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MacGregor Germany GmbH & Co. KG

Uetersen

Annual financial statements for the business year from 01/01/2017 to 12/31/2017

Management report for the financial year January 1, 2017 to December 31, 2017

General information about the company

MacGregor Germany GmbH & Co. KG has been a wholly-owned subsidiary of MacGregor Netherlands BV since November 1, 2013 and thus part of the Finnish Cargotec Group, which is made up of the areas of Kalmar (freight loading solutions, including for ports and terminals), Hiab (devices and cargo handling services) and MacGregor.

MacGregor Germany develops and sells goods for equipping seagoing merchant ships, research ships and offshore ships. MacGregor Germany also supplies spare parts and technical services for international ship operations.

In 2017, the German MacGregor companies were fundamentally reorganized. The various subsidiaries and sister companies were merged with the former MacGregor Hatlapa GmbH & Co. KG, so that there is now only one MacGregor company in Germany.

With the merger on January 1, 2017 of the previous subsidiary MacGregor Germany GmbH, the company traded under the name MacGregor Germany GmbH & Co. KG with the entry in the commercial register on June 1, 2017. On September 30, 2017, MacGregor Germany GmbH & Co. KG acquired the shares in the previous sister company INTERSCHALT maritime systems GmbH from the Group's parent company Cargotec Oyj. With the merger agreement dated December 14, 2017, INTERSCHALT maritime systems GmbH was merged with MacGregor Germany GmbH & Co. KG retrospectively as of September 30, 2017. Immediately afterwards, the software division was sold to the sister company Kalmar GmbH.

Economic report

After world shipbuilding reached a new low in 2016, the global mood of crisis will continue in 2017. Worldwide incoming orders rose significantly compared to the 30-year low of the previous year, but remained at a low level in 2017 with around 20 million Compensated Gross Tons (CGT). The tonnage delivered, on the other hand, remains at a constant level and amounted to almost 35 million CGT worldwide in 2017. The deliveries thus clearly exceed the incoming orders by 75%, so that the global order backlog has continued its decline since 2008 and only comprises a good 40% of the peak value at that time. At the end of 2017, the global order book was around 83 million CGT, the lowest in 15 years. Contrary to the global trend and in contrast to the Asian competition, the European order book is the only one that has been growing continuously since 2013 and reached a value of over eleven million CGT at the end of 2017. The increased orders for cruise ships and other sophisticated special ships are the main contributors to this growth. The Asian shipbuilding industries, on the other hand, are primarily geared towards standard shipbuilding and are coming under massive pressure from the weak demand for cargo ships. In the area of volume markets, the increase in incoming orders in 2017 compared to the low base value in 2016 is mainly due to the recovery in crude oil tankers and bulk carriers. The award of contracts in the container ship and offshore sectors remained very weak. The shipping industry is still suffering from serious overcapacities in many segments. Freight and charter rates as well as second-hand prices are at a low level. World trade growth has slowed significantly since the peak of 12.5% in 2010. For 2017, the International Monetary Fund cites growth of just 4.7%. Although forecasts continue to predict growth, but noticeably slower than in the past decades. In addition to the currently increasing protectionist measures and trade restrictions around the world, innovative production processes (artificial intelligence, robotics, 3D printing) will also lead to a change in industry and economy in the medium and long term. The consequences could be shorter transport routes and lower transport volumes. There are also structural changes in the global energy markets. New energy-saving technologies in all areas and an increase in alternative forms of energy in the energy mix will have an impact on the global demand for fossil fuels. Declining demand for fossil fuels would have a significant impact on seaborne trade. However, there is enormous overcapacity not only in the operation of ships, but also in production. The shrinking order books of many shipyards prevent full utilization of production capacities in many places and present shipyards and suppliers with existential problems. According to Clarksons Research, the number of active shipyards worldwide has decreased by 62% from early 2009 to July 2017. A year earlier, the decrease was a good 50%. Of the 358 shipping yards active worldwide, around 30% had planned to complete their last order in 2017. It is therefore to be expected that more of these shipyards will have to close in the coming months. Chinese and South Korean shipyards in particular are faced with the problem of missing orders and low profitability. Government aid in the billions, restructuring measures and massive downsizing seem to be inevitable. The low level of new construction activity in the volume markets of merchant shipping also affects the international value chain. For the maritime supplier industry, large numbers of units are required in the global new construction sector in order to ensure full capacity utilization. For European shipyards, on the other hand, the picture is more successful, if not for all players: The value of the European order book reached around US $ 62.1 billion at the end of 2017. During 2017, new European orders were $ 22 billion. With healthy demand in the specialty markets and the simultaneous weakness of the volume markets, Europe has a world market share of 35% of global incoming orders. While European shipyards are also suffering from the low demand in some segments (e.g. offshore industry), others are benefiting from the ongoing boom in the cruise sector. According to the industry association CLIA, 26 new cruise ships entered service in 2017. The construction of cruise ships is very diverse and demanding. Flow-, Ocean-going and special cruise ships with a wide variety of capacities are in demand. The sometimes extreme areas of application from the tropics to the polar regions also place high demands on shipbuilding. In addition, there is the use of innovative technologies, such as equipping cruise ships with environmentally friendly propulsion technologies. Consolidation and newcomers are changing the situation in cruise ship construction. In 2017, Italy and France reached an agreement on the acquisition of the French STX shipyards by the Italian shipbuilding group Fincantieri. At the same time, some smaller European shipyards were able to enter the expedition cruise ship segment and broaden their business. Outside of Europe, China was successful in acquiring new ferries from regular European customers. China is also ambitious in entering cruise ship construction and is investing in the establishment of a domestic supplier industry. The worldwide low demand for new ships due to overcapacity and weak world trade as well as unfair competitive conditions are challenging both the shipyards and the supplier industry. With the world market becoming significantly tighter overall, competition in the currently successful niches is also growing.

Business development of the company

The continued weak order intake in 2017 made further restructuring measures necessary. As early as December 31, 2016, production was sold to a newly founded company, Uetersener Maschinenfabrik GmbH. This company bought the major part of the production-related fixed assets and now produces in the rented premises of MacGregor Germany as a contract manufacturer. At the beginning of 2017, 78 employees moved to the new company. In order to enable sustainable cooperation, the newly founded company was guaranteed a minimum order volume for two years. The new form of cooperation was successful in 2017.

New construction activities remained at such a low level throughout the financial year that the order backlog continued to decline. After new ship orders rose again cautiously in 2017, a further recovery can be expected in 2018. At MacGregor Germany, however, this recovery will only lead to new incoming orders with a time lag.

In the second quarter of 2016, the group management decided to merge two divisions that were active at the Uetersen location and at other MacGregor locations. In the course of this measure, a new organization was created that took effect on January 1, 2017. Due to the continued subdued market development, further structural adjustments have been made for 2018. The new business divisions have now been reorganized: Since January 1, 2018, the new business area has been almost entirely part of the Cargo Handling division.

The company's significant financial performance indicators (KPIs) are sales, operating profit excluding restructuring costs (OP) and annual results. Realized sales in the 2017 calendar year amounted to € 100.3 million (previous year € 80.9 million, 2017 forecast: € 96.3 million).

The operating profit excluding restructuring costs is € -1.2 million (previous year € -2.6 million, forecast 2017: € -1.0 million). The annual result is € -26.0 million (previous year € -1.0 million, forecast 2017: € -23.9 million). This result includes restructuring costs of € 4.2 million for personnel adjustments and a loss from the merger with MacGregor Germany GmbH of € 13.3 million as well as the creation of a provision for a penalty of € 2.3 million. The acquisition of INTERSCHALT maritime systems and the subsequent merger and subsequent sale of the software division led to an almost balanced result of € 0.2 million. However, despite the negative overall result, this results in a tax burden of 3, € 9 million. The deviations from the forecasts mainly result from the non-forecast penalties.

Despite the net loss for the year, MacGregor Germany was not at risk of insolvency or liquidity due to the fact that it belonged to the group and was part of the cash pool, as well as the guarantee from the parent company to compensate for the negative equity.

After completion of the aforementioned restructuring measures and reorganization, a capital increase was carried out by the parent company in May 2018. This will strengthen the newly established society over the long term.

Presentation of the asset, financial and earnings position

The above-mentioned mergers changed the company's balance sheet significantly. Fixed assets decreased by € 47.6 million in the reporting period. Of this, a reduction of € 49.8 million relates to financial assets and was mainly caused by the merger of the previous subsidiary MacGregor Germany GmbH. An increase of € 2.2 million is attributable to intangible assets and property, plant and equipment, which was mainly caused by the merger with the subsidiaries. Investment activity in intangible assets and property, plant and equipment was € 0.1 million, still below the 2016 level of € 0.2 million. It was limited to smaller replacement and expansion investments.

Inventories increased by a total of € 1.2 million.

Receivables and other assets increased by a total of € 35.1 million, mainly due to the shareholder guarantee.

Liquid funds increased by € 1.0 million.

In the past financial year, a loss of € 26.0 million was generated, so that equity initially decreased accordingly. However, the reserves have increased by € 26.0 million due to a guarantee from the parent company MacGregor Netherlands BV to offset negative equity. Overall, the equity remained at € 0. In May 2018, positive equity was restored through a capital increase. Provisions rose by € 6.7 million in the reporting period. The use of the provision for the acceptance guarantee vis-à-vis Uetersener Maschinenfabrik was offset by the build-up of a provision for restructuring costs due to staff reductions in the amount of € 1.8 million.

Trade payables rose by € 2.8 million. The accounts payable to representatives decreased by € 0.4 million. The liabilities to affiliated companies decreased by € 19.9 million, mainly due to the takeover of the cash pool credits of MacGregor Germany GmbH and INTERSCHALT maritime systems GmbH in the course of the merger.

Sufficient liquidity was available throughout the financial year. Suppliers are usually paid using discount agreements. In principle, all orders for new ships in foreign currencies are hedged at the same time through forward exchange transactions. The hedging and risk management is carried out centrally by the parent company.

In the past financial year, sales of € 100.3 million were generated (comparable prior-year period: € 80.9 million). Total output including changes in inventories and own work capitalized rose to € 98.4 million (comparable prior-year period: € 76.8 million).

The share of material costs in total output rose in the reporting period by 2.1 percentage points to 54.0%.

The share of personnel costs in total output decreased by 0.6 percentage points, a result of the restructuring measures at the end of 2016 and in 2017. The wage increase from July 1, 2017 was 2.8%. The financial result amounted to € -0.9 million (same period of the previous year: € 3.4 million), of which € 1.0 million resulted from interest expenses.

The result after taxes amounts to € -25.7 million (comparable prior-year period € -0.9 million). The loss is mainly due to the loss from the merger with MacGregor Germany GmbH, restructuring costs and income taxes.

In product development, the focus is on networking our equipment with the data network of the ships and the ship operating offices. Trends that are described with keywords such as digitization and the Internet of Things (IoT) are also becoming more popular in our industry.

The increasing automation of processes, not only in ship operation but also in new shipbuilding, requires the product data structure to be digitized. This is a focus of investment in MacGregor's IT landscape.

Forecast, opportunities and risk report

Forecast:

In the area of commercial shipbuilding, we track the number of new shipbuilding orders (> 2000 GT / dwt) as an early indicator. For this purpose, we orientate ourselves on the forecasts of the Clarkson Shipping Intelligence Network.

In 2017 there were 1,069 new ship orders worldwide; in 2018 this figure was 1,104. The current forecast for 2019 is based on 1,026 new orders. After the low in 2016 (558), this is an increase that is expected to continue over the next few years. Significant increases are expected for the following years up to 2022.

The historical average for the past 23 years (1996-2018) is 1,559 orders per year. The trend towards larger or very large ships continues. As a result, the cargo space grows disproportionately to the number of ships.

Due to the ongoing restructuring of activities in Uetersen and other MacGregor locations, there have been significant delays in delivery of current orders. Management has taken steps to improve the situation.

For 2018, MacGregor Germany achieved preliminary sales of € 87.3 million, preliminary OPs of € -10.3 million and preliminary annual results of € -12.3 million.

For 2018, however, there was a further sharp decline in the order backlog. At the end of 2018, the order book for new business deliveries in 2019 was € 19.9 million. For 2019, the expected turnover is € 72.3 million, the operating theater is € -7.2 million and the annual result is € -8.9 million.

Chances :

In the second and fourth quarters of 2017, the MacGregor operations in Hamburg (MacGregor Germany GmbH), Schenefeld (INTERSCHALT maritime systems GmbH) and Uetersen merged. The receiving unit is the former MacGregor Hatlapa GmbH & Co. KG, which now operates as MacGregor Germany GmbH & Co. KG.

The business activities will be coordinated with each other in the future and organizational synergies will arise.

The activities at the Uetersen location are mainly carried out for the GLS (Global Lifecycle Support) and CHD (Cargo Handling) divisions within MacGregor. The Hamburg and Schenefeld locations work mainly for the GLS division, but also for CHD.

On the market side, there has been a moderate increase in demand; this must now be used through appropriate sales activities.

As a result of further restructuring in the group, MacGregor Germany acquired a division of the Norwegian sister company. In the future, the portfolio will also include winches and rowing machines from the Pusnes and Porsgrunn brands. This will have a positive impact on the business performance of the CHD division.

The joint venture between MacGregor and Nanjing Luzhou Machine Co Ltd (LMC) for compressors has been established and received the operating license in March 2018. The organization is still under construction.

MacGregor will supply essential components in the initial phase and in the long term will benefit from a higher market share in China and the associated spare parts business.

Risks:

With the decline in the market volume in shipbuilding, there is an increasing demand in the shipbuilding countries to give preference to national equipment providers. This may reduce MacGregor's market share in new business. Countermeasures such as the presentation of our own “local content” are part of our strategy, which is partially implemented, for example, with the delivery of the joint venture in China.

The risk of bankruptcies at shipyards and shipping companies is still latent. Close coordination within the group, for example with the sales areas that monitor the progress of orders in the shipyards, should help to minimize risks.

In the area of spare parts sales, advance payment is still used if there are doubts about the liquidity of customers or the one-ship companies.

Rising procurement prices can lead to a further reduction in the margins that can be achieved due to the ongoing price pressure on the customer side due to the market. This development is counteracted by projects to bundle suppliers within the group.

In 2016, the production operations of MacGregor Germany GmbH were spun off and sold to an investor. This area thus became an independent company and subsequently operated production as a contract manufacturer. At the beginning of 2019, this newly founded company filed for bankruptcy. Part of the insolvent company was then sold to a medium-sized group of companies that has since started operations and also works for MacGregor Germany. A short-term bottleneck in procurement could thus be overcome, so that this insolvency no longer poses any significant risk for MacGregor Germany.

We have no knowledge of risks that could jeopardize the continued existence of the company, as the shareholder MacGregor Netherlands has given us a shareholder guarantee limited to December 31, 2018 that MacGregor Germany will always be able to pay by being included in the group cash pool and in the event of a negative one Equity of MacGregor Germany to provide them with the necessary financial resources on request to compensate for the negative equity. In May 2018, this time-limited obligation was supplemented by a resolution to make an additional payment to the reserves of EUR 50 million. The additional payments previously requested as part of the guarantee were offset against this.

Swell:

1. VSM Annual Report 2017 | 2018

https: / / www.vsm.de/ de / service / publication-und-media / annual reports

2. Clarkson Newbuilding Forecast 2018-2020 Forecast Report Mar 2018

3rd Clarkson Shipbuilding Forecast Club, Monthly Update Jan 2018

Balance sheet as of December 31, 2017

assets

	December 31, 2017			December 31, 2016		
	EUR	EUR	EUR	EUR	EUR	EUR
A. Fixed assets						
I. Intangible assets:						
1. Self-created software and values as well as licenses to such rights and values	594,656.00			0.00		
2. Software and assets acquired against payment as well as licenses for such rights and assets	266,408.25			137,430.25		
3. Goodwill	1,153,994.00			1,512,597.00		
		2,015,058.25			1,650,027.25	
II. Tangible assets						
1. Land, land rights and buildings including buildings on third-party land	5,850,943.40			4,148,299.85		
2. Technical systems and machines	21,387.00			10,368.00		
3. Other equipment, factory and office equipment	1,791,124.90			1,665,831.75		
		7,663,455.30			5,824,499.60	
III. Financial assets						
1. Shares in affiliated companies	44,895.51			49,830,678.96		
2. Holdings	4,730.45			36,737.19		
		49,625.96			49,867,416.15	
			9,728,139.51			57,341,943.00
B. Current Assets						
I. Inventories:						
1. Raw materials and supplies	10,896,441.89			10,679,059.68		
2. Work in progress, work in progress	8,212,266.59			10,327,972.03		
3. Finished products and merchandise	2,387,007.76			905,280.55		
4. Advance payments made	64,694.08			205,359.90		
5. Advance payments received	-4,468,043.82	17,092,366.50		-6,147,331.20	15,970,340.96	
II. Receivables and other assets:						
1. Trade accounts receivable	23,799,714.54			16,213,213.07		

	December 31, 2017			December 31, 2016		
	EUR	EUR	EUR	EUR	EUR	EUR
2. Receivables from affiliated companies	33,169,822.31			6,918,144.99		
3. Claims against companies with which there is a participation relationship	0.00			0.00		
4. Other assets	1,842,364.78			566,969.01		
		58,811,901.63			23,698,327.07	
III. Cash in hand, bank balances		1,939,650.06			917,446.49	
			77,843,918.19			40,586,114.52
C. Prepaid expenses			252,001.61			156,127.95
Total assets			87,824,059.31			98,084,185.47

liabilities

	December 31, 2017		December 31, 2016	
	EUR	EUR	EUR	EUR
A. Equity				
I. Capital share of the limited partners	2,435,000.00		2,435,000.00	
II. Reserves	43,755,533.20		17,771,157.68	
III. Loss carryforward accounts	-46,190,533.20		-20,206,157.68	
		0.00		0.00
B. Adjustment items for own capitalized shares		30,677.51		30,677.51
C. Provisions				
1. Provisions for pensions and similar obligations	139,110.10		5,824.18	
2. Tax provisions	4,097,409.27		0.00	
3. Other provisions	17,811,700.81		15,381,057.04	
		22,048,220.18		15,386,881.22
D. Liabilities				
1. Trade accounts payable	10,223,494.04		7,414,705.93	
2. Liabilities to Agents	713,490.97		1,086,395.93	
3. Liabilities to shareholders	122,388.72		116,546.72	
4. Liabilities to affiliated companies	53,376,752.90		73,266,596.69	
5. Liabilities to the relief fund	53,805.96		53,741.65	
6. other liabilities	944,017.83		728,639.82	
		65,433,950.42		82,666,626.74
E. Prepaid expenses		311,211.20		0.00
Total liabilities		87,824,059.31		98,084,185.47

Income statement From January 1, 2017 to December 31, 2017

	01/01/2017 - 12/31/2017 EUR	01/01/2016 - 12/31/2016 EUR
1. Sales	100,317,251.30	80,917,577.07
2. Increase or decrease in stocks of finished and unfinished products	-1,886,869.64	-4,241,308.40
3. Other own work capitalized	0.00	99,200.28
4. Other operating income	57,726,930.29	17,028,463.32
5. Cost of materials		
a) Expenses for raw materials and supplies and for purchased goods	43,196,189.19	36,071,186.00
b) Expenses for purchased services	9,985,240.16	3,807,259.81
6. Personnel expenses		
a) Wages and salaries	18,546,804.82	14,525,249.53
b) Social security and pension and support expenses	3,024,073.68	2,739,193.76
of that for pensions	-26,667.12	13,827.25
7. Depreciation		
a) on intangible fixed assets and property, plant and equipment	1,108,122.80	1,219,145.95
b) on assets of the current assets, insofar as these exceed the depreciation customary in the corporation	0.00	4,565,373.69
8. other operating expenses	101,140,111.47	35,027,070.15
9. Income from participations	31,908.25	3,726,969.34
of which from affiliated companies	31,908.25	3,726,969.34
10. Income from income transfer agreements	0.00	651,807.62
of which from affiliated companies	0.00	651,807.62
11. Income from other securities and loans from financial assets	0.00	57,493.33
of which from affiliated companies	0.00	57,493.33
12. Other Interest and Similar Income	60,169.70	73,805.53
of which from affiliated companies	41,044.79	8,589.74
13. Depreciation on financial assets	48,680.73	0.00

	01/01/2017 - 12/31/2017 EUR	01/01/2016 - 12/31/2016 EUR
14. Interest and Similar Expenses	994,337.14	1,126,629.51
of which from affiliated companies	835,854.62	1,126,629.51
15. Taxes on income and earnings	3,932,105.59	179,398.63
16. Profit after tax	-25,726,275.68	-946,498.94
17. Other taxes	258,099.84	30,610.86
18. Annual deficit	-25,984,375.52	-977,109.80
19. Debiting of the annual deficit on loss carryforward accounts	25,984,375.52	977,109.80
20. Balance sheet profit / (loss)	0.00	0.00

APPENDIX FOR THE FISCAL YEAR from January 1st to December 31st, 2017

A. Notes on the balance sheet and the profit and loss account

I. General

MacGregor Germany GmbH & Co. KG is based in Uetersen and is entered in the commercial register at the Pinneberg District Court under number HRA 499 EL.

The company follows in the accounting and valuation according to § 264 a HGB i. V. m. §§ 264 ff. Of the German Commercial Code (HGB), the provisions of the Commercial Code applicable to corporations and the special provisions of the articles of association.

The legal classification schemes of §§ 266 and 275 HGB were applied; The total cost method (Section 275 (2) HGB) was retained for the income statement.

As in previous years, the balance sheet was expanded to include the items "Liabilities to representatives" and "Liabilities to benevolent funds". According to the size classes specified in Section 267 of the German Commercial Code, the company is a large company.

On January 1st, 2017 the company merged with its subsidiary MacGregor Germany GmbH (acquired in 2013) and on October 1st, 2017 with INTERSCHALT maritime systems GmbH (acquired on September 30th, 2017). These mergers had a significant effect on the balance sheet and the income statement. This effect is as follows for the main items (in EUR thousand):

	2017	of which through mergers	2017 adjusted / comparable	2016
Capital assets	9,762	-98,497	108,259	57,342
Current assets	77,844	22,977	54,867	40,586
Equity	0	0	0	0
accruals	22,048	1,612	20,436	15,387
liabilities	65,434	-77,445	142,879	82,667
Total assets	87,824	-86,386	174.210	98.084
Sales	100.317	20,869	79,448	80.918
Operating profit	-20,843	-9,798	-11,045	-4,150
Financial result	-902	-224	-678	3,383
Annual surplus	-25,984	-10,028	-15,956	-977

II. Accounting, valuation and conversion methods

1. Intangible assets

Self-created software as well as licenses for such rights and values are capitalized at production costs (development costs), provided there is at least a high probability that an asset will actually arise on the reporting date. Manufacturing costs include the individually attributable costs resulting from the consumption of goods and the use of services, as well as appropriate portions of the material and production overheads and the depreciation of fixed assets caused by the development process.

Intangible assets acquired from third parties in return for payment are stated at acquisition cost less accumulated depreciation. The depreciation is calculated according to the straight-line depreciation method between 3 and 15 years. **Goodwill** is amortized over its estimated individual useful life.

2. Property, plant and equipment

The **tangible assets** are accounted for at acquisition cost less accumulated depreciation. Buildings are depreciated using the straight-line method based on a useful life of 33.3 years. The depreciation of movable assets is accounted for by scheduled straight-line or degressive depreciation. For assets that were already available at the beginning of the 2010 financial year and that were previously depreciated using the declining balance method, the declining balance method of depreciation was retained, exercising the option of Art. 67 (4) sentence 1 EGHGB.

3. Financial assets

The **financial assets** are valued at acquisition or production cost or at the lower fair value on the balance sheet date.

4. Inventories

The reduced usability is taken into account in the value deductions on stocks in the area of **raw materials and supplies** as well as unfinished products; a 100% marketability deduction is made after 12 months.

The commercial law valuation of the **unfinished and finished products** is carried out in the amount of the commercial law valuation lower limit. This means that, in addition to the direct material and production costs, necessary material and production overheads as well as special direct production costs and appropriate depreciation are taken into account under normal capacity utilization.

Finished goods and unfinished goods are valued loss-free.

Advance payments made and received are valued at the nominal amount.

5. Receivables and other assets

The **receivables and other assets** are stated at their nominal value. In the case of trade **receivables** , known individual risks are 100% value adjusted and the general risks are taken into account by means of a general value adjustment. The value reduction for the general value adjustment is determined depending on the age of the individual claim and adjusted with 25%, 50%, 75% or 100%.

6. Cash in hand, Bundesbank balances, bank balances and checks

Liquid funds are reported at their nominal values.

7. Prepaid expenses

Expenditures before the balance sheet date are shown as prepaid expenses, which represent expenses for a certain time after the balance sheet date.

8. Deferred Taxes

When determining deferred taxes as of December 31, 2017, there is a surplus of deferred tax assets. Deferred tax liabilities from valuation differences in provisions for environmental damage and in trade receivables were offset against deferred tax assets on goodwill valuation differences that differ from one another under commercial law and tax law. The option for accounting for deferred tax assets in accordance with Section 274 (1) sentence 2 of the German Commercial Code was exercised to the effect that deferred taxes were not accounted for.

9 Equity

The limited partners' liability deposits are fully paid up.

The reserves were increased by EUR 25,984,375.52 to EUR 43,755,533.20 in 2017 as a result of the guarantee issued by MacGregor Netherlands.

The loss of EUR 25,984,375.52 will be carried forward to the new account.

10. Adjustment items for capitalized own shares

This is the adjustment item for the shares in the general partner.

11. accruals

Provisions for pensions

According to commercial law, a provision is made for future liabilities (Section 249 of the German Commercial Code). This also includes the provisions for obligations from a committed pension in the form of a direct commitment - the pension provision.

This provision is recognized at the settlement amount required according to prudent business judgment (Section 253, Paragraph 1, Clause 2 of the German Commercial Code). In view of the obligations that usually become due much later, discounting is carried out. The calculation is based on the average market interest rate for the past 10 financial years (Section 253 (2) sentence 1 HGB).

An amount of EUR 14,469 is subject to a distribution block in accordance with Section 253 (6) sentence 2 of the German Commercial Code (HGB).

Other provisions are set up based on prudent commercial caution for identifiable risks, uncertain liabilities and impending losses and are recognized at the expected settlement amount.

13. Liabilities

Liabilities are **stated** at the settlement amount. Advance payments received on orders are openly deducted from inventories in accordance with Section 268 (5) sentence 2 of the German Commercial Code (HGB).

15. Conversion methods

Cash in hand, goods in hand, receivables and **liabilities in foreign currencies** on the balance sheet date are **posted** at the current exchange rate. In the case of hedging through forward exchange transactions, the posting is made at the hedging rate. Differences from changes in exchange rates of transactions with a remaining term of less than one year are taken into account by revaluation at the official foreign exchange spot exchange rate on the balance sheet date, unless assets and debts that existed on the balance sheet date have been consistently valued as a closed item due to matching amounts and maturities.

III. Notes to the balance sheet

1. Fixed assets

The development of the individual items of fixed assets in the 2017 financial year is shown in the schedule of fixed assets.

The goodwill capitalized in intangible assets results from two acquisitions of business areas in 2003 and 2007. Due to the service business expected over the life of a ship (approx. 20 years), goodwill is amortized over the carefully estimated individual operational useful life of 15 years .

2. Shareholdings within the meaning of Section 285 No. 11 HGB

Surname	Seat	Share %	Equity as of December 31, 2017 kEUR	Annual result 2017 kEUR
HATLAPA Verwaltungs GmbH 1)	Uetersen	100	121	6th
Sanger Metal Sp. Z oo	Szczecin, Poland	30th	-279	-150
	Schenefeld	100	20th	-7
Interschalt Bluedrive GmbH (11/30/2017)				
	Houston / USA	100	0	590
Interschalt maritime Services Corp 2)				
	Shanghai / China	100	-8th	-41
Interschalt maritime systems Shanghai 2)				

1) This is the personally liable partner.

2) The company is in liquidation

The equity capital of the annual financial statements prepared in foreign currency was converted at the rate on the reporting date, and the annual result at the average rate. The annual results of the companies relate to the calendar year.

Extraordinary depreciation due to a likely permanent decrease in value was made for the valuations for investments in accordance with § 253 Paragraph 3 Clause 5 of the German Commercial Code (HGB) in the amount of € 49 thousand.

3. Inventories

The down payments received in the amount of EUR 4,468,043.82, openly deducted from the inventories, contain down payments of EUR 1,884,450.10 that do not relate to products recognized in inventories or advance payments made.

4. Receivables and other assets

The trade receivables include receivables from affiliated companies in the amount of EUR 1,081,934.88 (previous year: EUR 672 thousand).

Of the **other assets** , EUR 11,349.95 (previous year EUR 12,250.71) have a remaining term of more than one year and EUR 2,167.38 (previous year EUR 3,084.01) have a remaining term of more than five years.

5. Deferred Taxes

Essentially, different commercial and tax valuations for goodwill, inventories, impending losses and partial retirement provisions as well as added values in the supplementary tax balance sheets result in deferred tax assets that significantly exceed the deferred tax liabilities from valuation differences. The valuation of deferred taxes is based on a tax rate of 14.31%

6. Pension provisions

The valuation of pension provisions was based on the modified entry age method. The following assumptions were made for the calculations:

Discount rate:	3.67%
Discount rate for distribution block	2.80%
Salary trend:	0.00%
Pension trend:	1.75%
underlying mortality tables:	Heubeck mortality tables 2005

7. Other provisions

The other provisions were formed for:

	12/31/2017 KEUR	December 31, 2016 kEUR
Commissions	3,146	3.117
Penalties	2,335	0
Severance payments	2,261	391
Purchase guarantee	2,053	4,589
Manufacturing material	1,838	1,100
Guarantee and goodwill	1,835	1,372
Impending losses from pending transactions	85	102
Rest	4,259	4,710
	17,812	15,381

8. Liabilities

		Thereof with a remaining maturity			
	December 31, 2017 EUR	up to one year EUR	between one and five years EUR	of more than five years EUR	Collateral provided EUR
Trade payables [1]	10,223,494.04	10,223,494.04	0.00	0.00	4,691,071.18
Liabilities to agents	713,490.97	713,490.97	0.00	0.00	0.00
Liabilities to shareholders	122,388.72	122,388.72	0.00	0.00	0.00
Liabilities to affiliated companies	53,376,752.90	53,376,752.90	0.00	0.00	0.00
Liabilities to the relief fund	53,805.96	0.00	3,655.74	50,150.22	0.00
Other liabilities	944,017.83	944,017.83	0.00	0.00	0.00
	65,433,950.42	65,380,144.46	3,655.74	50,150.22	4,691,071.18

[1] The securities for the trade payables relate to the suppliers who have delivered their goods subject to retention of title.

The trade payables and liabilities to agents include liabilities to affiliated companies in the amount of EUR 3,402,413.42 (previous year: EUR 950 thousand) and in the amount of EUR 56,045.17 (previous year: EUR 232 thousand).

IV. Notes on the profit and loss account

1. Sales

Sales break down regionally as follows:

In EUR	2017	2016
inland	26,085,520.58	13,559,569.46
foreign countries	74,231,730.72	67,358,007.61
	100,317,251.30	80,917,577.07

According to the areas of activity, the sales are broken down as follows:

In EUR	2017	2016
New business	53,633,448.54	48,802,426.42
Service business	37,932,332.56	29,363,494.64
miscellaneous	8,751,470.20	2,751,656.01
	100,317,251.30	80,917,577.07

2. other operating income

The other operating income includes exchange rate gains of EUR 2,250 thousand (previous year: EUR 1,519 thousand).

The other operating income includes the following extraordinary income:

Profit from the sale of business areas EUR 54,193 thousand

4. Depreciation

The development of depreciation is shown in the schedule of assets.

5. other operating expenses

The other operating expenses include exchange rate losses of EUR 862 thousand (previous year: EUR 1,738 thousand).

The other operating expenses include the following extraordinary expenses:

Losses from the merger with the former subsidiaries in the amount of EUR 67,253 thousand, as well as the formation of a provision for a penalty in the amount of EUR 2,335 thousand.

B. Contingent liabilities and other financial obligations

1. From leasing contracts and other long-term contracts

	Expenses 2018 kEUR	Expenses 2019 kEUR	Expenses 2020 kEUR	Expense 2021 kEUR	Expense 2022 kEUR	Total KEUR
From leasing and rental contracts:						
Copier, printer, EDP	57	13th	1	0	0	71
Car	199	137	108	15th	3	462
machinery	245	51	0	0	0	296
miscellaneous	34	32	14th	14th	5	99
Office rent	158					158
	693	233	123	29	8th	1,086

2. Purchase commitments

The order commitments from orders for goods amounted to EUR 17,920 thousand on the current reporting date (previous year: EUR 28,244 thousand).

3. Purchase obligation

On December 31, 2016, the company undertook to purchase production services from a third party worth a total of € 11.8 million over a period of two years. A provision of € 4.8 million was set up for impending losses from this obligation.

On December 31, 2017, this provision was reduced to € 2.1 million.

C. Supplementary report

By resolution of May 16, 2018, the shareholder paid EUR 50.0 million into the reserves.

In June 2019, the company acquired a division from a Norwegian sister company (winches and steering gear of the Pusnes and Porsgrunn brands). In 2016, the production operations of MacGregor Germany GmbH were spun off and sold to an investor. This area thus became an independent company and subsequently operated production as a contract manufacturer. At the beginning of 2018, this newly founded company filed for bankruptcy. Part of the insolvent company was then sold to a medium-sized group of companies that has since started operations and also works for MacGregor Germany.

D. Other information

1. Number of employees (annual average)

	1.1.2017 - 31.12.17	1.1.2016 - 31.12.16
constantly employed	209	261
temporary employees	4th	8th
	213	269
trainee	11	29
	224	298

2. Management

The personally liable partner is Hatlapa Verwaltungsgesellschaft mbH, Uetersen, represented by its managing director Rainer Twisterling. The company's subscribed capital amounted to EUR 31 thousand on the balance sheet date.

3. Consolidated financial statements

The annual financial statements of MacGregor Germany GmbH & Co. KG, Uetersen, will be included in the consolidated financial statements of the ultimate parent company, Cargotec Oyj, Helsinki, Finland, as of December 31, 2017. These consolidated financial statements in English can be viewed on the Internet at www.cargotec.com or can be obtained from Cargotec Corporation, Helsinki / Finland.

4. Derivative financial instruments and valuation units

Forward exchange contracts are used as financial instruments to control the currency risk in connection with deliveries and services with foreign customers and suppliers. The forward exchange transactions are processed exclusively through Cargotec (Trezone). The following financial items existed as of the balance sheet date:

	Nominal values	
	12/31/2017 KEUR	December 31, 2017 TUSD
Cargotec	17,190	20,039

For the currency forwards, the total of the positive fair values is EUR 639 thousand, the total of the negative fair values is EUR -31 thousand. The calculations of the fair values were based on the reference rates from December 31, 2017.

The derivatives concluded with the banks and the respective underlying transactions basically form a valuation unit, so that no valuation result arises. These are microhedges (clear allocation of underlying and hedging transactions). The effectiveness of the hedge is checked on an ongoing basis. Due to the equality of amounts, risks and deadlines, the valuation units are highly effective. Most of the opposing changes in value and cash flows from currency forwards are expected to even out in 2018.

5. Auditor's fee (Section 285 No. 17 HGB)

The total fee charged by the auditor for the financial year is EUR 100 thousand and relates exclusively to audit services.

Uetersen, June 13, 2019

The Board

Rainer Twisterling

Schedule of assets as of December 31, 2017

	Acquisition or manufacturing costs		
	As of Jan. 01, 2017 €	Additions through merger €	other additions €

	Acquisition or manufacturing costs		
	As of Jan. 01, 2017	Additions through merger	other additions
	€	€	€
I. Intangible Assets			
1. Self-created software and assets as well as licenses	0.00	1,621,787.40	0.00
2. Purchased software and assets as well as licenses	1,854,420.16	1,590,972.35	33,654.78
3. Goodwill	5,475,970.21	16,931,000.00	0.00
	7,330,390.37	20,143,759.75	33,654.78
II. Tangible assets			
1. Land, land rights and buildings including buildings on third-party land	9,194,189.98	4,605,228.53	0.00
2. Technical systems and machines	372,791.15	622,235.70	0.00
3. Other equipment, factory and office equipment	6,760,496.37	3,930,357.54	78,523.23
	16,327,477.50	9,157,821.77	78,523.23
III. Financial assets			
1. Shares in affiliated companies	49,830,678.96	220,749.90	51,712,000.00
2. Holdings	36,737.19	102,172.99	0.00
	49,867,416.15	322,922.89	51,712,000.00
	73,525,284.02	29,624,504.41	51,824,178.01

	Acquisition or manufacturing costs		
	Disposals through the sale of business areas	other disposals	As of December 31, 2017
	€	€	€
I. Intangible Assets			
1. Self-created software and assets as well as licenses	0.00	0.00	1,621,787.40
2. Purchased software and assets as well as licenses	515,177.42	6,025.51	2,957,844.36
3. Goodwill	16,931,000.00	0.00	5,475,970.21
	17,446,177.42	6,025.51	10,055,601.97
II. Tangible assets			
1. Land, land rights and buildings including buildings on third-party land	0.00	0.00	13,799,418.51
2. Technical systems and machines	0.00	0.00	995,026.85
3. Other equipment, factory and office equipment	447,552.11	195,229.59	10,126,595.44
	447,552.11	195,229.59	24,921,040.80
III. Financial assets			
1. Shares in affiliated companies	0.00	101,512,001.45	251,427.41
2. Holdings	0.00	0.00	138,910.18
	0.00	101,512,001.45	390,337.59
	17,893,729.53	101,713,256.55	35,366,980.36

	Acquisition or manufacturing costs		
	As of Jan. 1, 2017	Additions through merger	other additions
	€	€	€
I. Intangible Assets			
1. Self-created software and assets as well as licenses	0.00	946,042.51	81,088.89
2. Purchased software and assets as well as licenses	1,716,989.91	1,367,065.57	85,025.98
3. Goodwill	3,963,373.21	12,133,883.08	358,603.00
	5,680,363.12	14,446,991.16	524,717.87
II. Tangible assets			
1. Land, land rights and buildings including buildings on third-party land	5,045,890.13	2,716,054.31	186,530.67
2. Technical systems and machines	362,423.15	602,988.58	8,228.12
3. Other equipment, factory and office equipment	5,094,664.62	3,318,731.63	388,646.14
	10,502,977.90	6,637,774.52	583,404.93
III. Financial assets			
1. Shares in affiliated companies	0.00	192,031.90	14,500.00
2. Holdings	0.00	99,999.00	34,180.73
	0.00	292,030.90	48,680.73
	16,183,341.02	21,376,796.58	1,156,803.53

	Acquisition or manufacturing costs		
	Disposals through the sale of business areas	other disposals	As of December 31, 2017
	€	€	€
I. Intangible Assets			
1. Self-created software and assets as well as licenses	0.00	0.00	1,027,131.40
2. Purchased software and assets as well as licenses	471,619.84	6,025.51	2,691,436.11
3. Goodwill	12,133,883.08	0.00	4,321,976.21
	12,605,502.92	6,025.51	8,040,543.72

	Acquisition or manufacturing costs		
	Disposals through the sale of business areas	other disposals	As of December 31, 2017
	€	€	€
II. Tangible assets			
1. Land, land rights and buildings including buildings on third-party land	0.00	0.00	7,948,475.11
2. Technical systems and machines	0.00	0.00	973,639.85
3. Other equipment, factory and office equipment	262,678.77	203,893.08	8,335,470.54
	262,678.77	203,893.08	17,257,585.50
III. Financial assets			
1. Shares in affiliated companies	0.00	0.00	206,531.90
2. Holdings	0.00	0.00	134,179.73
	0.00	0.00	340,711.63
	12,868,181.69	209,918.59	25,638,840.85

	Net book values	
	Net book values as of Jan. 1, 2017	Net book values as of Dec. 31, 2017
	€	€
I. Intangible Assets		
1. Self-created software and assets as well as licenses	0.00	594,656.00
2. Purchased software and assets as well as licenses	137,430.25	266,408.25
3. Goodwill	1,512,597.00	1,153,994.00
	1,650,027.25	2,015,058.25
II. Tangible assets		
1. Land, land rights and buildings including buildings on third-party land	4,148,299.85	5,850,943.40
2. Technical systems and machines	10,368.00	21,387.00
3. Other equipment, factory and office equipment	1,665,831.75	1,791,124.90
	5,824,499.60	7,663,455.30
III. Financial assets		
1. Shares in affiliated companies	49,830,678.96	44,895.51
2. Holdings	36,737.19	4,730.45
	49,867,416.15	49,625.96
	57,341,943.00	9,728,139.51

INDEPENDENT AUDITOR'S REPORT

To MacGregor Germany GmbH & Co. KG, Uetersen

Examination Opinions

We have prepared the annual financial statements of MacGregor Germany GmbH & Co. KG, Uetersen, - consisting of the balance sheet as of December 31, 2017 and the income statement for the financial year from January 1 to December 31, 2017 as well as the notes, including the Presentation of accounting and valuation methods - checked. In addition, we have audited the management report of MacGregor Germany GmbH & Co. KG for the financial year from January 1 to December 31, 2017.

In our opinion, based on the knowledge gained during the audit

- The attached annual financial statements comply with German commercial law in all essential respects and, in compliance with German generally accepted accounting principles, give a true and fair view of the company's assets and financial position as of December 31, 2017, as well as its earnings position for the financial year from January 1 to as of December 31, 2017 and
- the attached management report gives an overall accurate picture of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

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

Basis for the examination results

We carried out our audit of the annual financial statements and the 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 under these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the annual financial statements and the management report" of our auditor's report. We are independent of the company 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 annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements, which comply with the German commercial law in all essential respects, and for ensuring that the annual financial statements give a true and fair view of the assets, financial and earnings position of the in compliance with the German principles of proper bookkeeping Society mediates. 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 in order to enable the preparation of annual financial statements that are free from material - intended or unintentional - misstatements.

When preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue business operations. 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 management report, which as a whole provides an accurate picture of the company's position and is consistent with the annual 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 considered necessary to enable the preparation of a management report in accordance with the applicable German legal regulations and to provide sufficient suitable evidence for the statements in the management report can.

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

Our objective is to obtain sufficient certainty as to whether the annual financial statements as a whole are free from material - intended or unintentional - misrepresentation and whether the management report as a whole gives an accurate picture of the company's position and, in all material matters, with the annual financial statements as well is in line with the knowledge gained during the audit, complies with German legal regulations 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 annual financial statements and the 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) and 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 annual financial statements and management report.

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

- we identify and assess the risks of material - intentional or unintentional - misrepresentations in the annual financial statements and the 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 detected is higher in the case of violations than inaccuracies, since violations can involve fraudulent cooperation, falsifications, 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 annual financial statements and the precautions and measures relevant to the audit of the 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 of society.
- 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 the 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 company'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 annual financial statements and in the 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 company can no longer continue its business activities.
- We assess the overall presentation, structure and content of the annual financial statements, including the information, as well as whether the annual financial statements present the underlying business transactions and events in such a way that the annual financial statements, in compliance with German generally accepted accounting principles, provide a true and fair view of the asset, financial and the company's earnings.
- we assess the consistency of the management report with the annual financial statements, its compliance with the law and the picture it provides of the company's position.
- we perform audit procedures on the future-oriented information presented by the legal representatives in the management report. On the basis of sufficient suitable audit evidence, we particularly review the significant assumptions on which the future-oriented information is based by the legal representatives 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 considerable unavoidable risk that future events will differ materially from the forward-looking statements.

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.

Hamburg, June 14, 2019

PricewaterhouseCoopers GmbH
auditing company

Thorsten Dzulko, auditor

ppa. Christian Eden, auditor

The annual financial statements as of December 31, 2017 were adopted on October 29, 2019.