**Secop Group Holding GmbH,
Flensburg**

Consolidated Financial Statements

31 December 2020

IFRS

Consolidated statement of comprehensive income from 1 January 2020 until 31 December 2020

	Notes	2020 T€	2019[1)] T€
Revenue	4.1.	271.848	94.239
Cost of sales		-216.236	-82.392
Gross profit		**55.613**	**11.847**
Other operating income	7.1	17.797	88.753
Selling and distribution expenses	7.2	-17.858	-6.329
Administrative expenses	7.3	-18.753	-3.531
Other expenses	7.4	-61.574	-18.596
Operating profit		**-24.775**	**72.143**
Financial expenses	7.6	-10.874	-3.570
Financial income	7.7	7	0
Profit before tax		**-35.641**	**68.573**
Income tax	8.	1.275	-1.485
Profit for the year		**-34.367**	**67.088**
Exchange differences on translation of foreign operations		-1.131	228
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		**-1.131**	**228**
Remeasurement gain/(loss) on defined benefit plans	21.	-199	-462
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**-199**	**-462**
Other comprehensive loss for the period, net of tax		**-1.330**	**-234**
Total comprehensive income for the period, net of tax		**-35.697**	**66.854**

1) The 2019 financial year is a short financial year and covers the period from the foundation of the parent company on 16 January until 31 December, 2019 and includes the operating activities of the Secop Group companies acquired on 7 September 2019 from this point in time including reclassifications of expenses amounting T€ 3.359 presented as "depreciation" in the previous year. We refer to the explanations in note 7.5 Depreciation. Thereof affected were cost of sales (increase by T€ 2.557 to T€ 82.392), selling and distribution expenses (increase by T€469 to T€ 6.329), administrative expenses (increase by T€ 144 to T€ 3.531) and other expenses (increase by T€ 189 to T€ 18.596).

Consolidated statement of financial position for the year ended 31 December 2020

	Notes	31.12.2020 T€	31.12.2019[1)] T€
Assets			
Non-current assets			
Property, plant and equipment	9.	77.675	100.933
Intangible assets	10.	54.876	51.947
Right-of-use assets	11.	5.096	4.771
Deferred tax assets	8.	1.412	3.856
		139.060	**161.508**
Current assets			
Inventories	13.	34.082	44.926
Trade receivables	14.	44.309	46.195
Other financial assets	12.1	10.099	49.102
Other non-financial assets	22.1	10.580	12.051
Cash and bank balances	15.	29.304	26.831
		128.374	**179.104**
Total assets		**267.433**	**340.612**
Equity and liabilities			
Equity			
Issued capital	16.	25	25
Other capital reserves	16.	1.975	1975
Retained earnings	16.	32.722	67.088
Other reserves	16.	-1.565	-235
Total equity		**33.157**	**68.854**
Non-current liabilities			
Interest-bearing loans and borrowings	20.	103.242	59.227
Other financial liabilities	19.	5.252	4.862
Other non-financial liabilities	22.2	0	2
Provisions	17.	1.862	2.246
Net employee defined benefit liabilities	21.	4.599	4.433
Deferred tax liabilities	8.	20.979	30.446
		135.934	**101.215**
Current liabilities			
Trade payables	18.	53.734	63.229
Interest-bearing loans and borrowings	20.	2.237	63.640
Other current financial liabilities	19.	20.769	20.231
Other non-financial liabilities	22.2	8.450	12.513
Provisions	17	13.152	10.931
		98.343	**170.543**
Total liabilities		**234.276**	**271.759**
Total equity and liabilities		**267.433**	**340.612**

1) In the previous year, as of 31 December 2019, current assets included trade receivables of amount T€ 59.149 and other financial assets of the amount of T€ 36.148. This presentation was changed, i.e. the trade receivables reduced by T€ 12.954 to T€ 46.195 and the others financial assets increased by T€ 12.954 to T€ 49.102. For an explanation of the adjustment, please refer to the notes under 14. and 12.1.

Consolidated statement of changes in equity from 1 January to 31 December 2020

	Issued capital T€	Other capital reserves T€	Retained earnings T€	Revaluation of defined benefit pension plans T€	Foreign currency translation reserve T€	Total equity T€
As at 16 January 2019	**25**	**0**	**0**	**0**	**0**	**25**
Profit for the year	0	0	67.089	0	0	**67.089**
Other comprehensive income	0	0	0	-462	227	**-234**
Payments from shareholders	0	1.975	0	0	0	**1.975**
As at 31 December 2019	**25**	**1.975**	**67.089**	**-462**	**227**	**68.854**
As at 1 January 2020	**25**	**1.975**	**67.089**	**-462**	**227**	**68.854**
Profit for the year	0	0	-34.367	0	0	-34.367
Other comprehensive income	0	0	0	-199	-1.131	-1.330
As at 31 December 2020	**25**	**1.975**	**32.722**	**-661**	**-904**	**33.157**

Consolidated statement of cash flows according to IFRS from 1 January to 31 December 2020

	2020 T€	2019[1)] T€
Operating activities		
Profit before tax	-35.641	68.573
Adjustments to reconcile profit before tax to net cash flows:		
Badwill from acquisition of subsidiary	0	-85.792
Depreciation and impairment of property, plant and equipment, intangible assets, and right-of-use assets	24.937	3.483
Revaluation of property, plant, and equipment, intangible assets and right-of-use assets, net	-628	0
Net foreign exchange differences	-187	176
Loss on disposal of property, plant and equipment, intangible assets and right-of-use assets	964	852
Escrow allowance	24.100	0
Financial income	-7	0
Financial expenses	10.874	3.570
Changes in long term provisions	-822	609
Working capital changes:		
Decrease/(Increase) in trade receivables and short term assets	13.992	-13.343
Decrease in inventories	10.339	5.461
Increase in trade payables, other liabilities and short term provisions	-11.309	3.235
	36.611	-13.175
Income tax paid	-5.387	-1.029
Net cash flows from operating activities	**31.224**	**-14.204**
Investing activities		
Proceeds from sale of property, plant and equipment, intangible assets, and right-of-use assets	17.848	21
Purchase of property, plant and equipment, intangible assets, and right-of-use assets	-22.227	-6.925
Decrease of financial investment(escrow account of Slovakia)	3.140	1.478
Acquisition of subsidiary, net of cash acquired	0	-74.566
Net cash flows used in investing activities	**-1.238**	**-79.992**
Financing activities		
Interest and fees paid	-6.549	-64
Payments from shareholders	0	1.975
Payment of principal portion of lease liabilities	-921	-609
Proceeds from borrowings	55.025	119.700
Repayment of borrowings	-75.068	0
Net cash flows from financing activities	**-27.513**	**121.002**
Net increase in cash and cash equivalents	**2.473**	**26.806**
Cash and cash equivalents at 1 January	26.831	25
Cash and cash equivalents at 31 December	**29.304**	**26.831**

1) The financial year is a short financial year and comprises the period from the founding of the parent company on 16 January to 31 December 2019 and includes the operating activities of the Secop Group companies acquired on 7 September 2019 from this point in time.

Index

Notes to the consolidated financial statements

1. Corporate information

The Secop Group Holding GmbH (the „Company“ or the „Parent“) is a company founded in Germany on 16 January 2019 with limited liability with its registered office in Germany. The registered office is located at Mads-Clausen-Straße 7, 24939 Flensburg. The Company is registered in the commercial register under HRB 14025 FL. The Secop Group comprises the parent company and the subsidiaries it has controlled since 7 September 2019. The Secop Group is mainly active in the production of cooling compressors for refrigerators and freezers in the household, commercial and mobile sectors. The production capacities at the location in Austria were partly sold to third parties in March 2020. Part of the production capacity was relocated to Slovakia at the end of 2020. Since then, compressors have been produced in the company's own plants in Slovakia and China.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Secop Group Holding GmbH have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and endorsed by the European Union. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards in accordance with Section §315e (3) in connection with § 315e (1) German Commercial Code.

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand Euro (T€).

The financial year of the Secop Group Holding GmbH and its subsidiaries included in the consolidated financial statements corresponds to the calendar year.

The consolidated statement of comprehensive income was prepared using the function of expense method. The consolidated statement of comprehensive income for the year ended 31 December 2020 cannot be compared with that of the previous year, as the previous year was a short financial year of around four months.

The Secop Group presents assets and liabilities in the statement of financial position based on current/non-current classification. Assets and liabilities are current, when they are expected to be realised within twelve months after the reporting period. Net employee defined benefit liabilities and deferred tax assets and liabilities are classified as non-current assets and liabilities.

The consolidated financial statements 2020 include Secop Group Holding GmbH and subsidiaries controlled by it as at 31 December 2020.

Control is achieved when the Secop Group Holding GmbH is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Secop Group Holding GmbH controls an investee if, and only if, the Secop Group has:

" Power over the investee i.e., existing rights that give Secop Group Holding GmbH the ability to direct those activities of the investee that have a significant impact on its returns)
" Exposure, or rights, to variable returns from its involvement with the investee
" The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Secop Group Holding GmbH has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee,

including:

" The contractual arrangements with the other vote holders of the investee
" Rights arising from other contractual arrangements
" The Secop Group’s voting rights and potential voting rights

If facts and circumstances indicate that there are changes to one or more of the three elements of control, the Secop Group Holding GmbH reassesses whether or not it controls an investee.

Consolidation of a subsidiary begins on the day the Secop Group Holding GmbH obtains control over the subsidiary. It ceases when the Secop Group Holding GmbH loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Secop Group Holding GmbH gains control until the date the Secop Group Holding GmbH ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those of the parent company.

All intragroup assets and liabilities, equity, intragroup profits, income, expenses and cash flows relating to transactions between group companies are eliminated in full on consolidation. As part of the consolidation any deferred tax effects will be recognized accordingly.

Effects of the COVID-19 pandemic

Our business is influenced in different ways by the pandemic and the associated uncertainties that also have accounting-specific effects. With particular reference to the fact that we are active in Europa, China and the USA and serve global customers.

In the Mobile Cooling segment, the COVID-19 pandemic resulted in short delays in the field of automotive customers as their production was initially stopped or reduced. In the course of 2020, however, consumer behavior normalized. In the field of cooling solutions for leisure and pharmaceutical refrigeration applications, the COVID-19 pandemic even worked as a driver of growth because these sub-markets benefit globally.

In the Stationary Cooling segment, there were delivery delays especially in the second quarter of 2020, because the production plants recorded less or no output, but then demand normalized, initially in China, and then globally.

By far the largest share in the segments was not affected by the COVID-19 pandemic as fixed delivery schedules for major customers for 2020 were in place during the realignment of the Secop Group that were synchronized with the plant closure in Austria.

Due to the effects described above, we assessed trade accounts receivables and other financial assets for impairment within the first two quarters of 2020 and optimized our efforts in the area of receivables management. The focus here was in particular on the past and expected payment behavior of our customers. Our receivables are mainly due from customers with good credit ratings. In the course of our assessment, we did not determine any indicastions of significant impairment. We monitor our receivables continuously with regard to possible impairment caused by the COVID-19 pandemic. The sale of our inventories and customer ordering behavior were also examined.

In the financial year we were not able to determine any circumstances that would lead to a significant reduction in the net realizable value. Beyond that, we have not been able to determine any significant effects on the net assets, financial position and results of operation as a result of the COVID-19 pandemic. In the course of our annual impairment tests at the end of the financial year, we were not able to determine any circumstances that would suggest an impairment of assets as a result of the corona pandemic.

Due to the ongoing COVID-19 pandemic, we will continue to monitor the effects of the COVID-19 pandemic and carefully monitor the recoverability of our assets.

2.2 Summary of significant accounting policies

a) Business combinations

Business combinations in accordance with IFRS 3 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in Other Expenses.

When the Parent acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and any previous interest held over the net identifiable assets acquired and liabilities of the parent assumed (active difference).

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred (negative difference), the parent re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Disclosures related to the business combination of the Secop Group 2019 are provided in note 5 “Group Information”.

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

" In the principal market for the asset or liability

" or in the absence of a principal market, in the most advantageous market for the asset or liability

The Secop Group must have access to the principal or the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use to determine the price of the asset or liability. It is assumed that the market participants act in their best economic interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Secop Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

" Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

" Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

" Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Secop Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Trade receivables that exist on the balance sheet date and meet the requirements for a sale in the context of real factoring are assigned to the category measured at fair value through profit or loss and assigned to level 1 in the fair value hierarchy shown above.

c) Revenue from contracts with customers

The Secop Group is in the business of production of refrigeration compressors for refrigerators and freezers, commercial refrigeration systems and mobile refrigeration solutions. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Secop Group expects to be entitled in exchange for those goods or services. The Secop Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Disclosures related to revenue from contracts with customers are provided in note 4 “Revenues and trade receivables”.

Sale of refrigeration compressors

Revenue from sale of refrigeration compressors is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery of the refrigeraton compressors at the customer’s location. The normal credit term is 30 to 120 days from the date of delivery.

The Secop Group considers whether there are other commitments included in the contract that constitute separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties). In determining the transaction price for the sale of refrigeration compressors, the Secop Group considers the effects of variable consideration, existence of a significant financing component, noncash considerations, and considerations payable to the customer (if any).

If a contract contains several separable goods or services, the transaction price is allocated to the performance obligations based on the relative stand-alone selling prices. The Secop Group does not use contracts that contain a significant financing component. Contracts with variable considerations are of minor importance for the Secop Group and have no material impact on the transaction prices. Contract or contract fulfillment costs are not capitalized.

Sale of licenses

If the Secop Group grants a third party the right to intellectual property and the right to participate in changes to property (dynamic license), revenue is recognized over time. If, on the other hand, third parties are only granted the right to use intellectual property in the current version as part of a license agreement (static license), revenue is recognized at the beginning of the license period. These provisions are applied depending on the specific facts and circumstances in the contract with the third party and are subject to professional judgement. Income from the sale of licenses is recorded in other operating income, as the associated research and development expenses are recorded in other operating expenses. A technology license (static license) was sold in the financial year. There were no sales of so-called dynamic licenses.

Warranty obligations

The Secop Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for as warranty provisions in accordance with IAS 37.

d) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and the Company complies with all conditions. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

e) Taxes

Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The amounts are calculated based on the tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Secop Group operates and generates taxable income.

Current tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

" When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and

" In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit or taxable deferred taxes will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

" When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised de ferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Secop Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Disclosures related to taxes are provided in note 8 “Income tax expense”.

f) Foreign currencies

The Secop Group’s consolidated financial statements are presented in Euros, which is also the parent company’s functional and reporting currency. For each entity, the Secop Group determines the functional currency. The Secop Group uses Euro, RMD and USD as functional currencies. The functional currencies of the foreign units of the Secop Group are converted into the functional currency of the Secop Group using the following exchange rates:

Exchange Rates	31.12.2020	31.12.2019
	RMB / €	**RMB / €**
Year end rate	0,12465	0,12787
Average rate	0,12705	0,12888
	31.12.2020	31.12.2019
	USD / €	**USD / €**

Year end rate	0,81493	0,89015
Average rate	0,87625	0,89759

g) Property, plant, and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Property, plant, and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses plus write-ups. These acquisition or manufacturing costs include the acquisition price, the incidental acquisition costs, subsequent acquisition costs less any reductions in acquisition costs. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Secop Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

"	Buildings	22 to 50 years
"	Plant, machinery and equipment	7 to 18 years
"	Other equipment (operational and business)	5 to 15 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each financial year end and adjusted prospectively, if appropriate.

In general, borrowing costs are recognized as expenses in the period in which the borrowing expense incur. Borrowing costs that can be directly allocated to the construction, acquisition or production of a qualified asset are capitalized as part of the acquisition costs in accordance with IAS 23. As in the previous year, no borrowing costs were capitalized in the 2020 financial year.

h) Leases

The Secop Group assesses at contract inception whether a contract is, or contains, a lease. That is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Secop Group as a lessee

The Secop Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Secop Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Secop Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The costs to be paid in connection with entering a leasing contract that would not have been incurred without this contract are capitalized as contract costs to the acquisition costs of the right of use. Costs for dismantling and removing as well as restoring the contractually stipulated condition of the leased asset are taken into account as value addition at the time of the initial valuation of the right of use. The obligations that arise in connection with these costs are recognized as provisions in accordance with IAS 37.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	10 to 15 years
Plant and machinery	5 to 10 years
Other equipment (factory and office)	3 to 5 years

If ownership of the leased asset transfers to the Secop Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

At the commencement date of the lease, the Secop Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Secop Group and payments of penalties for terminating the lease, if the lease term reflects the Secop Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Secop Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Secop Group’s current and non-current lease liabilities are included in other financial liabilities in note 12.2. “Interest bearing loans and other financial liabilities”.

iii) Short-term leases and leases of low-value assets

The Secop Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) of machinery and equipment. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value (below T€ 5). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

i) Intangible assets

Intangible assets that are not acquired in a business combination are measured on initial recognition at cost.

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are recognised at cost less any accumulated amortisation and accumulated impairment losses plus write-ups.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. These intangible assets are not amortised on a straight line basis. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Secop Group can demonstrate the following requirements of IAS 38:

" The technical feasibility of completing the intangible asset so that the asset will be available for use or sale

" Its intention to complete and its ability and intention to use or sell the asset

" How the asset will generate future economic benefits

" The availability of resources to complete the asset

" The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is recognised at cost less any accumulated amortisation and accumulated impairment losses plus write-ups. Amortisation of the asset begins when development is completed and the asset is available for use. It is amortised over the period of expected future benefit.

Brand and customer relationships

In the course of the acquisition of the Secop Group in September 2019, the Secop Group evaluated its brands and customer relationships. The Secop brand is intended to be used indefinitely and is therefore assessed as having an indefinite useful life. The customer relationships can be expected to be used for a limited period of eight years.

A summary of the policies applied to the Secop Group’s intangible assets is, as follows:

	Brand	Customer Relationships (customer base)	Development Costs
Useful lives	Indefinite	Finite (8 years)	Finite (10 years)

Amortisation method used	No amortisation; Impairment Only	Amortised on a straightline basis over the period of the customer relationships	Amortised on a straight-line basis over the period of expected future sales from the related project
Internally generated or acquired	Part of a business acquisition	Part of a business acquisition	Internally generated

j) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurment

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Secop Group’s business model for managing them. With the exception of those trade receivables that do not contain a significant financing component, the Secop Group initially measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs. Those trade receivables that do not contain a significant financing component are measured at the specified transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Secop Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. Financial assets classified and measured at fair value through OCI or profit and loss are not held by the Secop Group.

The Secop Group’s financial assets are disclosed in note 12. “Financial assets and liabilities”.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Secop Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Secop Group's financial assets at amortised cost mainly include trade receivables. Please see note 6 "Financial instruments".

Impairment

The Secop Group recognizes an allowance for expected credit losses (ECL) for all debt instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows to be paid under the contract and the sum of the cash flows that the Secop Group expects to receive, discounted using an approximate value of the original effective interest rate. The expected cash flows include the cash flows from the sale of the collateral held or other credit collateral which are an integral part of the contractual conditions.

Expected credit losses are recorded in two steps. If the default risk of a financial instrument has not increased significantly since the initial recognition, risk provisions are recognized in the amount of the expected credit losses based on a default event within the next twelve months (12-month ECL). For financial instruments, the default risk of which has increased significantly since they were initially recognized, risk provisioning is recognized in the amount of the credit losses expected over the remaining term, regardless of when the default event occurs (total term ECL).

For trade receivables, the Secop Group uses a simplified method to calculate the expected credit losses. For this purpose, it does not track changes in the credit risk, but instead records risk provisioning on each reporting date on the basis of the total maturity ECL.

The Secop Group assumes default on a financial asset if contractual payments are 90 days overdue. The depreciation requirement is then assessed on a case-by-case basis. In addition, in certain cases the Secop Group may assume a financial asset will default if internal or external information suggests that it is unlikely that theGroup will receive the outstanding contractual amounts in full before all of the credit protection it holds is taken into account. A financial asset is written off in full if there is no reasonable expectation that the contractual cash flows will be realized. This is the case, for example, if the debtor is subject to liquidation or bankruptcy proceedings. Financial assets that have already been written off can still be the subject of foreclosure measures by the Secop Group. Any returns received are recognized in profit or loss when they occur.

A financial asset is derecognized if there is no longer a contractual right to receive a payment or if this right has been transferred to a third party and the relevant risks have been therefore passed to the purchaser of this right.

In the 2020 financial year, there were no changes to the estimation methods or key assumptions with regard to the valuation allowance.

Factoring

The Secop Group partly sells short-term trade receivables to a third party as part of a so-called real factoring. All significant opportunities and risks are transferred to the buyer so that the receivables sold are fully derecognized and no sustained commitment is taken into account in the balance sheet. Receivables that qualify for factoring but have not been sold to the factor are measured at fair value through profit or loss.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Secop Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and floating rate bonds issued in the financial year and other financial liabilities (see note 6 "Financial instruments").

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and the floating rate bond issued in the financial year (presented within interest bearing loans).

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

The Secop Group’s financial liabilities are disclosed in note 12. “Financial assets and liabilities”.

k) Impairment of property, plant, and equipment, intangble assets and rights-of-use assets

The Secop Group assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Secop Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. This model is based on valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Secop Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Secop Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Secop Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The Secop Group's Impairment of non-financial assets are disclosed in note 7.5 "Depreciation".

l) Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

m) Inventories

Inventories are valued at the lower of cost and net realisable value.

The production costs of semi-finished and finished products are valued at standard costs including price and quantity variances as well as production overheads. They contain directly attributable individual and overhead costs. Raw materials and supplies and goods are valued at standard costs including price and quantity variances. The net realizable value is the estimated sales proceeds that can be achieved in the normal course of business less the estimated costs up to completion and the estimated sales costs.

n) Provisions

General

Provisions are recognised when the Secop Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Warranties for general repairs of defects that existed at the time of sale and are required by law to cover the period of2 years.

Provisions related to these assurance-type warranties are recognised when the product is sold, or the service is provided to the customer. Initial recognition is based on historical experience. The estimate of warranty-related costs is revised annually and are disclosed in note 17 “Provisions”.

Restructuring

Restructuring provisions are recorded, when the Secop Group has a present obligation; this is the case, if (i) a formal restructuring plan is in place, that specifies the business or part of the business concerned, the principal location and the appropriate number of employees affected, a detailed estimate of the associated expenditures and a time schedule and if (ii) the main features of the plan have been announced to the employees affected by it.

Anniversary provision

The Secop Group grants anniversary benefits. The amount of the resulting anniversary provisions is valued in accordance with IAS 19 using the projected unit credit method (method of ongoing single premiums, so-called projected unit credit method).

o) Pensions and other post-employment benefits

The Secop Group operates a defined benefit pension plan in Germany. These benefits are not financed through an external fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements comprising actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Secop Group recognises the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

" Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

2.3. Changes in accounting policies and disclosures

a) New and amended standards and interpretations

The Secop Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Secop Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business *(EU-Endorsement* as at 21 April 2020)

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the consolidated financial statements of the Secop Group, but may impact future periods should the Secop Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform – Phase 1 (EU-Endorsement as at 15 January 2020)

The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform.

These amendments have no impact on the consolidated financial statements of the Secop Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material (EU-Endorsement as at 29 November 2019)

The amendments provide a new definition of material. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Secop Group.

Amendments to the Conceptual Framework for Financial Reporting (EU-Endorsement as at 29 November 2019)

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities.

These amendments had no impact on the consolidated financial statements of the Secop Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions (EU-Endorsement as at 9 October 2020, effective from 1 June 2020)

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

This amendment had no impact on the consolidated financial statements.

3. Significant accounting judgement, estimates and assumptions

The preparation of the Secop Group’s consolidated financial statements requires management to make judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. This may be particulary relevant for capitalized development costs.

Judgement

In the process of applying the Secop Group's accounting policies, management has made the following judgement, which have significant effect on the amounts recognised in the consolidated financial statements:

Purchase price allocation

As part of the acquisition of the Secop Group, the company valued the acquired assets and liabilities at market prices. The market prices were determined partly by means of expert opinions and partly by means of Company´s estimates and expectations regarding future business development and development of the industry in which the Secop Group is active.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Secop Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Secop Group judges lease contracts that include extension and termination options in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Secop Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Determination of the term of shareholder loans without fixed repayment dates

The Secop Group is mainly financed through loans from indirect shareholders. On the one hand, there are loans with a maximum term, but at the same time allow early repayments. On the other hand, there was bridging financing amounting 22.0 Mio. € at the year ending 31 December 2019 through the indirect minority shareholders, for which no specific repayment dates have been agreed, but the annual interest rate increases with the term.

Concerning the dates of repayment of loans, the Secop Group takes decisions that are based on professional judgement. This means that the Secop Group takes into account all relevant factors that represent an economic incentive for it to make early repayments of the intermediate shareholder loans.

With regard to the bridging financing, management assumes that it will be repaid within 12 months and that it will therefore be shown as a short-term liability as at 31 December 2019. Due to the repayment in 2020, the bridging financing no longer exists as of 31 December 2020. With regard to the other long-term shareholder loans, no early short-term repayments are planned and the loans are therefore shown under non-current liabilities (item interest-bearing loans) as at 31 December 2020.

Determination of the term of a special financing loan

A revolving special financing loan in the form of a bank overdraft/operating loan is also recorded under the interest-bearing loan. The term of the loan has been agreed until further notice, but no longer than 28 February 2022. The Secop Group assumes that the maximum term of the loan will be used and therefore shows the loan under non-current financial liabilities.

Determination of the term of the notary escrow account (ESCROW account)

The notary escrow account can be used to finance investments within three years of the acquisition of the Secop Group (which took place on 7 September 2019). The management assumes that the financial resources still available on the balance sheet date will be fully used in 2021 and accordingly classifies the notary escrow account as current financial assets as at 31 December 2020.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Secop Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Secop Group. Such changes are reflected in the assumptions when they occur.

Impairment of property, plant, and equipement, intangible assets and rights-of-use assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Secop Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to intangibles with indefinite useful lives recognised by the Secop Group. (Carrying amount as at 31 December 2020 T€ 8.867; previous year T€ 8.867).

Provision for expected credit losses of trade receivables

To avoid significant credit losses on trade receivables, the Secop Group concludes receivables insurances. The credit insurer generally insures the net claims for 90% and receives a premium. Fees for conducting any examination are charged separately.

For the uninsured part of the trade receivables, the Secop Group recognizes value adjustments for expected credit losses at the point in time when there are specific indications of a deterioration in the customer's creditworthiness. This is particularly the case if due receivables are not settled despite reminders or payment defaults for reasons such as bankruptcies are probable (see note 12.3. "Risk Management"). Der carrying amount of trade receivables based on this judgement as at 31 December 2020 amounts T€ 44.309 (previous year T€ 46.195).

In some cases, trade receivables are sold to a factor in the Secop Group. As far as these trade receivables have been sold, there is no longer any credit risk for the Secop Group (real factoring).

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Secop Group has tax losses carried forward. These losses relate to subsidiaries that have a history of losses. Depending on the subsidiary, these tax losses carried forward may expire. Tax losses carried forward of a subsidiary cannot be offset against the taxable income of other group companies. If subsidiaries have sufficient taxable temporary differences and corresponding tax structuring options, deferred taxes are recognized on tax loss carried forward that cannot be forfeited. For the book value of the deferred tax assets on tax losses carried forward, additional explanations can be found in note 8 "Income tax expense").

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future.

These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an ‘AA’ rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Possible financial effects of the deviations in the key factors are determined using sensitivities. Details on sensitivity analysis and the basis for estimates in the area of pension provisions can be found in note 21 “Net employee defined benefit liabilities”. The book value of the defined benefit pension plans was T€ 4.599 on the balance sheet date (previous year: T€ 4.433).

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Development costs

The Secop Group capitalises costs for product development projects. Initial capitalisation of costs is based on management’s judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2020, the carrying amount of capitalised development costs was T€ 27.947 (previous year: T€ 21.367).

Warranties

Other provisions were recognized for warranty obligations from products sold. The assessment is made on the basis of empirical values for repairs and complaints in the past. It is to be expected that these costs will arise within the next financial years. The underlying assumptions for the calculation of the warranty provision are based on the current sales level and the currently available information on complaints for all products sold within the warranty period. The book value of the provisions for warranties on the balance sheet date was T€ 3.505 (previous year: T€ 4.683).

Leases - Estimating the incremental borrowing rate

The Secop Group cannot readily determine the interest rate implicit in the lease. Therefore, it uses its incremental borrowing rate to evaluate lease liabilities. The IBR is the rate of interest that the Secop Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Secop Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Secop Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating). The estimated incremental borrowing rate amounts 2%. The balance sheet positions affected are lease liabilities and the capitalized rights of use. With regard to the book values, please see note 11. “Leases”.

Property, plant and equipment

When accounting for property, plant and equipment, judgements and estimates are required when determining economic useful lives consistently across the Secop Group, which are based on management estimates. The book value of property, plant and equipment amounts as at 31 December 2020 to T€ 77.675 (previous year: T€ 100.933).

Inventories

When valuing inventories, the standard costs for manufacturing the products are estimated on the basis of operational experience and the expected price development of the main raw materials. In addition, judgements and estimates are made when determining overhead surcharges. The book value of the inventories as of the balance sheet date was T€ 34.082 (previous year: T€ 44.926).

4. Revenues and trade receivables

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Secop Group's revenue from contracts with customers:

	2020 T €	16.1.2019- 31.12.2019 T €
Type of goods or service		
Compressors for household appliances	41.681	18.628
Compressors for commercial equipment	166.524	50.299
Compressors for mobile devices	56.665	16.663
Others	6.978	8.649
Total revenues	271.848	94.239

The disclosure of sales by type of goods and services is consistent with the sales figures that are specified for each reportable segment in accordance with IFRS 8 Business Segments.

Goods and services were transferred at a specific point in time.

Revenue of the previous year relates to the period from 7 September to 31 December 2019. As of 7 September 2019, the Secop Group acquired the shares in the Secop Group from Nidec.

4.2 Trade receivables

	31 December 2020 **T€**	**31 December 2019*** **T€**
Trade receivables	44.309	46.195

* Adjustment of the previous year's value from T€ 59.149 by T€ 12.954 to T€ 46.195 due to a change in disclosure (see note 14 “Trade receivables”)

The decrease in trade receivables on the balance sheet date essentially results from the sale of receivables and the gradual withdrawal from the WET and household business.

The Secop Group partly sells current trade receivables to a third party known as real factoring. All major risk and rewards are transferred to the buyer and therefore the sold trade receivables are fully written off and no sustained exposure is reflected in the balance sheet.

The book value of the trade receivables transferred in connection with the factoring as of 31 December 2020 was T€ 11.061 (previous year: T€ 14.409). In total, the Secop Group had factoring lines in the amount of T€ 35.000 (previous year T€ 35.000) available. As of 31 December 2020, trade receivables qualifying as factoring exist, which are classified as financial assets at fair value through profit or loss (level 1) in the amount of T€ 814 (previous year: T€ 869).

4.3 Performance obligations

Information about the Secop Group's performance obligations are summarised below:

The performance obligation is satisfied upon delivery of the compressors. The payment is generally due within the period set out below (from delivery):

- Compressors for household appliances: 30 to 120 days from delivery
- Compressors for commercial appliances 30 to 120 days from delivery
- Compressors for mobile appliances: 30 to 90 days from delivery

The statutory warranty period is 2 years, for which corresponding provisions are made. In individual cases, contracts are signed with customers in which discounts are granted for a fixed number of product failures. However, these defaults are capped with an amount, if the amount is exceeded, an additional compensation is made for the excession.

5. Group information

Subsidiaries

The consolidated financial statements of the Secop Group include:

Name	**Country of incorporation**	**% equity interest**
Secop Inc.	Roswell,USA	100
Secop Compressors (Tianjin) Co. Ltd.	Tianjin,China	100
Secop s.r.o.	Zlaté Moravce Slovakia	100
Secop Holding GmbH	Flensburg,Germany	100
Secop GmbH	Flensburg,Germany	100
Secop Italia S.r.l.	Pordenone,Italy	100
Secop Austria	Gleisdorf,Austria	100
Motor Competence Center Holding Flensburg GmbH	Flensburg,Germany	100
Motor Competence Center Flensburg GmbH	Flensburg,Germany	100

Ownership structure of the Secop Group

The ultimate holding company of Secop Group Holding GmbH is Dilasso Bath S.a.r.l. based in Luxembourg, which holds all shares in Secop Group Holding GmbH through Dilasso Bath Invest S.a.r.l., Luxembourg. Dilasso Bath S.a.r.l., based in Luxembourg prepares the consolidated financial statements for the largest group of companies. These can be obtained from the company's registered office in Luxembourg City. Secop Group Holding GmbH, based in Flensburg, Germany compiles the consolidated financial statements for the smallest group of companies. This is the provider of the Federal Gazette submitted electronically in German and published electronically by the provider in the German Federal Gazette.

Acquisition of subsidiaries

Secop Group Holding GmbH acquired all shares in the Secop Group with effect from 7 September 2019.

The fair values of the identifiable assets and liabilities of Secop Group as at the date of acquisition were:

	Fair value recognised on acquisition T€
Assets	
Property, plant and equipment	99.102
Intangible assets	50.495
Right-of-use assets	5.433
Deferred tax assets	2.431
Inventories	50.387
Trade receivables	41.727
Other financial assets	37.853
Other non-financial assets	15.612
Cash and bank balances	38.334
	341.374
Liabilities	
Other long-term financial liabilities	-4.938
Non-current provisions	-1.634
Defined benefit pension plans	-3.972
Deferred tax liabilities	-28.564
Trade payables	-59.835
Other short-term financial liabilities	-701
Other short-term non-financial liabilities	-15.161
Provisions	-7.877
	-122.682
Total identifiable net assets at fair value	218.692
Badwill arising on acquisition	-85.792
Purchase consideration transferred	132.900
Net cash acquired with the subsidiary	38.334
Transaction costs of the acquisition	-112.900
Net cash flow on acquisition	-74.566

With the acquisition of the shares in the Secop Group, the company acquired a loan granted by the seller to the Secop Group and a notary escrow account for investments in the Secop Group.

The fair value of the acquired loans to the Secop Group amount T€ 69.500, the gross value of this loan is T€ 140.394. The difference was recorded as a badwill arising on acquisition and recorded as other income.

Consolidated sales and consolidated profit (with the exception of the income from badwill arising on acquisition in 2019) result mainly from the acquired Secop Group.

6. Financial instruments

According to IFRS 7, financial assets and financial liabilities are to be grouped in such a way that a distinction can be made between financial instruments that are measured at fair value and those that are measured at amortized cost.

The following table shows the book values of the individual financial assets and liabilities for each individual category of financial instruments.

31 December 2020	**Measurement category according to IFRS 9**	**Book Value T€**	**Fair value T€**
Financial assets			
Cash and short term deposits	At acquisition cost	29.304	29.304
Other financial assets	At acquisition cost	10.099	10.099
Trade receivables	At acquisition cost	43.495	43.495
Trade receivables	At fair value through profit or loss	814	814
Financial liabilities			
Interest-bearing loans and borrowings	At acquisition cost	103.242	102.827
Other financial liabilities	At acquisition cost	5.252	5.252
Trade payables	At acquisition cost	53.734	53.734
Interest-bearing loans (current)	At acquisition cost	2.237	2.237
Other financial liabilities (current)	At acquisition cost	20.769	20.769

	Measurement category according to IFRS 9	**Book Value T€**	**Fair value T€**
Financial assets			
Cash and bank balances	At acquisition cost	26.831	26.831
Other financial assets	At acquisition cost	49.102	49.102
Trade receivables	At acquisition cost	45.326	45.326

Trade receivables	At fair value through profit or loss	869	869
Financial liabilities			
Interest-bearing loans and borrowings	At acquisition cost	59.227	59.227
Other financial liabilities	At acquisition cost	4.862	4.862
Trade payables	At acquisition cost	63.229	63.229
Interest-bearing loans (current)	At acquisition cost	63.640	63.640
Other financial liabilities (current)	At acquisition cost	20.231	20.231

The management assessed that the fair values of cash and bank balances, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the current maturities of these instruments.

The book value of the financial assets corresponds to the maximum default risk. If default risks exist for these financial assets, these risks are recorded through value adjustments.

Management also states that fair values of non-current fixed-rate shareholder loans (recorded under interest-bearing loans) almost correspond to the book values, since the agreed interest and loan conditions with the appropriate reconciliation (surcharges for unsecured and subordinated) are comparable to those on the market observable interest rates on the reporting date for secured and non-subordinated SME bonds.

Since there are no hedging relationships to hedge cash flows, there are no effects on the income statement or OCI.

Net gains and losses on financial instruments are shown as follows:

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
2020	T€	T€	T€
Interest income	7	0	7
Interest expenses	0	-10.830	-10.830
Impairment/write-ups	-23.646	0	-23.646
Net result	-23.639	-10.830	-34.469

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
2019	T€	T€	T€
Interest income	0	0	0
Interest expenses	0	-3.521	-3.521
Impairment/write-ups	0	0	0
Net result	0	-3.521	-3.521

Security interests granted

The following securities were granted for the bond in the financial year, which was recorded under interest-bearing loans:

• Pledging of shares in Secop GmbH, Secop s.r.o. and Secop Compressors (Tianjin) Co. Ltd.

• Pledging of trade receivables from Secop GmbH that are not subject to factoring

• Pledging of IP rights of Secop GmbH and Secop Holding GmbH

• Pledging of tangible assets (immovable tangible assets) of the Slovak subsidiary.

The securities were granted for the maximum term of the bond, i.e. until 28 January 2024.

Furthermore, within the scope of real factoring of Secop GmbH, the cession of trade receivables (purchased and not purchased receivables) of the Secop GmbH is granted as security.

7. Additional notes to consolidated statement of comprehensive income

7.1 Other operating income

	2020	**2019**
	T€	**T€**
Badwill on acquisition of the Secop Group	0	85.792
Net foreign exchange differences	2.902	2.350
Other income	14.895	611
Total other operating income	**17.797**	**88.753**

Regarding the badwill on the acquisition of the Secop Group, see note 6 “Financial instruments”.

For the net foreign exchange differences, see also note 7.4 “Other expenses”.

The other income in the financial year mainly includes income from the reversal of provisions (T€ 1.518), income from write-ups of intangible assets amounting T€ 628 that were devalued in the previous year (development costs, see also note 10 “Intangible assets”), income from the reversal of value adjustments relating to trade receivables (T€ 602), including income from income subsidies received as part of state corona support programs in Slovakia of T€ 1.127 and other income of T€ 1.803 (previous year: T€ 611). In addition, other income also includes income from the sale of the Delta compressor production line in Austria in the amount of T€ 7.357 as well as related defined technology licenses (T€ 1.863) held by Secop GmbH. The expenses relating to the sale of the Delta production line were recorded under other expenses. Reference is made to the additional explanations in note 7.4 “Other expense”.

7.2 Selling and distribution expenses

	2020	2019*
	T€	**T€**
Freight charges	4.324	1.108
Other selling and distribution expenses	13.534	5.221
Total selling and distribution expenses	**17.858**	**6.329**

*Incl. adjustment of the previous year by T€ 469 due to the allocation of the previous year separately reported depreciation totaling T€ 3.359.

The other selling and distribution expenses essentially comprise personnel costs in the amount of T€ 6.964 (previous year: T€ 1.392) and depreciation amounting to T€ 3.479 (previous year: T€ 469).

7.3 Administrative expenses

	2020	2019*
	T€	**T€**
Administrative expenses	18.753	3.531
Total administrative expenses	**18.753**	**3.531**

*Incl. adjustment of the previous year by T€ 144 as a result of the allocation of the previous year separately reported depreciation totalling T€ 3.359.

Administrative expenses include depreciation and amortization allocated to administration (T€ 1.068, previous year T€ 144), as well as administrative staff costs (T€ 7.854, previous year T€ 1.410). In addition, the expenses for the 2020 financial year include consulting costs of T€ 5.180), IT costs (T€ 1.584) and insurance (T€ 1.191).

7.4 Other expenses

	2020 T€	2019* T€
Operations	1.989	2.398
Purchasing & Logistics	2.947	1.530
Research and development cost	4.398	4.807
Net foreign exchange differences	4.276	3.364
Restructuring	33.436	4.424
Other expenses	14.528	2.073
Total other expenses	**61.574**	**18.596**

*Incl. adjustment of the previous year by T€ 189 as a result of the allocation of the depreciation reported separately in the previous year, totalling T€ 3.359.

The restructuring expenses include the depreciation of current other financial asset designated under the notarial escrow account of the amount 24.1 Mio. € and higher expenses in connection with the restructuring of the production site in Austria (+4.5 Mio. €). This mainly led to an increase of 29.0 Mio. € in expenses as compared to the previous year.

Other expenses include expenses from the reallocation of the Kappa production line from the Austrian Production site to the factory in Slovakia (T€ 4.004), and the expenses from the sale of the Delta compressor production line in Austria of the amount T€ 6.930. The income related to the sale of the Delta production line was included in the other operating income. The complementary explanations are referenced in note 7.1 “Other operating income”. In addition, expenses as a result of the disposal of assets in property, plant and equipment and intangible assets of T€ 964 are recorded.

For the currency differences, also see 7.1 “Other operating income”. Research and development costs of T€ 4.398 (previous year T€ 4.807) were not capitalised.

7.5 Depreciation

	2020 T€	2019* T€
Included in cost of sales:	**18.985**	**2.668**
Included in administrative expenses:	**5.952**	**802**
Selling and distribution expenses	3.479	469
Administrative expenses	1.068	144
Other expenses	1.405	189

* In the previous financial year, part of the depreciation amounting to T€ 3.359 was presented separately and not divided between the cost of sales and the other costs. In the financial year, the previous year was therefore adjusted for comparability. For the rest, please refer to the explanations in notes 7.2., 7.3. and 7.4.

The depreciation includes scheduled and unscheduled depreciation. The unscheduled depreciation amounts to T€ 9.033 (previous year: T€ 0) and was recorded in the financial year under the cost of sales. For further explanations regarding the unscheduled depreciation, please refer to note 9 “Property, plant and equipment”.

7.6 Financial expenses

	2020	2019
	T€	T€
Interest on debts and borrowings	10.695	3.827
Interest on lease liabilities	179	64
Other interest	0	-321
Total finance costs	**10.874**	**3.570**

7.7 Financial income

	2020	2019
	T€	T€
Interest income on bank balances	7	10
Other interest income	0	-10
Total finance Income	**7**	**0**

7.8 Costs of inventories

	2020	2019
	T€	T€
Included in cost of sales	**165.935**	**72.124**
Included in other costs	**3.333**	**1.499**
Selling and distribution expenses	54	1.499
Administrative expenses	54	
Other expenses	3.225	

Employee benefit expense

	2020	2019
	T€	T€
Included in cost of sales	25.432	7.710
Included in selling and distribution expenses	6.964	1.392
Included in administrative expenses	7.854	1.410
Included in other expenses	16.265	10.701
Total employee benefit expenses	**56.515**	**21.213**
Defined contribution plan expenses	1.058	360
Average number of employees	1.481	1.676

Personnel expenses 2020 include costs for social security and costs for retirement benefits of T€ 10.539.

8. Income tax

The major components of income tax for the financial year 1 January 2020 to 31 December 2020 are:

	2020 T€	2019 T€
Current income tax	-5.748	-1.030
Deferred tax	7.023	-455
Total Income tax	**1.275**	**-1.485**

For tax losses of T€ 40.038 (previous year: T€ 71.144) no deferred tax assets are recognized as they are not to be offset against the taxable profit of other companies in the group and there will be no tax structuring options or other offset or usage options in the near future. The loss carryforwards do not expire according to the current legal situation.

Reconciliation of income tax expense and the accounting profit multiplied by domestic tax rate for the financial year end as at 31 December 2020:

	2020 T€	2019 T€
Accounting profit before income tax	**-35.641**	**68.573**
At statutory income tax rate of 25% (2019: 25%)	8.910	-17.143
Effect of tax rate differences	927	0
Badwill on acquisition of Secop Group	0	21.448
Trade tax effects	-316	0
Non-deductible expenses	-10.437	-4.560
Tax free income	1.641	0
Tax rate changes	-1.930	0
Capitalization of previously unrecognized tax losses	6.358	0
Value adjustments/non recognition of tax losses	-1.710	0
Non periodic current and deferred taxes	-678	0
Non deductible/creditable withholding tax	-2.080	0
Other differences	590	-1.230
At the effective income tax rate income tax expense	**1.275**	**-1.485**

Deferred tax liabilities amounting T€ 3.119 (previous year: T€ 5.735) were not recognized for temporary differences in connection with shares in subsidiaries, as the Parent is able to control the timing of the reversal of the temporary differences and it is likely that the temporary difference will not dissolve in the foreseeable future.

Deferred tax assets	**31.12.2020** **T€**	**31.12.2019** **T€**
Trade receivables	1.205	1.398
Intangible assets	144	95
Other assets	2.540	3.176
Inventories	811	284
Other financial assets	0	243
Other non-financial assets	158	10
Other non-financial liabilities	58	468
Defined benefit pension plan debt	828	789
Provisions	1.483	1.921
Property, plant and equipment	2.049	91

Loss carried forward	12.191	4.087
	21.466	12.562
Set-off	-20.054	-8.706
	1.412	**3.856**

Deferred tax liabilities	**31.12.2020 T€**	**31.12.2019 T€**
Trade receivables	62	0
Inventories	0	715
Intangible assets	15.647	12.160
Other financial liabilities	15.297	14.913
Interest-bearing loans	243	0
Defined benefit pension plan debt	0	0
Provisions	745	1.023
Property, plant and equipment	9.039	10.341
	41.032	39.152
Set-off	-20.054	-8.706
	20.979	**30.446**

As of the balance sheet date, deferred tax assets were capitalized on loss carryforwards totalling T€ 73.540 (previous year: T€ 20.053).

9. Property, plant and equipment

	Freehold land and buildings	**Office properties in Euroland**	**Construction in progress T€**	**Plant and machinery T€**	**Other equipment T€**	**Total T€**
Cost or valuation						
As at 16 January 2019	0	0	0	0	0	**0**
Acquisition of subsidiary	4.956	20.585	9.807	200.712	8.486	**244.545**
Exchange differences	0	0	2	85	1	**87**
Additions	0	144	2.202	1.885	894	**5.124**
Reclassifications	0	286	-3.563	2.942	325	**-10**
Disposals	0	-1.223	-19	-913	-353	**-2.507**
As at 31 December 2019	**4.956**	**19.791**	**8.428**	**204.711**	**9.352**	**247.238**
Depreciation and impairment						
As at 16 January 2019	0	0	0	0	0	**0**
Acquisition of subsidiary	0	-1.617	-448	-138.121	-5.257	**-145.443**
Depreciation charge for the year	0	-155	-23	-1.951	-315	**-2.445**
Disposals	0	369	0	913	353	**1.634**
Exchange differences	0	0	0	-51	-1	**-51**
As at 31 December 2019	**0**	**-1.403**	**-472**	**-139.211**	**-5.220**	**-146.305**
Net Book Value						
As at 16 January 2019	0	0	0	0	0	**0**
As at 31 December 2019	**4.956**	**18.388**	**7.957**	**65.501**	**4.132**	**100.933**

	Freehold land and buildings	Office properties in Euroland	Construction in progress T€	Plant and machinery T€	Other equipment T€	Total T€
Cost or valuation						
As at 1 January 2020	4.956	19.791	8.428	204.711	9.352	**247.238**
Exchange differences	0	-3	-58	-806	-19	**-885**
Additions	0	31	9.580	3.253	1.379	**14.243**
Reclassifications	0	149	-1.420	1.125	106	**-40**
Disposals	0	0	-5.193	-35.860	-6.686	**-47.740**
As at 31 December 2020	**4.956**	**19.968**	**11.337**	**172.423**	**4.132**	**212.816**
Depreciation and impairment						
As at 1 January 2020	0	-1.403	-472	-139.211	-5.220	**-146.305**
Depreciation charge for the year	0	-446	-764	-17.692	-920	**-19.821**
Disposals	0	0	40	27.523	2.909	**30.472**
Reclassification	0	0	0	-4	8	**5**
Exchange differences	0	1	0	494	14	**509**
As at 31 December 2020	**0**	**-1.848**	**-1.195**	**-128.890**	**-3.208**	**-135.141**
Net Book Value						
As at 1 January 2020	4.956	18.388	7.957	65.501	4.132	**100.933**
As at 31 December 2020	**4.956**	**18.120**	**10.142**	**43.534**	**925**	**77.675**

Based on strategic considerations, market development and strong price pressure in the market for household compressors, the Group carried out a reassessment of the usability of a production machine in Slovakia that manufactured XV compressors, which resulted in unsustainable competitiveness of XV compressors during the financial year. The impairment test led to an unscheduled depreciation of the production machines with an impact on the cost of sales in the amount of T€ 9.033. The production machines are shown under property, plant and equipment in the item “Plant and machinery”. Disposal of the production machines was not assumed. In the past, the Secop Group had received grants for the purchase of production machines for the manufacture of XV compressors, which were released through profit or loss over their useful life. As a result of the unscheduled depreciation of the plant, the remaining deferred grants in the other non-financial assets were recognized in the cost of sales in the amount of T€ 1.391.

With regard to the contractual obligations from the purchase of property, plant and equipment existing on the balance sheet date, reference is made to the explanations in note 23 “Contingent liabilities and other financial obligations”.

The property, plant and equipment owned by the subsidiary Secop s.r.o. (immobile tangible assets amounting T€ 22.997 as at 31 December 2020) were pledged to secure the bond issued in the financial year, which is included under the interest-bearing loan. Reference is made to the explanations in note 6 “Financial instruments” (security rights granted).

10. Intangible assets

	Development costs T€	Brands with definite useful life T€	Licences with indefinite useful life T€	Goodwill T€	Total T€
Cost					
At 16 January 2019	0	0	0	0	0
Acquisition of subsidiary	19.937	21.692	8.867	0	50.496
Exchange differences	4	2	0	0	6
Additions	1.605	28	0	0	1.633
Reclassifications	-20	36	0	0	16
Assets held for sale	0	-1	0	0	-1
At 31 December 2019	**21.526**	**21.756**	**8.867**	**0**	**52.150**
Amortisation and impairment					
At 16 January 2019	0	0	0	0	0
Acquisitionof subsidiary	0	0	0	0	0
Amortisation	-160	-41	0	0	-201
Exchange differences	0	-2	0	0	-2
At 31 December 2019	**-160**	**-43**	**0**	**0**	**-203**
Net Book Value					
At 16 January 2019	0	0	0	0	0
At 31 December 2019	**21.366**	**21.714**	**8.867**	**0**	**51.947**

	Development costs T€	Brands with definite useful life T€	Licences with indefinite useful life T€	Total T€
Cost				
At 1 January 2020	21.526	21.756	8.867	52.150
Exchange differences	-51	-17	0	-68
Additions	7.880	126	0	8.005
Reclassifications	-190	272	0	82
Assets held for sale	-1.021	-370	0	-1.391
At 31 December 2020	**28.145**	**21.766**	**8.867**	**58.779**
Amortisation and impairment				
At 1 January 2020	-160	-43	0	-203
Exchange differences	0	16	0	16

Depreciation	-626	-3.666	0	-4292
Additions	628	0	0	628
Reclassifications	0	-182	0	-182
Disposals	-40	170	0	131
At 31 December 2020	**-198**	**-3.704**	**0**	**-3.902**
Net Book Value				
At 1 January 2020	21.366	21.714	8.867	51.947
At 31 December 2020	**27.947**	**18.062**	**8.867**	**54.876**

The write-up in the amount of T€ 628 that took place in the financial year related to development costs in connection with the IP R&D Delta VSD (variable speed) project and was recognized in other operatingincome.

The remaining useful life of the capitalized development costs, customer base, patents and licenses with a limited useful life is between 6 and 8 years.

The IP rights ("development costs") of the subsidiaries Secop Holding GmbH and Secop GmbH owned by the Secop Group were pledged to secure the bond issued in the financial year, which is included in the interest-bearing loan. Reference is made to the explanations in note 6 "Categories of financial instruments" (security rights granted).

With regard to the contractual obligations from the acquisition of intangible assets refer to the explanations in the note 23 "Contingent liabilities and other financial obligations".

1. Intangible assets with indefinite useful lives

For impairment testing, the assets acquired within the business combination with an indefinite useful life are allocated to the Secop cash-generating unit, which comprises the entire Secop Group.

Carrying amount of brands allocated to the CGU:

	31 December 2020 T€	**31 December 2019 T€**
Brands	8.867	8.867

The Secop Group performed its annual impairment test in the last quarter of 2020.

Secop cash generating unit

The recoverable amount of the Secop CGU as at 31 December 2020 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 8.6%. Cash flows beyond the five-year period are extrapolated using a 1.0% growth rate that reflects the long term average growth rate of 2%.

The value in use of the brands amounting T€ 8.867 equals the value determined in the course of the acquisition of the Secop Group.

11. Leases

Group as a lessee

The Secop Group has signed lease contracts for buildings, plant, machinery and equipment and other equipment used in its operations. Lease contracts for buildings have a term of 10-15 years; leases for plants and machinery generally have lease terms between 5 and 10 years. In the case of other equipment, the lease term is generally between 3 and 5 years. The Secop Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Secop Group is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings T€	Plant and machinery T€	Other equipment T€	Total T€
As at 16 January 2019	0	0	0	0
Acquisition of subsidiary	5.437	690	351	6.477
Foreign exchange differences	12	0	0	12
Additions	14	40	114	168
Reclassifications	0	0	-6	-6
As at 31 December 2019	**5.463**	**729**	**459**	**6.651**
Depreciation expense				
As at 16 January 2019	0	0	0	0
Acquisition of subsidary	-889	-92	-62	-1.044
Depreciation for the year	-694	-76	-66	-837
As at 31 December 2019	**-1.583**	**-168**	**-128**	**-1.880**
Net Book Value				
As at 16 January 2019	0	0	0	0
As at 31 December 2019	**3.880**	**561**	**331**	**4.771**

	Buildings T€	Plant and machinery T€	Other equipment T€	Total T€
As at 1 January 2020	5.463	729	459	6.651

Foreign exchange differences	-100	0	-1	-101
Additions	1.225	145	14	1.384
Disposal	-285	-105	0	-390
Reclassifications	0	-46	0	-46
As at 31 December 2020	**6.304**	**723**	**472**	**7.499**
Depreciation expense				
As at 1 January 2020	-1.583	-168	-128	-1.880
Depreciation for the year	-461	-212	-151	-824
Additions	0	105	0	105
Reclassifications	149	33	0	182
Foreign exchange differences	13	0	1	14
As at 31 December 2020	**-1.882**	**-242**	**-279**	**-2.403**
Net Book Value				
As at 1 January 2020	3.880	561	331	4.771
As at 31 December 2020	**4.422**	**481**	**193**	**5.096**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2020 **T€**	**2019** **T€**
As at 1 January 2019	5.030	0
Addition	1.384	5.807
Accretion of Interest	179	64
Payments	-1.168	-841
As at 31 December 2020	**5.425**	**5.030**
Current	173	168
Non-current	5.252	4.862

In the financial year, expenses for leasing of buildings and other plants amounting T€ 1.360 and for leasing of low-value assets amounting T€ 4 incurred due to current leasing contracts.

12. Financial assets and liabilities

12.1 Financial assets

	31.12.2020 **T€**	**31.12.2019*** **T€**
Trade receivables*	44.309	46.195
Notary escrow account	8.981	36.222
Other financial assets*	1.118	12.880
Total financial assets	**54.408**	**95.297**
Total current	**54.408**	**95.297**
Total non-current	**0**	**0**
Total	**54.408**	**95.297**

* Adjustment of the previous year's value of trade receivables as of 31 December 2019 from T€ 59.149 by T€ 12.954 to T€ 46.195 due to a change in the presentation of receivables against a factor. As a result, the other financial assets increased by T€ 12.954 to T€ 49.102 as of 31 December 2019.

The notary escrow account can be used by Secop to finance investments in improvements to existing production processes and further development of compressors that have been produced in Austria until mid of 2020 and are produced in Slovakia. The escrow account can be accessed within three years of the acquisition of the Secop Group and is administered by an independent body that decides on the release of the financial resources. Therefore, Secop must provide evidence of the investments in form of project description, offers, supplier invoices and accounting records in SAP. The information provided is reviewed by the independent body and, if the facts are correct, the release of the funds for transfer to Secop is ordered. In the reporting period, such funds in the amount of T€ 3.140 (precious year: T€ 1.478) were granted to Secop Holding GmbH. In addition, the receivables were written down in the amount of T€ 24.100 in the reporting period, as no more payments can be called up in this amount in the future. The background to the impairment was the sale of part of the production capacities to a third party in March 2020 and the relocation of part of the production capacities to the Group's own plant in Slovakia at the end of the 2020 financial year. The Secop Group expects the remaining funds to be used in full in the coming 2021 financial year.

The other financial assets as at 31 December 2020 include a rental deposit of T€ 1.000 paid in the financial year, the repayments of which will be made successively within four years from the start of the second rental year (start of the rental contract expected in the 3rd / 4th quarter of 2021). Others financial assets as of 31 December 2019 include current receivables from a factor in the amount of T€ 12.954 that were settled in 2020.

12.2 Interest-bearing longs and other financial liabilities:

	Interest rate	**Maturity**	**31.12.2020**	**31.12.2019**
	%		**T€**	**T€**
Current interest-bearing loans and borrowings				
Lease liabilities	f 2,0	2021	173	168
Purchase price liability Nidec	v 1,0	2021	20.645	20.063
Bank Loan CNY	V 3,95	2021	2.237	0
Shareholder loan over T€ 22.000	f 8,0	2020	0	22.582
Shareholder loan over T€ 40.000	f 8,0	2020	0	41.058
Total current interest-bearing loans and borrowings			**23.055**	**83.871**

Non-current interest-bearing loans and borrowings				
Lease liabilities	f 2,0	2030	5.252	4.862
Bond over T€ 50.000	v 7,46	2024	41.020	0
Shareholder loan over T€ 221	f 4,0	2026	233	224
Shareholder loan over T€ 6.100	f 8,0	2026	0	6.260
Shareholder loan over T€ 40.000	f 8,0	2029/py:2020)	10.887	0
Shareholder loan over T€ 51.379	f 8,0	2029	49.184	52.743
Special funding	v 1,4	2022	1.918	0
Total non-current interest-bearing loans and borrowings			**108.494**	**64.089**
Total interest-bearing loans and borrowings			**131.549**	**147.960**

Interest rate: v for variable; f for fix

The Secop Group expects that the purchase price liability Nidec will decrease in the next 12 months due to the further submission of entitlements (e.g. from taxes) from the purchase agreement with Nidec. On the other hand, management believes that there is an opportunity to reduce the liability from the ongoing arbitration. The liquidity planning is designed in such a way that the resulting item of the liability is repaid after the judgment of the arbitral tribunal.

12.3 Financial instruments risk management objectives and policies

The Secop Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Secop Group's operations.

The Secop Group's principal financial assets include trade receivables, an ESCROW-account being included in other financial assets and cash and short-term deposits that derive directly from its operations.

The Secop Group is exposed to a number of financial risks in the course of its business operations, including market risk, credit and liquidity risk. The Secop Group's management oversees the management of these risks. Derivatives are currently not used.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as commodity risk. Financial instruments affected by market risk include cash and bank balances, variable-interest loans and other financial liabilities.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Secop Group controls its interest rate risk by agreeing fixed-rate loan conditions and issuing a variable-rate bond, whereby early repayment options are ensured for long-term loans and bonds. In this way, it is possible to react flexibly through early repayments in case interest rates decrease. The conditions for bond liabilities also stipulate that special repayments are possible within a defined framework, as well as the targeted purchase of bond coupons on the market. Otherwise, the Secop Group can sell bond tranches back to the market in order to increase liquidity.

Interest rate sensitivity analysis

The following table shows the sensitivity to a reasonably possible change in variable interest rates for the non-current bonds affected. If all other variables remain unchanged, the Group's pre-tax profit will be influenced as follows due to the effects on the variable-interest bond:

2020	**Increase / decrease in basis points**	**Effect on profit before tax T€**
EUR	**+100**	**-415**
EUR	-100	0

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Secop Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Secop Group’s operating activities (when revenue or expense is denominated in a foreign currency) and the Secop Group’s net investments in foreign subsidiaries. In addition to the targeted expansion of group purchases in USD (instead of EUR), Secop GmbH also applies targeted hedging by the finance department. Therefore, planned customer payments of Secop GmbH for the next few months in USD systematically serve as a basis. Management does currently not consider the currency risk as a significant risk.

Commodity price risk

The Secop Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase of raw materials. The Secop Group is exposed to changes in the prices on its forecast raw material purchases, e.g. copper. As far as possible, these are passed on to customers via customer price agreements. Management considers this risk as moderate.

Credit default risk

Credit default risk is the risk that a business partner does not meet its obligations under a financial instrument or customer frame agreement leading to a financial loss. In the course of its business operations, the Secop Group is exposed to credit default risks (in particular with regard to trade receivables) as well as risks in connection with financing activities, including those from cash and short-term deposits.

Credit default risk with regard to cash and short-term deposit is monitored by the controlling department. The Secop Group counters the risk of bank failure through a diversified portfolio of banks, the selection of banks according to their ability, benefit and reliability for the Secop Group, but also according to the rating of the respective banks. In addition, the amount of foreign and domestic cash and short-term deposits is regularly monitored in order to limit the amount of possible defaults, if necessary.

In the reporting period, the escrow receivable was written down in the amount of T€ 24.100, as no more payments can be called up in this amount in the future. The background of the write-down was the sale of part of the production capacity to a third party in March 2020 and the relocation of part of the production capacity to the Group's own plant in Slovakia at the end of the 2020 financial year.

Trade receivables

Customer credit risk is managed by each business unit subject to the Secop Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and reminders sent if overdue. In addition, trade receivables are partly sold through real factoring, thus passing the credit risk on to the factor. The management therefore does not consider the default risk for trade receivables to be a significant risk.

The Secop Group recognizes impairments for expected credit losses on trade receivables when there are specific indications of a deterioration in the customer's creditworthiness. This is particularly the case if due claims are not settled despite reminders or payment defaults for other reasons such as bankruptcies are likely. The Secop Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The credit lines for business partners are reviewed annually by the Board of Directors and can be updated during the year. They are set in order to minimize the risk concentration and to keep financial losses due to potential default of a business partner as low as possible.

Liquidity risk

The Secop Group monitors this risk through active liquidity management, which offers the following options:

• Active management of working capital and future investments,

• Active management of the "escrow account" until the end of its term; if necessary, use of a "Revolving Credit Facility" (from 1 May 2021) in Slovakia and

• If necessary, expansion of the factoring lines as well as

• the option to increase local bank lending volume in China.

The management considers the contractual hurdles in the context of bond financing to be relatively moderate. The liquidity risk is therefore classified as low.

The Secop Group also monitors the risk of any liquidity shortage using a liquidity planning tool. This has a planning period of 13 weeks and shows all liquidity-relevant processes of all Secop units worldwide on a weekly basis. A summary and any recommendations for action are reported to the management.

In the following maturity analysis, the contractually agreed undiscounted interest and principal payments of financial liabilities as at the balance sheet date are shown. Planned figures for future new liabilities were not taken into account. Variable interest payments were included based on interest rates valid on the respective balance sheet date. Regarding interest and repayment conditions of the interest-bearing loans and other financial liabilities, please refer to the explanations in note 19 “Other financial liabilities”.

2020	Book value	Due within one year	Due > 1 and 5 years	Due over 5 years
	T€	T€	T€	T€
Liabilities from goods and services	53.734	53.734	0	0
Interest-bearing loans	105.479	4.974	49.732	97.949
dv. Repayment		*2.237*	*43.383*	*53.937*
dv. Interest		*2.737*	*6.349*	*44.012*

Lease liabilities	5.425	173	1.887	3.365
Other financial liabilities	20.596	20.596	0	0
	185.234	**79.477**	**51.619**	**101.314**
dv. Repayment		*76.740*	*45.270*	*57.302*
dv. Interest		*2.737*	*6.349*	*44.012*

2019	Book value	Due within one year	Due > one and 5 years	Due over 5 years
	T€	T€	T€	T€
Liabilities from goods and services	63.229	63.229	0	0
Interest-bearing loans	122.867	66.520	0	102.656
dv. Repayment		*62.000*	*0*	*57.700*
dv. Interest		*4.520*	*0*	*44.956*
Lease liabilities	5.030	168	672	4.190
Other financial liabilties	20.063	20.063	0	0
	211.189	**149.980**	**672**	**106.846**
dv. Repayment		*145.460*	*672*	*61.890*
dv. Interest		*4.520*	*0*	*44.956*

The goal of the Secop Group is to maintain a balance between continuously covering financial resources requirements and ensuring flexibility through the use of overdrafts, bank loans, shareholder loans, factoring, bond liabilities and leasing contracts. Any obligations arising from compliance with key financial figures are continuously monitored by the management.

The bond contract concluded in the financial year obliges the Secop Group to adhere to financial covenants and other contractual obligations. If there were a break in the key financial covenants and other contractual obligations and if this break could not be healed or alternative sources of finance could not be found in the short term, this would have an impact on the Secop Group’s ability to continue as a going concern. The company counters the risk through regular reporting and preventive reviews of the contractual financial ratios and other contractual obligations by the central controlling department in coordination with the board member responsible for finance. The key financial figures and other obligations from the bond contract have so far been complied with.

Excessive risk concentration

Concentrations of risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Secop Group's performance to developments affecting a particular industry.

12.4 Changes in liabilities arising from financing activities

	16.1.2019	Cash-effective changes	Other	**31.12.2019**
	T€	**T€**	**T€**	**T€**
Current interest bearing loans and borrowings (excluding items listed below)	**0**	62.000	1.640	**63.640**
Current lease liabilities	**0**	-609	777	**168**
Non-current interest-bearing loans and borrowings (excluding items listed below)	**0**	57.700	1.527	**59.227**
Non-current lease liabilities	**0**	0	4.862	**4.862**
Total liabilities from financing activities	**0**	**119.091**	**8.806**	**127.897**

	1.1.2020	Cash-effective changes	Other	**31.12.2020**
	T€	**T€**	**T€**	**T€**
Current interest-bearing loans and borrowings (excluding items listed below)	63.640	-50.475	-10.928	**2.237**
Current lease liabilities	168	-168	173	**173**

Non-current interest-bearing loans and borrowings (excluding items listed below)	59.227	28.543	15.472	**103.242**
Non-current lease liabilities	4.862	-753	1.143	**5.252**
Total liabilities from financing activities	**127.897**	**-22.853**	**5.860**	**110.904**

The "Other" column shows the non-cash effects from the reclassification of the long-term portion of the interest-bearing loans, including leasing liabilities, to current liabilities and the effects of accrued but not yet paid interest on interest-bearing loans, including leasing liabilities, as a result of the passage of time. as well as exchange rate differences and the effective interest rate (since 2020).

13. Inventories

	31.12.2020	**31.12.2019**
	T€	**T€**
Raw materials (at cost)	12.665	19.415
Work in progress(at cost)	3.370	3.657
Finished goods (at lower of cost and net realisable value)	18.047	21.854
Total inventories	**34.082**	**44.926**

The costs of inventories incurred in connection with continuing operations were recognized as expenses during the financial year in the amount of T€ 169.268.

The total amount of the acquisition and production costs of the inventories recognized as expenses includes depreciation on the net realizable value in the amount of T€ 802 and write-ups in the amount of T€ 384. The write-ups result from the revision of net realizable values.

14. Trade receivables

Trade receivables

	31.12.2020	**31.12.2019***
	T€	**T€**
Receivables from third-party customers	49.692	52.006
Allowance for expected credit losses	-5.383	-5.811

	44.309	**46.195**

* Adjustment of the previous year's value as of 31 December 2019 from T€ 59.149 by T€ 12.954 to T€ 46.195 due to a change in the reporting of receivables from one factor in other financial assets.

Trade receivables are non-interest bearing and are generally on term of 30 to 120 days.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

The write-downs of trade receivables, which are valued at amortized cost, developed as follows in the financial year:

01.01.2020 T€	Consumption T€	Resolution T€	Addition T€	31.12.2020 T€
5.881	-44	-602	148	5.383

The valuation allowances on trade receivables that are due to are valued at amortized cost, existed in comparison to 7 September 2019 unchanged on 31 December 2019.

There is no collateral for customer claims from Germany. Customers who are secured abroad are supported by the local companies invoiced directly and secured by letter of credit.

No enforcement measures were required for the claims.

Trade receivables from contracts with customers correspond to the balance of trade receivable.

For the rest, refer to the explanations in note 4.2 “Trade receivables”.

15. Cash and bank balances

	31.12.2020 **T€**	**31.12.2019** **T€**
Cash at banks	29.300	26.825
Cash at hand	4	6
	29.304	**26.831**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

16. Issued capital and reserves

Issued capital	**31.12.2020**	**31.12.2019**
	T€	**T€**
Paid in capital	**25**	**25**

The nominal value of each share (capital contribution) corresponds to € 1.00. Rights associated with the share are property and administrative rights according to the GmbHG. This includes the right to participate in profits and the right to vote.

Other capital reserves

	2020	**2019**
	T€	**T€**
As at 1 January	1.975	0
Share-based payments expense during the year	0	1.975
As at 31 December	**1.975**	**1.975**

On 5 September 2019, the shareholders made a payment into the capital reserve of the company according to §272 (2) No.4 HGB

Retained earnings	**2020**	**2019**
	T€	**T€**
As at 1 January	67.088	**0**
Changes in the reporting period	-34.367	67.088
As at 31 December	**32.722**	**67.088**

The retained earnings consist of the badwill from the acquisition of the Secop Group in 2019 and the current loss.

Other reserves	**2020**	**2019**
	T€	**T€**
As at 1 January	-235	**0**
Veränderungen in der Berichtsperiode	-1.330	-235
As at 31 December	**-1.565**	**-235**

The change in other reserves results from the foreign currency exchange of the subsidiaries in China and the USA as well as the valuation of the pension provision.

17. Provisions

	Warranties T€	Restructuring T€	Commissions T€	Staff expenses T€	Other T€	Total T€
As at 16 January 2019	0	0	0	0	0	0
Acquisition of subsidary	5.148	231	1.521	1.134	1.476	9.510
Arising during the year	261	3.425	241	133	1.176	5.237
Utilised	-654	-11	-327	-26	-484	-1.502
Unused amounts reversed	-75	0	0	0	0	-75
Exchange rate differences	3	0	5	0	-2	6
As at 31 December 2019	**4.683**	**3.645**	**1.440**	**1.242**	**2.166**	**13.176**
Current	3.212	3.645	1.440	902	1.730	10.931
Non-current	1.471	0	0	340	435	2.246
1 January 2020	**4.683**	**3.645**	**1.440**	**1.242**	**2.166**	**13.176**
Arising during the year	1.068	4.532	2.229	1.700	2.636	12.845
Utilised	-651	-1.007	-1.030	-2.069	-2.207	-6.964
Unused amounts reversed	-1.570	-1.258	-350	-72	-697	-3.947
Exchange rate differences	-26	0	-52	0	-18	-96
As at 31 December 2020	**3.505**	**5.912**	**2.237**	**801**	**2.559**	**15.014**
Current	2.659	5.912	2.237	465	1.879	13.152
Non-current	846	0	0	336	680	1.862

The expected future cash outflows from long-term provisions are all due in 2 to 5 years.

Warranties

A provision is recognised under Equity and Liabilities for expected warranty claims on products sold. The assessment is based on past experience of the level of repairs and returns. It is expected that these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

Restructuring

The restructuring provision principally relates to the elimination of certain of its product lines in Austria. The restructuring plan was drawn up in the 2019 financial year and increased in 2020 and announced to the employees concerned. The provision was mainly recognized in the annual financial statements of Secop Austria GmbH for the financial year 2020. The restructuring is expected to be completed by 2021.

Commissions

A provision for commissions was recognized because the Secop Group is obliged to make commission payments for sales made.

Personnel expenses

The provisions for personnel expenses relate to anniversary bonuses and entitlements from partial retirement.

18. Trade and other payables

	31.12.2020	31.12.2019
	T€	T€
Trade payables	53.734	63.229
	53.734	**63.229**

Trade payables are non-interest bearing and are normally settled within 60 days.

19. Other financial liabilities

The other financial liabilities consist of current financial liabilities (T€ 20.769, previous year: T€ 20.231) and long-term financial liabilities (T€ 5.252, previous year: T€ 4.862). The current financial liabilities mainly relate to a purchase price liability outstanding as of the balance sheet date (T€ 20.645, previous year: T€ 20.063) from the acquisition of the Secop Group from the seller, the Nidec Group. This also includes current lease liabilities (T€ 173; previous year: T€ 168). As in the previous year, non-current financial liabilities relate to long-term lease liabilities. Reference is made to the additional explanations under note 12.2 “Interest-bearing loans and other financial liabilities”.

20. Interest bearing loans

	31.12.2020	31.12.2019
	T€	T€
Current		
Bank Loan CNY	2.237	0
Shareholder loan over T€ 22.000	0	22.582
Shareholder loan over T€ 40.000	0	41.058
Total current interest-bearing loans	**2.237**	**63.640**
Non- current		

Bond over T€ 50.000	41.020	0
Shareholder loan over T€ 221	233	224
Shareholder loan over T€ 6.100	0	6.260
Shareholder loan over T€ 40.000	10.887	0
Shareholder loan over T€ 51.379	49.184	52.743
Special funding	1.918	0
Total non-current interest bearing loans	**103.242**	**59.227**

Please refer to the additional explanations under note 12.2 “Interest-bearing loans and other financial liabilities”.

21. Pensions and other post-employment benefit plans

Net employee defined benefit liabilities

	31.12.2020	31.12.2019
	T€	**T€**
Pension plan Secop GmbH in Germany	4.514	4.355
Other pension plans	85	78
Total	**4.599**	**4.433**

Secop GmbH in Germany has set up a defined benefit pension plan (not funded). The defined benefit pension plan provides for the payment of lifelong old-age benefits, widows' and widowers' benefits. The basic amount of old age allowance is € 72.53 per month and increases by € 1.28 per month for each additional year of service. The widows' and widowers' benefit is 60% of the old-age benefit. From 1.1.1998, the company pension scheme is excluded for new entrants. In this respect, the Secop Group is only exposed to risks from the development of pensions and from demographic changes due to the commitments already in place.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the amounts recognised in the statement of financial position for the respective plans:

Pension plan Secop GmbH in Germany

Net benefit expense (recognised in profit or loss)	**2020**	**2019**
	T€	**T€**
Current service cost	4	3
Interest cost on benefit obligation	44	49
Net benefit expense	**48**	**52**

Changes in the present value of the defined benefit obligations:

	T€
Defined benefit obligation at 7 September 2019	**3.900**
Interest cost	49
Current service cost	3
Exchange differences	462
Benefits paid	-59
Defined benefit obligation at 31 December 2019	**4.355**

	T€
Defined benefit obligation at 1 January 2020	**4.355**
Interest cost	44
Current service cost	4
Exchange differences	195
Benefits paid	-84
Defined benefit obligation at 31 December 2020	**4.514**

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Group’s plans are shown below:

	2020	**2019**
	%	**%**
Discount rate	0,78	1,0
Future salary increases	0,0	0,0
Future pension cost increase	1,5	1,5

A quantitative sensitivity analysis for significant assumptions as at 31 December is shown below:

	Impact on defined benefit obligation	
	2020	**2019**
Assumptions for pension plan in Germany	**T€**	**T€**
Future pension cost increase:		
0,5% increase	319	297
0,5% decrease	-290	-271
Discount rate:		
1,0% increase	-716	-703
1,0% decrease	924	909
Future salary increases:		
0,5 % increase	0	0
0,5% decrease	0	0
Life expectancy of pensioners		
Increase by 1 year	163	151
Decrease by 1 year	-162	-151

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The average duration of the performance-based benefit plan obligation at the end of the reporting period is 18 years.

For the following financial year, payments are an amount of T€ 88 (previous year: T€ 84) are expected.

22. Other non-financial assets and other non-financial liabilities

22.1 Other non-financial assets

	31.12.2020 T€	31.12.2019 T€
Non financial claims	3.274	3.685
Non financial assets	4.914	3.814
Sales tax receivables	1.388	3.091
Others	1.004	1.461
	10.580	12.051
Thereof current	10.580	12.051

The non-financial receivables mainly relate to receivables from grants applied for research work, advance rent payments and deposits. For claims from grants applied for research work, all conditions are met; there are no major uncertainties regarding the receipt of these grants.

The non-financial assets mainly relate to materials that are required for ongoing repairs and maintenance (so-called "MRO maintenance, repair and operations materials").

22.2 Other non-financial liabilities

	31.12.2020 T€	31.12.2019 T€
Income tax liabilities	136	487
VAT liabilities	0	612
Other staff liabilities	4.676	4.926
Liabilities in social security framework	1.032	1.290

Prepaid expenses	0	2.801
Debtors with credit balances	534	664
Others	2.072	1.735
	8.450	12.515
Thereof current	8.450	12.513
Thereof non-current	0	2

The other liabilities contain other charges (T€ 504, previous year: T€ 447) as well as other liabilities.

23. Commitments and contingencies

Commitments

As of 31 December 2020, there were significant obligations from IT maintenance contracts amounting to T€ 5.841 and rental obligations of T€ 3.000.

Purchase commitments for property, plant and equipment still outstanding as of the balance sheet date amount T€ 4.443. With regard to contractual obligations for the acquisition of intangible assets, there were no purchase commitments on the balance sheet date.

Litigations

After the balance sheet date, the previous shareholder of Secop, the Nidec Group, initiated arbitration proceedings against SGH in Frankfurt (Germany). This essentially concerns differences in opinion regarding the amount of the last purchase price installment owed and accounted for by SGH (including interest) amounting 21 Mio.€. The proceedings were initiated by the Nidec Group on 12 January 2021, the response from SGH was submitted to the arbitration tribunal on 5 March 2021. No very reliable prognosis can currently be given regarding the result and the timing of the results.

24. Related party disclosures

The Secop Group is mainly financed through loans granted by indirect shareholders.

Shareholder loans received

Dilasso Bath Invest S.a.r.l., Luxembourg, as the parent company of Secop Group Holding GmbH, granted a loan of T€ 221 in 2019 with repayment until 4 September 2026 and a fixed interest rate of 4% per year.

Crown Co-Investment Opportunities II, Ireland, Crown Premium Private Equity VII Masters S.C.S., Luxembourg, and Crown Europe Small Buyouts V S.C.S., Luxembourg, as indirect minority shareholders of Secop Group Holding GmbH, granted bridging financing of T€ 22.000. The interest rate was 8% in the first year. The entire loan was repaid on 29 July 2020.

ESSVP IV LP, Channel Islands, ESSVP IV (Structured) LP, Channel Islands, as well as Silenos GmbH & Co. KG, Germany, as indirect main shareholder of Secop Group Holding GmbH and Crown Co-Investment Opportunities II, Ireland, die Crown Premium Private Equity VII Masters SCS, Luxembourg, and Crown Europe Small Buyouts V SCS, Luxembourg, as indirect minority shareholders of Secop Group Holding GmbH, granted a non-current loan in the amount of T€ 51.379 in 2019 with repayment by 4 September 2029 and an fixed interest rate of 8% per year.

ESSVP IV LP, Channel Islands, ESSVP IV (Structured) LP, Channel Islands, as well as Silenos GmbH & Co. KG, Germany, as indirect main shareholder of Secop Group Holding GmbH and the Crown Co-Investment Opportunities II, Ireland, die Crown Premium Private Equity VII Masters SCS, Luxembourg, and Crown Europe Small Buyouts V SCS, Luxembourg, as indirect minority shareholders of Secop Group Holding GmbH, granted a current loan of T€ 40.000, repayment by 19 August 2020, interest 8% per year. With the Amendment Agreement of 25 August 2020/27 August 2020, the term was newly agreed to 2 September 2029. On 27 October 2020, the Loan Purchase and Transfer Agreement concluded between these parties regulates the transfer of part of the loan (T€ 6.625) to Dilasso Bath S.à.r.l.

The shareholder loans received are unsecured and, with the exception of T€ 233, have qualified subordination agreements. As of 31 December 2020, the loans are reported under non-current interest-bearing loans. Reference is made to the additional explanations under note 20 “Interest-bearing loans and borrowings”.

Regarding shareholder loans mentioned above, interest expenses of T€ 7.459 (previous year: T€ 3.224) incurred in the financial year.

Transactions of key management personnel of the Secop Group

Compensation of key management personnel of the Secop Group

Management in key positions is limited to the management of the Parent. Mr. Ludwig Kollmannsperger was part of the group management until 23 January 2020 and Mr. Ricardo Maciel until 6 May 2020. With effect from 23 January 2020, Dr. Philipp von Stietencron and Mr. Frank Elsen have been appointed managing directors. From 6 May 2020 to 31 December 2020, the management consisted only of Dr. Philipp von Stietencron and Mr. Frank Elsen.

For the assignment of their tasks in the Parent and in the subsidiaries a total remuneration of T€ 725 (current employee benefits) was paid to the management (short-term benefits) and granted to former board members amounting T€ 501 (post-employment benefits) in the financial year.

The total remuneration includes fixed and variable remuneration as well as monetary values advantages (company apartment, company vehicles or rental car) and severance payments.

Compensation of key management personnel of the Secop Group in the previous year

The group management consisted of Mr. Ricardo Maciel and Mr. Ludwig Kollmannsperger from September 2019 to December 2019. Fixed compensation amounted to T€ 98 and variable compensation to T€ 83. In addition, the group provided a company vehicle and a company apartment.

25. Capital management

The Group manages its capital with the goal to ensure that all group companies can operate on a going concern basis and are able in future to cover its financing requirements for investments and debt settlement. The Group's capital structure consists of net debt and the Group's equity (see explanations and note 16 “Subscribed capital and reserves”).

The management of the Secop Group considers the total of equity and shareholder loans totaling 87.1 Mio. € (previous year: 188.6 Mio. €: for the terms of the shareholder loans, please refer to note “12.2 Interest-bearing loans and other financial liabilities” and note 24 “Related party disclosures”) in relation to the balance sheet total as the relevant ratio. As of 31 December 2020 this is 33% (previous year: 55%).

The bond contract concluded in the financial year also requires the Secop Group to comply with financial covenants (net debt and net debt ratio, i.e. the ratio of net debt to operating profit (EBITDA)) and other contractual obligations. In addition to the legal requirements, the Secop Group therefore primarily monitors the Group's operating interest-bearing net debt (i.e. the liabilities from the bond, any debts from bank loans granted less cash and bank balances). One of the goals is to continuously optimize the operative interest-bearing net debt, e.g. through the targeted repurchase of bond papers from the market or the repayment of bank debts. In a further step, it is also possible to repay the shareholder loan including the accrued interest, as happened in 2020 on the occasion of the bond issue.

The contractual regulations on the bond also result in restrictions on the equity of Secop Group Holding GmbH during the term of the bond. Essentially, no dividends shall be paid out to the shareholders, the share capital and other components of the equity of Secop Group Holding GmbH shall not be repaid to the shareholders, no interest payments shall be made on loans granted by the shareholders and no further assets shall be transferred to the shareholders. Secop Group Holding GmbH fulfilled these obligations in the financial year.

26. Auditor's fee

The total fee charged by the auditor of the consolidated financial statements for the financial year relates exclusively to auditing services and amounts T€ 136 (previous year: T€ 93). In addition, audit services in the amount of T€ 23 were billed for the 2019 financial year.

27. Cash flow statement

The cash flow statement has been prepared in accordance with the requirements of IAS 7. It shows the origin and use of cash flows. In the cash flow statement, the cash flows are divided into cash flow from operating activities, cash flow from investing activities, and cash flow from financing activities.

Cash and cash equivalents contain the cash and short term deposits shown on the balance sheet. Cash and cash equivalents that are subject to access restrictions were reported in the amount of T€ 1.000 under other current financial assets.

With regard to the presentation of the changes in liabilities from financing activities, please refer to the explanations in note 12.4 “Changes in liabilities from financing activities”.

28. Segment Information

Revenues by region	**Revenues**
	T€
Germany	29.143
EU	78.062
Rest of the world	164.643
Total	**271.848**

The allocation of revenues to external customers by region was based on the customer's registered office.

Non-current assets by region

The table below shows the breakdown of non-current assets by region. The allocation of assets according to regions is based on the entity’s registered office:

	Property, plant and equipment	**Intangibe assets**	**Right of use**
	T€	**T€**	**T€**
Germany	744	52.212	0
EU	61.775	578	1.812
Rest of the world	15.156	2.086	3.284
Total	**77.675**	**54.876**	**5.096**

Segment	Compressors for household appliances	Compressors for commercial equipment	Compressors for mobile devices	Total	Other activities 2	Total	Reconciliation 1	Total 2020
	T€	T€	T€	T€	T€	T€	T€	T€
Revenues	41.681	166.524	56.665	264.870	6.978	271.848	0	271.848
Cost of sales	25.660	123.566	37.516	186.742	3.904	190.646	25.590	216.236
Gross profit	**16.021**	**42.958**	**19.149**	**78.128**	**3.074**	**81.202**	**-25.590**	**55.612**
Other income								17.797
Selling and distribution expenses								-17.858
Administrative expenses								-18.752
Other expenses								-66.142
Operating profit								**-24.775**
Financial expenses								-10.873
Financial income								7
profit before tax								**-35.641**

1. In the context of internal reporting, cost of sales relating to depreciation and fixed costs are not included in the cost of sales.
2. The other activities include the non-reportable segments.

The business segments to be reported in accordance with IFRS 8 were determined on the basis of the business areas that have been monitored within the framework of internal reporting since 2020 and whose performance data are the basis for management decisions.

Business areas that are internally reported separately are combined in accordance with IFRS 8.12, according to which the nature of the products and services, the type of production processes, the type or category of customers for these products and services and the methods of selling their products within the segments are comparable.

Explanations on the Stationary cooling segment

In the Stationary Cooling segment, Secop sells compressors for commercial cooling applications, which mainly include compressors for bottle coolers and glass door refrigerators, compressors for commercial refrigerators, and compressors for supermarket freezers and marketing coolers. Local and global customers are served who, in their business models, supply customers with special cooling devices, e.g. in food retail or in hotels and restaurants.

Explanations on the Mobile Cooling segment

In the Mobile Cooling segment, Secop sells compressors for mobile applications, which primarily include truck refrigerators, car minibars, spot coolers, battery / accumulator coolers in the telecommunications sector and cool boxes for private and medical applications.

Explanations on the Household segment

In the Household segment (compressors for customers who produce and market cooling devices in the end customer area (so-called “white goods”)), selected parts of the market will be processed in the future and reported in the Stationary Cooling segment from 2021. In 2020, Secop ended business relationships with numerous customers for strategic reasons.

Explanation of the revenue from "Other activities"

In this area, Secop carried out contract manufacturing for washing machine motors in Austria and Slovakia in 2019 and 2020. The only customer was the Nidec Group. The Secop Group withdrew from this business as planned in 2020.

Other Information

With an external customer in the Household Segment, sales in the 2020 financial year amounted to more than 10% of the total sales of the Secop Group.

29. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are disclosed below. The Secop Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts (EU endorsement has not yet taken place)

In May 2017, the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard that contains principles for the recognition, measurement, presentation and submission obligations in relation to insurance contracts. When it comes into force, IFRS 17 replaces IFRS 4 Insurance Contracts published in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, property, direct and reinsurance) and to certain warranties and financial instruments with discretionary participation, regardless of the type of launching company. With regard to the area of application, individual exceptions apply. The overall goal of IFRS 17 is to create a more useful and uniform accounting model for insurers. In contrast to the regulations of IFRS 4, which are largely based on grandfathering for earlier local accounting policies, IFRS 17 represents a comprehensive model for insurance contracts that maps all relevant aspects of accounting. The core of IFRS 17 is the general model, supplemented by

• A specific adaptation for contracts with direct participation features (the variable fee approach)

• A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS

17. According to the current state of knowledge, the Secop Group does not assume that IFRS 17 will have any effects on group accounting.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest benchmark reform (EU-Endorsement as at 13.1.2021)

The changes concern specific requirements for hedge accounting so that hedge accounting can continue during the period of uncertainty until the underlying transactions or hedging instruments affected by the existing reference interest rates are adjusted as a result of the ongoing reforms of the reference interest rates.

The changes also contain new disclosure requirements in IFRS 7 for hedging relationships, which are subject to the exceptions introduced by the changes

The changes apply to fiscal years beginning on or after 1 January 2021. Based on the current state of knowledge, the Secop Group assumes that these changes will have no or no significant effects on the previous accounting practice, as the Secop Group does not account for any hedging relationships.

Amendments to IAS 1 - Classification of Debts as Short-Term or Long-Term (EU endorsement not yet done)

In January 2020, the IASB published amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for classifying liabilities as short-term or long-term. The changes explain the right to postpone the settlement of a debt.

The changes apply to fiscal years beginning on or after 1 January 2023. The Secop Group is currently examining the effects of the changes on current accounting practices.

Amendments to IFRS 3 / IAS16 / IAS 37 / Annual Improvements 2018-2020 (EU endorsement expected in the first half of 2021)

Changes to IFRS 3 - Business Combinations

With reference to the framework concept, the following was implemented:

• Update of IFRS 3 so that the standard refers to the 2018 framework and no longer to the 1989 framework.

• Addition of IFRS 3 to the requirement that an acquirer has to apply IAS 37 or IFRIC 21 (instead of the framework concept) to business transactions and other events within the scope of IAS 37 or IFRIC 21 in order to identify the debts he would incur in a business combination take over; and

• Supplement to IFRS 3 to include an explicit statement that an acquirer does not recognize contingent assets that were acquired in a business combination.

Amendments to IAS 16 - Obtaining Revenue Before an Asset is in Working Condition

In May 2020, the IASB published amendments to IAS 16 Property, Plant and Equipment. According to the amendment, companies will no longer be allowed to deduct proceeds resulting from the sale of goods that are produced before the property, plant and equipment is in working order from the cost of that property, plant and equipment. Instead, these revenues are to be recorded in the statement.

Amendments to IAS 37 - Onerous Contracts

In May 2020, the IASB published amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets in order to specify which cost a company has to take into account when determining whether a contract is onerous or loss-making. The costs in connection with the performance of contracts for the delivery of goods or the provision of services include both the directly attributable costs of the performance of the contract and overhead costs that relate directly to activities for the performance of the contract. General administrative costs are therefore not included in the contract performance costs.

The changes apply to fiscal years beginning on or after 1 January 2022. The Secop Group assumes that there will be no material effects on the consolidated financial statements.

Amendments to IAS 1 - Disclosures on accounting methods (EU endoresment not yet done)

The IASB published amendments to IAS 1 Presentation of Financial Statements in February 2021. The changes to IAS 1 will in future require that only the main accounting methods are presented in the notes. To be material, the accounting policy must be related to material transactions or other events.

The changes apply to fiscal years beginning on or after 1 January 2023. The Secop Group assumes that there will be no significant effects on the consolidated financial statements.

Amendments to IAS 8 - Definition of accounting estimates (EU endorsement not yet received)

In February 2021, the IASB published changes to IAS 8 Accounting Policies, Changes to Accounting Estimates and Errors. The changes to IAS 8 clarify how companies can distinguish changes in accounting policies from changes in estimates better. For this purpose, it is defined that an accounting-related estimate is always related to an estimation uncertainty of a financial variable in the financial statements.

The changes apply to fiscal years beginning on or after 1 January 2023. The Secop Group assumes that there will be no significant effects on the consolidated financial statements.

Amendments to IFRS 16 Leases - Coronavirus-related rental concessions after June 30, 2021 (EU endorsement has not yet taken place)

IFRS 16 was amended to:

1. To allow a lessee to apply the coronavirus pandemic-related lease concession-related convenience to lease concessions where a reduction in lease payments affects only payments that were originally due on or before 30 June 2022 (and not just payments originally due on or before 30 June 2021).

2. Require any lessee who applies the amendments to do so for annual reporting periods beginning on or after 1 April 2024;

3. Require a lessee applying the change to do so retrospectively by recognizing the cumulative effect of first applying the change as an adjustment to the opening balance sheet value of retained earnings (or any other component of equity) at the

beginning of the annual reporting period. in which the lessee applies the change for the first time; and

4. Determine that a lessee is not required to provide the disclosures required in paragraph 28 (f) of IAS 8 in the reporting period in which it first applies the change.

The changes apply to fiscal years beginning on or after 1 April 2021. The Secop Group assumes that the changes will not have any impact on the consolidated financial statements.

Amendments to IFRS 4 Insurance Contracts - postponed first-time application of IFRS 9 (EU endorsement as at 15 December 2020)

The first-time application of IFRS 9 Financial Instruments poses considerable challenges. In the insurance industry, IFRS 4.20A, the scope of which is still extended in the EU, offers the option of postponing the application of IFRS 9 until 2021 (deferral approach).

The Secop Group does not operate in the insurance industry and assumes that this will not have any impact on the consolidated financial statements.

30. Events after the reporting period

Due to the ongoing COVID-19 pandemic, the risk of unplanned decrease in revenue is still existing. Possible delivery shortage due to the temporary closure of production facilities at suppliers may affect the production and thus the sales of Secop compressors. Investment projects and new product launched at major customers could be suspended or delayed, as there may be a certain degree of uncertainty about future economic developments.

Incoming orders in the first quarter of 2021 were increased compared to the same quarter of the previous year 2020. The purchase prices for the materials (such as copper, steel, aluminum) of the products sold by the Secop Group increased in the first quarter of 2021 compared to the previous year and are likely to show a further upward trend. These cost increases will be passed on to our customers in the form of price increases.

After the balance sheet date, the previous owner of the Secop Group, the Nidec Group, initiated arbitration proceedings against the Parent in Frankfurt (Germany). These proceedings essentially relate to different opinions regarding the amount of the last purchase price installment owed and accounted for by the Parent (including interest) of around 21 Mio. €. No reliable prognosis can currently be given for the outcome of these arbitration proceedings, and management expects a decision of the arbitral tribunal in 2022 at the latest.

31. Approval of the financial statements

The consolidated financial statements were approved by the management of Secop Group Holding GmbH and released for publication on 28 April 2021.

Flensburg, 28 April 2021

Frank Elsen	Dr. Philipp von Stietencron
Board member	Board member