

Appendix 1

Note: This document is a convenience translation of the German original.
The original German language document is the authoritative version.

Secop GmbH

(vormals Nidec Global Appliance Germany GmbH)

Balance sheet as at 31 December 2019

Assets				Equity and liabilities			
	31/12/2019		Prior year		31/12/2019	Prior year	
	EUR	EUR	EUR		EUR	EUR	
A. Fixed assets				A. Equity			
I. Intangible fixed assets				I. Subscribed capital	26.000,00	26.000,00	
1. Concessions, industrial and similar rights and assets, and licenses in such assets	4.926.692,27		4.627.785,96	II. Capital reserve	35.479.330,84	35.479.330,84	
2. Prepayments	13.309.563,14	18.236.255,41	9.917.994,64	14.545.780,60	III. Accumulated losses brought forward	-28.431.172,33	-19.207.818,58
II. Tangible fixed assets				IV. Net profit/net loss for the financial year	1.614.155,02	-9.223.353,75	
1. Technical equipment and machinery	105.887,89		166.976,89		8.688.313,53	7.074.158,51	
2. Other equipment, operating and office equipment	89.019,00		92.949,00	B. Provisions			
3. Advance payments made and assets under construction	70.113,75	265.020,64	23.868,55	1. Provision for pensions and similar obligations	3.253.522,00	3.016.516,00	
III. Financial assets				3. Other provisions	1.916.762,01	2.684.619,03	
1. Shares in affiliated companies	9.273.952,00		273.952,00		5.170.284,01	5.701.135,03	
2. Loans to affiliated companies	6.494.096,00	15.768.048,00	30.515.197,03	C. Liabilities			
		34.269.324,05	45.618.724,07	1. Liabilities to banks	0,00	8.755.974,25	
B. Current assets				2. Trade liabilities	378.878,60	226.566,39	
I. Receivables and other assets				3. Liabilities to affiliated companies	90.897.523,49	91.483.123,30	
1. Trade receivables	26.606.815,88		16.700.378,64	4. Other liabilities	609.292,73	1.087.993,54	
2. Receivables from affiliated companies	30.327.214,18		46.393.673,44	--from taxes EUR 62,424.60--			
3. Other assets	3.205.440,19	60.139.470,25	4.117.263,65	(p.y. EUR 122,453.86) --			
II. Cash-in-hand, bank balances		11.223.850,31	1.314.602,14	-- of which relating to social security and similar obligations			
		71.363.320,56	68.525.917,87	EUR 0.00 (p.y. EUR 0.00) --			
C. Prepaid expenses / deferred income		111.647,75	184.309,08		91.885.694,82	101.553.657,48	
					105.744.292,36	114.328.951,02	
		105.744.292,36	114.328.951,02				

Flensburg, 30. September 2020

Peter Michael Hansen

Philipp von Stietencron

Appendix 2

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Secop GmbH

(formerly Nidec Global Appliance Germany GmbH)

Statement of profit and loss for the period from 1 January to 31 December 2019

	01/01/2019 – 31/12/2019	Prior year
	EUR	EUR
1. Revenue	172.242.369,01	194.975.146,67
2. Other own work capitalised	-673.922,13	0,00
3. Other operating income	17.231,49	875.915,49
–from currency conversion EUR 98,843.73 (p.y. EUR 454,375.94) –		
4. Cost of materials		
a) Cost of raw materials, consumables and supplies	149.015.206,51	
b) Cost of purchased services	5.328.163,56	174.863.975,13
5. Personnel expenses		
a) Wages and salaries	3.607.115,30	
b) Social security and expenses for pensions and other employee benefit costs	511.368,40	4.118.483,70
–for pensions EUR 94,562.04 (p.y. EUR 250,498.74) –		9.567.308,68
6. Amortisation and write-downs of intangible fixed assets, depreciation and write-downs of tangible fixed assets	1.199.089,27	2.340.746,28
7. Other operating expenses	10.467.187,16	4.270.306,87
–from currency conversion EUR 213,003.82 (p.y. EUR 245,599.93) –		
8. Other interest and similar income	984.330,64	965.628,73
-- of which from affiliated companies EUR 796,121.42 (p.y. EUR 965,215.69) –		
9. Write-downs of long-term financial assets	0,00	14.985.000,00
10. Interest and similar expenses	1.103.612,52	815.827,70
–to affiliated companies EUR 550,462.84 (p.y. EUR 308,552.06) – –from discounting EUR 217,080.00– (p.y. EUR 104,327.00) –		
11. Income before tax	1.338.266,29	-10.026.473,77
12. Taxes on income	-281.121,37	-807.425,66
13. Result after taxes	1.619.387,66	-9.219.048,11
14. Other taxes	5.232,64	4.305,64
15. Net profit/net loss for the financial year	1.614.155,02	-9.223.353,75

Appendix 3

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Secop GmbH (formerly Nidec Global Appliance Germany GmbH), Flensburg

Notes to the financial statements for the period from 1 January to 31 December 2019

I. General details relating to the financial statements

The annual financial statements as of 31 December 2019 of the Secop GmbH were prepared in accordance with the provisions of the German commercial law (HGB) including the German principles of proper accounting and with the applicable regulations of the GmbHG..

The income statement was drawn up in the total cost (nature of expense) format.

The Company is large corporation pursuant to Sec. 267 (3) sentence 1 HGB.

As of 06 September 2019, Secop GmbH was sold together with other affiliated companies to Zerfree GmbH (afterwards Secop Group Holding GmbH, Flensburg).

II. Recognition, measurement, and conversion methods

Intangible assets and tangible fixed assets

Inventories are recognised at acquisition costs less scheduled depreciation. Prepayments are stated at nominal value.

Scheduled depreciation is calculated on a straight-line basis based on the useful life:

	Useful life Years
Concessions, industrial and similar rights and assets, and licenses in such assets	3 - 5
Buildings	30 - 40
Exterior facilities	10
Technical equipment	10 - 13
Machinery	6 - 10
Tools	5
Operating and office equipment	3 - 5

The depreciation of additions of fixed tangible assets follows the pro rata temporis rule.

Low-value assets with acquisition costs below EUR 800.00 (prior year: EUR 410.00) are fully written down in the year of acquisition. The generally recognised adjustment of this simplification rule is applied. The year of the disposals is deemed to be the year of acquisition.

Financial assets

Shares in affiliated companies are recognised at acquisition cost or, if permanent impairment is expected, at the lower fair value.

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Loans are recognised at acquisition costs less collected repayment instalments.

Receivables and other assets

Receivables and other assets are recognised at nominal value, possible default risks are taken into account by allowances for doubtful accounts.

Bank balances

Bank balances are recognised at nominal values.

Prepaid expenses / deferred income

Expenses incurred prior to the financial statement date were recognised as **prepaid expenses**, to the extent that they relate to a certain period after that date.

Equity

The **subscribed (issued) capital** was reported at nominal value.

Provisions

Provisions for pensions and similar obligations are valued based on actuarial calculations according to the defined benefit obligations using an interest rate of 2.71 % (prior year: 3.21 %) p.a. under consideration of the mortality tables 2018 G by Prof. Dr. Klaus Heubeck. The interest rate corresponds to the average market rate of the last ten years as published by the German Bundesbank with a maturity of 15 years of the pension liabilities. Provisions for pensions and similar obligations were determined based on annual pension increases of 1.5 % (prior year: 1.5 %). Annual increases in wages and salaries were not to be considered.

Provisions for liabilities from partial retirement are calculated based on the block model applying IDW RS HFA 3. Provisions for partial retirement were calculated based on an interest rate of 0.00 % (prior year: 0.82 %) p.a. and based on the mortality tables 2018 G by Prof. Dr. Klaus Heubeck. The interest rate corresponds to the average market rate of the last seven years as published by the German Bundesbank with a maturity of less than one year of the partial retirement liabilities. Provisions were determined based on annual increases of wages and salaries of 2.0 % (prior year: 2.0 %).

Provisions for other long-service benefit obligations are valued based on the actuarial calculation according to the defined benefit obligations procedures based on an interest rate of 1.97 % (prior year: 2.32%) p.a. The interest rate corresponds to the average market rate of the last seven years as published by the German Bundesbank with a maturity of 15 years of the long-service benefit obligations. Provisions for long-service benefit obligations were determined based on annual increases of wages and salaries of 2.0 % (prior year: 2.0 %) and assuming a development of the income threshold in the amount of 2.0 % (prior year: 2.0 %) p.a.

Other provisions take adequate account of all discernible risks and other contingent liabilities. Provisions have been recognised in accordance with the principle of prudent commercial judgement in the amount of the required settlement amount.

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Liabilities

Liabilities are recognised at the settlement amount.

Currency translation

Assets and liabilities in foreign currencies were recognised at the exchange rate on the day of the business transaction.

Current receivables and liabilities with a maturity of up to one year and bank credits in foreign currencies are translated at the average spot exchange rate as of balance sheet date.

Non-current liabilities in foreign currencies are valued at the exchange rate as of incurrence of the liability or, if required, under consideration of the higher of cost or market principle with the average spot exchange rate as of balance sheet date.

Incurring profits and losses are recognised through profit or loss

III. Explanations of the financial statements

Notes to the balance sheet

Fixed assets

For details concerning the development during the period from 01 January 2019 until 31 December 2019, we refer to the development of assets in the notes to the financial statements.

Prepayments to intangible assets related to contractually agreed development services rendered for consideration by the subsidiary Motor Competence Center Holding GmbH (MCCH), Harrislee, to Secop GmbH. Development costs include projects for the electronic assembly of the future variable speed generation (XV, SLV, DLV, NLV) and for the new Kappa and Delta product generations. The expect the products to be realisable and marketable and consider the prepayments made recoverable.

Loans to affiliated companies in the amount of KEUR 6,494 relate to the shareholder Secop Holding GmbH (formerly: Nidec Global Appliance Compressors GmbH) and were reclassified from receivables from affiliated companies after a extension of the term until 1 April 2021 was agreed,

Shareholdings

As of 31 December 2019, the Company holds 100 % in Motor Competence Center Holding Flensburg GmbH (MCCH), Harrislee, which was founded on 20 September 2012 (registratioon in the Commercial Register on 24 October 2012). As of 31 December 2019, the Company's equity amounts to KEUR 503. The Company's net loss for the financial year 2019 amounts to KEUR 59.

As of 31 December 2019, the Company holds 100 % of the shares in Secop Austria GmbH, Fürstenfeld, Austria (formerly Nidec Global Appliance Austria GmbH), which was founded on 06 November 2012 (registration in the Commercial Register on 23 November 2012). As of 31

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December 2019, the Company's equity amounts to KEUR 8,688. The Company's net income for the financial year 2019 amounts to KEUR 1,614.

As of 16 and 17 April 2019, a purchase contract was concluded between Nidec Europe B.V. and Zerfree GmbH (subsequently Secop Group Holding GmbH), Grünwald, administrative district of Munich, concerning the sale of the Secop GmbH and selected companies of the Secop Group. The contract was subject to several conditions precedent which were completely fulfilled. On 05 September 2019, Secop GmbH provided a capital increase for Secop Austria GmbH.

As of 31 December 2019, the Company holds 100% of the shares in Secop Italia s.r.l., Milano, Italy (formerly Nidec Global Appliance Italy S.r.l.), which was founded on 07 November 2014 (registration in the Commercial Register on 10 November 2014). As of 31 December 2019, the Company's equity amounts to KEUR 235. The Company's net income for the financial year 2019 amounts to KEUR 158.

Trade receivables

Trade receivables in the amount of KEUR 26,607 (prior year KEUR 16,700) are due within one year.

Receivables from affiliated companies

Receivables from affiliated companies amount to KEUR 30,327 (prior year: KEUR 46,394); including KEUR 30,285 (prior year: KEUR 39,681) from trade receivables and KEUR 42 (prior year: KEUR 6,713) from other receivables. Other receivables include cashpool receivables in the amount of KEUR 0 (prior year: KEUR 6,706).

All receivables are due within one year.

Other assets

Other assets include in particular VAT receivables due from tax authorities and receivables from cost allocations and are due within one year.

Share capital

The company's share capital amounts to 26,000.00 EUR.

Capital Reserve

The capital reserve amounts to KEUR 35,479. Originally, an amount of KEUR 36,434 was recognised in the financial year 2010 as part of a contribution in kind. In 2013, the amount provided by Secop Holding GmbH (formerly: Nidec Global Appliance Compressors GmbH) for the acquisition of Secop Austria GmbH (formerly: Nidec Global Appliance Austria GmbH) of KEUR 8,850 was repaid to the capital reserve. In 2017, the free capital reserves in the amount of KEUR 9,805 were dissolved and distributed to the former shareholder by a shareholders' resolution.

Provision for pensions and similar obligations

The difference according to Sec. 253 (6) HGB, i.e. the difference between the provisions for pensions valued at the average market rate of the last seven years (KEUR 3,677) and the

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provisions for pensions valued at the average market rate of the last ten years (KEUR 3,254) amounts to KEUR 423 (prior year: KEUR 478) as of 31 December 2019. The difference between the provisions for pensions valued based on the average interest rate of seven and ten years is not available for distribution insofar as this amount may not be covered by the reserves available after the distribution plus retained profits brought forward less loss carryforwards.

Other provisions

Main items of other provisions include provisions for restructuring of KEUR 220 (prior year: KEUR 1,001), for other personnel expenses including jubilees and partial retirements KEUR 552 (prior year: KEUR 457) and customer bonuses KEUR 820 (prior year: KEUR 587).

Liabilities to banks

There are no liabilities to banks (prior year: KEUR 8,756).

Trade payables

Trade payables due to third parties in the amount of KEUR 379 (prior year: KEUR 227) are due within one year.

Liabilities to affiliated companies

Liabilities due to affiliated companies amount to KEUR 90,898 (prior year: KEUR 91,483; including KEUR 75,827 (prior year: KEUR 74,163) from trade payables and KEUR 15,070 (prior year: KEUR 17,320) from loan liabilities.

Liabilities in the amount of KEUR 52,128 are due within one year, liabilities in the amount of KEUR 23,700 are due within one to five years. Liabilities in the amount of KEUR 15,069 are due after five years.

Other liabilities

Other liabilities mainly include customers with credit balances, liabilities to personnel and tax authorities and are current liabilities.

Notes to the statement of profit or loss

Sales

The Accounting Directive Implementation Act (BilRUG) extended the definition of sales significantly. Since 2016, sales from the provision of services are to be recognised as well. In case of Secop GmbH (formerly: Nidec Global Appliance Germany GmbH) this is of particular importance for the cost allocation of the Group in connection with the provision of the relevant services. This matter was taken into account in the statement of profit and loss and in the present notes to the financial statements.

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The sales of the Secopt Group are mainly invoiced via Secop GmbH (formerly: Nidec Global Appliance Germany GmbH) to the end customers, while goods supplies come directly from the production sites. Sales are divided according to geographic markets as follows:

	2019	Prior year
	KEUR	KEUR
Domestic	27,925	28,565
European Union	96,591	107,723
Other foreign countries	47,726	58,687
	172,242	194,975

Other operating income

Other operating income mainly results from exchange profits.

Cost of materials

Cost of material mainly includes the purchase of goods from the supplying production sites and purchased services in connection with the provision of services.

Personnel expenses

Personnel expenses include expenses for employees, social benefits, and pensions.

Amortisation/Depreciation

Amortisation and depreciation mainly include amortisation of intangible assets of licenses acquired in the prior years.

Other operating expenses

Other operating expenses mainly include travel expenses, IT expenses, consultancy, and insurance expenses.

Financial result

The financial result includes interest income and expenses vis-à-vis affiliated companies and external lenders.

Taxes on income

Taxes on income mainly result from the reimbursement of prepaid domestic taxes for prior years.

IV. Sonstige Angaben

Deferred taxes

The Company uses its relief option of not capitalising deferred tax assets according to Sec. 274 (1) HGB.

In total, the differences between the commercial and tax balance mainly result in deferred tax assets for the following balance sheet items: Goodwill, provisions for pensions, provisions for partial retirement and anniversaries. The applicable tax rate is 30.18%.

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Factoring

As of 31 December 2019, receivables of KEUR 1,049 (prior year: KEUR 16,986) were sold through factoring to improve liquidity. The advantage of this transaction is the timely addition of cash and cash equivalents. Security interests have been created for the factoring company for all current and future receivables not purchased. Based on the experience from the past, the Company does not expect the security interests to be used.

Other financial obligations/ Contingencies

Other financial obligations from rental, lease and maintenance agreements for equipment and IT amount to KEUR 4,300 for subsequent years (including KEUR 1,094 with a term of less than one year) and KEUR 600 for buildings (including KEUR 300 with a term of less than one year) and KEUR 310 for cars (including KEUR 103 with a term of less than one year).

The guarantee for partial retirement amounts to KEUR 61.

A use of the rent guarantee for the subsidiary MCCH of KEUR 71 is considered unlikely due to the positive business development.

Shareholders

Secop Holding GmbH (formerly Nidec Global Appliance Compressors GmbH, Flensburg) is the sole shareholder.

Group affiliation

Secop Holding GmbH, Flensburg, prepares the group financial statements according to IFRS including Secop GmbH and its subsidiaries. Secop GmbH (formerly: Nidec Global Appliance Germany GmbH) is therefore exempted from the preparation of own group financial statements and group management report.

In the exempting group financial statements, the applied accounting and measurement policies lead to material differences compared to the account and valuation according to German law in the following balance sheet items

- Assets (in particular due to the application of group-uniform useful lives),
 - Provisions for pensions (in particular due to the application of the Projected Unit Credit Method“ and differences concerning the interest rates according to IFRS),
- and
- Other provisions (in particular due to the application of different calculation parameter according to IFRS for provisions for anniversaries and partial retirement).

There are no additional material differences.

Bodies and expenses for bodies

Pursuant to Sec. 286 (4) HGB, the disclosures set out in Sec. 285 (9a, b) HGB are waived.

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Members of the management board

Peter Michael Hansen, Sønderborg/ Denmark (since 25 October 2019)

Dr. Philipp Freiherr von Stietencron, Hannover (since 13 May 2020)

Ricardo Alexandre Maciel, Seiersberg-Pirka/ Austria (from 25 October 2019 until 13 May 2020)

Katia Drusian, Oderzo/ Italy (until 25 October 2019)

Valter Taranzano, Caneva/ Italy (until 25 October 2019)

Average number of employees

	<u>2019</u>	<u>2018</u>
Employees	31	50
(including part-timed employed)	1	2

Auditors' fees

In the financial year, total auditor's fee recognised as expenses amounted to KEUR 50 (prior year: KEUR 181) for audit fees.

Subsequent events

We refer to our explanations in Section I.

Additional events of particular importance after the end of the financial year did not occur.

Proposal for the appropriation of net profit

The management suggested that the net income for the financial year of EUR 1,614,155.02 should be carried forward to new accounts.

Flensburg, 31 October 2020

Peter Michael Hansen
Director

Philipp von Stietencron
Director

Appendix 4

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Management report for the financial year 2019

1. Basic information relating to the Company

Secop GmbH, also referred to as DES (formerly Nidec Global Appliance Germany GmbH) with its principal place of business in Flensburg, Germany, develops and sells hermetic compressors for cooling solutions worldwide. The Company divides its business operations into the Light Commercial, Household and DC Powered segments.

The DES Light Commercial business segment encompasses compressors for light commercial applications including mainly compressors for bottle coolers and glass door merchandise, compressors for commercial freezing cabinets, as well as compressors for supermarket freezers and marketing coolers. The Household segments encompasses compressors for household refrigerators and freezers; the DC Powered segment includes compressors for mobile applications, i.e. mainly refrigerators for trucks, car minibars, spot coolers, telecom battery cooling, and portable cooling boxes for recreational and medical application. In addition, DES offers support and advice regarding application and use of its products for all three segments.

The market segments and the positioning of the three business segments of DES differ significantly. Products of the Light Commercial and DC Powered segments are sold worldwide by DES. However, the most relevant markets for the Household segment are the European Economic Area as well as Russia, Ukraine, Belarus, Serbia, Switzerland, and Turkey.

Within the Secop Group (formerly Nidec Global Appliance Gold Group), DES is the administrative headquarters and distribution centre which includes the direct and indirect subsidiaries including DES, Secop Holding GmbH (also referred to as DESH formerly Nidec Global Appliance Compressors GmbH), Motor Competence Center Holding Flensburg GmbH (also referred to as MCCH), Secop Slovakia s.r.o. (also referred to as Secop Slovakia formerly Nidec Global Appliance Slovakia s.r.o.), Slovakia, Secop (Tianjin) Co. Ltd. (also referred to as Secop China formerly Nidec Compressors (Tianjin) Co. Ltd.),

People's Republic of China, Secop Austria GmbH (Austria) as well as distributors in the US (Secop Inc. formerly Nidec Global Appliance USA Inc.) and Italy (Secop Italy s.r.l. formerly Nidec Global Appliance Italy s.r.l.). The production site Secop Austria also sells compressors to third parties and is responsible for research and development. Secop Slovakia is mainly a production site but also sells compressors to third parties. Secop China (formerly Nidec GA-China) produces products for DES but also markets and sells the products produced at this site independently through its own distributor on the Chinese market.

2. Economic report

a) Industry and macro-economic developments

In 2019, the German economy was able to continue its economic upswing of previous years in the first half of the year, but then stagnated in the second half. According to calculations by the Federal Statistical Office, the price-adjusted gross domestic product (GDP) increased by 0.6 % overall in 2019. Exports slightly down, imports up. Weakened dynamics in private consumption. Year-on-year comparison shows slower economic growth at the end of the year. The situation on the labour market remains positive. According to the Federal Statistical Office, the number of people in employment was around 45.26 million at the end of 2019. The unemployment rate is 5%. Workers have experienced noticeable real wage increases in recent years. According to the Federal Statistical Office, net wages rose by 4.2 % in 2019, which is significantly higher than the rate of price increases, which was around 1.4 %.

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In general, the compressor industry will see major market changes in 2019 due to price pressure. There is an increasing shift towards more efficient and also more powerful compressors. The fixed speed compressor segment is steadily but clearly declining, while the variable speed segment is growing. Even though the market is dominated by the household segment, the share in the commercial compressor segment is also increasing as large household OEMs are increasingly entering the commercial business. The further market development is mainly dominated by the demand for higher cooling capacity and smaller cooling units.

b) Course of business

The business of the Secop Group (formerly Nidec GA Group) stagnated in the financial year 2019 due to the reluctance of customers as of date of the change of shareholders of the Secop Group from Nidec to Zerfree GmbH (afterwards Secop Group Holding GmbH).

The price pressure by competitors remains high and mainly affects the Household segment. Business in the Light Commercial and DC Powered segment remains on the prior year level across all regions.

With regard to DES only, however, sales decreased to KEUR 172,242 in 2019 compared to the prior year (KEUR 194,975).

Sales and EBIT are the main performance indicators for the business development of DES:

in KEUR	01.01. - 31.12.2019	01.01. - 31.12.2018	Diff.	in %
Sales	172,242	194,975	-22,733	-12%
Earnings before Interest and Taxes (EBIT)	2,042	-10,176	12,218	-120%

The improvement of the EBIT compared to the prior year is mainly due to the elimination of one-time effects. The impairment of the interest in Secop Austria in the amount of KEUR 14,985 was taken into account in the EBIT for 2018.

c) Notes to the assets, liabilities and financial position

Results of operations

The following table provides an overview of the material changes in results of operations compared to the prior year:

in KEUR	01.01. - 31.12.2019	01.01. - 31.12.2018	Diff.	in %
Sales	172,242	194,975	-22,733	-118%
Earnings before Interest, Income taxes and depreciation and amortisation	3,241	7,149	-3,909	-55%
Earnings before Interest and Taxes (EBIT)	2,042	-10,176	12,218	-120%
Earnings before tax (EBT)	1,922	-10,026	11,949	-119%
Net profit/net loss for the financial year	1,614	-9,223	10,838	-118%

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The improvement of the net income for the financial year by KEUR 10,838 is mainly due to the one-time effect in connection with the impairment of Secop Austria in the amount of KEUR 14,985 of the prior year as mentioned above.

In detail, the following matters are noteworthy:

- Sales of DES decreased by 12 % to KEUR 172,242 compared to the prior year period (KEUR 194,975). This is mainly due to the decrease in revenue in the Household (EUR - 10.5 million) and the DC Powered (EUR -5.1 million) segments.
- Sales are mainly generated by the sale of the goods produced within the Secop Compressor Group. In addition, sales include allocations of fixed costs, consisting of headquarter services rendered by DES for the Group which are passed on to the affiliated companies.
- Personnel costs decreased by KEUR 5,449 to KEUR 4,118 in 2019 (2018: KEUR 9,567). The average number of employees decreased from 50 to 31 compared to the prior year.
- Other operating expenses include in particular development and licenses expenses in the Group and IT services.

Net assets position

The following table provides an overview of the material changes in the net assets position compared to the prior year.

in KEUR	31/12/2019	31/12/2018	Diff.	in %
Non-current assets	34,269	45,619	-11,349	-25%
Current assets	71,475	68,710	2,765	4%
Balance sheet total	105,744	114,329	-8,585	-8%

Fixed assets in the amount of KEUR 34,269 (prior year KEUR 45,619) consist of intangible assets from the acquisition of licences and intellectual property rights from affiliated companies (prepayments of KEUR 13,310 in 2019). In particular, variable frequency cooling compressors in the Household (HH), Light Commercial (LC) and DC Powered (DC) segments were shifted to a new micro controller technology to ensure the leading technological position of the Secop Compressor Group. The newly developed platform will not be produced by Secop itself but sold to a third party.

Furthermore, financial assets include a loan to the shareholder DESH in the amount of KEUR 6,494 with a term until 01 April 2021.

Secop GmbH has no own inventory.

Receivables and other assets as well as cash and cash equivalents and deferred income amount to KEUR 71,475 (prior year: KEUR 68,710). The increase by KEUR 2,765 is mainly due to the increase in trade receivables and cash and cash equivalents and countervailing decreased receivables from affiliated companies.

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Capital structure

The following table provides an overview of the material changes in the capital structure compared to the prior year.

in KEUR	31/12/2019	31/12/2018	Diff.	in %
Equity	8,688	7,074	1,614	23%
Provisions	5,170	5,701	-531	-9%
Non-current liabilities	38,769	62,820	-24,051	-38%
Current liabilities	53,117	38,734	14,383	37%
Balance sheet total	105,744	114,329	-8,585	-8%

Liabilities in the amount of KEUR 91,886 decreased by 9.52 % compared to the prior year. This is in particular due to the redemption of liabilities to banks in the amount of KEUR 8,756.

The equity ratio increased from 6.2% to 8.2 %. Equity increased by the net income for the financial year of KEUR 1,614.

Financial position

As of reporting date, the Company held cash reserves in the amount of KEUR 11,224 (prior year KEUR 1,315). In addition, as of balance sheet date, receivables of KEUR 1,049 (prior year: KEUR 16,986) were sold through real factoring.

Upon contract renewal, the Company agreed with the factor that a one-time amount of EUR 8.6 million to be distributed to DES at the beginning of November to avoid penalty interests and afterwards the current credit resulting in the high amount of cash reserves.

Receivables and cash reserves of KEUR 71,363 (prior year: KEUR 68,525) are offset by current liabilities in the amount of KEUR 53,117 (prior year KEUR 38,734) and provisions of KEUR 5,179 (prior year 5,701). Hence, the Company is able to meet all current liabilities as of balance sheet date.

Investments

Investments of KEUR 10,997 (prior year: KEUR 9,987) in intangible assets and tangible fixed assets mainly relate to the capitalisation of prepayments for intellectual property rights in connection with development services which are rendered by the subsidiaries Secop AT and MCCH for remuneration. These include mainly capitalised development costs for future products in the Household and Light Commercial segments. In this regard, development costs for the electronic assembly of the future variable speed generation (XV, SLV, DLV, NLV) as well as development costs for the new Kappa and Delta product generations were capitalised.

Personnel development

In 2019, the Company employed an average of 31 employees (prior year 50).

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3. Forecast, opportunities and risk report

Risk management

Our risk management is designed to detect and minimise all potential risks endangering our planned goals or our Company's ability to continue as a going concern in a timely manner. Therefore, our system enables us to detect risks quickly, evaluate them, and initiate appropriate countermeasures.

Due to its complex processes, external factors, and a exposure to high competition in the market environment, the Company is subject to business risks. The Secop Group (formerly Nidec Kompressor Group) has implemented a risk management system in order to be able to detect, evaluate, and address risks, if required, in a timely manner. Detecting and evaluating opportunities and risks in a timely manner is an essential part of the planning, controlling, and reporting process. Therefore, opportunities and risks are reviewed on a regular basis and classified electronically with regard to probability of occurrence, frequency, and extent of the risk (in relation to equity) based on a status. The identified risks are analysed and appropriate countermeasures are initiated, if required.

In the DES, cash management is of particular importance, For this purpose, an active cash management was implemented, including a weekly, continuous cash planning and cash control as well as short-term continuous liquidity planning including a stringent controlling.

In the past financial year, the Company implemented additional measures for financing. Furthermore, the factoring of receivables is of particular importance as it is an important component for the financing of the working capital.

Risks and opportunities for the future development

After the reorganisation of the Laboratory and Prototype Building departments, DES emerged as a pure management and services company where central functions of the Secop Group (formerly Nidec Kompressoren Group) are bundled. Global Technology, global distribution, application engineering, and financing are managed centrally from Germany.

The production companies are in charge of the production of products. The quality of the products produced is ensured via controls integrated into the production process. The production plants perform logistics and warehouse function and are responsible for the local inventory.

The occurrence of one or more of these risks may, individually or in aggregate with other circumstances, materially impair the business of the DES have material negative effects on the assets, liabilities, financial position and financial performance of the DES. In addition, the list of risks presented in the following might no be final in hindsight and therefore might not the only risks to which DES is subject. Additional risks, matters, and uncertainties might exist which are currently unknown to DES or are currently not considered material by the . Compared to the prior year, risks only decreased slightly.

Market and competition-related risk factors of the DES

- In its three segments Light Commercial, Household and DC Powered, DES sells a variety of compressors for different applications. In the past, the demand for the hermetic compressors developed and sold by DES depended significantly on the economic situation in the markets served by DES.
- DES is facing significant competition with Asian companies in particular in the Household segment. In addition to Asian competitors, DES is facing ongoing and intensive competition

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with manufacturers of hermetic compressors from Brazil, the US, and Europe. On customer side, the competition pressure continues as well.

- Due to an increasing concentration in the market for hermetic compressors for cooling applications, some customers might disappear, the market share of existing customers decrease, or other customers gain a higher market power compared to the DES. In the financial year 2019, the Secop Kompressoren Group generated its sales with smaller customers in particular in the Household segment. On the other hand, additional customers were acquired in 2019 due to a new distribution contract with Danfoss which was concluded in 2015, placing the Secop Kompressoren Group on a broader customer basis in the Light Commercial segment. Due to the high market share and the good margins, the DC Powered segment does not present a risk for the Secop Kompressoren Group.
- The procurement prices for the products sold by DES might increase due to an increase in production costs and DES might not be able to compensate the price increases in whole or in part or to pass them on to customers. The prices for almost all parts, components, and raw materials required for the production of hermetic compressors for cooling applications increased in the past years. In particular copper which is an important raw material for the compressor production has shown a comparable high volatility. In addition, the raw materials are traded on the world market in foreign currencies (mainly US Dollar) on a regular basis, hence, exchange rate fluctuations in particular in the exchange rate Euro/US Dollar may lead to increased raw material prices. In particular the prices for copper and steel increased and it is not always possible to pass these increases on to customers by increasing prices accordingly.
- The market for hermetic compressors is characterised by an ongoing price drop which might lead to the DES not being able to sell its products for prices above the production costs. This development can be observed for technologically less advanced products as well as for new product developments.
- Due to the outbreak of the COVID-19 pandemic, however, the risk of a drop in sales increased significantly. The production and therefore sales of compressors suffered from a temporary closure of the production site in China and supply bottlenecks due to closures of production sites of suppliers. Our main customers suspended temporarily or delayed investment projects and product launches due to the uncertain future economic development. Depending on the region, the drop in sales could partially be compensated, however, reliable forecasts concerning the total recovery of the level before COVID-19 can currently not be issued.

Business-related risks of DES

- The sale of the products of DES depends on major customers and their purchasing behaviour and the market success of customers' products. DES is active in the Light Commercial, Household and DC Powered segments. The customers of the Company vary according to the different segments. In the Light Commercial segment, Secop's customer mainly include manufacturers (so-called OEM initial suppliers) of cooling devices for commercial applications while in the Household segment, customers are mainly manufacturers of refrigerators and freezers for consumers. In the DC Powered segment, on the other hand, the Company's customers are mainly manufacturers of cooling systems for very different applications (e.g. for cars or medical applications).
- DES is subject to risks due to high research and development expenses. The research and development expenses are significant for the future development of DES and therefore absolutely necessary to ensure the future economic success as the market is characterised

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and impacted by a continuous trend towards technological development and innovation. However, DES cannot guarantee that expenses for research and development are recouped completely by the subsequent sale of the developed products. In addition, in spite of significant expenses for research and development incurred to DES there is no guarantee that the product will be introduced into the market successfully e.g. because competitors introduce a similar product just before the market launch or because the technical specification necessary for a successful market launch cannot be produced at competitive prices.

- In addition, risks in connection with the planned growth exist. Currently, the management has implemented a monitoring process for detecting, recording, and communicating potential risks early on, in particular to be able to implement measures for preventing or minimising risks early on. In addition to a monthly analysis of the planned and actual figures, the material risks in the individual regions are included through additional market feedbacks. Liquidity and currency fluctuations are continuously monitored and may therefore be detected early on.
- As the market for specialists in the compressor business is quite small, it is difficult to substitute employees with know how. DES intends to prevent losing employees by offering an attractive performance-oriented remuneration, a pleasant working atmosphere, as well as flexibility and social benefits, contributing to a low fluctuation in the past.
- Disruptions and outages of the IT systems of DES might have a negative impact on the business development. DES operates IT systems necessary for the proper operation of administration as well as the reporting, management, and inventory systems. For this purpose, DES uses IT services and IT systems provided by external service providers. The data centres and IT infrastructure are outsourced to third parties. The risk of a disruption of the proper operation of the IT systems by third parties is mitigated by appropriate Service Level Agreements (SLA) included in the contracts regarding availability/processing times.
- Existing control and monitoring systems might not be sufficient to prevent law infringements by employees, representatives, or partners, in particular regarding initiation of order, or to detect law infringements already committed. To ensure adherence with the applicable compliance principles, DES introduced a Code of Conduct for all employees and implemented further measures to prevent or detect compliance infringement in a timely manner. In particular, the Group informed and sensitized its employees with regard to the price fixing occurred in the industry in the past. However, in general DES is not able to monitor the activities of employees, representatives, and partners during the initiation of business with customers comprehensively.

DES is not subject to any individual risk endangering the Group's ability to continue as a going concern.

Summary of the risk situation

After comprehensive audit, the risks described above are manageable for DES. Therefore, the Group's ability to continue as going concern is not endangered, even when considering all risks in aggregate. Risks currently not classified as significant are monitored by the management in order to detect any negative impact which cannot be ruled out in general and to implement appropriate countermeasures in a timely manner. Currently, it is possible only to a very limited extent or not at all to issue a reliable estimate concerning the risks and the

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consequences for the Secop resulting from a possible second wave of the COVID-19 pandemic and the relevant measures to be implemented. Opportunities exist in particular due to the upcoming change in shareholders.

4. Outlook

Since the beginning of September, Secop Group and in particular DES are owned by an investment fund as new owner. To date, no fundamental organisational changes were implemented in the course of the acquisition, hence, it may be assumed that the existing structures and organisational procedures will be maintained in general. The major difference is that the Secop Group return to operating as an independent company group and strategic decision are to be taken within the group together with the new owner.

The separation of the segment into two business units, Units Household, Light Commercial/DC Powered, will continue to exist. As before under the ownership of Nidec, the sales responsibilities for the Light Commercial/DC Powered segment will remain within the former Secop Group, however, the sales responsibilities for the Household segment was united with the department of the Nidec Global Appliance Motorengruppe for synergy reasons and already reintegrated into the former Secop Group. In addition, measures were taken to initiate the organisational separation of the procurement activities into WET (motors) and Cold (compressors). The restructuring measures started in DES in 2017/2018 are completed and currently, no additional measures are considered necessary.

For 2019, the Company forecast sales in the amount of KEUR 170,434 and an EBIT of KEUR 5,979. In fact, sales of KEUR 172,242 and an EBIT of KEUR 2,042 were generated.

The latest forecast on the economic situation are quite restrained for the Company. However, the Company's core market in Europe and the expansion to the Middle East are still evaluated positively. The decrease in sales of DES is partly due to the COVID-19 pandemic and partly due to the fact that the Company continues its efforts to invoice new customers not through DES but to implement direct invoicing of the group companies to the customers.

For 2020, we expect the following development:

in KEUR	Forecast for the 2020 financial year	Actual 2019	Forecast for the 2019 financial year	Actual 2018
Sales	145,085	172,242	170,434	194,975
Earnings before Interest and Taxes (EBIT)	5,664	2,042	5,979	-10,176

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Secop GmbH (also referred to as DES, formerly Nidec Global Appliance Germany GmbH) is part of the Secop Group. DES has been part of the Secop Group since the beginning of September 2019. As part of the merger, the owner of the Secop Group issued extensive financial means and guarantees to the companies of the Secop Group. Therefore, it is likely that the Company will continue as a going concern, and the financial statements were prepared under the going concern basis of accounting. As of 31 December, the Company received a shareholder loan of KEUR 15,070 as financial support. Until October 2020, an amount of KEUR 11,265 of this loan was paid back.

Flensburg, 31 October 2019

Peter Michael Hansen
Director

Philipp von Stietencron
Director

Appendix 5

Independent Auditor's Report

To Secop GmbH, Flensburg

Audit opinions

We have audited the annual financial statements of Secop GmbH, Flensburg, which comprise the balance sheet as at 31 December 2019, and the statement of profit and loss for the financial year from 1 January 2019 to 31 December 2019, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Secop GmbH, Flensburg, for the financial year from 1 January 2019 to 31 December 2019.

In our opinion, on the basis of the knowledge obtained in our audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the financial year from 1 January 2019 to 31 December 2019 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view 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 appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with Sec. 317 HGB and German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the „Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report“ section of our auditor's report. We are independent of the company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to busi-

ness corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the company's position it provides.

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- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Hamburg, 11. November 2020

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

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Wirtschaftsprüfer
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Pritsch
Wirtschaftsprüfer
[German Public Auditor]