Search in all areas

Windhoff Bahn- und Anlagentechnik GmbH, Rheine

Accounting / financial reports

company
information
designation

Windhoff Bahn- und Anlagentechnik GmbH

Rheine

Consolidated financial statements for the financial year from 01/01/2018 to 12/31/2018

Group management report for the 2018 financial year

1. Foundations of the group

1.1 business model

The origins of the Windhoff Group as a manufacturer of mechanical and plant engineering products go back to 1889. The focus is on the design, assembly, commissioning and system integration of technologically sophisticated products for the construction and maintenance of overhead contact lines and track systems, for mechanical Equipment for railway depots and for shunting tasks in the railway and industrial sectors. While rail and shunting technology products are sold through a global network of sales partners, the focus is on rail vehicle technology in Western Europe.

In addition to the main location in Rheine, Windhoff has other companies for service activities on rail vehicles in Switzerland, Great Britain and Norway. In addition, there has been a sales and service company in Singapore since 2003, mainly for rail technology products. In March 2015, a joint venture with APEL Gleisbautechnik GmbH was founded, which has exclusively taken over the distribution of attachments for Windhoff and APEL Gleisbautechnik. The entirety of the companies is referred to below as the Windhoff Group.

1.2 Basics of internal control and control indicators

For corporate management, the Windhoff Group uses key figures that aim to optimally control business development in terms of growth, earnings and liquidity.

The most important key figures that are used for control are sales and earnings after taxes. The sickness rate and training rate are used as non-financial performance indicators.

2 Economic report

2.1 General economic conditions [1]

For 2018 and 2019, the German Council of Economic Experts is forecasting an increase in world GDP of 3.7% and 2.9% respectively. The upswing continues in the advanced economies. A significant part of the strong recovery in the global economy is likely due to the fact that several significant risks have lost their weight from the perspective of the market players. Among other things, the Chinese economy continues to grow vigorously and the protectionist measures announced by the USA have so far largely failed to materialize. The Brexit vote and the subsequent exit negotiations accompanied a slowdown in growth in the UK, but not an economic slump.

The rate of growth is slowing in the euro area. For 2019 the European Commission expects a growth rate of only 1.2%. This is due, among other things, to the increasingly utilized production capacities and the weaker impulses from abroad. The number of people in employment in the euro area has returned to the pre-crisis level of 2007. The upswing is being driven in particular by consumption.

In view of the recent currency volatility of the euro in major foreign currencies and currencies in emerging countries, it remains to be seen how much the export trend will be dampened by the decline in price competitiveness.

2.2 Industry development [2]

The economic framework conditions of the Windhoff Group essentially depend on the development in the railway industry and the public funds made available for the expansion and modernization of the railway sector. The economic development in the world, in Europe or in Germany plays a rather subordinate role.

The Association of the Railway Industry (VdB) reported a turnover of 12 billion euros for 2018, the highest turnover in three years. Sales have thus increased by 9% compared to the same period of the previous year. The domestic market in particular grew strongly by 20.6% to 7.6 billion euros, while export sales fell by 6.4%. The export quota was 37%. This decision is a crystal clear symptom of the growing isolation of international markets through high localization obligations and excessive tariffs. The rail vehicle business accounts for around 72% of sales. Sales in this area totaled 8.6 billion euros, of which 5.5 billion euros in Germany. Abroad, the rail vehicle business was slightly weaker than in 2017, with a decline of 14% to 3.1 billion euros. At around 3.4 billion euros, sales of infrastructure equipment were around 10% above the previous year's level. Both domestic and export business contributed to the positive development. Overall, the number of employees rose slightly to 52,100.

2.3 Presentation of the course of business s

2.3.1 Development of sales and orders

The order intake of the Windhoff Group totaled T € 39,242 in the 2018 financial year. In the field of rail vehicle technology, no major orders were placed in the market relevant for Windhoff in 2018 that fit into the risk portfolio, so that incoming orders in this market segment remained significantly below the level of recent years. In the area of rail and shunting technology, incoming orders of € 34,669 thousand were achieved. At the end of the year the order backlog amounted to T € 119,319.

Compared to the previous year, sales rose by 113.7% to € 115,891 thousand.

	2018	2017	change	
	T €	T €	T €	%
Sales by product area				
Rail vehicle technology	85.182	25,480	59,702	234.3
Railway and shunting technology	30,473	28.197	2,276	8.1
Others	236	565	-329	-58.2
	115.891	54,242	61,649	113.7
Sales by region			0	
inland	38,074	33,672	4,402	13.1
European Union	7,874	6,929	945	13.6
Rest of the world	69,943	13,641	56,302	412.7
	115.891	54,242	61,649	113.7

2.3.2 Procurement

As in previous years, the procurement markets developed relatively cautiously in 2018. Due to the fairly stable raw material prices, there were no significant changes in procurement prices. Only more wage-intensive materials and services were subject to moderate price increases. The procurement times at our suppliers were also quite stable.

2.3.3 Engineering / production

In the 2018 financial year, the good order intake in previous years made it possible to generate a high level of employment. The planned order-related hours were exceeded in both engineering and production. A high level of capacity utilization is also expected in the production area next year. As of today, the production area will be fully utilized until the end of 2020 and the engineering area until the fourth quarter of 2019.

2.3.4 Investments

In the 2018 financial year, investments in intangible assets and property, plant and equipment amounting to € 285 thousand were made. Investments in intangible assets and property, plant and equipment in the past fiscal year included depreciation of approx. T € 904 opposite.

2.3.5 Financing

The capital requirement could be covered from ongoing business, the advance payments received and the letters of credit used. Derivative financial instruments are used to hedge transactions in foreign currencies. Cash advances were not drawn in fiscal year 2018.

To secure the prepayments agreed upon for order processing, there are sufficient guarantee lines at banks or insurance companies.

2.3.6 Personnel

The average number of employees in the group over the year developed as follows:

	2018	2017
Wage earners	119	110
Employees	156	169
trainee	25	29
	300	308

The workforce is slightly below the level of the previous year.

Personnel costs amounted to T € 21,860 in 2018 (including expenses for social security contributions, employers' liability insurance association and pensions in the amount of T € 3,264).

The sickness rate including accidents at work averaged 3.1% over the year and was thus at the previous year's level. At 9.1%, the apprenticeship quota is below the previous year (10.4%), but still at a high level.

2.3.7 Environment

Since the services of the Windhoff Group are almost exclusively limited to engineering and assembly work, there are no special environmental requirements. The environmental risks are correspondingly low. Windhoff Germany was certified as an eco-profit company in 2004 and received its third re-certification in 2016. There were no environmentally relevant incidents in the past fiscal year.

2.3.8 Research and Development

In the 2018 financial year, the further development of our products was mainly based on specific orders.

2.4 Presentation of the situation

2.4.1 Profit situation

	2018		2017		change	
	T €	%	T €	%	T €	%
Sales	115.891	140.6	54,242	59.9	61,649	> 100.0
Inventory change	-33,468	-40.6	36,184	40.0	-69,652	<-100.0
Other own work capitalized	25	0.0	63	0.1	-38	-59.6
Overall performance	82,448	100.0	90,489	100.0	-8,041	-8.9
Cost of materials	47,852	58.0	56,950	62.9	-9,098	-16.0
Gross result	34,596	42.0	33,539	37.1	1,057	3.2
Personnel expenses	21,860	26.5	22,104	24.4	-244	-1.1
Depreciation	904	1.1	971	1.1	-67	-6.9
Other operating expenses	12,516	15.2	8,931	9.9	3,585	40.1
Other company income	1,179	1.4	1,056	1.2	123	11.6
Operating profit	495	0.6	2,589	2.9	-2.094	-80.9
Financial and investment result	373	0.5	433	0.5	-60	-13.9
Profit before tax	868	1.1	3,022	3.3	-2,154	-71.3
Taxes on income and earnings	519	0.6	758	0.8	-239	-31.5
Other taxes	91	0.1	105	0.1	-14	-13.6
Consolidated annual result	258	0.3	2.159	2.4	-1,901	-88.1

Despite the higher sales, total output fell by 8.9% to T € 82,448 due to a significantly negative change in inventory. At the same time, the cost of materials was also reduced by T € 9,098 compared to the previous year, so that gross profit was T € 1,057 higher with a total of T € 34,596.

Personnel expenses fell by T € 244 to T € 21,860 compared to the previous year.

At T € 904, depreciation is below the previous year's level due to the low level of investment.

Other operating expenses increased by € 3,585 thousand compared to the previous year. This increase results in particular from increased additions to the provisions for warranty and follow-up costs as well as increased agent and guarantee commissions and insurance expenses.

The other operating income in the amount of T € 1,179 essentially includes income from the reversal of provisions and individual value adjustments.

The financial and investment result deteriorated significantly due to increased interest expenses to T € 373.

The consolidated annual result is significantly below the previous year's level, mainly due to project-related costs and follow-up costs.

2.4.2 Assets and financial position

Analysis of the asset structure:

	December 31, 2018		December 31, 2017		change
	T €	%	T €	%	T €
Asset structure					
Long-term tied assets					
Intangible assets	438	1.0	515	1.4	-77
Property, plant and equipment	7.164	16.0	7,703	21.1	-539
Financial assets	1,236	2.8	1,196	3.3	40
	8,838	19.8	9.414	25.8	-576
Short-term assets					
Inventories (after deducting the down payments received)	3,998	8.9	0	0.0	3,998
Receivables and other assets	19,024	42.5	14,928	40.9	4,096
Liquid funds	12,703	28.4	11,620	31.9	1,083
Prepaid expenses, deferred tax assets and active difference from asset offsetting	174	0.4	496	1.4	-322
	35,899	80.2	27,044	74.2	8,855
	44,737	100.0	36,458	100.0	8,279

In the 2018 financial year, fixed assets fell by T € 576. Depreciation on intangible assets amounted to T € 163 and property, plant and equipment to T € 741. This was offset by investments in intangible assets of T € 86, tangible assets of T € 199 and financial assets of T € 60.

Before offsetting with the advance payments received, the inventories fell by T € 36,777 to T € 46,028 in the reporting year. Working capital, which is made up of inventories plus trade receivables and less trade payables, increased by € 12,812 thousand to € 17,820 thousand.

Compared to the previous year, liquid funds increased by T € 1,083 to T € 12,703. This results in particular from the bridging financing from letters of credit.

	December 31, 2018	December 31, 2017	change

	December 31, 2018	%	December 31, 2017	%	change
	T €	%	T €	%	T €
Capital structure					
Equity	18,830	42.1	18,437	50.6	393
Medium and long-term borrowed funds					
Provisions for pensions and similar obligations	794	1.8	744	2.0	50
Other provisions	190	0.4	176	0.5	14th
	984	2.2	920	2.5	64
Short-term borrowed funds					
Tax and other provisions	9,255	20.7	7,651	21.0	1,604
Payments received	0	0.0	1.924	5.3	-1,924
liabilities					
towards credit institutions	5,426	12.1	0	0.0	5,426
from deliveries and services	4.162	9.3	5,779	15.9	-1,617
towards companies with which a participation relationship exists	3	0.0	1	0.0	2
other	5,999	13.4	1,746	4.8	4,253
	24,846	55.5	17.101	46.9	7,745
Prepaid expenses and deferred tax liabilities	77	0.2	0	0.0	77
	44,737	100.0	36,458	100.0	8,279

With a consolidated net profit of T € 258 and currency differences of T € 135, equity increased by T € 393 to T € 18,830. With a balance sheet total of T € 44,737, the equity ratio after offsetting the advance payments received against the inventories is 42.1%.

The short-term provisions increased by T € 1,604. This change results in particular from the increase in provisions for warranty and follow-up costs with a simultaneous decrease in provisions for other personnel expenses.

Trade accounts payable fell by T € 1,617 compared to the previous year, while other liabilities increased by T € 4,253, in particular due to increased tax obligations. The advance payments received for orders have been deducted in full from the inventories.

The cash flow from operating activities improved by T € 18,639 to T € -4,528. The cash flow from investing activities is positive with payments for fixed assets amounting to T € 345 due to the inflow of investment income of T € 105 (previous year: T € -443). The cash flow from financing activities is positive and increased by € 7,426 thousand to € 5,426 thousand compared to the previous year due to the financing via letters of credit and the absence of a distribution to shareholders. The financial resources increased in 2018 from T € 11,620 to T € 12,703.

2.5 General statement on the economic situation

Overall, the economic situation at the end of the 2018 financial year is satisfactory. Sales are within budget. The engineering and production capacities continued to be fully utilized in the past fiscal year. Due to the completion of major projects in terms of sales, 2018 ended well above the previous year's level. However, total output fell by € 8.0 million to € 82.4 million. Negative inventory changes of € 33.5 million contributed to this. Due to high follow-up costs, the budgeted earnings after taxes could not be achieved. The consolidated annual result is burdened by billing effects from major projects and is around € 1.9 million. below the previous year's level. With cash and cash equivalents as of December 31, 2018, the financial situation remains positive in the amount of T € 12,703.

3 Forecast report

3.1 General economic conditions

In its latest annual report, the German Council of Economic Experts is assuming growth in global economic output of 3.0% for 2019. Compared to 2018, this results in a deterioration of 0.3%. While growth is slowing in China - but is likely to remain around 6% - the German Council of Economic Experts assumes that the stimulus from fiscal policy in the United States will continue to support further expansion in 2019. For the euro area, the German Council of Economic Experts expects a recovery, driven by the continuation of the expansionary monetary and fiscal policy, but without structural reforms. [3]

The German economy has lost considerable momentum as a result of stagnating foreign business. In the second quarter of 2019, the price-adjusted gross value added in industry fell by almost 5 percent compared to the previous year. Overall, an increase in GDP of 0.5% is forecast for 2019. [4th]

3.2 Development of the branch

As a niche provider in the field of rail vehicles and workshop equipment for railway depots, the Windhoff Group is only indirectly affected by the economic development. More decisive than the macroeconomic parameters for Germany or the global economy is investment activity in the railway sector worldwide and the acquisition of individual larger orders.

Even if there are no concrete figures for the products sold by Windhoff, the need for workshop equipment and infrastructure vehicles follows the development of the entire industry with a certain time lag.

3.3 Development of the earnings and financial position

The planning for the 2019 financial year was drawn up in November 2018 and updated in July 2019. For 2019, we expect a decrease in sales to around € 75 million, total output of € 69 million and significantly improved earnings after taxes. According to the planning, the return on sales will also improve significantly in 2019. The challenge continues to be the punctual delivery for series projects and ensuring the usual high quality for existing orders. Overall, the asset and financial position will remain stable in 2019. The equity ratio should then be back at the 2017 level.

3.4 Overall statement on the likely development

The Windhoff Group will be able to fully utilize its engineering and production capacities in 2019 as well. The planning for the year as a whole envisages a decline in sales compared to 2018, but still significantly higher sales than in 2017. In addition, a significant improvement in earnings compared to 2018 is expected.

In the rail vehicle sector, Windhoff will apply to selected tenders in order to lay the foundations for stable high capacity utilization and corresponding sales from 2022. In addition, the years 2019-2021 will be characterized by the delivery of series vehicles from a major project.

In the rail technology segment, there is consistently high demand due to the pent-up demand in the rail infrastructure. In the service area, Windhoff is in promising negotiations to extend an extensive service and maintenance contract. As before, lengthy procurement procedures, protectionist tendencies and global competition make it difficult to cultivate the market.
We counter the existing risks on the procurement side with a continuous supplier evaluation and the qualification of new partners. The Windhoff Group is well on the way to continuing the positive development - especially with regard to quality assurance - in the next few years.

4 Report on opportunities and risks

4.1 Basics
The management of the Windhoff Group is committed to risk-conscious corporate management, in which securing the continued existence of the entire company always has the highest priority. The risk management implemented by the management is intended to continuously improve risk early detection for proactive risk control and to achieve constant optimization of the opportunity-risk profile. Income risks taken must be appropriately rewarded by the expected return. Unavoidable risks as well as natural hazards - insofar as it makes economic sense - must be insured. Residual risks must be controlled with the tools of risk management.
The management is responsible for risk management. Risks are assessed according to their impact and likelihood of occurrence. If they cannot be measured quantitatively, their effects are assessed qualitatively.

4.2 Environment and industry risks
The Windhoff Group is a single and special machine manufacturer. This industry is naturally subject to higher risks, as a considerable proportion of development work is associated with every new order, the cost and duration of which cannot be estimated with absolute certainty in advance. Additional expenses and exceeding the agreed delivery time represent a permanent risk that cannot be completely ruled out.
The management is aware of the fact that individual and special production creates a renewed, only partially calculable development and production risk with every order.

4.3 Economic opportunities and risks
Due to its business activities and its product structure, the Windhoff Group is subject to various country-specific laws and regulations. In particular, domestic and foreign approval procedures that are difficult to calculate can have a significant impact on the results of individual orders.
With the large network operators, the requirements for rail vehicles are often summarized and assigned for several years. These projects offer the Windhoff Group the opportunity to secure basic capacity utilization for several years. At the same time, there is a risk of long periods of underutilization, as the number of large projects is correspondingly low.
The trend towards ever larger batch sizes to distribute the sharply increased registration and documentation expenses leads to increasingly complicated vehicles, as these are often intended to cover a wide range of functionalities with limited installation space and weight. This sometimes creates cluster risks, as technical problems or miscalculations in the use of materials or personnel in individual orders have an increasing impact on the economic situation of the entire company. The financial burdens, be it in the form of pre-financing or securing the financing through sureties or guarantees, are also increasing.
Due to long delivery times, only a few providers and approval restrictions, there are dependencies on individual suppliers on the procurement side. A failure in deliveries or significant delays have a direct impact on our company's sales and earnings figures. This development is taken into account through intensive market observation and the permanent search for alternative suppliers and their qualification. Nevertheless, the Windhoff Group is repeatedly confronted with delivery defects and / or delivery delays in the course of its business activities. The resulting demands of our customers are passed on to the suppliers if possible.
In order to avoid or at least reduce possible risks, all suppliers of A-components are audited by Windhoff's quality management in conjunction with purchasing before entering into a business relationship. This also ensures that our quality standards are passed on on the procurement side.

4.4 Personnel Risks
The Windhoff Group only employs skilled workers, academics or other skilled workers, some of whom have in-depth specialist knowledge built up over many years. This knowledge cannot be stored redundantly by the company everywhere. The failure of individual know-how carriers can therefore lead to considerable losses in the company's performance, as these employees cannot be replaced at short notice via the labor market or service providers.
The early recruitment and training and further education is therefore a special challenge that will increase in the coming years in view of the demographic development. Windhoff provides training beyond its own needs and also actively supports the academic training of young people. In addition to the dual study programs, internships and topics for completing bachelor and master theses are offered. In addition, close contacts are maintained with the regional universities. Windhoff is also present at regional training fairs and also takes part in so-called career or recruiting days at universities.

4.5 IT risks
The control of the Windhoff Group is largely dependent on its powerful information technology (IT). The constant maintenance and optimization of the IT systems is carried out by highly qualified internal and external experts. Unauthorized data access and the targeted or unintentional destruction of databases are prevented by using the latest virus software, firewalls, adequate access and access concepts and existing backup systems. Corresponding emergency plans exist for unexpected IT system failures.

4.6 Financial Risks
The information required for efficient liquidity management is ensured by continuously updated rolling financial planning with a planning horizon of 12 months and by a daily financial forecast. The default risks in the area of accounts receivable are taken into account through credit checks, advance payment requests, transfers of ownership, letters of credit and credit insurance. A sufficient number of credit lines are available.
In order to avoid exchange rate risks, currency risks are generally hedged by means of currency forwards or currency options after the basic transaction has been concluded. Long-term offers in foreign currencies are also hedged, insofar as this makes sense, in the offer phase using currency options.
In particular, the financing of the engineering and manufacturing process of large, long-term projects in the field of rail vehicle technology requires considerable financial resources in the form of guarantees and import letters of credit. The contracts are aimed exclusively at the creditworthiness and equity base of the company without further collateral. Covenants were agreed.

4.7 Overall picture of the risk situation

The risks presented above exist in the course of our normal business activities. The opportunities and risks have not changed significantly compared to the previous year. According to our assessments, these risks do not currently pose a threat to the continued existence of the company or impair development.

Rheine, October 15, 2019

Windhoff Bahn- und Anlagentechnik GmbH
Dr. Anne-Marie Grossmann
Uwe Dolkemeyer
Markus Massing

[1] cf. Expert Council - Annual Report 2018/2019, page 94 ff .; Economic forecast for 2019 and 2020, press release of March 19, 2019
[2] Press release of the Association of the Railway Industry of April 9, 2019 [3] Cf. Expert Council Annual Report 2018/2019, page 94ff; Economic forecast for 2019 and 2020, press release of March 19, 2019 [4] https://www.iwkoeln.de/fileadmin/user_upload/Studien/Kurzberichte/PDF/2019/IW-Kurzbericht_2019_Konjendungprognose.pdf

Consolidated balance sheet as of December 31, 2018

assets

	December 31, 2018	December 31, 2017
	€	€
A. Fixed assets		
I. Intangible Assets		
Acquired concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	438,214.05	515,181.86
II. Tangible assets		
1. Land and buildings	5,864,547.94	6,246,466.29
2. Technical systems and machines	771,243.00	720,457.51
3. Other equipment, factory and office equipment	431,117.71	505,242.18
4. Advance payments and assets under construction	97,000.00	231,172.11
	7,163,908.65	7,703,338.09
III. Financial assets		
1. Participations in associated companies	441,845.33	451,605.21
2. Holdings	1,013.80	1,013.43
3. Reinsurance	793,002.96	743,535.93
	1,235,862.09	1,196,154.57
	8,837,984.79	9,414,674.52
B. Current Assets		
I. Inventories		
1. Raw materials and supplies	8,493,641.11	8,723,298.78
2. Work in progress	33,271,713.74	66,829,892.30
3. Finished products	435,952.26	343,663.82
4. Advance payments made	3,826,273.99	6,908,262.53
5. Advance payments received on orders	-42,029,138.29	-82,805,117.43
	3,998,442.81	0.00
II. Receivables and other assets		
1. Trade accounts receivable	17,818,599.44	12,616,173.52
2. Claims against companies with which there is a participation relationship	167,008.74	94,508.87
3. Other assets	1,038,204.46	2,216,959.94
	19,023,812.64	14,927,642.33
III. Cash on hand, bank balances	12,702,508.34	11,619,809.08
	35,724,763.79	26,547,451.41
C. Prepaid expenses	149,116.39	302,415.56
D. Deferred Tax Assets	0.00	36,888.67
E. Active difference from asset offsetting	25,038.93	156,662.80
	44,736,903.90	36,458,092.96

liabilities

	December 31, 2018	December 31, 2017
	€	€
A. Equity		
I. Drawn capital	3,000,000.00	3,000,000.00
II. Capital reserve	6,793,000.00	6,793,000.00
III. Retained earnings		
Other retained earnings	918,358.45	918,358.45
IV. Difference in equity from currency conversion	36,686.90	-98,836.53
V. Profit carried forward	7,823,987.05	5,665,478.61

	December 31, 2018	December 31, 2017
	€	€
VI. Consolidated net income	257,964.01	2,158,508.44
	18,829,996.41	18,436,508.97
B. Provisions		
1. Provisions for pensions and similar obligations	794,413.81	743,535.93
2. Tax provisions	172,087.62	332,275.06
3. Other provisions	9,273,143.31	7,495,653.80
	10,239,644.74	8,571,464.79
C. Liabilities		
1. Advance payments received on orders	0.00	1,923,738.55
2. Liabilities to banks	5,426,094.05	
3. Trade accounts payable	4,162,274.30	5,779,055.20
4. Liabilities to companies with which a participation relationship exists	2,576.65	1,503.46
5. Other Liabilities	5,999,463.83	1,745,821.99
(thereof in the context of social security € 43,253.14; previous year € 58,831.85)		
(of which from taxes € 3,484,776.01; previous year € 334,121.76)		
	15,590,408.83	9,450,119.20
D. Prepaid expenses	32,897.50	0.00
E. Deferred Tax Liabilities	43,956.42	0.00
	44,736,903.90	36,458,092.96

Consolidated income statement for the period from January 1 to December 31, 2018

	2018	2017
	€	€
1. Sales	115,890,642.31	54,241,846.46
2. Reduction / increase in the inventory of unfinished and finished products	-33,467,670.68	36,184,285.05
3. Other own work capitalized	25,468.35	63,083.54
4. Other operating income	1,178,952.02	1,056,062.68
5. Cost of materials		
a) Expenses for raw materials and supplies and for purchased goods	41,044,514.38	49,266,616.61
b) Expenses for purchased services	6,807,494.26	7,683,662.34
6. Personnel expenses		
a) Wages and salaries	18,596,089.59	18,719,806.28
b) Social security and pension expenses	3,264,269.88	3,384,741.80
(thereof for pensions € 70,970.26; previous year € 72,639.43)		
7. Depreciation of intangible assets and property, plant and equipment	904,441.29	970,765.72
8. Other operating expenses	12,515,762.01	8,930,731.92
9. Result from investments in associated companies	429,345.33	449,408.84
10. Income from other securities and loans from financial assets	27.50	27.50
11. Other Interest and Similar Income	6,491.89	4,801.95
12. Interest and Similar Expenses	63,019.89	21,540.62
13. Taxes on income and earnings	518,970.21	757,631.79
14. Profit after tax	348,695.21	2,264,018.94
15. Other taxes	90,731.20	105,510.50
16. Consolidated net income	257,964.01	2,158,508.44

Notes to the consolidated financial statements for the 2018 financial year

1. General information

Windhoff Bahn- und Anlagentechnik GmbH, Rheine, is registered with the Steinfurt District Court under the commercial register number HRB 4856.
The consolidated financial statements as of December 31, 2018 have been prepared in accordance with the provisions of Sections 290 ff.
In the interests of better clarity and clarity, the notes to be made under the items of the balance sheet and profit and loss account as required by law, as well as the notes that can be made optionally in the balance sheet or profit and loss account, are largely listed in the appendix.
The profit and loss account is based on the total cost method in accordance with Section 275 (2) of the German Commercial Code.

2. Scope of consolidation and group reporting date

Name, seat	Share in capital %
Companies included by way of full consolidation	
Windhoff Singapore Pte. Ltd., Singapore / Singapore	100.0
Windhoff Schweiz GmbH, Biel / Switzerland	100.0
Windhoff UK Ltd., Swindon / Great Britain	100.0

Name, seat	Share in capital %
Windhoff Norge AS, Hokksund / Norway	100.0
Companies accounted for using the equity method	
Windhoff Gleisbautechnik GmbH, Rheine	50.0

Since Windhoff South Africa Ltd., Gauteng / South Africa, in which the parent company holds 100% of the shares, has not yet commenced its active business operations, the exemption provision of Section 296 (2) of the German Commercial Code (HGB) was made use of because of its minor importance for the assets, Financial position and results of operations of the group are not included in the consolidated financial statements.
For the Benima Windhoff joint venture SDN, which is in liquidation. BHD., Kuala Lumpur / Malaysia, in which the parent company indirectly holds 50% of the shares, the option is exercised in accordance with Section 310 in conjunction with Section 311 (2) of the German Commercial Code (HGB) due to its insignificance and accounting for acquisition costs.

Name, seat	Share in capital %	Equity December 31, 2018 T €	Result 2018 T €
Companies not included in the consolidated financial statements			
Benima Windhoff Joint Venture SDN. BHD., Kuala Lumpur / Malaysia	50.0	0	0

The consolidated financial statements are prepared in accordance with Section 299 (1) HGB as of December 31, 2018, the key date for the annual financial statements of Windhoff Bahn- und Anlagentechnik GmbH. The annual financial statements of the subsidiaries included are also prepared as of December 31, 2018.

3. Consolidation methods, currency conversion

a) First time consolidation

January 1, 2015 was chosen as the date of first-time consolidation. If individual subsidiaries were acquired at a point in time after this initial consolidation date, the respective acquisition date is set as the point in time for the initial consolidation of these subsidiaries.

b) Capital Consolidation

For the subsidiaries included in the consolidated financial statements through full consolidation in accordance with Sections 300 ff. HGB, capital consolidation is carried out using the revaluation method (Section 301 (1) HGB). At the time of initial consolidation, the acquisition costs for the participations are offset against the proportionate equity of the subsidiaries, determined on the basis of the fair values applicable at the time of initial consolidation. The negative differences (T € 918) resulting after the disclosure of hidden reserves or hidden charges at the time of initial consolidation were offset directly against the retained earnings.

c) Equity method

For joint ventures, the option of recording according to proportionate consolidation (Section 310 (1) HGB) is not used. Joint ventures are accounted for using the equity method in accordance with Section 312 of the German Commercial Code (HGB) and initially recognized at cost. By offsetting the book value with the proportional equity of the joint venture, determined on the basis of the fair values applicable at the time of initial consolidation, no difference resulted. In the context of the equity method, there was no elimination of intercompany results for reasons of immateriality.

d) Debt Consolidation

Debt consolidation takes place in accordance with Section 303 (1) of the German Commercial Code (HGB) by eliminating the receivables with the corresponding liabilities between the companies included in the consolidated financial statements. Provisions and contingent liabilities have been consolidated where necessary.

e) Elimination of interim results

Intercompany profits are eliminated in accordance with Section 304 (1) HGB for intra-group deliveries and services from sales transactions. Insofar as book profits or book losses have resulted from the sale or transfer of fixed assets between individual subsidiaries of the group, these are taken back as part of the elimination of intercompany results.

f) Elimination of expenses and income

All expenses and income between companies included in the group are eliminated in accordance with Section 305 (1) HGB.

g) Deferred taxes

Tax deferrals in accordance with Section 306 of the German Commercial Code (HGB) are made on consolidation measures that affect earnings, provided that the differing tax expenses are expected to be balanced out in later financial years and that the remaining difference is not in accordance with Section 301 (3) of the German Commercial Code. Tax charges and credits are netted.

h) Currency conversion

In the consolidated financial statements, balance sheet items of foreign subsidiaries - with the exception of equity (historical rates) - are converted at the mean spot exchange rate on the balance sheet date. Items in the income statement and the annual result are valued at average rates for the year. The resulting balance sheet conversion differences are entered in the equity item "Equity difference from currency conversion" with no effect on income.
Differences from the conversion of the subscribed capital, the reserves and the profit carried forward at historical rates are also shown within the group equity under the item "Equity difference from currency conversion". The following currency rates are used:

Country / currency per currency unit	Balance sheet Closing rate		Profit and Loss Account Annual average rate	
	December 31, 2018	December 31, 2017	2018	2017
Switzerland / CHF	1.1269	1.1694	1.155	1.1117
Singapore / SGD	1.5591	1.6016	1.5926	1.5589
Great Britain / GBP	0.89453	0.8873	0.88471	0.8768
Norway / NOK	9.9483	9.8293	9.5975	9.3292

Country / currency per currency unit Balance sheet Profit and Loss Account

4. Accounting and valuation methods

The financial statements of the companies included in the consolidated financial statements by way of full consolidation or using the equity method are generally prepared according to uniform accounting and valuation methods. The foreign individual financial statements were adapted to the German commercial law classification, recognition and valuation regulations.

Intangible fixed assets acquired from third parties are capitalized at cost and depreciated pro rata temporis in the year of acquisition in accordance with their expected useful life. Insofar as the fair values of individual intangible assets fall below their book value, unscheduled depreciation is also made in the event of a likely permanent decrease in value.

Tangible assets are valued at acquisition or production costs less scheduled straight-line depreciation. Insofar as the fair values of individual assets fall below their book value, additional write-downs are made in the event of a likely permanent decrease in value.

Low-value assets with acquisition or production costs of € 150.00 to € 1,000.00 are treated as expenses at the time they are received.

In the case of **financial assets** , the **investments** are valued at acquisition costs or lower fair values. If the reasons for the depreciation no longer exist, corresponding write-ups are made.

Reinsurance claims are valued on the basis of notifications from the insurer at the respective asset value on the balance sheet date.

The **inventories** are valued at acquisition or production cost and taking into account the lower of cost or market principle.

The acquisition costs of raw materials and supplies are determined using the average value method. If the stock exchange or market prices on the balance sheet date fall below the values determined in this way, they are valued at these lower values. Invalid stocks that have not been used for three years (less than 10% of the total stock) are devalued across the board.

The **finished and unfinished products**are valued at production cost. The production costs contain the components of Section 255 (2) HGB that must be capitalized. In the case of the sales-market-oriented loss-free valuation carried out in addition to the determination of the production costs, the expected cost of sales per production order determined on the basis of full costs, taking into account the production costs still to be incurred, are compared with the contract revenue agreed with the customer. Insofar as these order revenues fall below the expected cost of sales, the difference in value has been made from the calculated production costs.

Advance payments received on orders are, in exercising the option under Section 268 (5) sentence 2 of the German Commercial Code (HGB) **,** deducted from inventories including **advance payments** recognized at **their** nominal value, and the amount in excess of this is shown under liabilities. The pro-rata sales tax is shown under other liabilities according to the net method until it is paid.

Receivables and other assets are stated at their nominal value or at the lower value applicable on the balance sheet date. Appropriate value deductions are made for receivables whose collectibility is subject to recognizable risks; bad debts are written off. The general risks in the balance of trade receivables are accounted for by general valuation allowances on the net receivables that have not been individually adjusted.

The **liquid means** are at their nominal value on the balance sheet.

Payments made before the balance sheet date are recognized as **prepaid** expenses insofar as they represent expenses for a certain period after this point in time.

The **active difference from the asset offset** was formed in accordance with Section 246 (2) sentence 3 of the German Commercial Code (HGB).

Deferred taxes in accordance with Section 274 of the German Commercial Code (HGB) are applied to the differences in the balance sheet items in the commercial balance sheet and the tax balance sheet, provided that these are expected to be reduced in later financial years. Deferred tax assets and liabilities are netted. The deferred tax assets and liabilities result from the following temporary differences:

Balance sheet items	Deferred tax liabilities	Deferred tax assets
Property, plant and equipment		X
Financial assets		X
Stocks	X	X
requirements		X
Other assets	X	
Active difference from asset allocation	X	
Provisions for pensions and similar obligations		X
Other provisions		X

The excess of deferred tax assets from the individual financial statements was not recognized in accordance with Section 274 (1) sentence 1 of the German Commercial Code.

Deferred taxes in accordance with Section 306 of the German Commercial Code (HGB) are created for differences from the elimination of intercompany profits for property, plant and equipment and inventories or from debt consolidation. Deferred taxes are determined on the basis of the individual tax rates of the individual companies. They move in a range from 17% to 31%.

The **subscribed capital** is reported at nominal value.

The accounting for the **provisions** is carried out in the amount of the settlement amount necessary according to a reasonable commercial assessment. Provisions with a remaining term of more than one year are discounted using the average market interest rate for the past seven financial years that corresponds to their remaining term. The accounting is based on the so-called net method. Thereafter, the present value of the addition to the provision is recognized as an ongoing expense, ie without taking any interest income into account.

Congruently reinsured pension commitments are valued at the fair value of the reinsurance claims in accordance with Section 253, Paragraph 1, Clause 3 of the German Commercial Code (HGB), as they are to be treated as securities-linked commitments according to IDW RS HFA 30, No. 74.

The provisions for anniversary obligations and continued wage and salary payments in the event of death are calculated on the basis of actuarial calculations using the projected unit credit method, taking into account the 2018 G mortality tables by Prof. Dr. Heubeck rated. Discounting is carried out at a flat rate using the average market interest rate published by the Deutsche Bundesbank for the past seven years, which results from an assumed remaining term of 15 years (Section 253 (2) sentence 2 HGB). This interest rate is 2.32%. The calculation of the provisions mentioned was based on annual wage and salary increases of 2.50%.

Provisions for obligations from partial retirement are set up in accordance with the block model. The valuation of provisions for partial retirement is based on an individual discount rate and on the basis of the 2018 G mortality tables by Dr. Klaus Heubeck according to actuarial principles. Annual wage and salary increases of 2.50% were assumed. The provisions for partial retirement contain top-ups and the company's performance obligations up to the balance sheet date. The fulfillment obligations were offset against the fund units measured at fair value in accordance with Section 246 (2) sentence 2 HGB.

The **liabilities** are **stated** at their settlement amount.
Business transactions in foreign currencies of the domestic companies are generally recorded at the historical rate at the time of the initial posting. Hedged receivables and liabilities are valued at the hedging rate. Other short-term foreign currency receivables and liabilities (remaining term of one year or less) are converted at the mean spot exchange rate on the balance sheet date.

5. Explanations of the balance sheet

The development of the individual items of the **group's** fixed assets is shown in the schedule of **assets** , including the depreciation of the financial year. The schedule of assets is attached to the appendix as an appendix.
The **receivables and other assets** have to last year only a residual maturity of up to one year.
The **receivables from companies with which there is a participation relationship** relate in full to receivables from deliveries and services.
The development of the **group** equity is shown in the equity table.
In the case of partial retirement **provisions** , **offsets are made against the plan assets** in accordance with Section 246, Paragraph 2, Clause 2 of the German Commercial Code. The acquisition costs of the securities of the plan assets amounted to T € 149 on the balance sheet date; the fair value is T € 155. The fair value of the securities that are traded in an active market is derived from the stock exchange price on the balance sheet date. This is linked to a distribution block. After deducting the deferred tax liabilities of € 2k, this results in an amount of € 4k that is blocked from distribution. The backlog of partial retirement obligations secured by the securities amounted to € 130k on the balance sheet date.
The trade payables include liabilities with a remaining term of more than one year in the amount of € 1,168 thousand (previous year: € 0). As in the previous year, all other **liabilities** have a remaining term of up to one year.
Advance payments received on orders are secured in full by bank guarantees.
The **liabilities to companies with which there is a participation relationship** result in full from the trade in goods and services.
Deferred taxes are made up as follows:

	Deferred tax assets T €	Deferred tax liabilities T €
Deferred taxes from consolidation measures		
Adjustment to uniform group valuation	30th	-101
Elimination of intercompany results	27	0
Total deferred taxes	57	-101
Offsetting	-44	

The deferred taxes have changed as follows:

	T €
Deferred tax assets on December 31, 2017	37
Change in deferred tax assets	20th
Change in deferred tax liabilities	-101
Deferred tax liabilities on December 31, 2018	-44

Forward exchange transactions were concluded to compensate for the risk of changes in the value of trade receivables and payables in foreign currency due to exchange rate fluctuations. In economic terms, the underlying and hedging transactions form a **single valuation unit**in the form of a microhedge. As of the balance sheet date, hedged volumes amounting to TSEK 18,981, TUSD 225, TCHF 1,787 and TGBP 93 are included in the valuation unit. For the individual customer receivables and liabilities or orders placed, individual forward exchange contracts were concluded, the term of which corresponds to the expected maturity of the underlying transactions. The opposing changes in the value of the currency forwards offset each other, since the underlying and hedging transactions are exposed to the same risk. The value of the foreign currency transactions converted into euros at the hedging rate amounts to a total of T € 3,688. The fair value of these foreign currency transactions, which corresponds to the market value,
As of the reporting date, the amount of the risks hedged with the valuation unit formed corresponds to the market value of the hedging transactions. The basis for determining the effectiveness of the valuation units is the consistency of the valuation-relevant parameters of the underlying and hedging transaction. The effectiveness is determined prospectively. The fair values are determined using valuation methods customary in the market, taking into account the market data (market values) available on the valuation date. Forward exchange transactions are valued individually on the basis of the exchange amount with the current market forward rates on the balance sheet date compared to the agreed forward or contract rates.

6. 6. Explanations of the profit and loss account

The **revenues** are distributed by geographical markets as follows:

	2018 T €	2017 T €
Germany	38,074	33,672
European Union (excluding Germany)	7,874	6,929
Rest of Europe	60.164	8,063
Asia	4,724	4,895
Australia	1,062	327
America	3,973	342
Africa	20th	13
	115.891	54,242

The following breakdown of sales results according to areas of activity:

	2018 T €	2017 T €
Rail vehicle technology	85.182	25,480
Railway and shunting technology	30,473	28.197

	2018	2017
	T €	T €
Others	236	565
	115.891	54,242

Other operating income includes the following significant **income not relating to the accounting period** :

	2018	2017
	T €	T €
Release of individual value adjustments	498	405
Release of provisions	126	204
Others	16	54
	640	663

Other operating income includes **income from currency translation** in the amount of € 208 thousand (previous year: € 55 thousand).
The other operating expenses include **expenses from currency translation** in the amount of T € 227 (previous year: T € 53) and **expenses** from other **accounting periods** from valuation adjustments in the amount of T € 58 (previous year: T € 454, also of **extraordinary magnitude**).
Interest and similar expenses include **expenses from the compounding** of provisions in the amount of € 21 thousand (previous year: € 20 thousand).
As a result of the updating of the **deferred taxes** , the consolidated net income for the year decreased by T € 82 as a result of the change in the deferred tax balances.

7. Other information

a) Contingent Liabilities
As of December 31, 2018, there were contingent liabilities from guarantees totaling € 69,104 thousand (previous year: € 111,772 thousand). Due to the current situation and the existing planning calculations, utilization is not expected.
b) Other financial obligations
The calculation of the rental and leasing obligations was based on the earliest possible termination dates or the end of the contract period. The nominal amounts are used.
The total amount of future payment obligations from rental and leasing contracts is € 1,704 thousand (previous year: € 560 thousand).
c) employees
In the 2018 financial year, the average number of employees was:

	2018
Industrial workers	119
Employees	156
	275

d) Management
The management consisted of the following members:

Markus Massing, Ahaus
Commercial Director
Uwe Dolkemeyer, Ibbenbüren (from May 8th, 2019)
technical director
Dr. Anne-Marie Großmann, Berlin (from July 17th, 2019)
Strategic Managing Director
Jens Peter F. John, Berlin (08/01/2018 to 04/30/2019)
technical director
Ludwig Wehling, Borken (until September 30, 2018)
technical director
Torsten Klee, Munich (until December 31, 2018)
Commercial Director

The total remuneration of the management amounts to T € 582 in the financial year.
Pension provisions in the amount of T € 793 were set up on the balance sheet date for vested entitlements of former managing directors who have left the company. The total remuneration of the former members of the management in the reporting year amounted to T € 9.
e) Total auditor's fee
The auditor's fee for the 2018 financial year is T € 89. This includes T € 74 for auditing services and T € 15 for tax advisory services.

f) Proposal for the appropriation of profits

The management proposes to carry forward the balance sheet profit of the parent company in the amount of T € 5,192, consisting of the net loss of T € 337 and the profit carried forward of T € 5,529.

8. Supplementary report

In May 2019 there was fire damage to the roof of the production hall, which forced the parent company to outsource part of the production in the medium term. However, it is currently not expected that the fire damage will have a significant financial impact on the 2019 financial year. There were no further events of particular importance.

Rheine, October 15, 2019

Windhoff Bahn- und Anlagentechnik GmbH
Dr. Anne-Marie Grossmann
Uwe Dolkemeyer
Markus Massing

Group fixed asset movement schedule

	Acquisition or manufacturing costs		
	01/01/2018 €	Access €	Exchange differences €
I. Intangible Assets			
Purchased software, licenses and patents	2,134,004.81	86,109.00	0.00
II. Tangible assets			
1. Land and buildings	9,890,248.46	0.00	0.00
2. Technical systems and machines	2,231,513.04	33,598.39	2,532.56
3. Other equipment, factory and office equipment	2,069,521.97	165,326.05	17,434.36
4. Advance payments and assets under construction	231,172.11	0.00	0.00
	14,422,455.58	198,924.44	19,966.92
III. Financial assets			
1. Participations in associated companies	451,605.21	429,345.33	0.00
2. Holdings	1,013.43	0.00	0.37
3. Reinsurance	743,535.93	60,437.50	0.00
	1,196,154.57	489,782.83	0.37
	17,752,614.96	774,816.27	19,967.29

	Acquisition or manufacturing costs		
	Rebooking €	Departure €	December 31, 2018 €
I. Intangible Assets			
Purchased software, licenses and patents	0.00	0.00	2,220,113.81
II. Tangible assets			
1. Land and buildings	0.00	0.00	9,890,248.46
2. Technical systems and machines	134,172.11	0.00	2,401,816.10
3. Other equipment, factory and office equipment	0.00	281,137.80	1,971,144.58
4. Advance payments and assets under construction	-134,172.11	0.00	97,000.00
	0.00	281,137.80	14,360,209.14
III. Financial assets			
1. Participations in associated companies	0.00	439,105.21	441,845.33
2. Holdings	0.00	0.00	1,013.80
3. Reinsurance	0.00	10,970.47	793,002.96
	0.00	450,075.68	1,235,862.09
	0.00	731,213.48	17,816,185.04

	Depreciation		
	01/01/2018 €	Exchange differences €	Access €
I. Intangible Assets			
Purchased software, licenses and patents	1,618,822.95	0.00	163,076.81
II. Tangible assets			
1. Land and buildings	3,643,782.17	0.00	381,918.35
2. Technical systems and machines	1,511,055.53	1,954.12	117,563.45
3. Other equipment, factory and office equipment	1,564,279.79	13,400.67	241,882.68
4. Advance payments and assets under construction	0.00	0.00	0.00
	6,719,117.49	15,354.79	741,364.48
III. Financial assets			
1. Participations in associated companies	0.00	0.00	0.00
2. Holdings	0.00	0.00	0.00
3. Reinsurance	0.00	0.00	0.00
	0.00	0.00	0.00
	8,337,940.44	15,354.79	904,441.29

	Depreciation	
	Departure €	December 31, 2018 €
I. Intangible Assets		
Purchased software, licenses and patents	0.00	1,781,899.76
II. Tangible assets		
1. Land and buildings	0.00	4,025,700.52
2. Technical systems and machines	0.00	1,630,573.10
3. Other equipment, factory and office equipment	279,536.27	1,540,026.87
4. Advance payments and assets under construction	0.00	0.00

	Depreciation	
	Departure	December 31, 2018
	€	€
	279,536.27	7,196,300.49
III. Financial assets		
1. Participations in associated companies	0.00	0.00
2. Holdings	0.00	0.00
3. Reinsurance	0.00	0.00
	0.00	0.00
	279,536.27	8,978,200.25

	Book values	
	December 31, 2018	December 31, 2017
	€	€
I. Intangible Assets		
Purchased software, licenses and patents	438,214.05	515,181.86
II. Tangible assets		
1. Land and buildings	5,864,547.94	6,246,466.29
2. Technical systems and machines	771,243.00	720,457.51
3. Other equipment, factory and office equipment	431,117.71	505,242.18
4. Advance payments and assets under construction	97,000.00	231,172.11
	7,163,908.65	7,703,338.09
III. Financial assets		
1. Participations in associated companies	441,845.33	451,605.21
2. Holdings	1,013.80	1,013.43
3. Reinsurance	793,002.96	743,535.93
	1,235,862.09	1,196,154.57
	8,837,984.79	9,414,674.52

Cash flow statement for the 2018 financial year

	2018
	T €
Consolidated net income	258
+ Depreciation on fixed assets	904
+ Increase in provisions	1,808
+ / - Profits / losses from the disposal of items of fixed assets	1
- / + Increase / decrease in inventories, trade accounts receivable and other assets that cannot be allocated to investing or financing activities	-7,523
+ / - Increase / decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	747
+ / - Interest expenses / interest income	57
- Other investment income	-429
+ / - Income tax expense / income	519
- Income tax payments	-834
+ Interest received	6
- Interest paid	-42
Cash flow from operating activities	-4,528
+ Payments from the disposal of financial assets	11
- Payments for investments in intangible assets	-86
- Payments for investments in property, plant and equipment	-199
- Payments for investments in financial assets	-60
- Payments for additions to the scope of consolidation	0
+ Dividends received	439
Cash flow from investing activities	105
- Deposits from taking up letters of credit	5,426
Cash flow from financing activities	5,426
- Cash change in financial resources	1.003
+ Exchange rate-related change in financial resources	80
+ Cash balance at the beginning of the period	11,620
Cash funds at the end of the financial year	12,703

Composition of financial resources:

	December 31, 2018
	T €

	December 31, 2018 T €
Cash on hand, bank balances	12,703

Equity statement as of December 31, 2018

	Parent company			
	Subscribed capital	Reserves		
	€	Capital reserve according to Section 272 (2) No. 4 of the German Commercial Code (HGB) €	Other retained earnings €	Sum €
As of December 31, 2017	3,000,000.00	6,793,000.00	918,358.45	7,711,358.45
Group profit carried forward for the previous year	0.00	0.00	0.00	0.00
Currency conversion	0.00	0.00	0.00	0.00
Consolidated net income	0.00	0.00	0.00	0.00
As of December 31, 2018	3,000,000.00	6,793,000.00	918,358.45	7,711,358.45

	Parent company			Group equity
	Equity difference from currency conversion €	Profit carried forward €	Consolidated net income €	€
As of December 31, 2017	-98,836.53	5,665,478.61	2,158,508.44	18,436,508.97
Group profit carried forward for the previous year	0.00	2,158,508.44	-2,158,508.44	0.00
Currency conversion	135,523.43	0.00	0.00	135,523.43
Consolidated net income	0.00	0.00	257,964.01	257,964.01
As of December 31, 2018	36,686.90	7,823,987.05	257,964.01	18,829,996.41

INDEPENDENT AUDITOR'S REPORT

To Windhoff Bahn- und Anlagentechnik GmbH, Rheine
Examination Opinions
We have prepared the consolidated financial statements of Windhoff Bahn- und Anlagentechnik GmbH, Rheine, and its subsidiaries (the group) - consisting of the consolidated balance sheet as of December 31, 2018, the consolidated income statement, the statement of changes in equity and the cash flow statement for the financial year from December 1, 2018 January to December 31, 2018 and 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 Windhoff Bahn- und Anlagentechnik GmbH for the financial year from January 1 to December 31, 2018.
According to our assessment based on the knowledge gained during the audit

- 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) and in compliance with the generally accepted German auditing principles established by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these regulations and principles is further described in the section "Responsibility of the auditor 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 the German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We are of the opinion that the audit evidence we have obtained is sufficient and suitable to serve as a basis for our audit opinions on the consolidated financial statements and the group management report.
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 in compliance with German principles of proper accounting Group mediated. Furthermore, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with the German principles of proper accounting to enable the preparation of consolidated financial statements,
When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing issues 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,

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

Our aim 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 in line with the findings of the audit, complies with German legal requirements and correctly presents the opportunities and risks of future development, as well as issuing 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 compliance 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 audit, we exercise our due discretion and maintain a critical attitude. Furthermore

- 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 are not discovered is higher in the case of violations than inaccuracies, since violations result in fraudulent cooperation, forgeries, intentional incompleteness, misleading representations or
- 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 as well as the acceptability of the estimated values presented by the legal representatives and related information.
- 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 ability of the group to continue business activities 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, in compliance with German generally accepted accounting principles, provide a true and fair view of the asset, 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 be able 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 legal representatives are based on the future-oriented information and assess the appropriate derivation of the future-oriented information 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.

Osnabrück, October 15, 2019

PricewaterhouseCoopers GmbH
auditing company
ppa. Thorsten Spree, auditor
ppa. Marina Weinberger, auditor