of more than one year:

	scroll ↔	
	T € 31.12.2018	T € 31.12.2017
Requests from deliveries and services	1,545	688
Claims against companies with which there is a participation relationship	225	231
Other assets	593	516

### 3. Deferred tax assets and liabilities

Deferred taxes (active and passive) arise from valuation differences in the commercial and tax balance sheets, tax loss carryforwards and consolidation measures, provided that the differences will be balanced out in the future. Active and passive tax deferrals are not netted.

The valuation is carried out for domestic companies with tax rates of 12% - 16% (partnerships) or 28% - 31% (corporations). In the case of foreign subsidiaries, the individual national tax rates (9% - 34%) are used.

The deferred tax assets of € 112,422 thousand result mainly from the formation of deferred taxes on different valuation approaches in the commercial and tax balance sheet (pension provisions, tax loss carryforwards, other provisions, different valuation approaches as well as depreciation methods or periods in fixed and current assets), as well as through the elimination of intercompany results in fixed assets and inventories.

The deferred tax liabilities in the amount of 10,671 T € mainly result from special tax depreciation, the only tax-admissible use of reserves (e.g. § 6b EStG), as well as different valuation approaches in the commercial and tax balance sheet.

	scroll ↔		
	As of December 31, 2018	As of December 31, 2017	Change in
	T €	T €	T €
Deferred tax assets	112,422	106,127	6,295
Deferred tax liabilities	10,671	12,033	- 1,362

### 4. Equity

The changes in equity are shown in the statement of changes in equity. The equity statement is drawn up in accordance with the principles of DRS 22.

### 5. Provisions

Securities held as fixed assets, which are used to finance working life accounts, were valued at fair value and offset against the corresponding provisions of € 10,214 thousand (offsetting plan assets). The acquisition costs amounted to € 9,248 thousand. Expenses and income were offset in the amount of € 189 thousand each.

Receivables from reinsurance policies for deferred compensation were offset against the corresponding pension provisions for reinsured deferred compensation (offsetting of plan assets). The historical acquisition costs and the fair value of the offset receivables from reinsurance policies amount to € 10,550 thousand. The settlement amount of the offset pension provision for reinsured deferred compensation corresponds to the asset value from the reinsurance (€ 10,550 thousand). Expenses and income were offset in the amount of € 181 thousand.

Cover capital for insolvency protection of lifetime working time accounts in the amount of € 4,782 thousand was offset against the corresponding provisions in the amount of € 4,461 thousand. Cover capital of € 321 thousand remained, which is reported as an active difference from the offsetting of plan assets. Expenses and income were offset in the amount of € 311 thousand.

In addition, receivables from reinsurance policies to secure partial retirement credits with a fair value and historical acquisition costs of € 103 thousand were offset against the associated obligations from the settlement arrears amounting to € 172 thousand.

In addition, other assets in the amount of € 11,698 thousand were offset against provisions for pensions.

The other provisions mainly include provisions for warranties, outstanding invoices, severance payments, leave of absence and employment companies (excluding partial retirement), for long-term accounts, for flextime surpluses, for contractual penalties, for royalties and gratuities.

### 6. Liabilities

The total amount of liabilities and the breakdown of the individual liability items according to their remaining term are shown in an appendix to the notes.

The total amount of collateral granted for own liabilities to banks is € 6,646 thousand, in the form of pledged accounts and land charges.

The other liabilities relate to:

	scroll ↔	
	T € 31.12.2018	T € 31.12.2017
Social security liabilities	6,920	6,824
Tax liabilities	39,222	37,794

### 7. Derivative financial instruments and valuation units

The Diehl Group uses futures contracts for its business activities in order to manage risks in connection with currency and metal price fluctuations that arise between the date of the conclusion and the settlement date.

The companies conclude currency forwards with Diehl Stiftung & Co. KG. This in turn concludes suitable contracts with banks, essentially of the same amount and time. These contracts are used in accordance with uniform guidelines, are subject to internal controls and are limited to hedging business transactions in foreign currencies.

The nominal volume and the market values of the derivative financial instruments existing on the balance sheet date are as follows:

scroll ↔

in € m Art	Market values		Nominal volume
	positive	negative	
Forward foreign exchange transactions			
USD	14th	82	1,878
PLN	0	0	31
HOOF	0	0	13th
MXN	1	0	12th
GBP	0	0	11
Other currencies	0	0	3
Commodity futures			
Exchange non-ferrous metals	1	1	71

The nominal volume is the sum of all buying and selling amounts of derivative financial transactions.

The market value of currency and commodity futures is calculated on the basis of the forward value applicable on the balance sheet date for the respective remaining term of the contract compared to the contracted forward value (mark-to-market method).

Forward exchange contracts are used to hedge business transactions in foreign currencies and valuation units are formed that cover risks of € 15 million as of the balance sheet date. Foreign currency positions are valued within the framework of micro, macro and portfolio hedges. The valuation units include foreign currency receivables (€ 226.6 million), cash and cash equivalents (€ 46.1 million), foreign currency liabilities (€ 56.0 million), firm contracts not yet included in the balance sheet (€ 1,418.1 million) and with Transactions expected with a high degree of probability (€ 202.4 million) included. The transactions expected with a high degree of probability relate mainly to expected orders or procurement processes.

The transactions combined in the valuation units are subject to the same risk. Accordingly, it is to be expected that the opposing changes in value of the underlying and hedging transactions will fully offset each other in the future for the respective hedged risk. The prospective effectiveness of the hedging relationships is determined on each balance sheet date using the critical terms match method. This ensures that the value-determining factors (nominal value, term, currency) match the underlying transaction and the hedging instrument. The individual hedging relationships are therefore classified as effective over the entire hedging period. The same applies to the retrospective determination of the previous effectiveness. Here too, a critical terms match is used to prove that all value-determining factors between the hedged part of the underlying transaction and the hedging part of the hedging instruments match. In these cases, there can be no accounting-relevant ineffectiveness related to the valuation units.

The metal price risks from metal procurement and metal sales contracts (pending transactions) result from changes in prices for primary metals, scrap and semi-finished products between the time of the contract and the time of fulfillment. Buy and sell contracts that are not covered by physical counter-trades are hedged with corresponding stock exchange positions.

To hedge metal price risks (pending transactions), commodity futures and forwards are concluded. Both micro and portfolio hedges are formed as part of the assessment.

The underlying transactions summarized in the portfolio hedges exhibit extremely homogeneous risks. In the case of the hedging transactions, the contract volume is selected in such a way that it corresponds to the contract volume of the underlying transactions - based on the respective primary metal content.

Underlying and hedging transactions are included in the valuation units with the following market values (forward value on the balance sheet date compared to the contracted forward value):

	scroll ↔			
	Pending procurement transactions	Secured by means of commodity futures	Pending sales transactions	Secured by means of commodity futures
Metals December 31, 2018				
Market value in € m	0	0.3	2.3	-1.2

For the valuation units, the changes in value of the pending sales and procurement transactions are secured over a period of up to 2 years.

The opposite changes in the value of these underlying and hedging transactions are expected to balance each other out in full over the next 2 years. The measurement of the effectiveness of the valuation units created is carried out with the help of the "dollar offset method" in cumulative form, taking into account specified risk limits. With the "dollar offset method", the cumulative changes in market value of the underlying transactions are compared with the cumulative changes in market value of the hedging transactions from the time of designation in absolute monetary amounts. The "dollar offset test" is carried out on each closing date.

As of the balance sheet date, provisions of € 0.02 million were set up. The amount of the risks hedged with micro or portfolio hedges is € 2.2 million, ie negative changes in value were avoided at this level as of the reporting date. Transactions with a volume of € 7.9 million expected with a high degree of probability were included in the valuation units.

## 8. Contingent Liabilities

As of the reporting date, there were liabilities from guarantees in the amount of € 23.5 million (previous year: € 17.3 million) and from warranty agreements in the amount of € 59.9 million (previous year: € 20 million).

Contingent liabilities to associated companies amounted to € 77.2 million on the reporting date (PY: € 31.2 million).

Due to the previous business development of the individual companies in favor of which the contingent liabilities exist, no claims are expected from the stated contingent liabilities.

Indirect pension obligations are not shown in the consolidated balance sheet. The corresponding deficit to affiliated, non-consolidated companies is included in the contingent liabilities (liabilities from warranty agreements) in the amount of € 4.3 million (PY: € 4.6 million).

## 9. Other Financial Obligations

Financial obligations from long-term contracts amount to € 904.9 million. These mainly relate to obligations from order commitments and quantity contracts for metal (purchasing) that have not yet been fixed in terms of price, obligations from rental and leasing contracts, obligations from commodity futures (metal), offset obligations and repayment obligations for development subsidies.

As of the reporting date, there were other financial obligations to associated companies in the amount of € 42 million (PY: € 40 million).

## VI. Notes on the income statement

### 1. Sales

The sales break down as follows:

	scroll ↔		
	Total € million	Domestic € m	Abroad € million
2018			
Metal subgroup	913	429	484
Subgroup Controls	533	89	444
Defense subgroup	464	268	196
Aviation subgroup	1,476	613	863

	Total € million	Domestic € m	Abroad € million
2018			
Metering subgroup	297	50	247
Services / other	11	11	0
total	3,694	1,460	2,234
			scroll ↔
	Total € million	Domestic € m	Abroad € million
2017			
Metal subgroup	917	425	492
Subgroup Controls	558	95	463
Defense subgroup	456	248	208
Aviation subgroup	1,532	663	869
Metering subgroup	275	52	223
Services / other	11	11	0
total	3,749	1,494	2,255

The foreign sales are mainly achieved in other European countries, in China and in North America.

## 2. Other operating income

This includes income from currency translation in the amount of € 8.7 million (PY: € 8.8 million).

## 3. Depreciation

Extraordinary depreciation due to permanent impairment was made in the amount of € 3.2 million. This mainly affects the item depreciation on property, plant and equipment and intangible fixed assets in the income statement.

## 4. Other operating expenses

Other operating expenses include other taxes in the amount of € 6.6 million (previous year: € 6.7 million) and expenses from currency translation in the amount of € 12.2 million (previous year: € 7.7 million).

## 5. Other interest and similar income / interest and similar expenses

The item other interest and similar income contains income from the discounting of provisions in the amount of € 1.5 million (PY: € 2.0 million).

Interest and similar expenses includes expenses from the compounding of provisions in the amount of € 59.0 million (PY: € 46.6 million).

## 6. Taxes on income and earnings

This includes corporate income tax, trade income tax, deferred income taxes and comparable foreign income taxes.

## 7. Income / expenses relating to other periods

The other operating income includes income not relating to the accounting period in the amount of € 43.5 million. These result mainly from income from the use of certain provisions and the reversal of unused provisions.

Out-of-period expenses arose in the amount of € 11.9 million. The adjustment of the mortality tables by Prof. Dr. Klaus Heubeck.

## 8. Income and expenses of exceptional magnitude and importance

Larger individual incidents result on the one hand from other operating income in the amount of € 7.5 million from the settlement of a legal dispute and from structural adjustments in the amount of around € 40 million in other operating expenses.

## VII. Other information

### 1. Notes on the cash flow statement

The cash flow statement is prepared in accordance with the principles of DRS 21 using the indirect method. Cash and cash equivalents consist of cash on hand and bank balances after deducting liabilities due at any time.

The payments to shareholders include distributions to third-party shareholders as well as the withdrawals that were made primarily as part of the tax assessment of the shareholders of Diehl Stiftung & Co. KG.

### 2 co-workers

	Annual average	
	2018	2017
Metal subgroup	3,407	3,334
Subgroup Controls	3,688	3,747
Defense subgroup	2,354	2,245
Aviation subgroup	5,285	5,116
Metering subgroup	1,684	1,686
Services / other	423	410
Workers	16,841	16,538
trainee	425	425
total	17,266	16,963

### 3. Information on auditor fees

	scroll ↔	
	Group auditor	Other auditors
in T € Art		
Audit services	1,346	113
Other certification services	57	44
Tax advisory services	950	0
Other services	35	25th
total	2,388	182

### 4. Supplementary report

Between the balance sheet date of December 31, 2018 and April 10, 2019, no events of particular significance occurred at the companies included in the consolidated financial statements that would have had an impact on the company's asset, financial and earnings position.

### 5. Information in accordance with Section 314 (1) No. 6 HGB

The total remuneration of the members of the Executive Board in the year under review amounted to € 5,821 thousand. The remuneration of former members of the Management Board and their surviving dependents amounts to € 717 thousand, the pension provisions for this group of people amount to € 11,024 thousand.

**6. Group affiliation**

The annual financial statements of Diehl Stiftung & Co. KG, Nuremberg, are included in the consolidated financial statements of Diehl Verwaltungs-Stiftung, Nuremberg, which are submitted electronically to the operator of the Federal Gazette and published in the Federal Gazette.

**7. Appropriation of earnings**

The usable annual profit of € 23,046,645.58 is allocated to the reserves in the amount of € 6,567,000.00 in accordance with the Articles of Association and the remaining amount of € 16,479,645.58 is credited to the shareholders.

**8. Special regulations for commercial partnerships**

By including them in the consolidated financial statements and by disclosing the consolidated financial statements, the following commercial partnerships are exempt from the obligation to disclose their annual financial statements in accordance with Section 264b HGB:

scroll ↔

Diehl AKO Foundation &amp; Co. KG, Wangen im Allgäu

Diehl Defense GmbH &amp; Co. KG, Überlingen

Diehl Metall Stiftung &amp; Co. KG, Röthenbach ad Pegnitz

Diehl Röthenbach GmbH &amp; Co. KG, Nuremberg

Sundwiger Messingwerk GmbH &amp; Co. KG, Hemer

In addition, the following corporations are exempt from disclosing their audited annual financial statements in accordance with Section 264 (3) HGB:

scroll ↔

Diehl Aviation Holding GmbH, Nuremberg

Diehl Assekuranz Rückversicherungs- und Vermittlungs-AG, Nuremberg

Diehl Training and Qualification GmbH, Nuremberg

Diehl Beteiligungen GmbH, Nuremberg

Diehl Connectivity Solutions GmbH, Nuremberg

Diehl Controls Nürnberg Verwaltungs GmbH, Nürnberg

Diehl Defense Holding GmbH, Überlingen

Diehl Defense Land Systems GmbH, Freisen

DIEHL Gas Metering GmbH, Ansbach

DIEHL Informatik GmbH, Nuremberg

Diehl Metal Applications GmbH, Röthenbach ad Pegnitz

Diehl Metering GmbH, Ansbach

Diehl Metering Systems GmbH, Nuremberg

Diehl Service Modules GmbH, Hamburg

Diehl Track Limited Liability Company, Nuremberg

Diehl Ventures GmbH, Nuremberg

Diehl Retrofit Missile Systems GmbH, Überlingen

Integra Vermögensverwaltungs- und Beteiligungsgesellschaft mbH, Nuremberg

JUNGHANS Microtec GmbH, Dunningen-Seedorf

SMH Süddeutsche Metallhandelsgesellschaft with limited liability, Nuremberg

Zehdenick Innovative Metall- und Kunststofftechnik GmbH, Zehdenick

**Nuremberg, April 10, 2019**

**The management**  
**Diehl Verwaltungs-Stiftung**

**Dr. Karl Tragl****Wolfgang Weggen****DEVELOPMENT OF THE CAPITAL ASSETS****OF THE GROUP (T €)**

scroll ↔

	As of December 31, 2017	Acquisition / production costs		Attribution
		Changes	Accesses	
I. Intangible Assets				
1. Concessions, industrial property rights and licenses acquired against payment	116,986	255	12,744	0

## Acquisition / production costs

	As of December 31, 2017	Changes	Accesses	Attribution
2. Goodwill	216,399	602	0	0
3. Advance payments made	1,962	-4	1,568	0
	335,347	853	14,312	0
II. Tangible assets				
1. Land, land rights and buildings, including buildings on third-party land	520.893	-158	5,097	0
2. Technical systems and machines	833.950	-78	32,053	0
3. Other equipment, factory and office equipment	522,000	-979	26,818	0
4. Advance payments and assets under construction	41,678	-103	40,198	0
	1,918,521	-1,318	104,166	0
III. Financial assets				
1. Shares in affiliated companies	3,679	0	0	0
2. Shares in associated companies	6,805	0	481	-100
3. Other participations	2,674	0	933	0
4. Loans to companies with which there is a participation relationship	559	0	0	0
5. Securities held as fixed assets	5	0	0	0
6. Other loans	5,555	-14	747	0
	19,277	-14	2,161	-100
total	2,273,145	-479	120,639	-100

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## Acquisition / production costs

	Departures	Rebooking	As of December 31, 2018
I. Intangible Assets			
1. Concessions, industrial property rights and licenses acquired against payment	798	1,728	130.915
2. Goodwill	2,650	0	214.351
3. Advance payments made	0	-1,636	1,890
	3,448	92	347.156
II. Tangible assets			
1. Land, land rights and buildings, including buildings on third-party land	6.711	2,470	521.591
2. Technical systems and machines	15.163	38,480	889.242
3. Other equipment, factory and office equipment	21,867	-19,615	506.357
4. Advance payments and assets under construction	20th	-21,427	60,326
	43,761	-92	1,977,516
III. Financial assets			
1. Shares in affiliated companies	0	0	3,679
2. Shares in associated companies	0	0	7.186
3. Other participations	0	0	3,607
4. Loans to companies with which there is a participation relationship	108	0	451
5. Securities held as fixed assets	0	0	5
6. Other loans	306	0	5,982
	414	0	20,910
total	47,623	0	2,345,582

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## Depreciation

	As of December 31, 2017	Changes	Accesses	Attribution
I. Intangible Assets				
1. Concessions, industrial property rights and licenses acquired against payment	101,556	32	9,180	0
2. Goodwill	215.231	602	1,127	0
3. Advance payments made	0	0	0	0
	316,787	634	10,307	0
II. Tangible assets				
1. Land, land rights and buildings, including buildings on third-party land	337,527	1	9,099	0
2. Technical systems and machines	673.721	165	42,909	0
3. Other equipment, factory and office equipment	378,556	-576	29,649	0
4. Advance payments and assets under construction	0	0	0	0
	1,389,804	-410	81,657	0
III. Financial assets				
1. Shares in affiliated companies	2,701	0	0	0
2. Shares in associated companies	1.007	0	1,063	0
3. Other participations	1,955	0	0	0
4. Loans to companies with which there is a participation relationship	0	0	0	0
5. Securities held as fixed assets	1	0	1	0
6. Other loans	67	-1	0	-66
	5,731	-1	1,064	-66
total	1,712,322	223	93,028	-66

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## Depreciation

	Departures	Rebooking	Difference between average and closing rate As of December 31, 2018
I. Intangible Assets			

## Depreciation

Difference between  
average and closing

	Departures	Rebooking	rate	As of December 31, 2018
1. Concessions, industrial property rights and licenses acquired against payment	727	-16	6th	110.031
2. Goodwill	2,650	0	0	214.310
3. Advance payments made	0	0	0	0
	3,377	-16	6th	324,341
II. Tangible assets				
1. Land, land rights and buildings, including buildings on third-party land	3,400	513	-3	343,737
2. Technical systems and machines	14,948	13,370	-55	715.162
3. Other equipment, factory and office equipment	20,607	-13,867	-17	373.138
4. Advance payments and assets under construction	0	0	0	0
	38,955	16	-75	1,432,037
III. Financial assets				
1. Shares in affiliated companies	0	0	0	2,701
2. Shares in associated companies	0	0	0	2,070
3. Other participations	0	0	0	1,955
4. Loans to companies with which there is a participation relationship	0	0	0	0
5. Securities held as fixed assets	0	0	0	2
6. Other loans	0	0	0	0
	0	0	0	6,728
total	42,332	0	-69	1,763,106

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## Residual book values

As of December 31, As of December 31,  
2018 2017

	As of December 31, 2018	As of December 31, 2017
I. Intangible Assets		
1. Concessions, industrial property rights and licenses acquired against payment	20,884	15,430
2. Goodwill	41	1,168
3. Advance payments made	1,890	1,962
	22,815	18,560
II. Tangible assets		
1. Land, land rights and buildings, including buildings on third-party land	177.854	183,366
2. Technical systems and machines	174.080	160.229
3. Other equipment, factory and office equipment	133.219	143,444
4. Advance payments and assets under construction	60,326	41,678
	545.479	528.717
III. Financial assets		
1. Shares in affiliated companies	978	978
2. Shares in associated companies	5.116	5,798
3. Other participations	1,652	719
4. Loans to companies with which there is a participation relationship	451	559
5. Securities held as fixed assets	3	4th
6. Other loans	5,982	5,488
	14,182	13,546
total	582.476	560.823

## SHARES AS OF DECEMBER 31, 2018

## DES TK DIEHL FOUNDATION

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Name and seat of the company	Capital share %
1) Affiliated companies within the scope of consolidation	
Production and sales companies	
inland	
AIM Infrared Module GmbH, Heilbronn	50.0
Diehl & Eagle-Picher limited liability company, Röthenbach	55.0
Diehl Aerospace GmbH, Überlingen	51.0
Diehl AKO Foundation & Co. KG, Wangen im Allgäu	100.0
Diehl Aviation Gilching GmbH, Gauting	100.0
Diehl Aviation Hamburg GmbH, Hamburg	100.0
Diehl Aviation Laupheim GmbH, Laupheim	94.0
Diehl Connectivity Solutions GmbH, Nuremberg	100.0
Diehl Defense GmbH & Co. KG, Überlingen	100.0
DIEHL Gas Metering GmbH, Ansbach	100.0
Diehl Metal Applications GmbH, Röthenbach ad Pegnitz	100.0
Diehl Metall Stiftung & Co. KG, Röthenbach ad Pegnitz	100.0
Diehl Metering GmbH, Ansbach	98.8
Diehl Metering Systems GmbH, Nuremberg	100.0
Diehl Retrofit Missile Systems GmbH, Überlingen	100.0
Diehl Service Modules GmbH, Hamburg	100.0
Diehl Werkzeugbau Seebach GmbH, Seebach	100.0
DynITEC GmbH, Troisdorf	58.8
JUNGHANS Microtec GmbH, Dunningen	55.0
SMH Süddeutsche Metallhandelsgesellschaft with limited liability, Nuremberg	100.0
Sundwiger Messingwerk GmbH & Co. KG, Hemer	100.0
Zehdenick Innovative Metall- und Kunststofftechnik GmbH, Zehdenick	100.0
foreign countries	

Name and seat of the company	Capital share
Diehl Aerospace Pte. Ltd., Singapore	100.0
Diehl Aerospace, Inc., Birmingham / Alabama, USA	100.0
Diehl Augé Découpage SAS, Besançon, France	100.0
Diehl Aviation Hungary Kft., Nyírbátor, Hungary	100.0
Diehl Controls (Nanjing) Co., Ltd., Nanjing, China	100.0
Diehl Controls México SA de CV, El Marqués / Querétaro, Mexico	100.0
Diehl Controls North America Inc., Wilmington, Delaware, USA	100.0
Diehl Controls Polska Sp. Z oo, Namysłów, Poland	100.0
Diehl do Brasil Metalúrgica Limitada, São Paulo, Brazil	100.0
Diehl Metal India Private Limited, Pune, Maharashtra, India	100.0
Diehl Metall (Shenzhen) Co. Ltd., Shenzhen, China	100.0
Diehl Metering (Jinan) Co., Ltd., Jinan, China	100.0
Diehl Metering ApS, Esbjerg, Denmark	100.0
Diehl Metering GesmbH, Vienna, Austria	100.0
Diehl Metering LLC, Wilmington / Delaware, USA	100.0
Diehl Metering SAS, Saint-Louis, France	100.0
Diehl Metering Sp. Z oo, Bażanowice, Poland	100.0
DIEHL POWER ELECTRONIC SAS, Siaugues Sainte Marie, France	100.0
Diehl SynchroTec Manufacturing (Wuxi) Co., Ltd., Wuxi, Jiangsu, China	100.0
Franconia Industries, Inc., Albany / New York, USA	100.0
Junghans T2M SAS, La Ferté Saint-Aubin, France	100.0
The Miller Company, Meriden / Connecticut, USA	100.0
Administrative, real estate and other companies inland	
Afelixa Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	94.0
Diehl Assekuranz Rückversicherungs- und Vermittlungs-AG, Nuremberg	100.0
Diehl Training and Qualification GmbH, Nuremberg	100.0
Diehl Aviation Holding GmbH, Nuremberg	100.0
Administrative, real estate and other companies (continued)	
Diehl Beteiligungen GmbH, Nuremberg	100.0
Diehl Controls Nürnberg Verwaltungs GmbH, Nürnberg	100.0
Diehl Defense Holding GmbH, Überlingen	100.0
Diehl Defense Land Systems GmbH, Freisen	100.0
Diehl Defense Verwaltungs-GmbH, Überlingen	100.0
DIEHL Informatik GmbH, Nuremberg	100.0
Diehl Röthenbach GmbH & Co. KG, Nuremberg	100.0
Diehl Röthenbach Verwaltungs GmbH, Nuremberg	100.0
Diehl Track Limited Liability Company, Nuremberg	100.0
Diehl Ventures GmbH, Nuremberg	100.0
GEBRÜDER JUNGHANS GESELLSCHAFT WITH LIMITED LIABILITY, Röthenbach ad Pegnitz	95.9
Goma GmbH, Röthenbach ad Pegnitz	100.0
Gummiwerk Blankenheim GmbH, Nuremberg	100.0
Integra Vermögensverwaltungs- und Beteiligungsgesellschaft mbH, Nuremberg	100.0
Neubrandenburger Fahrzeugwerke GmbH, Nuremberg	100.0
Pyrotechnische Fabrik (PYF) GmbH, Röthenbach ad Pegnitz	100.0
Sundwiger Messingwerk Verwaltungs GmbH, Hemer	100.0
foreign countries	
Diehl Americas, Inc., Wilmington / Delaware, USA	100.0
Diehl Iberia Sistemas, SA, Seville, Spain	100.0
Diehl Metal Applications France SAS, Besançon, France	100.0
DIEHL METERING INDUSTRIA DE SISTEMA DE MEDICAO LTDA, Recife, Brazil	100.0
Hydrometer Verwaltungsgesellschaft mbH, Vienna, Austria	100.0
Metares SAS iL, Saint-Louis, France	100.0
2) Affiliated companies outside the scope of consolidation	
Diehl Metering AB, Stockholm, Sweden	100.0
Diehl Metering FZE, Dubai, United Arab Emirates	100.0
Diehl Metering Limited, Halifax / West Yorkshire, Great Britain	100.0
Diehl Metering Pte. Ltd., Singapore	100.0
Diehl Metering SL, Madrid, Spain	100.0
Diehl Metering SRL, Milano, Italy	100.0
Diehl Middle East GmbH, Nuremberg	100.0
FFT Fahrzeugbau und Fahrzeugtechnik GmbH, Nuremberg	100.0
Heinrich Diehl Memorial Fund Limited Liability Company, Nuremberg	100.0
Mauser-Werke Oberndorf support fund company with limited liability, Oberndorf am Neckar	100.0
3) Associated companies (equity accounting)	
Diehl VC GmbH, Nuremberg	49.6
EuroSpike GmbH, Röthenbach ad Peg.	40.0
GIWS Society for Intelligent Active Systems mbH, Nuremberg	50.0
LOG GmbH, Bonn	25.0
PARSYS GmbH, Schrobenhausen	50.0
RAM-SYSTEM limited liability company, Ottobrunn	50.0
ROCKETHOME GmbH, Cologne	25.1
4) Participations (shareholdings from 20%)	
Diehl Kuwait General Trade & Contracting WLL, iL Dasman, Kuwait	49.0
HIL Industrie-Holding GmbH iL, Bonn	33.3
OEM Defense Services SAS, Elancourt, France	20.0
OEMServices SAS, Tremblay en France, France	25.0
Schramberger Housing, Limited Liability Company, Schramberg	24.1
Troisdorf permission holder company mbH, Troisdorf	20.0

## RESIDUAL TERMS OF LIABILITIES OF THE GROUP AS OF DECEMBER 31, 2018

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December 31, 2018  
thereof with a remaining maturity

LIABILITIES:	Total amount as of December 31, 2018 T €	up to 1 year T €	more than 1 year T €	more than 5 years T €
1. Liabilities to banks	122.293	60,635	61,658	18,278
2. Trade accounts payable	292.028	292.028	0	0
3. Liabilities to affiliated companies	2,707	2,707	0	0
4. Liabilities to companies with whom there is a participation relationship	47,736	25,981	21,755	0
5. Other Liabilities	138,371	130,892	7,479	4.212
<b>TOTAL</b>	<b>603.135</b>	<b>512.243</b>	<b>90,892</b>	<b>22,490</b>

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December 31, 2017  
thereof with a remaining maturity

LIABILITIES:	Total amount as of December 31, 2017 T €	up to 1 year T €	more than 1 year T €	more than 5 years T €
1. Liabilities to banks	119,877	60,652	59,225	7,326
2. Trade accounts payable	312,775	312,772	3	0
3. Liabilities to affiliated companies	2,090	2,090	0	0
4. Liabilities to companies with whom there is a participation relationship	40.025	22,686	17,339	0
5. Other Liabilities	144,730	136,873	7,857	4,052
<b>TOTAL</b>	<b>619.497</b>	<b>535.073</b>	<b>84,424</b>	<b>11,378</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR 2018**

**THE DIEHL FOUNDATION & CO. KG**

	2018	2017
[T €]		
Annual surplus	67,409	135,549
Adjustment of the difference on the closing rate / average rate	60	-453
Depreciation / write-ups on fixed assets	92,891	84,362
Increase / decrease in provisions	9,425	-29,109
Other non-cash expenses / income	-4,739	3,251
Profit from the disposal of fixed assets	-294	-7,942
Increase / decrease in inventories, trade accounts receivable and other assets	-153,801	5,974
Increase in trade payables and other liabilities	135,701	-35,366
Interest expenses / interest income	79,373	66,030
Other investment income	-1,231	-930
Income tax expense	76.169	74,215
Income tax payments	-68.034	-81,725
Income from grants	-10,861	-8,676
Cash generated from operations	222,068	205,180
Payments received from the disposal of items of property, plant and equipment and intangible assets	5,171	16,331
Payments for investments in property, plant and equipment and intangible assets	-118,433	-108,100
Payments from disposals of financial assets / for financial assets	-1,988	-2,699
Payments due to financial investments in the context of short-term financial management	-36	-33
Interest received	1,976	1,147
Dividends received	1,231	930
Cash flow from investing activities	-112,079	-92,424
Inpayments / payments out of capital increases and changes in shareholder loans	0	-4,900
Payouts to shareholders	-46,347	-39,776
Payments from the repayment of bank and other financing liabilities	-28,923	-63,223
Payments received from taking on bank and other financial liabilities	23,246	5,648
Payments from grants / donations received	10,861	8,676
Interest Paid	-16,279	-14,879
Cash flow from financing activities	-57,442	-108,454
Cash changes in cash and cash equivalents	52,547	4,302
Changes in cash and cash equivalents due to exchange rates, the scope of consolidation and valuation	423	8,568
Cash and cash equivalents at the beginning of the period	302.651	289.781
Cash and cash equivalents at the end of the period	355,621	302.651

Cash and cash equivalents increased by € 20.4 million (December 31, PY € 27.4 million ) of liabilities due to banks and others short-term financial liabilities reduced.

**Development of the group equity**

**of the Diehl Foundation & Co. KG**

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in T €	Limited partnership capital	Parent Company Equity Capital shares (total)
As of December 31, 2017	103,000	103,000
Credit to shareholder accounts in debt		

	Limited partnership capital	Parent Company Equity Capital shares (total)
in T €		
Distributions to non-controlling shareholders		
Allocation to reserves		
Currency conversion		
Other changes		
Consolidated net income		
As of December 31, 2018	103,000	103,000

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	Parent Company Equity			Equity parent company
	Diehl Stiftung & Co. KG reserves	Other reserves of the group	Difference in equity from currency conversion	
in T €				
As of December 31, 2017	211,973	369,701	-12,112	672,562
Credit to shareholder accounts in debt		-16,480		-16,480
Distributions to non-controlling shareholders				
Allocation to reserves	6,567	-6,567		
Currency conversion			-2,130	-2,130
Other changes		24		24
Consolidated net income		42,810		42,810
As of December 31, 2018	218,540	389,488	-14,242	696,786

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	Non-controlling interests			Group
	Non-controlling interests before net income	Profits / losses attributable to non-controlling interests	Shares of other shareholders	Equity
in T €				
As of December 31, 2017	40,372	20,670	61,042	733,604
Credit to shareholder accounts in debt				-16,480
Distributions to non-controlling shareholders	-19,064		-19,064	-19,064
Allocation to reserves				
Currency conversion	206		206	-1,924
Other changes	-37		-37	-13
Consolidated net income		24,599	24,599	67,409
As of December 31, 2018	21,477	45,269	66,746	763,532

## INDEPENDENT AUDITOR'S REPORT

### To the Diehl Foundation & Co. KG, Nuremberg

#### Examination Opinions

We have prepared the consolidated financial statements of Diehl Stiftung & Co. KG, Nuremberg, and its subsidiaries (the group) - consisting of the consolidated balance sheet as of December 31, 2018, the consolidated income statement, the consolidated equity statement and the consolidated cash flow statement for the financial year from December 1, 2018 January to December 31, 2018 as well as the notes to the consolidated financial statements, including the presentation of the accounting and valuation methods. In addition, we have audited the group management report of Diehl Stiftung & Co. KG for the financial year from January 1 to December 31, 2018.

According to our assessment based on the knowledge gained during the audit

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- the attached consolidated financial statements comply in all material respects with the provisions of German commercial law and, in compliance with German generally accepted accounting principles, give a true and fair view of the Group's assets and financial position as of December 31, 2018 and its earnings position for the financial year from January 1 to as of December 31, 2018 and
- the attached group management report gives an overall accurate picture of the group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the group management report.

#### Basis for the examination results

We carried out our audit of the consolidated financial statements and the group management report in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institut der Wirtschaftsprüfer (IDW). Our responsibility in accordance with these regulations and principles is described in more detail in the section "Auditor's responsibility for the audit of the consolidated financial statements and the group management report" of our auditor's report. We are independent of the group companies in accordance with German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe

#### Responsibility of the legal representatives for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with the German commercial law in all essential respects, and for ensuring that the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the company in accordance with German principles of proper accounting Group mediated. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of consolidated financial statements that are free from material - intentional or unintentional - misrepresentation.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing matters relating to the going concern of the company, if relevant. In addition, they are responsible for accounting for the going concern basis of accounting, unless actual or legal circumstances conflict with this.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides an accurate picture of the group's position, is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and

measures (systems) that they have deemed necessary to enable the preparation of a group management report in accordance with the applicable German legal regulations and to provide sufficient suitable evidence for the statements in the group management report can.

Auditor's responsibility for the audit of the consolidated financial statements and the group management report

Our objective is to obtain sufficient certainty as to whether the consolidated financial statements as a whole are free of material - intended or unintentional - misrepresentation, and whether the group management report as a whole gives an accurate picture of the Group's position and, in all material matters, with the consolidated financial statements as well is consistent with the knowledge gained during the audit, complies with German legal requirements and correctly presents the opportunities and risks of future development, and issues an auditor's report that includes our audit opinions on the consolidated financial statements and the group management report.

Adequate security is a high level of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) in accordance with the German principles of proper auditing established by the Institute of Auditors (IDW) will always reveal a material misrepresentation. Misrepresentations can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they individually or collectively influence the economic decisions of the addressees made on the basis of these consolidated financial statements and group management report.

During the examination, we exercise due discretion and maintain a critical attitude. Furthermore

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- we identify and assess the risks of material - intentional or unintentional - misrepresentations in the consolidated financial statements and the group management report, plan and carry out audit procedures in response to these risks and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misrepresentations will not be detected is higher in the case of violations than inaccuracies, since violations can involve fraudulent cooperation, forgeries, intentional incompleteness, misleading representations or the overriding of internal controls.
- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the provisions and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of providing an audit opinion on the effectiveness of these Systems.
- We assess the appropriateness of the accounting methods used by the legal representatives and the acceptability of the estimated values presented by the legal representatives and the information related to them.
- we draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances, the significant doubts about the Group's ability to continue as a going concern can raise. If we come to the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the consolidated financial statements and in the group management report in the auditor's report, or if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, mean that the group can no longer continue its business activities.
- we assess the overall presentation, structure and content of the consolidated financial statements, including the information, and whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the group.
- We obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the group in order to issue audit opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and execution of the group audit. We are solely responsible for our audit opinions.
- We assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the picture it provides of the group's position.
- we perform audit procedures on the future-oriented information presented by the legal representatives in the group management report. On the basis of sufficient suitable audit evidence, we particularly review the significant assumptions on which the future-oriented information is based on the legal representatives and assess whether the future-oriented information was properly derived from these assumptions. We do not issue an independent audit opinion on the future-oriented information or the underlying assumptions. There is a significant unavoidable risk

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

**Munich, May 15, 2019**

**PricewaterhouseCoopers GmbH**  
**auditing company**

***Dr. Peter Bartels, auditor***

***Thorsten Dzulko, auditor***

The consolidated financial statements as of December 31, 2018 were approved on May 15, 2019.