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Independent Auditor's Report

To the 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 2020, and the statement of profit and loss for the financial year from 1 January 2020 to 31 December 2020, 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 2020 to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the 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 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020 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. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to section 322 paragraph 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 of the management report in accordance with section 317 HGB and in compliance with 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 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 business 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 section 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 controls.
- 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.
- 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 executive directors 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, 30 June 2021

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Pritsch	Presser
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]

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Secop GmbH

Balance sheet as at 31 December 2020

Assets

	31/12/2020		Prior year	
	EUR	EUR		EUR
A. Fixed assets				
I. Intangible fixed assets				
1. Concessions, industrial and similar rights and assets, and licenses in such assets	8,584,024.55		4,926,692.27	
2. Prepayments	13,094,673.54	21,678,698.09	13,309,563.14	18,236,255.41
II. Tangible fixed assets				
1. Technical equipment and machinery	81,339.89		105,887.89	
2. Other equipment, operating and office equipment	71,829.00		89,019.00	
3. Advance payments made and assets under construction	26,676.00	179,844.89	70,113.75	265,020.64
III. Financial assets				
1. Shares in affiliated companies	9,273,952.00		9,273,952.00	
2. Loans to affiliated companies	0.00	9,273,952.00	6,494,096.00	15,768,048.00
		31,132,494.98		34,269,324.05
B. Current assets				
I. Receivables and other assets				
1. Trade receivables	9,640,868.08		26,606,815.88	
2. Receivables from affiliated companies	12,635,351.11		30,327,214.18	
3. Other assets	4,272,212.68	26,548,431.87	3,205,440.19	60,139,470.25
II. Cash-on-hand, bank balances		4,666,297.49		11,223,850.31
		31,214,729.36		71,363,320.56
C. Prepaid expenses		81,490.31		111,647.75
		62,428,714.65		105,744,292.36

Equity and liabilities

	31/12/2019	Prior year
	EUR	EUR
A. Equity		
I. Subscribed capital	26,000.00	26,000.00
II. Capital reserve	65,631,692.80	35,479,330.84
III. Accumulated losses brought forward	-26,817,017.31	-28,431,172.33
IV. Net loss for the financial year (Prior year: Net income)	-8,625,584.40	1,614,155.02
	30,215,091.09	8,688,313.53
B. Provisions		
1. Provision for pensions and similar obligations	3,489,236.00	3,253,522.00
2. Other provisions	1,479,127.66	1,916,762.01
	4,968,363.66	5,170,284.01
C. Liabilities		
1. Liabilities to banks	1,918,037.84	0.00
2. Trade liabilities	230,467.81	378,878.60
3. Liabilities to affiliated companies	24,379,403.72	90,897,523.49
4. Other liabilities --from taxes EUR 65,139.54-- (p.y. EUR 62,424.60) -- -- of which relating to social security and similar obligations EUR 0.00 (p.y. EUR 0.00) --	717,350.53	609,292.73
	27,245,259.90	91,885,694.82
	62,428,714.65	105,744,292.36

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Secop GmbH

Statement of profit and loss for the period from 1 January to 31 December 2020

		01/01/2020 – -31/12/2020	Prior year
		EUR	EUR
1. Revenue		148,829,463.89	172,242,369.01
2. Other own work capitalised		0.00	-673,922.13
3. Other operating income		10,794,698.54	17,231.49
--from currency conversion EUR 327,269.75 (p.y. EUR 98,843.73) --			
4. Cost of materials			
a) Cost of raw materials, consumables and supplies	117,631,990.89		149,015,206.51
b) Cost of purchased services	5,588,548.65		5,328,163.56
		123,220,539.54	154,343,370.07
5. Personnel expenses			
a) Wages and salaries	3,693,611.31		3,607,115.30
b) Social security and expenses for pensions and other employee benefit costs	610,597.44		511,368.40
		4,304,208.75	4,118,483.70
---for pensions EUR 185,309.27 (p.y. EUR 94,562.04) --			
6. Depreciation and Amortisation of intangible fixed assets, and depreciation of tangible fixed assets		4,292,795.41	1,199,089.27
7. Other operating expenses		32,755,755.29	10,467,187.16
--from currency conversion EUR 772,689.27 (p.y. EUR 213,003.82) --			
8. Income from loans from financial assets		118,577.37	0.00
--from affiliated companies EUR 118,577.37 (p.y. EUR 0.00) --			
9. Other interest and similar income		6,939.18	984,330.64
- - of which from affiliated companies EUR 5,190.18 (p.y. EUR 796,121.42) --			
10. Interest and similar expenses		1,050,288.72	1,103,612.52
--to affiliated companies EUR 727,209.30 (p.y. EUR 550,462.84) --			
--from discounting EUR 132,699.00-- (p.y. EUR 217,080.00) --			
11. Income before tax		-5,873,908.73	1,338,266.29
12. Taxes on income		2,747,680.69	-281,121.37
13. Result after taxes		-8,621,589.42	1,619,387.66
14. Other taxes		3,994.98	5,232.64
15. Net loss (prior year: Net income) for the financial year		-8,625,584.40	1,614,155.02

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Secop GmbH, Flensburg

Notes to the financial statements for the period from 1 January to 31 December 2020

I. General details relating to the financial statements

The annual financial statements as of 31 December 2020 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 prepared using the nature of expense format.

The Company is large corporation pursuant to Sec. 267 (3) sentence 1 HGB and registered in the Commercial Register of the Local Court of Flensburg under HRB 8698 FL with the business name Secop GmbH with registered office in Flensburg.

In order to address the errors included in the prior year financial statements, the following changes in the presentation and adjustments through profit or loss were made in the balance sheet and the statement of profit and loss. Hence, the corresponding prior year figures are not comparable. In particular, the following changes in the presentation and adjustments through profit or loss were made:

Changes in presentation in the balance sheet

Differing from the prior year, trade receivables as of 31 December 2020 include no receivables from a factor from the sale of receivables through real factoring (balance as of 31 December 2019: EUR 15,457,604.11). The change in the presentation was made to recognise receivables from a factor as part of a real factoring correctly. As of 31 December 2020, receivables from the factor in the amount of EUR 2,260,028.36 are recognised under other assets. Due to the required reclassification, neither other assets nor trade receivables are comparable to the prior year.

As of 31 December 2019, liabilities due to affiliated companies in the amount of EUR 1,587,576.52 were offset with receivables from affiliated companies. As of 31 December 2020, these amounts were not offset. Hence, receivables from affiliated companies and liabilities due to affiliated companies are not comparable to the prior year.

Changes in the presentation in the statement of profit and loss

Revenue of the prior year include expenses from a contractual obligation in the amount of EUR 1,206,113.39. According to the contractual regulations, this amount does not constitute a revenue reduction, therefore, such expenses would have to be recognised appropriately under other operating expenses according to the nature of expense format. In the financial year 2020, these expenses amount to EUR 2,418,224.75. Differing from the prior year, the expenses were recognised in other operating expenses in the financial year. Hence, the revenue recognised in the prior year and other operating expenses are not comparable.

Costs of material of the prior year include purchased services in the amount of EUR 5,328,163.56. Due to a correction concerning the determination of purchased services in the reporting year, the purchased services recognised in the prior year are not comparable to the figures of the current financial year. If the corrected determination applied in 2020, purchases services for 2019 would amount to EUR 3,812,332.44 and additional other operating expenses in the amount of EUR 1,515,831.12 would be recognised for the prior year. Hence, other operating expenses of the financial year are not comparable to the prior year.

In accordance with the above explanations on revenue and costs of material, an additional amount of EUR 2,721,944.51 of other operating expenses would have been recognised in 2019 if other operating expenses would have been recognised appropriately and comparably as in 2020.

In the prior year, income from long-term loans from financial assets were recognised in interest income from affiliated companies in the amount of EUR 744,898.97. In the financial year, this income was recognised under the separate item “income from loans of financial assets” in the amount of EUR 118,577.37 pursuant to Sec. 275 HGB. Hence, interest income as well as income from loans of financial assets are not comparable to the prior year. This also applies to the related amounts (“of which”) regarding affiliated companies in these two items.

Corrections through profit or loss in 2020

In the financial year, depreciation include impairments of intangible assets in the amount of EUR 3,264,321.86. Taking into account a valuation conducted already in 2019, the impairment should have been recognised in 2019. Hence, this is the correction of an error in a current account.

In the prior year, other own work capitalised included expenses. In the financial year, the recognition of expenses was adjusted. The income from the adjustment entry was recognised in other operating income in the amount of EUR 673,922.13. If the adjustment would have been conducted in the prior year, own work capitalised would amount to EUR 0.00 in the prior year and intangible assets would increase by EUR 673,922.13 accordingly.

Consequently, intangible assets were recognised to high by EUR 2,590,399.73 as of 31 December 2019.

On balance, the adjustment of the result conducted in the financial year had a negative impact of EUR 2,590,399.73 on the result in the current financial year. If the amounts had been recognised correctly in the financial year 2019, the annual result would be lower, leading to a net loss for the financial year in the amount of EUR 976,244.71 instead of a net income for the financial year in the amount of EUR 1,614,155.02.

II. Recognition, measurement, and conversion methods

Under consideration of the above explanation on the adjustment entries made in the financial year 2020 for errors of the prior year, the annual financial statements were prepared on the basis of the following accounting and valuation methods:

Intangible fixed assets and tangible fixed assets

The items were recognised at acquisition or production costs less straight-line or unscheduled depreciation. Prepayments made are stated at nominal value. If the values of asset items, which were calculated in accordance with the foregoing principles, exceeded their amount on the reporting date, this was accounted for by unscheduled deprecation. If the reasons for impairments made in the prior financial years ceased to exists, write downs are reversed.

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	6 - 8
Technical equipment	10 - 13
Operating and office equipment	3 - 5

Additions of fixed tangible assets are depreciated pro rata temporis on a straight-line basis.

Low-value assets with acquisition costs below EUR 800.00 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.

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.

Cash on hand, Bank balances

Cash on hand and Bank balances are recognised at nominal values.

Prepaid expenses

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 the actuarial calculation according to the defined benefit obligations procedures based on an interest rate of 2.30 % (prior year: 2.71 %) 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 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 1.60 % (prior year: 1.97 %) 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.

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

Regarding comparability with the prior year balances, we refer to our explanations in Section I.

Fixed assets

For details concerning the development during the period from 01 January 2020 until 31 December 2020, we refer to the development of fixed assets in financial year 2020 in the notes to the financial statements. Capitalised development costs include projects for the electronic assembly of the future variable speed generation (XV, SLV, DLV, NLV) and for the Kappa product generations.

Research expenses are differentiated from development expenses based on a project plan. Research costs are not capitalised. The develeopment phase and therefore the capitalisation of research costs begins at the end of the conception phase or at the start of the design, i.e. the project target setting. Capitalised development activities are valued at the direct costs plus overheads for expenses not directly related to the development project. Production costs do not include optional components.

Prepayments on intangible fixed assets include development projects where the technical development is not yet finalised and relate to contractually agreed development services rendered for remuneration by affiliated companies.

In the reporting year, a write-up to intangible assets in the amount of KEUR 628 was recognised. The write-up relates to capitalised development services provided by Delta VSD Generation for which a write-down was recognised in the prior year. The reason for the write down in the prior year ceased to exists in the financial year 2020.

In connection with the capitalisation of the development costs, an amount of KEUR 21,647 is subject to the legal dividend distribution restriction of Sec. 286 (8) HGB.

Loans to affiliated companies in the amount of KEUR 6,494 relate to Secop Holding GmbH. The loans were fully repaid in 2020.

Statement of share ownership

As of 31 December 2020, the Company holds 100 % in Motor Competence Center Holding Flensburg GmbH (MCCH), Flensburg, which was founded on 20 September 2012 (registration in the Commercial Register on 24 October 2012). As of 31 December 2020, the Company's equity amounts to KEUR 641 (Prior year: KEUR 503). The Company's net income for the financial year 2020 amounts to KEUR 138 (Prior year: net loss for the financial year KEUR 59).

As of 31 December 2020, the Company holds 100 % in Motor Competence Center Flensburg GmbH (MCC), Flensburg, which was founded on 2 October 2012 (registration in the Commercial Register on 23 October 2012). As of 31 December 2020, the Company's equity amounts to KEUR 9 (Prior year: KEUR 11). The Company's net loss for the financial year 2020 amounts to KEUR 2 (Prior year: net loss for the financial year KEUR 4).

As of 31 December 2020, the Company holds 100 % of the shares in Secop Austria GmbH, Gleisdorf, Austria, which was founded on 6 November 2012 (registration in the Commercial Register on 23 November 2012). As of 31 December 2020, the Company's equity amounts to KEUR 4,123 (Prior year: KEUR 5,846). The Company's net loss for the financial year 2020 amounts to KEUR 1,723 (Prior year: net income for the financial year KEUR 9,299).

As of 31 December 2020, the Company holds 100% of the shares in Secop Italia s.r.l., Milano, Italy, which was founded on 07 November 2014 (registration in the Commercial Register on 10 November 2014). As of 31 December 2020, the Company's equity amounts to KEUR 289

(Prior year: KEUR 235). The Company’s net income for the financial year 2020 amounts to KEUR 54 (Prior year: net income for the financial year KEUR 58).

Trade receivables

Trade receivables in the amount of KEUR 9,641 (prior year KEUR 26,607) are due within one year.

Receivables from affiliated companies

Receivables from affiliated companies amount to KEUR 12,635 (prior year: KEUR 30,327; including KEUR 12,634 (prior year: KEUR 30,285) from trade receivables and KEUR 0 (prior year: KEUR 42) from other receivables and KEUR 1 (prior year: KEUR 0) from receivables from shareholders.

All receivables are due within one year.

Other assets

Other assets include in particular VAT receivables from tax authorities (KEUR 1,000, prior year: KEUR 2,394), receivables from a factoring company (KEUR 2,260) and receivables from employees. In the prior year, other assets included in addition income tax receivables in the amount of KEUR 786. With the exception of KEUR 1,000 (prior year: KEUR 0), other assets are due within one year.

Subscribed capital

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

Capital Reserve

The capital reserve amounts to KEUR 65,632 (Prior year: KEUR 35,479). In the financial year 2020, an addition to the Company’s free capital reserve in the amount of KEUR 30,152 was made by the shareholder Secop Group Holding GmbH in accordance with section 272 (2) no. 4 HGB

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 3,914) and the provisions for pensions valued at the average market rate of the last ten years (KEUR 3,489) amounts to KEUR 425 (prior year: KEUR 423) as of 31 December 2020. The difference between the provisions for pensions valued based on the average interest rate of seven and ten years is not available for dividend 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

Other provisions include as material items provisions for restructuring KEUR 40 (prior year: KEUR 220), for other personnel expenses including anniversaries and partial retirement KEUR 679 (prior year: KEUR 552) and for customer bonuses KEUR 674 (prior year: KEUR 820).

Liabilities to banks

Liabilities due to banks in the amount of KEUR 1,918 (prior year: KEUR 0) have a maximum term until 28 February 2022.

Trade payables

Trade payables due to third parties in the amount of KEUR 230 (prior year: KEUR 379) are due within one year.

Liabilities to affiliated companies

Liabilities due to affiliated companies amount to KEUR 24,379 (prior year: KEUR 90,898; including KEUR 20,674 (prior year: KEUR 75,828) from trade payables and KEUR 2,418 (prior year: KEUR 0) from other liabilities and KEUR 1,337 (prior year: KEUR 15,070) from loan liabilities. KEUR 2,628 (prior year: 15,070) relate to liabilities due to shareholders.

Liabilities in the amount of KEUR 23,042 are due within one year, liabilities in the amount of KEUR 0 are due within one to five years. KEUR 1,337 have a remaining term of more than one year.

Other liabilities

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

Notes to the statement of profit or loss

Regarding comparability with the prior year balances, we refer to our explanations in Section I.

Revenue

Revenue of the Secop GmbH includes in revenue from the sale of compressors (revenue from the sale of goods), revenue from management allocations in connection with the provision of services to affiliated companies and income from licensing. Revenue including the relevant amounts according to activities are divided as follows:

	2020 KEUR	2019 KEUR
Revenue from the sale of goods	126,062	157,553
Revenue from management allocation	15,733	9,775
Income from licensing	7,034	4,915
Total	148,829	172,242

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

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	2020 KEUR	2019 KEUR
Germany	24,324	27,925
European Union	73,173	96,591
Other countries	51,332	47,726
Total	148,829	172,242

Regarding comparability with the prior year balances, we refer to our explanations in Section I.

Other operating income

Other operating income mainly results from exchange profits KEUR 327, from the reversal of provisions KEUR 511, from income due to write-ups of intangible assets KEUR 628, from out-of-period income due to the adjustment of expenses recognised in the prior year in “other own work capitalised” KEUR 674, and from one-time extraordinary income KEUR 8,057. Regarding comparability with the prior year balances, we refer to our explanations in Section I.

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 research and development services by affiliated companies. The determination of purchased services was adjusted; the figures are not comparable to the prior year. We refer to our explanations in Section I.

Personnel expenses

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

Depreciation/Amortisation

Depreciation and amortisation mainly includes amortisation of intangible assets (capitalised development costs) and an impairment of intangible assets in the amount of KEUR 3,624. Regarding comparability with the prior year balances, we refer to our explanations in Section I.

Other operating expenses

Other operating expenses mainly include group allocations, travel expenses, IT expenses, marketing and sales expenses, licensing expenses, consultancy, and insurance expenses. Furthermore, other operating expenses include a debt waiver of KEUR 11,500 and one-time extraordinary expenses in the amount of KEUR 8,057; the figures are not comparable to the prior year. We refer to our explanation in Section I.

Total amount of research and development expenses

In 2020, research and development expenses amount to a total of KEUR 11,951 and are attributable to several development projects. KEUR 6,999 were capitalised in the financial year.

Financial result

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

Taxes on income

Taxes on income mainly result from the reimbursement of prepaid domestic taxes for prior years, paid withholding tax and the derecognition of income tax receivables from the prior year.

IV. Other disclosures

Deferred taxes

The Company uses its relief option of not capitalising deferred tax assets according to Sec. 274 (1) HGB. Deferred tax assets and deferred tax liabilities are offset in the balance sheet.

Deferred tax assets mainly result from temporary differences in fixed assets and in provisions for pensions as well as from capitalised loss carryforwards eligible for offsetting. The deferred tax assets were offset with the deferred tax liabilities from temporary differences in intangible assets and shares in affiliated companies. The applicable tax rate is 30.18%.

Factoring

In part, the Secop Group sells short-term trade receivables to a third party through a so-called real factoring. All material opportunities and risks are transferred to the buyer; therefore, the sold receivables are derecognised in full and no permanent engagement is considered in the balance sheet.

Other financial obligations/ Contingencies

Other financial obligations from rental, lease and maintenance agreements amount to KEUR 9,473 for subsequent years (including KEUR 1,694 with a term of less than one year).

As part of a guarantee, Secop GmbH agreed to cover rental obligations from the affiliated company MCCH due to a third party in case of default. A use of the rent guarantee for the subsidiary MCCH of KEUR 71 is considered unlikely as the company has been able to fulfill its contractual obligations so far and there are no indications that the company will not be able to meet its future obligations.

On 28 July 2020, the Company's parent company, Secop Group Holding GmbH, issued a senior secured floating rate bond with an initial volume of EUR 50 million and a term until 29 January 2024. As of 31/12/2020, these bond liabilities amount to nominally EUR 41.5 million (without interests). Secop GmbH agreed to act as guarantor in this contract.
In addition to IP rights owned by Secop GmbH (capitalised development costs in intangible assets), shares in affiliated companies as well as trade receivables not subject to factoring were pledged.
A use of the guarantee or of the securities provided is currently considered unlikely as the Secop Group Holding GmbH has met all contractual obligations from the bond so far and there are no indications or informations from management that the group will not be able to meet its obligations in the future.

Shareholders

Based on the notarised share purchase and assignment agreement signed on 18 June 2020, the shares in Secop GmbH were sold by Secop Holding GmbH to Secop Group Holding GmbH with economic effect from 1 January 2020. From this date on, Secop Group Holding GmbH, Flensburg, is the sole shareholder.

Group affiliation

Secop Holding GmbH, Flensburg, prepares the consolidated financial statements for the largest and smallest group of companies in Germany in which Secop GmbH and its subsidiaries are included. Secop GmbH is therefore exempted from the preparation of own consolidated financial statements and group management report. Explanations on accounting, valuation, and consolidation methods differing from German law are not required, as the exempting consolidated financial statements of the parent company are prepared according to IAS/IFRS implemented in the EU.

Management board total renumeration

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

Members of the management board

Peter Michael Killemose Hansen, Sønderborg/ Denmark, director (until 7 June 2021)

Dr. Philipp Freiherr von Stietencron, Hannover, director (since 6 May 2020)

Ricardo Alexandre Maciel, Seiersberg-Pirka/ Austria, director (from 25 October 2019 to 6 May 2020)

Dr. Andreas Joseph Schmid, Grünwald, director (since 7 June 2021)

Average number of employees

	2020	2019
Employees	34	31

Auditors' fees

In the financial year, total auditor's fee recognised as expenses amounted to KEUR 41 (prior year: KEUR 50) for audit fees. In the financial year, KEUR 3 of the expenses deferred in the prior year for the audit were dissolved.

Proposal for the appropriation of net profit

The net loss for the financial year in the amount of KEUR 8,625,584.40 is carried forward to new accounts.

Events of particular significance after the balance-sheet date

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

Flensburg, 30/06/2021

Andreas Joseph Schmid Director	Philipp von Stietencron Director

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

Secop GmbH

Development of fixed assets in the financial year 2020

	Acquisition and production costs					Accumulated depreciation					Book values	
	01/01/2020	Additions	Disposals	Reclasses	31/12/2020	01/01/2020	Additions	Disposals	Write-ups	31/12/2020	31/12/2020	31/12/2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR		EUR	EUR	EUR
I. Intangible fixed assets												
1. Concessions, industrial rights and similar rights and assets and licenses for such assets	20,943,836.76	900,701.51	0.00	6,349,338.25	28,193,876.52	16,017,144.49	4,220,565.73	0.00	627,858.25	19,609,851.97	8,584,024.55	4,926,692.27
2. Prepayments	13,309,563.14	6,098,613.65	0.00	-6,313,503.25	13,094,673.54	0.00	0.00	0.00	0.00	0.00	13,094,673.54	13,309,563.14
	34,253,399.90	6,999,315.16	0.00	35,835.00	41,288,550.06	16,017,144.49	4,220,565.73	0.00	627,858.25	19,609,851.97	21,678,698.09	18,236,255.41
II. Tangible fixed assets												
1. Technical equipment and machinery	501,597.81	22,498.75	943.51	2,032.01	525,185.06	395,709.92	49,078.76	943.51	0.00	443,845.17	81,339.89	105,887.89
2. Other equipment, operating and office equipment	123,580.58	5,960.92	8,850.92	0.00	120,690.58	34,561.58	23,150.92	8,850.92	0.00	48,861.58	71,829.00	89,019.00
3. Advance payments made and assets under construction	70,113.75	2,032.01	7,602.75	-37,867.01	26,676.00	0.00	0.00	0.00	0.00	0.00	26,676.00	70,113.75
	695,292.14	30,491.68	17,397.18	-35,835.00	672,551.64	430,271.50	72,229.68	9,794.43	0.00	492,706.75	179,844.89	265,020.64
III. Financial assets												
1. Shares in affiliated companies	24,258,952.00	0.00	0.00	0.00	24,258,952.00	14,985,000.00	0.00	0.00	0.00	14,985,000.00	9,273,952.00	9,273,952.00
2. Loans to affiliated companies	6,494,096.00		6,494,096.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,494,096.00
	30,753,048.00	0.00	6,494,096.00	0.00	24,258,952.00	14,985,000.00	0.00	0.00	0.00	14,985,000.00	9,273,952.00	15,768,048.00
	65,701,740.04	7,029,806.84	6,511,493.18	0.00	66,220,053.70	31,432,415.99	4,292,795.41	9,794.43	627,858.25	35,087,558.72	31,132,494.98	34,269,324.05

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Management report for the financial year 2020

1. Basic information relating to the Company

Secop GmbH ("DES") with its principal place of business in Flensburg, Germany, develops and sells hermetic compressors for cooling solutions worldwide. The Company is a wholly-owned subsidiary of the Secop Group Holding GmbH (SGH) which prepares the consolidated financial statements for the largest and smallest group of companies in Germany, the Secop Group.

DES is a direct shareholder of and holds 100% of the shares in Motor Competence Center Holding Flensburg GmbH (MCCH), Secop Austria GmbH (Secop Austria), Gleisdorf/Austria, and Secop Italy s.r.l. Milano/Italy. Through MCCH, the Company holds 100% of the shares in Motor Competence Center Flensburg GmbH (MCC), Flensburg, Germany. Within Secop Group, DES is the administrative headquarters and distribution centre.

MCCH as well as Secop Austria and Secop s.r.o., Zlaté Moravce/Slovakia (Secop Slovakia) are responsible for research and development. Until mid 2020, Secop Austria was responsible as well for the production of household compressors. As part of the realignment of the Secop Group in 2020 with focus on the future core business, i.e. the Stationary Cooling and Mobile Cooling segments, the production site in Austria was closed in 2020. Part of the site as well as a production line were sold and another production line was successively transferred to the site in Slovakia.

The business of DES mainly includes the sale of compressors which are purchased from the sites of the Secop Group in Slovakia, China, and Austria (until mid 2020).

The compressor business is divided into the Stationary Cooling, Mobile Cooling, and Household segments.

The Stationary Cooling segment (formerly Light Commercial) 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 segment encompasses compressors for household refrigerators and freezers. In 2019 and 2020 the Secop Group was repositioned strategically. The future core business will be the global segments Stationary Cooling and Mobile Cooling. The Secop Group and therefore DES will be continuously withdrawing from the Household business.

The Mobil Cooling segment (formerly DC Powered compressors) encompasses 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 Stationary Cooling and Mobile Cooling segments are sold worldwide by the DES. However, the most relevant markets for the Household segment in 2020 were mainly Germany, Turkey, Pakistan, Bulgaria, and Serbia.

In addition, the operating activities of the Company include the provision of headquarter services for the Secop Group which generate revenue in the form of management allocations. DES owns patents, utility models, trademarks, and other registered intellectual property rights as well as know-how for the production and the distribution of compressors. Accordingly, the Company generates income from licenses provided to affiliated companies and third parties.

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2. Research and development

Secop GmbH supports the Secop Group in the efficient planning of its research and development activities. In 2020, the Secop Group restructured its global R&D organisation, implemented and consolidated changes.

The Motor Competence Center (MCCH) including “Electric Motors”, “Electric Equipment” and “Electronic control units” as well as its administration are based in Flensburg (Germany), reports to the global Chief technology officer (CTO) and provides R&D services for the DES within the Secop Group.

In 2020, the Company opened a new development centre for mechanical design together with Secop Austria at the location in Gleisdorf (Austria) in order to access the know how of the region of Graz (Austria) concerning the development of car motors. The research and development activities in Austria focus on the advance development for new compressor platforms, new applications, and new processing technologies in the core business of the Secop Group, i.e. Mobile and Stationary Cooling. Secop Austria provides R&D services for the DES within the Secop Group.

The development of product platforms to achieve rationalisations is conducted in part in Austria and in part at the site in Slovakia or China where the respective product platforms are produced. Secop Slovakia is providing R&D services for DES as well.

The third element of the global R&D organisation are project management and the product engineering. It monitors the completion and implementation of new products and the improvement of existing products. The new structure will contribute to reducing the duration of projects and increasing quality in R&D results.

In addition to the structure, the Company updated the project development process by implementing the current state of the art for project management tools. Due to the optimisation of interdivisional committees, the Company was able to enhance the inclusion of market and customer needs into the development process. This resulted in a consolidated development roadmap reconciled within the Company which facilitates continuous innovation. Ressources are attributed according to the group priorities and include all steps from the first draft of the ideas until start of the production.

Our priorities in product development include “green” refrigerants, as well as improving energy efficiency, compactness and rationalisation of raw materials utilisation. Until end of 2020, an updated product portfolio of Variable Speed Compressor (VSC) was launched on the market which reduce the energy consumption compared to compressors with fixed speed, as well as a high-performance variable speed compressor product which runs on the natural refrigerant propane, mainly used as green refrigerant in the light commercial cooling technology. Furthermore, an upgrade of the mobile cooling electronic with the STM32 processor was developed.

Regarding the mobile cooling segment, an additional modern platform and compressor type called BDNano will be introduced onto the market in the second half of 2021. Its features are a further reduction of the enery consumption, smaller size, as well as optimised sound and vibration levels.

The trend in the refrigeration compressor market segment is increasingly towards speed-controlled compressors. The resulting flexibility to react to different cooling requirements with variable cooling capacity of the compressor offers a wide range of new application possibilities:

In case of increased cooling power demand, for example in pull-down operation, the speed can be increased and thus the cooling capacity increased. For low cooling power requirements, such as during maintenance operation, the speed can be reduced to a very low level and at the same time the noise level can be reduced to a minimum.

In the last years, the Company has been developing a new generation of speed-controlled processors. The competitive advantage thus generated is essentially the result of many years of cooperation with university and private research and development partners.

R&D expenses of DES amounted to € 12.0 million in 2020, of which € 7.0 million were capitalised in the financial year. in the financial year, amortisation on capitalised development costs amounts to € 4.2 million, including € 3.3 million attributable to a write down which was recorded based on a valuation in 2019 as correction of an error in a current account in 2020.

Worldwide, approximately an average of 150 people is employed in R&D, including 34 employees at the site in Flensburg/Germany, and 50 employees in Gleisdorf, Austria. To secure its research and development results, the Secop GmbH files applications for possible patents. We will continue to invest to a similar extent as in 2020 in research and development in 2021 in order to sustain our research and development competency and the Secop Group's competitiveness. Research and development is financed within the Secop Group and indirectly via the sale of compressors.

3. Economic report

a) Industry and macro-economic developments

The German economy experienced a severe recession in 2020 due to the corona pandemic, comparable to the economic and financial crisis in 2008 and 2009. In 2020, gross domestic product fell by 5.0%.[1]

Despite the partial lockdown, industrial production continued to rise in November 2020, as were the order intakes from the manufacturing sector. This indicates that the industry - unlike in spring 2020 - was less affected by the measures.[1]

The labour market was stable despite the partial lockdown.[1] Employment fell only slightly in November 2020 and unemployment adjusted for seasonal influences dropped again noticeably in December 2020.[1]

Export of goods and services continued to recover in November 2020 and even increased the recovery speed. The strengthened pandemic and the lockdown measures that affected important business partners are reflected only to a certain extent in the national early indicators on foreign trade. The forecast concerning export of the manufacturing industries for the next three months published by the ifo institute which deteriorated significantly in November 2020, showed again a positive development in December 2020. Incoming orders from foreign countries had been increasing since May and continued this development in November (+2.5 %).[1] The forecast for the German export business is negatively impacted by the measures to fight the pandemic. It yet remains to be seen whether and to which extent the measures implemented for services will affect the industry as well in the further course of the pandemic.[1]

According to the first estimation of Eurostat, the aggregated GDP of the euro area (19 euro countries) will decrease by 6.8 % in 2020 compared to the prior year due to the pandemic.[2]

The development differed significantly across the individual economic sectors, however, in the middle of the year, all sectors experienced an improvement.[3] The service sector (tourism, gastronomy) was hardest hit by restrictions on social contacts and mobility.[3] The industrial

[1]Source: Press release of the German Federal Ministry for Economic Affairs and Energy dated 14 January 2021

[2]Source: see Eurostat. Press release 17/2021 dated 02/02/2021 URL: ec.europa.eu/eurostat/de/news/euro-indicators.

[3]Source: European Commission European Economic Forecast – Autumn 2020. Institutional Paper 136. November 2020. URL: https://ec.europa.eu/info/sites/default/files/economy-finance/ip136_en_2.pdf

sector was able to recover comparatively more strongly towards the middle of the year, despite the interruption of the supply chain in the spring.[3] The extent of the recession varied in the individual member states depending on the infection rate, the stringency of the measures as well as their different economic structures and national strategies.[3] The five most affected countries were Spain, Italy, France, Portugal and Greece.[3]

The global economy experienced an unparalleled recession in spring 2020 due to the COVID-19 pandemic. After temporary lockdown measures, a significant recovery began in the second half of the year.[4]

The global industrial production increased in December 2020 by 1.3 percent compared to December 2019 just before the start of the COVID-19 crisis.[5] Global trade in goods has also largely recovered from the slump in spring and was 1.3 percent higher in December than a year earlier.[5]

The Stationary Cooling market grew significantly in the first quarter of 2020 until the first negative consequences of the COVID-19 pandemic started to show. Hotel, restaurant and catering applications were hit very negatively by the lock-down and the related economic difficulties of the end-users, while sales of compressors used in the food retail sector, an industry benefiting from the crisis, continue to grow.

The global sales of the Secop Group in the mobile cooling segment increased in 2020 in spite of some short and negative COVID-19 effects in the first half of the year. Sales for cars (passenger cars, trucks, and buses) with cooling devices increased. The current structural change of the German automotive industry, i.e. the transition from combustion engines towards electric motors has a positive impact on the business success of the DES due to the high battery power of electric vehicles refrigerators may be operated stationary and therefore, new applications can be opened up.

The household market, a segment with less priority for the Secop Group and therefore DES since 2020, showed a stable development in the COVID-19 pandmic and in part even increased as end customers (private households) invested in new cooling devices and kitchens with integrated cooling devices during the crisis.

b) Course of business

The financial year 2020 is characterised by the strategic realignment of the Secop Group including the targeted discontinuation of the household market segment and the related consequences for the business development of DES. Based on this development and to adjust the group management of the Secop Group, EBITDA instead of EBIT (prior year) was considered the most significant performance indicator.

In the course of the year 2020, there were no other significant changes of the framework conditions for DES. The economic framework conditions were characterised by the COVID-19 pandemic. DES had to file for short-time work for some months.

The central planning and management figures for the internal management of the Company and therefore the most significant performance indicators are revenue from the sale of compressors as well as EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). In 2020, these developed as follows compared to the prior year:

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[4] Source: BMWi.de 24.11.2020, world economy, https://www.bmwi.de/Redaktion/DE/Schlaglichter-der-Wirtschaftspolitik/2020/12/kapitel-2-3-weltwirtschaft.html

[5] Source: Kieler-Economic-Report No. 75 2021/Q1; https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_75_2021-Q1_Welt_DE.pdf

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in KEUR	01.01. - 31.12.2020	01.01. - 31.12.2019	Diff.	in %
Revenues	148,829	172,242	-23,413	-14%
- thereof revenue from the sale of compressors	126,062	157,553	-31,491	-20%
EBITDA	-657	2,657	-3,314	-125%

The decrease in revenue by KEUR 31,491 is attributable to sales from compressors. The decrease is mainly due to the withdrawal from the Household segment and the decrease in revenue in Stationary Cooling. On the other hand, Mobile Cooling recorded a slight increase in revenue. Compared to the forecast for the financial year 2020 of revenue from the sale of compressors in the amount of KEUR 145,085 (see management report 2019), the Company was not able to achieve the targets. This is mainly due to the development in the Stationary Cooling segment. On the other hand, the Company recorded an increase in revenue from the management allocation by KEUR +5,958 and from licences by KEUR +2,119. The latter include revenue from licences in the amount of KEUR 1,863 generated in connection with the sale of a production line by Secop Austria.

Revenue from management allocations increased in the financial year. However, it has to be taken into account that revenue from management allocations included expenses from a contractual obligation in the amount of KEUR 1,206 in the prior year. In the financial year, this item amounted to KEUR 2,418 and was recorded appropriately (see explanations in Section I of the notes to the financial statements) in other operating expenses. Under consideration of the incorrect recognition under other operating expenses in the prior year, revenue from management allocations increased by KEUR 4,752. The increase is due to the reorganisation of the Secop Group. The decrease of the EBITDA by KEUR 3,313 in the financial year 2020 is mainly due to the debt waiver declared to Secop Austria in the amount of KEUR 11,500. The respective charge was offset in part, mainly by increased revenue from management allocations (KEUR +5,958), income in the amount of KEUR 674 from the correction of the expenses recorded incorrectly in the prior year in other own work capitalised, and income from the write up of the write down of development costs recorded in the prior year in the amount of KEUR 627.

The EBIT for the financial year 2020 forecast in the prior year in the amount of KEUR 5,664 could not be achieved. It amounts to KEUR -4,950 in the financial year. This is mainly due to the charges from the debt waiver to Secop Austria in the amount of KEUR 11,500 and the recognition of a write down on intangible assets which was recorded based on a valuation in 2019 as correction of an error in a current account in 2020.

The 2020 result of DES is mainly burdened by negative one-time effects in connection with the realignment of the Secop Group and the corrections from 2019. However, under consideration of the great challenges in 2020, the management is satisfied with the economic development in 2020 and in particular with the concluded complete realignment of the Secop Group and therefore DES until the end of the year.

c) Notes to the assets, liabilities and financial position

Results of operations

In order to address the errors included in the prior year financial statements, changes in the presentation and adjustments through profit or loss were made in the balance sheet and the statement of profit and loss. Hence, the corresponding prior year figures are not comparable.

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

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

in KEUR	01.01. - 31.12.2020	01.01. - 31.12.2019	Diff.	in %
Revenues	148,829	172,242	-23,413	-14%
Other own work capitalised	0	-674	674	100%
Other operating income	10,795	17	10,778	>100%
Cost of materials	-123,221	-154,343	31,122	-20%
Personnel expenses	-4,304	-4,118	-186	5%
Other operating expenses	-32,756	-10,467	22,289	>100%
EBITDA	**-657**	**2,657**	**-3,314**	**>100%**
Depreciation/Amortisation	-4,293	-1,199	3,094	>100%
EBIT	-4,950	1,458	-6,408	>100%
Financial result	-924	-120	-804	>100%
Earnings before taxes (EBT)	-5,874	1,338	-7,212	>100%
Taxes on income	-2,748	281	-3,029	>100%
Other taxes	-4	-5	1	-20%
Net loss for the financial year (prior year: net income for the financial year)	-8,626	1,614	-10,240	>100%

Based on the explanations in Section b) Course of Business concerning revenue, the decrease of the annual result by KEUR 10,240 compared to the prior year is mainly due to the following developments:

In detail, the following matters are noteworthy:

- Other operating income increased by KEUR 10,778 compared to the prior year. This item is influenced by a one-time effect in the amount of KEUR 8,057 in connection with a customer in the household segment and offset by expenses recognised in other operating expenses in the same amount. In addition, other operating income mainly include income from a write up in intangible assets (KEUR 627), income from the correction of recognised expenses (KEUR 674), which were recognised in other own work capitalised in the prior year, and addition income from the reversal of provisions and exchange profits.

- Cost of materials decreased by KEUR 31,122 to KEUR 123,221 in 2020, i.e. a decrease of 20% compared to the prior year (KEUR 154,343), and mainly include expenses from the purchase of goods from the supplying production sites in the amount of KEUR 117,632 (prior year: KEUR 149,015), which decreased by 21%. The item is offset by a decrease in revenue from the sale of goods by 20%. Costs of material of the prior year include purchased services in the amount of KEUR 5,328. Due to a correction concerning the determination of purchased services in the reporting year, the purchased services recognised in the prior year are not comparable to the figures of the current financial year (KEUR 5,589). If the corrected determination applied in 2020, purchases services for 2019 would amount to KEUR 3,812 and include exclusively, as in the current financial year, expenses for the provision of research and development services by affiliated companies. Hence, the figures are not comparable to the prior year figures. We refer to the explanations in Section I of the notes to the financial statements.

- Personnel expenses increased by KEUR 186 from KEUR 4,118 in 2019 to KEUR 4,304 in 2020. The average number of employees decreased from 31 to 34 compared to the prior year.

- Other operating expenses increased by KEUR 22,289 compared to the prior year to KEUR 32,756. Other operating expenses mainly include group allocations, travel expenses, IT expenses, marketing and sales expenses, licensing expenses, consultancy, and insurance expenses and are mainly influenced by the debt waiver of KEUR 11,500 and the one-time extraordinary expenses of KEUR 8,057 (see explanations above on other operating income). Under consideration of the corrections made in the current financial year (see Section I of notes) in the prior year, other operating expenses in 2019 would amount to KEUR 13,189, i.e. an increase of KEUR 2,722 compared to the presentation in the prior year column. Under consideration of this matter and eliminating the two non-recurring effects of the financial year concerning the debt waiver and the one-time extraordinary expenses, other operating expenses for 2020 would amount to KEUR 13,199 and remain almost unchanged compared to the prior year.

- Depreciation, amortisation, and write-downs increased from KEUR 1,199 in 2019 to KEUR 4,293. In the financial year 2020, extraordinary write-downs on intangible assets the amount of KEUR 3,264 were recognised. Taking into account a valuation conducted already in 2019, the impairment should have been recognised in 2019. Hence, this is the correction of an error in a current account. We refer to the explanations in Section I of the notes.

- Compared to the prior year, the financial result decreased by KEUR 804 to KEUR 924 in 2020; this is mainly due to the repayment of loans to Secop Holding GmbH and the related elimination of interest income which partially compensated the expenses from loan liabilities due to SGH in the prior year. In 2020, loan liabilities due to SGH in the amount of KEUR 15,079 were repaid and an amount of KEUR 1,337 remained, however, the loan was granted until the end of the financial year 2019. Hence, the prior year did not include the interest charge for the whole financial year.

- Taxes on income mainly result from withholding tax (KEUR 2,080) and the derecognition of income tax receivables from the prior year (KEUR 667).

Net assets position

In order to address the errors included in the prior year financial statements, changes in the presentation and adjustments through profit or loss were made in the balance sheet and the statement of profit and loss. Hence, the corresponding prior year figures are not comparable.

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

in KEUR	31/12/2020	31/12/2019	Diff.	in %
Non-current assets	32,133	34,269	-2,136	-6%
Current assets	30,296	71,475	-41,179	-58%
Balance sheet total	62,429	105,744	-43,315	-41%

Non-current assets include fixed assets in the amount of KEUR 31,132 (prior year KEUR 34,269) and rent security deposits of KEUR 1,000. Fixed assets consist of intangible fixed assets and financial assets.

The decrease in non-current assets by KEUR 2,137 is mainly due to the repayment of the loan to Secop Holding GmbH of KEUR 6,494 and the increase in intangible fixed assets by KEUR 3,442.

Current assets were more than halved in 2020 compared to the prior year. Trade receivables decreased by KEUR 16,966, receivables to affiliated companies by KEUR 17,692, and cash and cash equivalents by KEUR 6,558.

The decrease in trade receivables is mainly due to the payment of receivables from a factor in 2020 in the amount of EUR 15,458. In addition, the decrease is also due to the withdrawal from the household business. As of 31 December 2020, receivables from the factor in the amount of KEUR 2,260 are recognised in other assets. Hence, the financial year is not comparable to the prior year in this regard. We refer to the explanations in Section I of the notes to the financial statements.

For the consideration of the development of receivables from affiliated companies and cash and cash equivalents, the decrease in liabilities due to affiliated companies is to be taken into account. In addition, an adjustment of receivables from affiliated companies was made compared to the prior year. In the prior year, liabilities due to affiliated companies in the amount of EUR 1,588 were offset with receivables from affiliated companies. As of balance sheet date, these amounts were not offset. Hence, the figures are not comparable to the prior year figures. We refer to the explanations in Section I of the notes.

Capital structure

In order to address the errors included in the prior year financial statements, changes in the presentation and adjustments through profit or loss were made in the balance sheet and the statement of profit and loss. Hence, the corresponding prior year figures are not comparable.

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

in KEUR	31/12/2020	31/12/2019	Diff.	in %
Equity	30,215	8,688	21,527	>100
Provisions	4,968	5,170	-202	-4%
Non-current liabilities	3,255	38,769	-35,514	-92%
Current liabilities	23,991	53,117	-29,126	-55%
Balance sheet total	62,429	105,745	-43,315	-41%

Current and non-current liabilities in the amount of KEUR 27.246 decreased by 70%, i.e. KEUR 64,640, compared to the prior year. The decrease mainly relates to liabilities due to affiliated companies which decreased by KEUR 66,518 due to repayments and offsetting with trade receivables.

The equity ratio increased from 8.2% to 48.4 %. In spite of a net loss for the year in the amount of KEUR 8,626, this is mainly due to the increase in capital reserves due to a cash contribution of the shareholder in the amount of KEUR 30,152 in the financial year 2020 and the decrease of the balance sheet total by KEUR 43,315.

Financial position

As of reporting date, the Company held cash reserves in the amount of KEUR 4,666 (prior year KEUR 11,224).

Short-term receivables and other assets as well as cash reserves of KEUR 30,215 (prior year: KEUR 71,363) are offset by current liabilities in the amount of KEUR 23,991 (prior year KEUR 53,117) and provisions of KEUR 4,968 (prior year 5,170). Hence, the Company is able to meet all current liabilities as of balance sheet date, and there is a surplus of KEUR 1,256.

In 2020, DES has been able to meet its payment obligations at any time. For further information, we refer to the explanations in the risk report on the obligations as guarantor assumed in the financial year in connection with the bond issued by SGH.

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Investments

In 2020, investments of KEUR 7,030 (prior year: KEUR 4,875) in intangible assets and tangible fixed assets mainly relate to the capitalisation of development services which are rendered by the subsidiaries Secop Austria, Secop Slovakia and MCCH for remuneration. These consist mainly of capitalised development costs for the electronic assembly of the future variable speed generation (XV, SLV, DLV, NLV) and for the Kappa product generations.

3. Opportunities and risk report

Opportunity report

The Secop Group decided to successively cease operation of the Household segment which is characterised by a significantly higher competition and lower margins, and to focus on the core segments Stationary Cooling (formerly Light Commercial) and Mobile Cooling (formerly DC Power Compressors) with two modern production sites. By focussing on these segments, the Group is able to target the existing resources for investments as well as research and development to the two business segments with higher yields and therefore to create opportunities for higher growth.

By transferring the production capacities from Austria to Slovakia and focusing the production in Europe to a single site, fixed costs for personnel are reduced significantly As a result, it will be possible to further optimise the fixed cost structure and the profit margin of the Secop Group in the future, leading to certain consequences for the DES.

Since 2021, the realigned Secop Group has been significantly more receptive to potential M&A measures; this offers the opportunity for extensions of products or services, leading to consequences for DES in case economically attractive possibilities arise.

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. This enables us to detect risks quickly, evaluate them, and initiate appropriate countermeasures.

Due to its processes, external factors, and an exposure to high competition in the market environment, the Company is subject to business risks.

Detecting and evaluating opportunities and risks in a timely manner is an essential part of the planning, controlling, and reporting process. The identified risks are analysed and appropriate countermeasures are initiated, if required.

In Secop Group, 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. This leads to consequences for DES which is included in the group cash controlling of the Secop Group.

Risk report

The list of risks presented in the following might not 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 .

Market and competition risks

- The procurement prices for raw materials (in particular copper, steel, and aluminium) required for the production of the compressors sold by DES, might increase, leading to increased costs of the DES with negative consequences to gross profit (revenue less cost of materials from the sale of compressors), if the Company is not able to compensate the price increases in whole or in part by passing them on to customers. In addition, the raw materials are traded on the world market in part in foreign currencies (mainly USD), hence, exchange rate fluctuations may lead to increased raw material prices. According to our current assessment of the market situation, the currently observable increases in prices for raw materials in 2021 may only be passed on with a timely delay to our customers. The risk is deemed to be medium.

- Due to an increasing concentration in the market for cooling applications, some customers might disappear, the market share of existing customers decrease, or other customers gain a higher market power resulting in increased price pressure. Management considers this risk to be low.

- Due to the ongoing COVID-19 pandemic, the risk of an unplanned drop in sales continues to exist. The production and therefore sales of compressors of the DES with Secop compressors might suffer from a temporary closure of production sites of suppliers and the associated supply bottlenecks. Our main customers might suspend temporarily or delay investment projects and product launches due to the uncertain future economic development. The risk is deemed to be low.

Business-related risks

- DES is subject to risks due to high research and development expenses. The research and development expenses are significant for the future development of the DES as well as of the SGH Group and therefore absolutely necessary to ensure the future economic success as the market requires continuous 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 there is no guarantee that the product will be introduced into the market successfully e.g. because competitors are on the edge of the market launch of a similar but superior product or because the technical specification necessary for a successful market launch cannot be produced at competitive prices. In order to mitigate this risk, concurrent market analyses and studies are prepared during the research and development process. Management considers this risk to be medium.

- The IT of DES as part of the Secop Group is organised and monitored centrally in Flensburg. Disruptions and outages of the IT systems might have a negative impact on the business development. The Secop Group operates IT systems necessary for the proper operation of administration as well as the reporting, management, and inventory systems. For this purpose, the Secop Group 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. Management considers this risk to be low.

- According to the bond contract concluded in the financial year with the SGH, SGH is required to comply with financial ratios and other contractual obligations. DES is guarantor and provided securities, including patents and intellectual property (capitalised development costs in intangible assets), shares in affiliated companies, and trade receivables not subject to factoring. If a breach of the financial ratios or other contractual obligations was committed and this breach could not be remedied or alternative sources could not be found at short notice, this would endanger the Secop Group’s and therefore the DES’ ability to continue as a going concern. A use of the guarantee or of the securities provided is currently considered unlikely as the SGH has met all contractual obligations from the bond so far and there are no indications or information's from management that the group will not be able to meet its obligations in the future.

- 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 group compliance principles, 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, the company is generally not able to monitor the activities of employees, representatives, and partners during the initiation of business with customers comprehensively. Management considers the risk of possible law infringements to be low.

Risk reporting with regard to financial instruments

In addition to the risk concerning insufficient compensation of price increases in the procurement through selling prices presented above, the following risks regarding financial instruments exist:

Currency risk
In the course of its business operations, DES is subject to currency risks. In addition to the targeted expansion of the group procurement in USD (instead of EUR), the financial department of DES relies on targeted hedging. The hedging is systematically based on the planned customer payments to DES for the next months in USD. Currently, management considers the currency risk as medium.

Credit risk
The credit risk concerning trade receivables not subject to factoring is reduced by the internal receivables management, Including monitoring of creditworthiness, credit limits and a dunning process, as well as the review of receivables for maturities on a regular basis. Management considers this risk to be medium.

Liquidity risk
Liquidity risk is the risk that cash and cash equivalents required to meet the payment obligations are not available or only available at increased refinancing costs. This includes the risk of an early repayment of financial liabilities or claims against DES as guarantor in connection with the bonds issued by SGH which would have a material impact on the liquidity of DES. Based on the equity and liquidity situation as of balance sheet date and the future planning, it is expected that all contractual obligations will be met; therefore, management considers the possibility of any claims against DES as guarantor as low.

According to the assessment of the management, 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.

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4. Forecast report

Revenue from the sale of compressors in the core business increased in the first five months of 2021 to 53 million € compared to 45 million € in the prior year period. The procurement prices for materials (e.g. copper, steel, aluminium) of the products sold by the Secop Group increased in the first quarter of 2021 and are expected to continue this trend. To the extent possible, we will pass on these cost increases to our customers through price increases.

The outlook for the Stationary Cooling segment is positive (food retail, medical applications, ice cream shops, minibars in hotels, special cooling devices, etc.). The demand in the hotel and catering industry is temporarily stagnating or in part declining, however, we expect demand in the public and commercial sector to increase again from 2021 at the latest due to global investment programmes to combat the impending recession. The market outlook onwards shows increasing demand for the installation of refrigerators in new generation vehicles due to changing habits in the consumption of chilled beverages and food, from which compressor sales in the Mobile Cooling segment should benefit. Management expects positive effects for mobile (battery-driven) application in the leisure segment. Additional growth is expected for 2021 for high-quality medical refrigerators and freezers. This market segment benefited significantly from the COVID-19 pandemic. The Secop technology may be used in special cooling devices for the storage and transport of medicine and vaccines.

The medium- and long-term outlook remains positive as the underlying market drivers (e.g. growing demand for refrigeration in emerging markets, switch to climate-neutral refrigerants or more efficient refrigeration) are still intact.

In accordance with the assessment of the market development for the financial year 2021 presented above and the market development until the time of preparation of the financial statements, DES forecasts revenue from the sale of compressors in the amount of 110.1 million € for 2021. The decrease compared to the financial year 2020 (126.1 million €) is mainly due to the targeted discontinuation of parts of the household segment and focusing on the core business.

DES plans an EBITDA in the amount of 11.1 million € for 2021 (2020: EBITDA -0.7 million €). The improvement is mainly due to the special effects in the financial year 2020 as well as the discontinuation of parts of the household segment as well as the growth in the stationary cooling and mobile cooling segments.

Flensburg, 30 June 2021

Andreas Joseph Schmid Director	Philipp von Stietencron Director