Secop Group Holding
GmbH, Flensburg

Consolidated financial statements,
Group management report and
auditor’s report
for the financial year from 1 January 2023 to
31 December 2023

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Secop Group Holding GmbH, Flensburg

Consolidated financial statements as of 31 December 2023

Consolidated statement of comprehensive income from 1 January 2023 to 31 December 2023

	Note	2023 T€	2022 T€
Revenue	4.1	**235,475**	**277,763**
Cost of sales		**-186,169**	**-232,559**
Gross profit		**49,307**	**45,205**
Other income	7.1	17,544	26,895
Sales and distribution expenses	7.2	-18,151	-21,025
Administrative expenses	7.3	-17,431	-19,392
Other expenses	7.4	-25,357	-23,832
Operating profit		**5,911**	**7,852**
Financial expenses	7.6	-12,040	-10,347
Financial income	7.7	758	913
Net financial income		**-11,282**	**-9,434**
Profit before tax		**-5,372**	**-1,582**
Income tax	8.	-5,489	-1,016
Consolidated accounting profit/loss		**-10,861**	**-2,600**
Thereof attributable to shareholders of the parent company		*-10,861*	*-2,600*

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Income tax	8.	-5,489	-1,016
Consolidated accounting profit/loss		**-10,861**	**-2,600**
Currency translation	16.	-2,143	-597
Revaluation of derivatives	16.	0	98
Revaluation of deferred taxes	16.	251	235
Net other comprehensive income/loss that may be reclassified to profit or loss in subsequent periods		***-1,892***	***-264***
Deferred taxes, revaluation of defined benefit plans	21.	-56	1,225
Net other comprehensive income/loss that will not be reclassified to profit or loss in subsequent periods		***-56***	***1,225***
Other comprehensive income/loss	16.	**-1,948**	**961**
Total comprehensive income		***-12,810***	***-1,638***
Thereof attributable to shareholders of the parent company		*-12,810*	*-1,638*

Consolidated statement of financial position as of 31 December 2023

	Note	31/12/2023	31/12/2022
		T€	T€
Assets			
Non-current assets			
Property, plant and equipment	9.	89,414	86,339
Intangible assets	10.	64,394	60,924
Right-of-use assets[1]	11.	6,346	6,844
Deferred tax assets	8.	1,219	310
		161,373	**154,418**
Current assets			
Inventories	13.	34,062	36,665
Trade receivables	14.	28,097	39,265
Other financial assets	12.1	4,784	4,282
Other non-financial assets	22.1	7,459	6,585
Cash and bank balances	15.	8,060	17,245
		82,462	**104,043**
Total assets		**243,835**	**258,461**
Equity and liabilities			
Equity			
Subscribed capital	16.	25	25
Capital reserves	16.	1,975	1,975
Retained earnings	16.	21,234	32,267
Other reserves	16.	1,775	3,723
Total equity		**25,009**	**37,990**
Non-current liabilities			
Interest-bearing liabilities	20.	125,708	106,739
Other financial liabilities	19.	5,661	6,549
Other non-financial liabilities	22.2	0	0
Provisions	17.	3,881	5,675
Net employee defined benefit liabilities	21.	2,892	2,827
Deferred tax liabilities	8.	18,815	16,061
		156,957	**137,851**
Current liabilities			
Trade payables	18.	45,179	47,787
Interest-bearing liabilities	20.	0	10,060
Other financial liabilities	19.	983	11,543
Other non-financial liabilities	22.2	10,090	7,030
Provisions	17.	5,482	6,200
Deferred revenue	23.	136	0
		61,869	**82,620**
Total liabilities		**218,826**	**220,471**
Total assets		**243,835**	**258,461**

Consolidated statement of changes in equity from

1 January 2023 to 31 December 2023

	Subscribed capital	Capital reserves	Retained earnings	Revaluation of defined benefit plans	Deferred taxes	Equity difference from currency translation	**Total equity**
	T€	**T€**	**T€**	**T€**	**T€**	**T€**	**T€**
As at 1 January 2023	**25**	**1,975**	**32,267**	**1,033**	**235**	**2,455**	**37,990**
Accounting profit/loss	0	0	-10,861	0	0	0	**-10,861**
Other comprehensive income/loss	0	0	0	-56	251	-2,143	**-1,948**
Other adjustments	0	0	-172	0	0	0	**-172**
As at 31 December 2023	**25**	**1,975**	**21,234**	**977**	**486**	**312**	**25,009**

	Subscribed capital	Capital reserves	Retained earnings	Revaluation of defined benefit plans	Revaluation of derivatives	Deferred taxes	Equity difference from currency translation	**Total equity**
	T€	**T€**	**T€**	**T€**	**T€**	**T€**	**T€**	**T€**
As at 1 January 2022	**25**	**1,975**	**33,281**	**-192**	**-98**	**0**	**4,707**	**39,697**
Accounting profit/loss	0	0	-2,600	0	0	0	0	**-2,600**
Other comprehensive income/loss	0	0	-68	1,225	98	235	-598	**893**
Other adjustments	0	0	1,654	0	0	0	-1,654	**0**
As at 31 December 2022	**25**	**1,975**	**32,267**	**1,033**	**0**	**235**	**2,455**	**37,990**

Consolidated statement of cash flows from 1 January 2023 to 31 December 2023

	Note	2023 T€	2022 T€
Operating activities			
EBIT		*5,910*	*7,851*
+ Depreciation and impairment/- write-up of property, plant and equipment, intangible assets and right-of-use assets		11,747	14,567
+ Decrease/- increase in inventories	13.	1,809	13,964
- Decrease/+ increase in trade receivables and short term assets	14.	9,998	13,106
- Decrease/+ increase in trade payables, other liabilities and short term provisions	18.	-723	-18,788
+ Decrease/- increase in provisions	17.	-2,706	-676
- Non-cash income from Nidec settlement	24.	0	-11,039
Non-cash items from the consolidation		-1,190	-1,111
+/- Changes in other statement of financial position items		2,370	1,510
Income tax paid	8.	-1,623	-656
Net cash flows from operating activities		***25,591***	***18,728***
Investing activities			
+ Decrease/- increase in investments in property, plant and equipment	9.	-10,420	-7,181
+ Decrease/- increase in investments in intangible assets	10.	-8,105	-8,750
+ Decrease/- increase in right-of-use assets as per IFRS 16	11.	-1,296	-940
+ Payment from sale of property, plant and equipment, intangible assets and right-of-use assets		111	136
Net cash flows used in investing activities		***-19,710***	***-16,734***
Financing activities			
+ Increase/- decrease in interest-bearing liabilities	20.	-6,581	5,245
- Payment of principal portion of lease liabilities		-272	-228
Interest and fees paid	8.	-6,823	-3,013
Other financing	20.	-1,205	101
Net cash flows from financing activities		***-14,880***	***2,105***
Increase/decrease in cash and cash equivalents		**-8,998**	**4,099**
Cash and cash equivalents at 1 January		**17,245**	**13,049**
Decrease/increase in cash and cash equivalents		-8,998	4,099
Foreign exchange differences		-186	97
Cash and cash equivalents at 31 December		**8,061**	**17,245**

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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 Lise-Meitner-Str. 29, 24941 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 develops, produces and sells hermetic compressors for cooling applications worldwide. In pursuing this business, it uses raw and input materials, such as steel, copper, aluminium and electrical components that are essential for the compressor control systems. The raw materials are used to manufacture compressors for stationary, mobile and medical appliances in the Secop Group production facilities. The marketing and sales organisations are responsible for the global sale of the goods. The Application Engineering division provides customer service and technical marketing activities with engineering expertise for Secop Group customers.

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 and the applicable German regulations. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards in accordance with Section 315e (3) in connection with Section 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€). Rounding difference of ± one unit may arise.

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 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 2023 consolidated financial statements include Secop Group Holding GmbH and subsidiaries controlled by it.

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, 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 Secop Group Holding GmbH gains control until the date 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/losses, 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 recognised accordingly.

2.2 Summary of significant accounting policies

a) 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 reporting 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 3 in the fair value hierarchy shown above.

b) Revenue from contracts with customers

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 *4.1 Disaggregated revenue information*.

<u>Sale of refrigeration compressors</u>

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 refrigeration compressors at the customer's location or, if the customer collects the goods themselves, upon provision of the goods on the customer's lorry or the carrier commissioned by the customer. The Secop Group checks the specific time of transfer of control in each case. The normal credit term is 30 to 90 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. 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 fulfilment 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 costs are recorded in other operating expenses. There were no sales of so-called dynamic licenses.

Warranty obligations

As standard practice, the Secop Group offers the legally prescribed warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for as warranty provisions in accordance with IAS 37 and are not obligations for the purposes of IFRS 17.

c) 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.

d) 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 taxes

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

" When the deferred tax asset relating to the deductible temporary difference arises in relation to investments in subsidiaries, associates and shares in common agreements, if it is probable that the temporary differences will not reverse in the foreseeable future or that insufficient taxable profit will be available to allow the temporary differences to be utilised.

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 deferred 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 taxes*.

e) Currency translation

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, RMB 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	31/12/2023 RMB/€	31/12/2022 RMB/€
Year-end rate	0.12737	0.13590
Average rate	0.12842	0.13539

	31/12/2023 USD/€	31/12/2022 USD/€
Year-end rate	0.90498	0.93756
Average rate	0.91717	0.94439

f) 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. The costs include the acquisition price, the incidental acquisition costs and subsequent acquisition costs less any reductions in acquisition costs. Such costs include 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.

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 is incurred. 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.

g) 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, machinery and equipment	5 to 10 years

Other equipment (operational and business) 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 liabilities 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 twelve 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.

h) 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 on a straight-line basis 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. On every reporting date, the carrying amounts of the own developments of the Group are tested to identify any evidence of impairment. If evidence of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of any impairment expense.

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 (6-8 years for product developments; 15 years for platform development)
Amortisation methods used	No amortisation: Impairment Only	Amortised on a straight-line 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

i) 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 measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or 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 and, in the case of a financial asset not measured at fair value through profit or loss, plus 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 liabilities 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 financial assets 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 maturity ECL).

For trade receivables, the Secop Group uses a simplified method to calculate the expected credit losses. It tracks changes to the credit risk immediately where possible, but it records risk provisioning no later than on each reporting date on the basis of the total maturity ECL.

The Secop Group assumes default on a financial asset and the deterioration of the financial standing, 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 the Group 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 therefore been passed to the purchaser of this right.

In the 2023 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 statement of financial position. 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, interest-bearing liabilities (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 interest-bearing liabilities (loans and borrowings) and payables, net of directly attributable transaction costs. According to IFRS 9.A, the transaction costs may be deducted for the bond.

The Secop Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and floating rate bonds 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 fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise those financial liabilities that are held for trading as well as other financial liabilities that are classified initially as measured at fair value through profit or loss.

Financial liabilities are classified as held for trading if they were entered into for the purposes of repurchase in the near future. This category also includes derivative financial instruments entered into by the Group, which are not designated as hedging instruments in hedging relationships in line with IFRS 9. Separately reported embedded derivatives are also classified as held for trading, with the exception of derivatives designated as hedging instruments and are effective as such.

Profits or losses from financial liabilities held for trading are recognised in profit or loss.

Financial liabilities are classified as measured at fair value through profit and loss at the time of initial recognition, provided that the criteria as defined in IFRS 9 are satisfied. The Group did not recognise any financial liabilities as measured at fair value through profit and loss.

Financial liabilities (interest-bearing liabilities) at amortised cost

After initial recognition, interest-bearing liabilities 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 liabilities and the floating rate bond (presented within interest bearing liabilities).

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*.

j) Impairment of property, plant and equipment, intangible assets and right-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 through unscheduled depreciation.

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 cash-generating unit level 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*.

k) 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.

l) 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.

m) 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 provision

Warranties for general repairs of defects that existed at the time of sale are required by law to cover a period of 2 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 disclosed in note *17 Provisions*. As only statutory warranties are granted in connection with the product, IFRS 17 does not apply.

Restructuring provision

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).

n) 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 from plan adjustments
- Net interest expense and income

o) Climate change

As regards the effects of climate change, the Group is of the view that climate change is an implicit element in the application of the methods and models as well as the estimates for measuring certain accounting items. Moreover, the Group has also taken account of the effects of climate change in the material management estimates. The key items in this respect are: property, plant and equipment, inventories and provisions. Management makes estimates and judgements concerning the potential impairment of property, plant and equipment, inventories and provisions in compliance with the IFRS rules. For further details on these items, refer to 9 Property, plant and equipment, 13 Inventories and 17 Provisions.

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 2023. The Secop Group has not prematurely adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendment to IFRS 17 – Insurance Contracts (including the amendments from June 2020 and December 2021)

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 Insurance Contracts.

IFRS 17 describes a general model that is modified for direct par insurance contracts ("variable free approach"). If certain criteria are met, the general model is simplified by measuring the liability for the remaining coverage using the Premium Allocation Approach (PAA).

The general model uses assumptions to estimate the amount, time and uncertainty of future cashflows and explicitly measures the costs of this uncertainty. It takes account of market interest rates and the effects of the policyholder's options and warranties.

The initial application of the standard has no effect on the consolidated financial statements, as no relevant insurance contracts are in place and the Group only grants warranties within the statutory framework.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments amend the requirements in IAS 1 in relation to the disclosure of accounting policies. The amendments replace all points at which the term "significant accounting policies" was used with "material accounting policy information".

Accounting policy information is material if it can reasonably be assumed that this information together with other information contained in an entity’s financial statements can influence decisions reached by the primary users of IFRS financial statements on the basis of these financial statements.

It also clarifies that accounting policy information in relation to immaterial transactions, other events or conditions is immaterial and as such does not need to be disclosed. Accounting policy information may, due to the nature of the associated transactions, other events or conditions, be material even if the amounts are immaterial. However, not all accounting policy information that concerns material transactions, other events or conditions is itself material.

The IASB has also developed guidelines and examples that explain the application of the four-step process model, which is included in IFRS Practice Statement 2.

The amendments did not have a material effect on the consolidated financial statements, only the “Business Combinations” section was removed due to a lack of materiality.

Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

The amendments further restrict the application of the exemption concerning the initial recognition of deferred taxes (“initial recognition exemption”). This states that a company cannot apply the exemption to transactions that simultaneously lead to taxable and deductible temporary differences in the same amount.

Depending on the applicable tax law, equal taxable and deductible temporary differences during the initial recognition of an asset and a liability may arise in a transaction, which are not a business combination and do not effect the accounting or taxable profit. This may, for example, be the case when recognising a lease liability and the corresponding right-of-use asset when applying IFRS 16 “Leases” at the start of a lease.

Following the amendments, an entity is now obliged to account the corresponding deferred tax assets and liabilities, where the recognition of a deferred tax asset is subject to the impairment criteria in IAS 12 Income Taxes.

The amendments did not have a material effect on the consolidated financial statements, as the existing allocation of the tax deduction for the right-of-use asset allowed the current accounting practice to be maintained.

Amendments to IAS 12 –International Tax Reform—Pillar Two Model Rules

The amendments introduce a temporary exception from accounting for deferred taxes in IAS 12 so that the recognition of deferred taxes based on the configuration of top-up taxes within the scope of the pillar two minimum taxation regime is excepted from the application of the standard. Moreover, additional notes are required, which depend on the status of transposition of the minimum taxation regulations into relevant national tax law.

As a consequence of the amendments, the Group is required to disclose that it has applied the exemption and separately report the actual tax expense (income) in connection with the income taxes under the pillar two rules.

The amendments did not have a material effect on the consolidated financial statements, as the Group does not exceed the thresholds for the tax reform under the pillar two model rules (BEPS Pillar 2).

Amendments to IAS 8 - Definition of accounting estimates

IAS 8 previously only contained a definition of a change in accounting estimates without providing a definition of an accounting estimate. According to the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

The previous definition of a change in accounting estimates has been removed. However, the IASB has retained the concept of changes to accounting estimates in the standard with the following clarifications:

- A change in accounting estimate resulting from new information or new developments is not a correction of an error.
- The effects on a change in accounting estimate due to a change of input or a valuation technique are a change in accounting estimate, provided that they do not result from the correction of errors from previous periods.

The amendments did not have a material effect on the consolidated financial statements.

3. Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures as well as 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.

Judgements

In the process of applying the Secop Group's accounting policies, management has made the following judgements, which have a 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 the Company's estimates and expectations regarding future business development and development of the industry in which the Secop Group operates.

Determination of the lease term of contracts with renewal and termination options – the Secop 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.

In the case of lease contracts that include extension and termination options, the Secop Group assesses whether it is reasonably certain that the option to renew or terminate the lease will or will not be exercised. 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 liabilities from indirect shareholders. There are loans with a maximum term, but at the same time allow early repayments.

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 other long-term shareholder loans, no early short-term repayments are planned, therefore the loans are shown under non-current liabilities (non-current interest-bearing liabilities item).

Determination of the term of the supplier financing programme in China

The current interest-bearing liabilities include a supplier financing programme of the Chinese company, which is being used as a short-term financing facility. The line of finance is revolving and has a maximum term of 120 days from the submitted supplier invoices.

Determination of the term of a letter of credit programme in China

A bill of exchange programme for China is also reported under current liabilities to banks. The Company pays the trade payables with a bill of exchange, which can be redeemed by the supplier within 120 days.

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 equipment, intangible assets and right-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 (discounted cash flow) model. The free 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.

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 audit 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.

Further explanations are provided in note *12.3 Financial instrument risk management objectives and policies*).

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 carrying amount of the deferred tax assets on tax losses carried forward, additional explanations can be found in note *8 Income tax*.

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 recognised 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 country. 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 country. Possible financial effects of deviations in the key factors are determined using sensitivities. Details on sensitivity analyses and the basis for estimates in the area of pension provisions can be found in note *21 Pensions and other post-employment benefits*.

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) method. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a significant amount of management 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.

Warranties

Provisions are 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 coming 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.

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 balance sheet positions affected are lease liabilities and the capitalized right-of-use assets. With regard to the carrying amounts, please see note *11 Right-of-use assets*.

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.

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.

4. Revenue and trade receivables

4.1 Disaggregated revenue information

The following table shows the disaggregation of the Secop Group's revenue from contracts with customers:

	2023 **T€**	**2022** **T€**
Type of goods or services		
Compressors for commercial equipment	154,568	190,922
Compressors for mobile devices	74,400	79,660
Compressors for medical devices	6,508	7,181
Total revenue	**235,475**	**277,763**

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.

4.2 *Trade receivables*

	31/12/2023 T€	31/12/2022 T€
Trade receivables	28,097	39,265

The decrease in trade receivables on the reporting date is essentially due to the general decline in business volume during the last quarter of 2023.

The Secop Group partly sells current trade receivables to a third party known as 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 statement of financial position.

The carrying amount of the trade receivables transferred in connection with the factoring as of 31 December 2023 was T€ 11,008 (previous year: T€ 12,646). In total, the Secop Group had factoring lines in the amount of T€ 20,000 (previous year: T€ 20,000) available. As of 31 December 2023, trade receivables qualifying as factoring exist, which are classified as financial assets at fair value through profit or loss (level 3) in the amount of T€ 74 (previous year: T€ 297).

4.3 *Performance obligations*

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

The performance obligation is satisfied upon delivery of the compressors. The credit term is between 30 and 90 days from the date of 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 failures are capped with an amount, if the amount is exceeded, additional compensation is paid for the additional amount.

5. Group information

Fully consolidated subsidiaries

The following subsidiaries are included in the consolidated financial statements of Secop Group Holding GmbH (interest unchanged from previous year):

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.	Milan, Italy	100
Secop Austria	Gleisdorf, Austria	100
Motor Competence Center Holding Flensburg GmbH	Flensburg, Germany	100

Ownership structure of the Secop Group

The ultimate holding company of Secop Group Holding GmbH is Dilasso Bath S.à r.l. based in Luxembourg, which holds all shares in Secop Group Holding GmbH through Dilasso Bath Invest S.à r.l., Luxembourg. Dilasso Bath S.à r.l., based in Luxembourg, prepares the consolidated financial statements for the largest and smallest group of companies. These are electronically published in the Trade and Companies Register in Luxembourg. Secop Group Holding GmbH, based in Flensburg, Germany, also compiles separate consolidated financial statements. These are electronically submitted in German to the body that administers the business register, which publishes these statements electronically in the business register.

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 carrying amounts of the individual financial assets and liabilities for each individual category of financial instruments.

31 December 2023

	Measurement category according to IFRS 9	**Carrying amount** T€	**Fair value** T€
Financial assets			
Cash and bank balances	At amortized cost	8,060	8,060
Other financial assets	At amortized cost	4,784	4,784
Trade receivables	At amortized cost	28,022	28,022
Trade receivables	At fair value through profit or loss	74	60
Financial liabilities			
Interest-bearing liabilities (non-current)	At amortized cost	125,708	125,708
Other financial liabilities	At amortized cost	5,661	5,661
Trade payables	At amortized cost	45,179	45,179
Interest-bearing liabilities (current)	At amortized cost	0	0
Other financial liabilities (current)	At amortized cost	983	983

31 December 2022

	Measurement category according to IFRS 9	Carrying amount	Fair value
		T€	T€
Financial assets			
Cash and bank balances	At amortized cost	17,245	17,245
Other financial assets	At amortized cost	4,282	4,282
Trade receivables	At amortized cost	38,986	38,968
Trade receivables	At fair value through profit or loss	297	22
Financial liabilities			
Interest-bearing liabilities (non-current)	At amortized cost	106,739	106,739
Other financial liabilities	At amortized cost	6,549	6,549
Trade payables	At amortized cost	47,787	47,787
Interest-bearing liabilities (current)	At amortized cost	10,060	10,060
Other financial liabilities (current)	At amortized cost	11,543	11,543

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. Management makes specific valuation allowances as necessary.

The carrying amount 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 liabilities) also approximate the carrying amounts, since the agreed interest and loan conditions with the appropriate reconciliation (surcharges for unsecured and subordination) are comparable to interest rate conditions observable on the market on the reporting date for secured and non-subordinated SME bonds.

As no hedging relationships to hedge cash flows exist, these do not impact on the income statement or OCI.

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

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
2023	**T€**	**T€**	**T€**
Interest income	758	0	758
Interest expenses	0	-12,040	-12,040
Impairments/ write-ups	-2,223	-57	-2,280
Net result	**-1,465**	**-12,097**	**-13,562**
2022	**T€**	**T€**	**T€**
Interest income	913	0	913
Interest expenses	0	-10,347	-10,347
Impairments/ write-ups	0	0	0
Net result	**913**	**-10,347**	**-9,434**

Security rights granted

The following securities were granted for the bond, which was recorded under interest-bearing liabilities:

- 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.
- Pledging of the land of the Slovak subsidiary.

The collateral was provided for the maximum term of the bond, i.e. until 29 December 2026.

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 the consolidated statement of comprehensive income

7.1 Other income

	2023	2022
	T€	T€
Net foreign exchange differences	8,912	15,453
Other income	8,632	11,442
Total other income	**17,544**	**26,895**

For the exchange differences, see also note *7.4 Other expenses*. The net exchange difference amounts to T€ 1,378.

The other income in 2023 mainly includes income from the capitalisation of the research and development services. In the 2022 financial year the other income mainly includes income from the reimbursement of residual costs (T€ 388), income from the reversal of value adjustments relating to trade receivables of T€ 951, income subsidies received as part of state Covid-19 support programmes in Slovakia of T€ 421 and income from the out-of-court settlement with the former shareholder Nidec Europe B.V. of T€ 8,891 concerning the pending proceedings with the arbitration tribunal relating to the outstanding purchase price instalments, among other things.

Please refer to the additional disclosures in note *7.4 Other expenses*.

7.2 Sales and distribution expenses

	2023	2022
	T€	T€
Freight charges	4,166	8,549
Other sales and distribution expenses	13,985	12,476
Total sales and distribution expenses	**18,151**	**21,025**

The other sales and distribution expenses essentially comprise personnel costs in the amount of T€ 7,232 (previous year: T€ 6,407) and depreciation amounting to T€ 2,880 (previous year: T€ 2,785).

7.3 Administrative expenses

	2023	2022
	T€	T€
Administrative expenses	17,431	19,392
Total administrative expenses	**17,431**	**19,392**

Administrative expenses include depreciation and amortization allocated to administration (T€ 1,542, previous year T€ 1,606), as well as administrative staff costs (T€ 8,069, previous year: T€ 8,000). In addition, the expenses for the financial year include consulting costs (T€ 1,853), IT costs (T€ 1,382) and insurance costs (T€ 1,157).

7.4 Other expenses

	2023 T€	2022 T€
Purchasing and logistics	714	624
Research and development costs	8,585	6,983
Net foreign exchange differences	7,534	13,449
Restructuring	1,144	197
Other expenses	7,381	2,579
Total other expenses	**25,357**	**23,832**

Research and development costs of T€ 8,585 (previous year: T€ 6,983) were not capitalised.

For exchange differences, also refer to the additional disclosures in note *7.1 Other income*.

The restructuring expenses in 2023 include expenses associated with the restructuring of the production site in Slovakia and are exclusively due to personnel adjustments as a result of the reduced order situation in Slovakia.

The other expenses item contains the depreciation and amortisation of capitalised development costs of T€ 1,371 (previous year: 3,643). Unscheduled depreciation of T€ 2,369 was reported for the Household business in the previous year. In addition, the other expenses item includes write-downs of trade receivables from emerging markets for political reasons of T€ 2,147. Likewise, other expenses also includes third-party services of T€ 1,232 and deferred revenue of T€ 1,286. Moreover, expenses as a result of the disposal of assets in property, plant and equipment and intangible assets of T€ 16 are recorded. The increase in other expenses is due to the reclassification of the capitalisation of own work of T€ 8,227 in other income.

7.5 Depreciation

	2023 T€	2022 T€
Included in cost of sales:	**5,167**	**7,143**
Included in other expenses:	**6,580**	**8,854**
Sales and distribution expenses	2,880	2,786
Administrative expenses	1,489	1,607
Other expenses	2,211	4,471

The depreciation includes scheduled and unscheduled depreciation. In the 2022 financial year, the remaining Household business was revalued. For further disclosures regarding the unscheduled depreciation, please refer to the note *10 Intangible assets.*

7.6 Financial expenses

	2023 T€	2022 T€
Interest on loans and borrowings	11,832	10,118
Interest on lease liabilities	208	228
Other interest	0	0
Total financial expenses	**12,040**	**10,347**

7.7 Financial income

	2023 T€	2022 T€
Interest income on bank balances/bond	758	913
Other interest income	0	0
Total financial income	**758**	**913**

7.8 Cost of inventories

	2023 T€	2022 T€
Included in cost of sales:	**157,228**	**201,126**
Included in other expenses:	**265**	**485**
Sales and distribution expenses	146	163
Administrative expenses	63	137
Other expenses	57	186

7.9 Personnel expenses

	2023 T€	2022 T€
Included in cost of sales:	17,115	16,946
Included in sales and distribution expenses:	7,232	6,407
Included in administrative expenses:	8,069	8,000
Included in other expenses:	8,697	8,327
Total employee benefit expenses	**41,113**	**39,681**
Thereof defined contribution plan expenses	677	623
Average number of employees	1,054	1,163

Personnel expenses for 2023 include the costs for social security and costs for retirement benefits of T€ 7,023 (previous year: T€ 6,354).

Number of employees included in personnel expenses on the basis of full-time equivalents (FTE):

	2023	2022
Production	807	892
General and administration	61	83
Research & development	150	152
Sales and marketing	36	36
Total	**1,054**	**1,163**

8. Income tax

The major components of income tax for the financial year from 1 January 2023 to 31 December 2023 are:

	2023	2022
	T€	T€
Current taxes	-3,351	-701
Deferred taxes	-2,138	-316
Total income tax	**-5,489**	**-1,016**

Taxes were negatively affected by a reassessment of the withholding tax liabilities for intragroup expenses and the associated fund transfers with China as well as a revaluation of deferred tax liabilities in connection with local fair value rules for property, plant and equipment in the Chinese company.

For tax losses of T€ 36,790 (previous year: T€ 46,312) 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 applicable corporate tax rate for the financial year from 1 January 2023 to 31 December 2023 is as follows:

	2023	2022
	T€	T€
Accounting profit/loss before tax	**-5,373**	**-1,583**
Expected tax income/(tax expense) based on a corporate tax rate of 25%	1,343	396
Tax rate differences	0	-854
Trade tax effects	-348	-363
Non-deductible expenses	-2,653	-1,645
Permanent differences	-3,238	-1,171
Tax-free income	2,349	4,836
Tax rate changes	1,267	0
Capitalization of previously unrecognised tax losses	1,423	-747
Value adjustments/non recognition of tax losses	367	792

Effects of the tax group	-2,745	-1,794
Non-periodic current and deferred taxes	-296	-31
Non-deductible/allowable withholding tax	-2,892	0
Other differences	-66	-436
Actual income tax expense	**-5,489**	**-1,016**

Deferred tax liabilities were not recognized for temporary differences of T€ 3,132 (previous year: T€ 3,028) 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 reversed in the foreseeable future.

Deferred tax assets	**31/12/2023 T€**	**31/12/2022 T€**
Intangible assets	655	1,411
Property, plant and equipment	291	2,177
Inventories	490	821
Trade receivables	672	336
Other non-financial assets	1,655	1,394
Other financial assets	0	0
Other assets	82	1
Net employee defined benefit liabilities	277	259
Provisions	415	660
Other non-financial liabilities	653	739
Loss carried forward	18,376	15,812
Total	23,566	23,610
Set-off	-22,347	-23,300
	1,219	**310**

Deferred tax liabilities	**31/12/2023 T€**	**31/12/2022 T€**
Intangible assets	18,130	17,189
Property, plant and equipment	7,661	6,576
Trade receivables	-146	0
Inventories	0	0
Other receivables	0	32
Other financial liabilities	323	372
Interest-bearing loans and borrowings	15,191	15,192
Net employee defined benefit liabilities	2	0
Provisions	0	0
Total	41,162	39,361
Set-off	22,347	23,300
	-18,815	**-16,061**

The deferred tax assets and liabilities for property, plant and equipment as at 31 December 2023 fell year-on-year due to the disposal of the remaining capital assets for the Household business in Slovakia. Due to the continued disposal of the remaining inventories for the Household business, deferred tax assets from inventories also declined compared to 31 December 2022.

On the reporting date, the Secop Group has losses carried forward totalling T€ 152,319 (previous year: T€ 143,060).

9. Property, plant and equipment

	Land, land rights and buildings, including buildings on third-party land	Office properties	Assets under construction	Plant, machinery and equipment	Operating and business equipment	Total
	T€	T€	T€	T€	T€	T€
Cost or revaluation						
As at 1 January 2023	4,956	21,313	3,314	191,930	4,561	**226,074**
Exchange differences	0	-9	-177	-2,701	-56	**-2,943**
Additions	0	6	6,307	4,043	64	**10,420**
Reclassifications	0	76	-6,129	5,592	460	**-2**
Disposals	0	52	-1,213	-22,395	-128	**-23,685**
As at 31 December 2023	**4,956**	**21,436**	**2,101**	**176,470**	**4,901**	**209,864**
Depreciation and impairments						
As at 1 January 2023	0	-2,844	-1,275	-132,566	-3,049	**-139,734**
Exchange differences	0	3	0	1,447	38	**1,488**
Depreciation in the financial year	0	-431	0	-4,946	-461	**-5,838**
Write-up	0	0	0	0	0	**0**
Disposals	0	-52	0	23,557	128	**23,634**
Reclassifications	0	0	0	0	0	**0**
As at 31 December 2023	**0**	**-3,324**	**-1,275**	**-112,507**	**-3,344**	**-120,450**
Net carrying amount						
As at 1 January 2023	4,956	18,468	2,039	59,365	1,512	**86,339**
As at 31 December 2023	**4,956**	**18,112**	**826**	**63,963**	**1,558**	**89,414**

	Land, land rights and buildings, including buildings on third-party land	Office properties	Assets under construction	Plant, machinery and equipment	Operating and business equipment	Total
	T€	T€	T€	T€	T€	T€
Cost or revaluation						
As at 1 January 2022	4,956	20,874	4,284	193,189	5,024	**228,326**
Exchange differences	0	-2	-44	-982	-18	**-1,045**
Additions	0	34	3,217	5,931	136	**9,317**
Reclassifications	0	459	-4,122	3,506	151	**-7**
Disposals	0	-52	-21	-9,713	-732	**-10,518**
As at 31 December 2022	**4,956**	**21,313**	**3,314**	**191,930**	**4,561**	**226,074**
Depreciation and impairments						
As at 1 January 2022	0	-2,321	-1,194	-135,839	-3,352	**-142,705**
Exchange differences	0	1	0	510	12	**522**
Depreciation in the financial year	0	-577	21	-6,949	-441	**-7,946**
Write-ups	0	0	0	0	0	**0**
Disposals	0	52	0	9,713	732	**10,497**
Reclassifications	0	0	-102	0	0	**-102**
As at 31 December 2022	**0**	**-2,844**	**-1,275**	**-132,566**	**-3,049**	**-139,734**
Net carrying amount						
As at 1 January 2022	4,956	18,553	3,090	57,350	1,673	**85,621**
As at 31 December 2022	**4,956**	**18,468**	**2,039**	**59,365**	**1,512**	**86,339**

As at 31 December 2023, the carrying amount of property, plant and equipment totals T€ 89,414 (previous year: T€ 86,339). As in the previous year, no borrowing costs were capitalized in the 2023 financial year.

In the plant, machinery and equipment item, tools and consumables totalling T€ 2,136 were capitalised in line with IAS 36 in the 2022 financial year and reclassified from other current non-financial assets.

With regard to the contractual obligations from the purchase of property, plant and equipment existing on the reporting date, reference is made to the explanations in note *24 Contingent liabilities and other financial obligations*.

The property, plant and equipment owned by the subsidiary Secop s.r.o. (immobile tangible assets amounting T€ 23,068 as at 31 December 2023) were pledged to secure the bond issued in 2023, which is included under interest-bearing liabilities. Please refer to the disclosures in note *6 Financial instruments* (security rights granted).

With regard to climate change, the company has examined possible effects on the production facilities in Slovakia, as the site contains contaminants due to the historical use. However, the Group did not record any write-downs as the Group has no public obligation to remove the contaminants. Moreover, this has no impact on the fair market value of the site, as the company has taken remedial measures despite the absence of any obligation. The Group has also taken additional measures (such as waste management) to prevent any further possible contamination entirely.

10. Intangible assets

Cost or revaluation	Development costs T€	Customer base, patents, and licences with limited useful lives T€	Licences with indefinite useful lives T€	Total T€
As at 1 January 2023	44,396	21,990	8,867	**75,253**
Exchange differences	-269	-45	0	**-315**
Additions	8,105	0	0	**8,105**
Reclassifications	-45	47	0	**2**
Disposals	0	0	0	**0**
As at 31 December 2023	**52,187**	**21,992**	**8,867**	**83,045**
Depreciation and impairments				
As at 1 January 2023	-5,668	-8,660	0	**-14,329**
Exchange differences	0	44	0	**44**
Depreciation	-1,648	-2,718	0	**-4,367**
Write-ups	0	0	0	**0**
Reclassifications	0	0	0	**0**
Disposals	0	0	0	**0**
As at 31 December 2023	**-7,317**	**-11,334**	**0**	**-18,651**
Net carrying amount				
As at 1 January 2023	38,727	13,330	8,867	**60,924**
As at 31 December 2023	**44,870**	**10,657**	**8,867**	**64,394**

Cost or revaluation	Development costs T€	Customer base, patents, and licences with limited useful lives T€	Licences with indefinite useful lives T€	Total T€
As at 1 January 2022	35,897	21,995	8,867	**66,758**
Exchange differences	-98	-16	0	**-115**
Additions	8,750	0	0	**8,750**
Reclassifications	-152	159	0	**7**
Disposals	0	-147	0	**-147**
As at 31 December 2022	**44,396**	**21,990**	**8,867**	**75,253**
Depreciation and impairments				
As at 1 January 2022	-1,748	-6,122	0	**-7,871**
Exchange differences	0	16	0	**16**
Depreciation	-3,920	-2,701	0	**-6,621**
Write-ups	0	0	0	**0**
Reclassifications	0	147	0	**147**
Disposals	0	0	0	**0**
As at 31 December 2022	**-5,668**	**-8,660**	**0**	**-14,329**
Net carrying amount				
As at 1 January 2022	34,148	15,872	8,867	**58,888**
As at 31 December 2022	**38,727**	**13,330**	**8,867**	**60,924**

In the 2022 financial year there was a special depreciation of a patent for compressors for the former Household segment of T€ 2,369, which the Company considers no longer usable.

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 2023, which is included in interest-bearing liabilities. Please refer to the disclosures in note *6 Financial instruments* (security rights granted. The development costs include intangible assets in development of T€ 31,879 (previous year: T€ 29,037). At 31 December 2023, the carrying amount of capitalised development costs was T€ 43,201 (previous year: T€ 38,683).

With regard to the contractual obligations from the acquisition of intangible assets, refer to the disclosures in note *24 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:

	31/12/2023 T€	**31/12/2022 T€**
Brands	8,867	8,867

The Secop Group performed its annual impairment test of the brand in the fourth quarter of 2023.

Secop cash generating unit

The recoverable amount of the Secop CGU is determined based on a value in use calculation using cash flow projections from budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 9.65%. Cash flows beyond the five-year period are extrapolated using a 1.0% growth rate that is half the expected long-term inflation rate of 2%.

The value in use of the brands amounting to T€ 8,867 equals the value determined in the course of the acquisition of the Secop Group.

11. Right-of-use assets

Secop Group as a lessee

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:

	Office properties in eurozone	Office properties USA	Plant, machinery and equip.	Operational and bus. equipment	Total
	T€	T€	T€	T€	T€
Cost or revaluation					
As at 1 January 2023	4,390	4,203	772	847	**10,212**
Exchange differences	0	-291	0	-9	**-300**
Additions	19	462	508	307	**1,296**
Reclassifications	0	0	0	0	**0**
Disposals	0	-222	-465	-115	**-802**
As at 31 December 2023	**4,409**	**4,152**	**815**	**1,031**	**10,407**
Depreciation and impairments					
As at 1 January 2023	-1,446	-930	-506	-487	**-3,368**
Exchange differences	0	103	0	6	**109**
Depreciation in the financial year	-556	-537	-249	-200	**-1,542**
Disposals	0	148	479	115	**741**
Write-up/write-down	0	0	0	0	**0**
Reclassifications	0	0	0	0	**0**
As at 31 December 2023	**-2,002**	**-1,217**	**-275**	**-567**	**-4,061**
Net carrying amount					
As at 1 January 2023	2,944	3,274	267	360	**6,844**
As at 31 December 2023	**2,407**	**2,935**	**540**	**464**	**6,346**

	Office properties in eurozone	Office properties USA	Plant, machinery and equip.	Operational and bus. equipment	Total
	T€	T€	T€	T€	T€
Cost or revaluation					
As at 1 January 2022	4,155	3,877	842	626	**9,500**
Exchange differences	0	-95	0	-3	**-98**
Additions	235	421	96	188	**940**
Reclassifications	0	0	-106	106	**0**
Disposals	0	0	-60	-70	**-130**
As at 31 December 2022	**4,390**	**4,203**	**772**	**847**	**10,212**
Depreciation and impairments					
As at 1 January 2022	-908	-457	-439	-280	**-2,084**
Exchange differences	0	38	0	2	**40**
Depreciation in the financial year	-537	-535	-227	-142	**-1,441**
Disposals	0	24	22	70	**117**
Write-up/write-down	0	0	0	0	**0**
Reclassifications	0	0	138	-138	**0**
As at 31 December 2022	**-1,446**	**-930**	**-506**	**-487**	**-3,368**
Net carrying amount					
As at 1 January 2022	3,247	3,420	403	346	**7,416**
As at 31 December 2022	**2,944**	**3,274**	**267**	**360**	**6,844**

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

	2023 T€	2022 T€
As at 1 January	7,121	7,682
Additions	1,296	940
Accretion of interest	208	228
Payments	-1,982	-1,729
As at 31 December	**6,643**	**7,121**
Thereof current	1,406	1,356
Thereof non-current	5,237	5,765

In the financial year, expenses for the short-term leasing of low-value assets amounting to T€ 0 (previous year: T€ 1) were incurred.

12. Financial assets and liabilities

12.1 Financial assets

	31/12/2023 T€	31/12/2022 T€
Trade receivables	28,097	39,265
Other financial assets	4,784	4,282
Total financial assets	**32,881**	**43,548**
Total current	32,881	43,548
Total non-current	0	0
Total	**32,881**	**43,548**

The other financial assets as at 31 December 2023 include a rental deposit of T€ 840 (previous year: T€ 840), the repayments of which will be made gradually within four years from the start (2021) of the second rental year as well as current receivables from the factor from the agreed risk retention, which was settled in 2024, in the amount T€ 1,375. Receivables from Nidec of T€ 1,495 are also recorded (previous year: T€ 0). In addition, the item includes the receivable for the government research grant of T€ 674. No uncertainty is associated with this receivable, as all projects have been approved by the BSFZ certifying authority for research grants.

12.2Interest-bearing liabilities and other financial liabilities

%		Maturity	31/12/2023 T€	31/12/2022 T€
Current				
Lease liabilities	f 2.0	2023	983	571
Purchase price liability Nidec	v 8.0	2023	0	10,972
Liabilities to banks CN	v 3.85	2023	0	10,060
Total current interest-bearing loans and borrowings			**983**	**21,603**
Non-current				
Lease liabilities	f 2.0	2030	5,661	6,549
Bond				
T€ 50,000	v 11.47	2026	48,981	37,620
Shareholder loan T€ 221	f 4.0	2026	259	250
Shareholder loan T€ 40,000	f 8.0	2029	13,278	12,481
Shareholder loan T€ 51,379	f 8.0	2029	59,988	56,387
Shareholder loan T€ 3,000	f 8.25	2028	3,201	0
Total non-current interest-bearing loans and borrowings			**131,369**	**113,288**
Total interest-bearing loans and borrowings			**132,352**	**134,891**

Interest rate: v for variable; f for fix

In the 2022 financial year, the Secop Group reached an out-of-court settlement with the former shareholder Nidec Europe B.V. in relation to all items of the pending arbitration proceedings, which also included the remaining purchase price. Accordingly, the Secop Group paid a total amount of T€ 13,000 to Nidec in the first quarter of 2023 to settle all mutual items of the arbitration proceedings. The reported liability of T€ 10,972 included current receivables from Nidec that originate from other Secop claims.

In 2023, the 2020 bond was completely repaid by the reissue of a new bond in the amount of T€ 50,000. The new bond matures on 29 December 2026. The new coupon rate is 8.4% plus the 3-month EURIBOR. The company capitalised transaction costs of T€ 1,204, which will be subject to scheduled depreciation over the term using the EIR method.

The liabilities to banks CN item included a current supply-chain funding programme to finance current supplier relationships. The company fully repaid all current funding programs as part of the refinancing of the 2020 bond.

12.3 Financial instrument risk management objectives and policies

The Secop Group's principal financial liabilities comprise interest-bearing liabilities and other financial liabilities as well as trade 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 as well as cash and bank balances 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. Secop Group management oversees the management of these risks.

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 risks, such as raw material risk (see "Procurement risk"). Financial instruments affected by market risk primarily include cash and bank balances, variable-interest liabilities 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. This makes it 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. On the other hand, the Secop Group can sell bond tranches back to the market in order to increase liquidity.

The bond issued in 2023 obliges the Secop Group to adhere to certain financial covenants and other contractual obligations. The contractual obligations do not contain any covenants that are influenced by high interest rates, as they are exclusively based on the leverage between the net debt and profit (EBITDA). High inflation rates theoretically have an indirect influence on profit (EBITDA), but price rises are passed on to customers with a delay so management considers the risk to be low.

Interest rate sensitivity analysis

The following table shows the sensitivity to a reasonably possible change in variable interest rates for the affected non-current bond. 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:

	Increase/decrease in basis points	Effect on profit before income taxes
2023		T€
EUR	+100	+500
EUR	-100	-500
2022		
EUR	+100	+375
EUR	-100	-375

Foreign currency risk

Foreign currency risk is the risk that the fair value of assets and liabilities or future cash flows will fluctuate because of changes in foreign exchange rates. The Secop Group's exposure to the risk of changes in foreign exchange rates relates to the Secop Group's operating activities (when revenue and/or expense is denominated in a foreign currency) and the Secop Group's net investments in foreign subsidiaries, especially with regard to the USD and RMB. Through the targeted management of Group purchasing, Secop endeavours to close out open currency positions to the extent possible and so achieve a "natural hedge". In addition, Secop constantly monitors price developments in order to employ hedging instruments as needed on the basis of corporate planning. Exchange rate fluctuations can also have a negative impact on the demand side, if currency prices allow competitors from other countries to offer cheaper products. Secop management currently considers the currency risk as moderate.

Commodity price risk

The prices and availability of certain commodities can have an impact on the Secop Group. It is exposed to market-related price fluctuations for some commodities, e.g. copper, steel and aluminium. In addition, some commodities are exclusively traded in foreign currencies, so exchange rates have an influence on commodity prices. Moreover, risks related to the timely delivery of input materials exist, particularly for materials for which only one supplier is available (single sourcing). Changes to procurement prices are passed on to customers wherever possible. Furthermore, long-term agreements on procurement prices are reached where possible. Dependence on individual suppliers is countered by qualifying several sources where possible. Overall, Secop management considers this risk as low.

Default risk

Credit default risk is the risk that a business partner does not meet its obligations under a financial instrument or customer 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 bank balances.

Credit default risk with regard to cash and bank balances 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 offer, 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 bank balances is regularly monitored in order to limit the amount of possible defaults, if necessary.

Trade receivables

The Secop Group uses a multi-stage process to counter the risk of customer defaults. First, various mechanisms (credit insurance and rating agencies) are used to review the solvency of customers. Moreover, overdue customer receivables are discussed with the sales directors in a weekly meeting and, where applicable, actions are taken ranging from the adjustment of the terms of payment through to the legal enforcement of the receivables. In addition, trade receivables are partly sold through real factoring, thus passing the credit risk on to the factor. Management therefore considers the default risk for trade receivables to be a moderate 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 payable claims are not settled despite reminders or payment defaults are likely for other reasons such as bankruptcies. The Secop Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in various countries and industries and operate in largely independent markets.

The credit lines for business partners are reviewed annually by management and may 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

Liquidity risk is the risk that the cash and cash equivalents required to settle payments due cannot be procured or only at high refinancing costs. This also includes the risk of the early repayment of financial liabilities, which would be highly relevant for the liquidity of the Secop Group.

In the 2023 financial year, the company refinanced the bond issued in 2020 on the capital market in the same amount of T€50,000 and fully repaid the 2020 bond of T€50,000. The bond issued in 2023 obliges the Secop Group to adhere to certain financial covenants and other contractual obligations. If there were a break in the financial covenants and other contractual obligations and if this break could not be remedied 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 a preventive regular review of the contractual financial covenants and other contractual obligations to be observed.

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

- Active management of working capital and future investments,
- If necessary, flexible use of a "revolving credit facility" in Slovakia and
- If necessary, expansion of the factoring lines as well as
- The option to expand local funding programmes globally.
- Targeted purchase and sale of the issued bond.

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 management.

In the following maturity analyses, the contractually agreed undiscounted interest and principal payments of financial liabilities as at the reporting date are shown. Planned figures for new liabilities in the future were not taken into account. Variable interest payments were included based on interest rates valid on the respective reporting date. With regard to the interest and repayment conditions of interest-bearing liabilities and other financial liabilities, please refer to the disclosures in note 12.2 *Interest-bearing liabilities and other financial liabilities*.

2023	Carrying amount	Due within one year	Due between 1 and 5 years	Due over 5 years
	T€	T€	T€	T€
Trade payables	45,179	45,179	0	0
Non-current interest-bearing liabilities	76,728	0	5,351	71,377
dv. repayment		*0*	*5,037*	*64,083*
dv. interest		*0*	*315*	*7,294*
Bond liabilities	*48,981*	*34*	*48,947*	*0*
dv. repayment		*0*	*48,947*	*0*
dv. interest		*34*		*0*
Lease liabilities	6,643	983	5,661	0
	177,531	**46,195**	**59,959**	**71,377**
dv. repayment		*46,161*	*59,644*	*64,083*
dv. interest		*34*	*315*	*7,294*

2022	Carrying amount	Due within one year	Due between 1 and 5 years	Due over 5 years
	T€	T€	T€	T€
Trade payables	47,787	47,787	0	0
Non-current interest-bearing liabilities	68,570	0	4,236	64,333
dv. repayment		*0*	*3,879*	*56,149*
dv. interest		*0*	*358*	*8,184*
Bond liabilities	*38,169*	*0*	*38,169*	*0*
dv. repayment		*0*	*37,895*	*0*
dv. interest		*0*	*274*	*0*
Lease liabilities	7,121	571	6,549	0
Other financial liabilities	10,972	10,972	0	0
Current interest-bearing liabilities	10,060	10,060	0	0
dv. repayment		10,060	0	0
dv. interest		0	0	0
	182,678	**69,390**	**48,955**	**64,333**
dv. repayment		*69,390*	*48,323*	*56,149*
dv. interest		*0*	*632*	*8,184*

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

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 characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of risk indicate the relative sensitivity of the Secop Group's performance to developments affecting a particular industry.

12.4Changes in liabilities arising from financing activities

	01/01/2023	Cash-effective changes	Other	**31/12/2023**
	T€	**T€**	**T€**	**T€**
Current interest-bearing liabilities (excluding items listed below)	**10,060**	-10,060	0	**0**
Current lease liabilities	**572**	-56	467	**983**
Non-current interest-bearing liabilities (excluding items listed below)	**106,739**	15,599	3,370	**125,709**
Non-current lease liabilities	**6,549**	-1,926	1,037	**5,661**
Total liabilities from financing activities	**123,920**	**3,558**	**4,874**	**132,353**

	01/01/2022	Cash-effective changes	Others	**31/12/2022**
	T€	**T€**	**T€**	**T€**
Current interest-bearing liabilities (excluding items listed below)	**0**	5,309	4,751	**10,060**
Current lease liabilities	**202**	-202	572	**572**
Non-current interest-bearing liabilities (excluding items listed below)	**101,977**	-80	4,842	**106,739**
Non-current lease liabilities	**7,481**	-1,526	595	**6,549**
Total liabilities from financing activities	**109,660**	**3,500**	**10,760**	**123,920**

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

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13. Inventories

	31/12/2023	31/12/2022
	T€	T€
Raw materials	16,112	17,607
Work in progress	2,433	3,599
Finished goods	15,517	15,460
Total inventories	**34,062**	**36,665**

The costs of inventories incurred in connection with continuing operations were recognized as expenses during the financial year in the amount of T€ 157,227.

The total amount of the acquisition and production costs of the inventories recognized as expenses includes value adjustments on the net realizable value in the amount of T€ 305 (previous year: T€ 1,709) and write-ups in the amount of T€ 2,135 (previous year: T€ 0). The value adjustments are primarily due to the measurement of inventories in connection with the former Household business. Corresponding provisions were utilised in this respect.

The company's compressors are operated with natural refrigerants as well as synthetic refrigerants, which could have an influence on climate change. The company sells the compressors to customer without refrigerant and most platforms operate with synthetic as well as natural refrigerants meaning that the inventories do not contain any climate-related risks.

14. Trade receivables

	31/12/2023	31/12/2022
	T€	T€
Receivables from third-party customers	33,944	42,889
Allowance for expected credit losses	-5,847	-3,624
	28,097	**39,265**

Trade receivables are non-interest bearing and generally have a term of 30 to 90 days.

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

01/01/2023	Utilisation	Reversal	Addition	**31/12/2023**
T€	T€	T€	T€	T€
3,624	0	0	2,223	5,847

Customer receivables of the German and American Secop companies are partially secured by trade credit insurance. Customer receivables of the other foreign Secop companies are not subject to any trade credit insurance, but are partly secured by letters of credit or comparable instruments.

In the 2023 financial year, the company wrote off receivables of T€ 2,223, of which T€ 2,147 was attributable to emerging markets for political reasons and T€ 76 in North America. Enforcement measures were required for three customer receivables.

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

In all other respects, please refer to the disclosures in note *4.2 Trade receivables*.

15. Cash and bank balances

	31/12/2023 T€	31/12/2022 T€
Cash at banks	8,058	17,244
Cash at hand	2	1
	8,060	**17,245**

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

16. Subscribed capital and reserves

Subscribed capital	**31/12/2023 T€**	**31/12/2022 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 as per the GmbHG. This includes the right to participate in profits and the right to vote.

Capital reserves	**2023 T€**	**2022 T€**
As at 1 January	**1,975**	**1,975**
Changes in the reporting period	0	0
As at 31 December	**1,975**	**1,975**

On 5 September 2019, shareholders made a contribution to the capital reserves of the Company in line with §272 (2) No.4 HGB.

Retained earnings	**2023 T€**	**2022 T€**
As at 1 January	**32,267**	**33,281**
Changes in the reporting period	-11,033	-1,014
As at 31 December	**21,234**	**32,267**

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

Other reserves	**2023 T€**	**2022 T€**
As at 1 January	**3,723**	**4,416**
Changes in the reporting period	-1,946	-693
As at 31 December	**1,776**	**3,723**

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

Other comprehensive income/loss	Revaluation reserve	Reserve for cash flow hedges	Reserve for currency differences	Deferred taxes	Total
	T€	T€	T€	T€	T€
Derivative		0			0
Currency translation foreign companies			-2,143		-2,143
Revaluation of defined benefit plans	-56				-56
OCI deferred taxes				251	251
	-56	**0**	**-2,143**	**251**	**-1,948**

17. Provisions

	Warranty	Restructuring	Commis-sions	Personnel expenses	Others	Total
	T€	T€	T€	T€	T€	T€
01/01/2023	**2,968**	**0**	**2,200**	**369**	**6,339**	**11,876**
Addition	934	189	2,938	20	1,078	**5,159**
Utilisation	-1,822	0	-2,130	-8	-2,100	**-6,059**
Reversal	-377	0	-14	-8	-1,046	**-1,445**
Exchange differences	-41	0	-110	0	-16	**-167**
31/12/2023	**1,662**	**189**	**2,884**	**373**	**4,255**	**9,363**
Thereof current	914	189	2,884	8	1,485	5,482
Thereof non-current	747	0	0	364	2,769	3,881
01/01/2022	**3,482**	**84**	**3,314**	**362**	**4,665**	**11,906**
Addition	1,377	0	2,456	99	7,390	**11,322**
Utilisation	-953	-60	-3,052	-80	-2,555	**-6,698**
Reversal	-899	-24	-512	-12	-3,215	**-4,663**
Exchange differences	-39	0	-7	0	55	**9**
31 December 2022	**2,968**	**0**	**2,200**	**369**	**6,339**	**11,876**
Thereof current	2,304	0	2,200	17	1,680	6,200
Thereof non-current	664	0	0	352	4,659	5,676

The expected future cash outflows from long-term provisions are all due in 2 to 5 years. The material long-term provisions are the pension provisions, refer to *note 21 Pensions and other post-employment benefits*.

Warranties

The warranty provisions declined year-on-year mainly due to claims for older warranty cases. The carrying amount of the provisions for warranties on the reporting date was T€ 1,662 (previous year: T€ 2,967).

Restructuring

The restructuring provision principally relates to the discontinuation of certain sub-functions in Germany.

Commissions

A provision for commissions and customer bonuses was recognised because the Secop Group is contractually obliged to pay commissions or bonuses for sales made.

Personnel expenses

The provisions for personnel expenses relate to anniversary bonuses, leave entitlements as well as entitlements from partial retirement.

Other provisions

Other provisions contain the tax provisions as well as provisions for outstanding purchase invoices.

Environment

In relation to the effect of climate change, the company has taken account of the risks and burdens for the production facilities as a result of climate change, such as storms/flooding/heat, and not made any provisions as the production facilities are not contaminated and/or can be used in a different manner. In addition, no recultivation obligations exist.

18. Trade payables

	31/12/2023	**31/12/2022**
	T€	**T€**
Trade payables	45,179	47,787
	45,179	**47,787**

Trade payables are non-interest bearing and generally have a term of 60 to 90 days.

19. Other financial liabilities

The other financial liabilities consist of current financial liabilities (T€ 983, previous year: T€ 11,543) and non-current financial liabilities (T€ 10,090, previous year: T€ 7,030). The current financial liabilities in the previous year mainly relate to a purchase price liability from the acquisition of the Secop Group in relation to the seller, the Nidec Group, which was already paid in full on the reporting date (previous year: T€ 10,971). This also includes current lease liabilities (T€ 983; previous year: T€ 571). As in the previous year, non-current financial liabilities are long-term lease liabilities. Please refer to the additional disclosures in note *12.2 Interest-bearing liabilities and other financial liabilities*.

20. Interest-bearing liabilities

	31/12/2023	31/12/2022
	T€	T€
Current		
Bank loan CNY	0	10,060
Total current interest-bearing liabilities	**0**	**10,060**
Non-current		
Bond of T€ 50,000	48,981	37,620
Shareholder loan T€ 221	259	250
Shareholder loan T€ 40,000	13,278	12,481
Shareholder loan T€ 51,379	59,988	56,387
Shareholder loan T€ 3,000	3,201	
Total non-current interest-bearing liabilities	**125,708**	**106,739**

Please refer to the additional disclosures in note *12.2 Interest-bearing liabilities and other financial liabilities*.

T€ 0 (previous year: T€ 6,833) from supplier refinancing agreements is recognised in the bank loan CNY, where the company transfers supplier liabilities to the bank and therefore extends the payment terms for the company. Individual tranches of this programme had a maximum term of 120 days.

In addition, as at 31 December 2023 the company had issued bills of exchange in China in the amount of T€ 0 (previous year: T€ 3,228) through the bank.

21. Pensions and other post-employment benefits

Net employee defined benefit liabilities

	31/12/2023	31/12/2022
	T€	T€
Pension plan Secop GmbH in Germany	2,828	2,769
Other pension plans	64	58
Total	**2,892**	**2,827**

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 as well as 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 01/01/1998, the Company pension scheme was closed to 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 comprehensive income 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)	**2023**	**2022**
	T€	**T€**
Current service expense	2	4
Interest expense for the benefit obligation	113	54
Net benefit expense	**115**	**58**

Changes in the present value of the defined benefit obligations

Defined benefit obligation as at 1 January 2023	**2,769**
Interest expense	113
Ongoing service expense	2
Actuarial result	54
Benefits paid	-110
Defined benefit obligation as at 31 December 2023	**2,828**

	T€
Defined benefit obligation as at 1 January 2022	**4,004**
Interest expense	54
Current service expense	4
Actuarial result	-1,201
Benefits paid	-92
Defined benefit obligation as at 31 December 2022	**2,769**

The principal assumptions used in determining pension and post-employment benefit obligations are shown below:

	2023	**2022**
	%	**%**
Discount rate:	3.99	4.18
Future salary increases	0.0	0.0
Future pension cost increases	1.5	1.5

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

Assumptions for the pension plan in Germany:	**Effects on defined benefit obligations** **31/12/2023** **T€**	**31/12/2022** **T€**
Future pension cost increases		
0.5% increase	154	143
0.5% decrease	-143	-133
Discount rate:		
1.0% increase	-322	-323
1.0% decrease	392	393
Future salary increases:		
0.5% increase	0	0
0.5% decrease	0	0
Life expectancy of pensioners:		
Increase by 1 year	74	69
Decrease by 1 year	-76	-71

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 as 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 13 years.

For the following financial year, payments in the amount of T€ 119 (previous year: T€ 113) are expected.

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

22.1 Other non-financial assets

	31/12/2023 T€	31/12/2022 T€
Non-financial claims	353	925
Non-financial assets	3,300	3,338
VAT receivables	2,458	919
Others	1,347	1,404
	7,459	**6,585**
Thereof current	7,459	6,585

The non-financial receivables mainly relate to receivables from grants applied for research work, advance rent payments and deposits. For receivables 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

	31/12/2023 T€	31/12/2022 T€
Income tax liabilities	1,737	40
Other staff liabilities	2,159	1,894
Social security liabilities	835	1,033
Debtors with credit balances	724	1,030
Other liabilities	4,636	3,033
	10,090	**7,030**
Thereof current	10,090	7,030
Thereof non-current	0	0

The other liabilities contain other charges (T€ 505, previous year: T€ 531) as well as other liabilities.

23. Deferred revenue

	31/12/2023 T€	31/12/2022 T€
Project-related revenue	136	0
	136	**0**
Thereof current	**136**	**0**
Thereof non-current	**0**	**0**

The deferred revenue relates to deferred revenue for projects with customers. The project will be completed in the first half of 2024.

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24. Contingent liabilities and other financial obligations

Obligations

As of 31 December 2023, there were significant obligations from IT maintenance contracts amounting to T€ 3,304 and rental obligations of T€ 6,238.

Purchase commitments for property, plant and equipment still outstanding as of the reporting date amount to T€ 2,028. With regard to contractual obligations for the acquisition of intangible assets, there were no purchase commitments on the reporting date. As a contractual obligation to accept materials, obligations of T€ 5,323 exist on the reporting date, a significant part of which is attributable to a delivery period of three to six months, as well as an obligation to accept supplies of T€ 275.

Litigations

In 2022, Nidec and Secop reached an out-of-court settlement on all issues covered by the pending arbitration proceedings, including the final purchase price instalment. As per the agreement, in the first quarter of 2023 Secop paid an amount of T€ 13,000 to Nidec Europe B.V. In accordance with the bond terms, the shareholders contributed T€ 3,000 in cash as new shareholder loans in order to partly finance the settlement amount. The financial impact of the settlement agreement has been taken into account in the Secop Group's 2022 annual financial statements. The settlement agreement did not affect certain contractual reimbursement rights of Secop for claims that arose prior to 2019.

25. Related party disclosures

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

Shareholder loans received

Dilasso Bath Invest S.à r.l., Luxembourg, as the parent company of Secop Group Holding GmbH, granted a loan of T€ 221 in 2019 with repayment by 13 September 2029 and a fixed interest rate of 4% per year. The company also received an additional loan of T€ 3,000 on 6 March 2023 with repayment by 12 March 2028 and an interest rate of 8.25%.

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, 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 Crown Co-Investment Opportunities II, Ireland, 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 with repayment by 19 August 2020 at an interest rate of 8% per year. A nominal partial repayment of T€ 30,173 was made on 28 July 2020. With the Amendment Agreement of 25 August 2020/27 August 2020, a new term of 2 September 2029 was agreed. 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 2023, the loans are reported under non-current interest-bearing loans. Please refer to the additional disclosures in note *20 Interest-bearing liabilities*.

Regarding shareholder loans mentioned above, interest expenses of T€ 4,608 (previous year: T€ 4,412) were incurred in the financial year.

Transactions of key management personnel of the Secop Group

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

Management in key positions is limited to the management of the Parent.

The Management Board consisted of Dr Jan Ehlers and Mr Michael Engelen.

For carrying out their tasks in the Parent and subsidiaries, total remuneration of T€ 568 (previous year: T€ 423) (current employee benefits) was paid to the Management Board in the financial year as well as T€ 0 (previous year: T€ 137, post-employment benefits) to former members of the Management Board.

The total remuneration includes fixed and variable remuneration as well as non-cash benefits (company apartment, company vehicles or rental cars) and severance payments.

26. 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 their financing requirements for investments and debt settlement. The Group’s capital structure consists of net debt and the Group’s equity (refer to the disclosures in note *16 Subscribed capital and reserves*).

The management of the Secop Group considers the total of equity and shareholder loans totalling T€ 101,735 (previous year: T€ 107,108) (for the terms of the shareholder loans, please refer to note *12.2 Interest-bearing liabilities and other financial liabilities and 25 Related party disclosures)* in relation to the total assets as the relevant ratio. As of 31 December 2023 this is 42% (previous year: 41%).

Just like the 2020 bond, the bond issued in 2023 also requires the Secop Group to comply with certain 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 operative 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.

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.

27. 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€ 141 (previous year: T€ 133).

28. 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 bank balances shown in the statement of financial position. Cash and cash equivalents that are subject to access restrictions were reported in the amount of T€ 840 (previous year: T€ 840) under other current financial assets.

The supplier financing programme is recognised under the change in interest-bearing liabilities.

With regard to the presentation of the changes in liabilities arising from financing activities, please refer to the disclosures in note *12.4 Changes in liabilities arising from financing activities*.

29. Segment information

Revenue by region

	2023 T€
Europe	79,683
China	102,691
America	19,141
Middle East, Africa & South Asia	33,960
Total	**235,475**

The allocation of revenue 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	**Intangible assets**	**Right-of-use assets**
	T€	**T€**	**T€**
Germany	888	59,213	1,915
EU	62,990	656	1,433
China and USA	25,535	4,526	2,998
Total	**89,414**	**64,394**	**6,346**

Segment data and reconciliation

Segment	Stationary Cooling	Mobile Cooling	Medical Cooling	**Total 2023**
	T€	**T€**	**T€**	**T€**
Revenue	154,568	74,400	6,508	235,475
Cost of sales	-126,542	-55,426	-4,201	-186,169
Gross profit	**28,026**	**18,974**	**2,306**	**49,306**
Other operating income				17,544
Sales and distribution expenses				-18,151
Administrative expenses				-17,431
Other expenses				-25,357
Operating profit				**5,911**
Financial expenses				-12,040
Financial income				758
Profit before tax				**-5,372**

Segment	Stationary Cooling	Mobile Cooling	Medical Cooling	**Total 2022**
	T€	**T€**	**T€**	**T€**
Revenue	190,923	79,660	7,181	277,763
Cost of sales	-169,347	-58,501	-4,711	-232,559
Gross profit	**21,575**	**21,159**	**2,470**	**45,204**
Other operating income				26,895
Sales and distribution expenses				-21,025
Administrative expenses				-19,392
Other expenses				-23,832
Operating profit				**7,851**
Financial expenses				-9,434
Financial income				1,016
Profit before tax				**-2,600**

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.

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 Medical Cooling segment

In the Medical Cooling segment with its stationary and mobile solutions, Secop is a reliable partner to leading companies that support the development of a global ULT (ultra-low temperature) supply chain and optimise the medical cooling chain with green and efficient solutions.

30. Standards issued but not yet in effect

The new and amended standards and interpretations that are issued, but not yet in effect, up to the date of publication of the consolidated financial statements are disclosed below. The Secop Group intends to adopt these new and amended standards and interpretations when they come into effect.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants

The amendments to IAS 1 only concern the presentation of liabilities as current or non-current in the statement of financial position and not the amount or time of recognition of assets, liabilities, income or expenses, or the information to be disclosed about these items.

The amendments published in January 2020 clarify that liabilities are classified as either current or non-current, depending on the substantive rights to defer settlement for at least twelve months that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise its right to defer settlement. If this right is linked to compliance with certain conditions, the existence of such a right is assumed only if these conditions were in fact complied with as at the reporting date. The amendments also clarify the "Settlement" criterion, which is defined as the transfer of cash, equity instruments as well as other economic resources services to the counterparty.

Additional amendments to IAS 1 were published in October 2022. These amendments clarify that the classification of liabilities as current or non-current is only influenced by covenants that an entity is required to satisfy on or before the reporting date. However, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendments are effective for reporting periods beginning on or after 1 January 2024 (retrospective application).

The Management Board does not anticipate that the amendments will have any material effects on the consolidated financial statements as the credit agreements of the overdraft loan in Slovakia are already recognised as current liabilities. The company does not currently have any non-current liabilities with covenants.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The amendments include subsequent measurement requirements for leases as part of a sale and leaseback (SLB) for a seller-lessee.

During the subsequent measurement of lease liabilities as part of a SLB, the payments expected at the start of the term are to be determined in a way that it does not recognise any amount of the gain that relates to the right of use it retains. In every period, the lease liability is reduced by the underlying expected payments and the difference to the actual payments is recognised through profit or loss.

The amendments are effective for financial years commencing on or after 1 January 2024.

The Management Board does not anticipate that the amendments will have any material effects on the consolidated financial statements as the company generally does not enter into sale and leaseback arrangements with variable lease payments.

Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements

The amendments supplement the IAS 7 statement of cash flows with an additional disclosure requirement, which requires an entity to disclose information about its supplier finance arrangements, which allows users of financial statements to assess the effects of such arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 - Financial Instruments: Disclosures was amended to include finance arrangements with suppliers as an example within an entity's liquidity risk disclosure requirements.

The term "supplier finance arrangements" is not defined. Rather, the characteristics of such arrangements are described.

To satisfy the disclosure requirement, an entity is required to disclosure the following aggregated information for its supplier finance arrangement:

- the terms and conditions,
- the amount of the liabilities that are part of the arrangements, the carrying amount and the balance sheet items in which they are recognised,
- the carrying amount and balance sheet items of the liabilities for which the suppliers have already received payment from the finance providers,
- ranges of payment due dates for financial liabilities that are part of these arrangements as well as for similar liabilities from deliveries and
- payments that are not part of such arrangements,
- liquidity risk information.

The amendments, which contain specific transition relief for initial application, must initially be applied for financial years starting on or after 1 January 2024.

The Management Board anticipates that the amendments will lead to additional disclosures in the notes.

Amendments to IAS 21 - Lack of Exchangeability

The amendments require an entity to apply a uniform approach when assessing whether a currency is not exchangeable and, where this is the case, how to determine the exchange rate to be used and the necessary disclosures in the notes.

The amendments are effective for financial years commencing on or after 1 January 2025.

The Management Board does not anticipate that the application of the amendments will have a material effect on the consolidated financial statements, as no transactions are typically executed in currencies that cannot be exchanged.

31. Events after the reporting period

No material transactions occurred after the reporting date for the reporting period.

32. Approval of the financial statements

The consolidated financial statements were approved by the Management Board of Secop Group Holding GmbH and released for publication on 19 March 2024.

Flensburg, 19 March 2024

Jan Ehlers	Michael Engelen
Managing Director	Managing Director

Secop Group Holding GmbH, Flensburg

Group management report
2023

Contents

Preliminary remarks:
Secop Group Holding GmbH ("Secop Group" or "Secop" or the "Group), with its registered office in Flensburg, Germany, is required to prepare consolidated financial statements, which it prepares as defined in Section 315e(3) HGB (German Commercial Code) in conjunction with Section 315e(1) HGB in accordance with the international accounting standards as they apply in the EU and the supplementary German statutory provisions. All amounts stated in the Group management report relate to the consolidated financial statements prepare on the basis of the international accounting standards (IFRS).

1 Fundamental information about the Group

1.1 The Group's business model

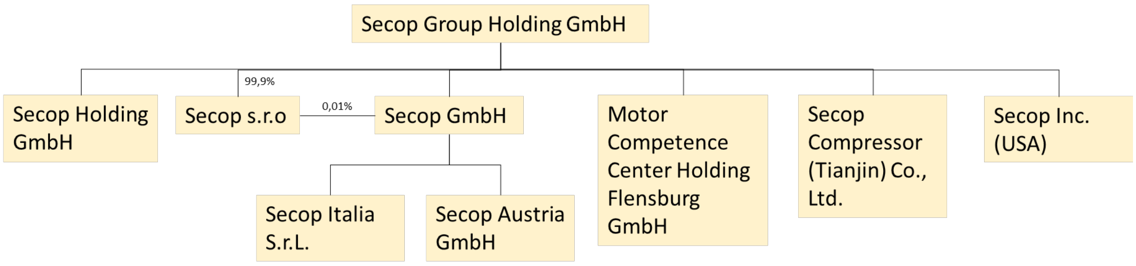
The Secop Group develops, produces and sells hermetic compressors for cooling applications worldwide. In pursuing this business, it uses raw and input materials, such as steel, copper, aluminium and electrical components that are essential for the compressor control systems. The raw materials are used to manufacture compressors for household appliances, commercial appliances and mobile appliances in the Group production facilities. The marketing and sales organisations are responsible for the global sale of the goods. The Application Engineering division provides customer service and technical marketing activities with engineering expertise for Group customers.

In the **Stationary Cooling** segment, the Group 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. In the **Mobile Cooling** division, the Group 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 applications. In the **Medical Cooling** segment with its stationary and mobile solutions, Secop is a partner to leading companies that support the development of a global ULT (ultra-low temperature) supply chain and optimise the medical cooling chain with green and efficient solutions.

Secop Group Holding GmbH is the Group's head office for directly and indirectly held wholly-owned subsidiaries, including Secop GmbH (Flensburg/Germany) as the administrative site and distribution centre, Secop Holding GmbH (Flensburg/Germany), Motor Competence Center Holding GmbH (Flensburg/Germany), as the R&D competence centre, Secop s.r.o. (Zlaté Moravce and Nitra/Slovakia) as a production and R&D site, Secop Compressors (Tianjin) Co., Ltd. (Tianjin/China) as a production site and Secop Austria GmbH (Gleisdorf/Austria) as a research site. This is joined by Secop Inc. (Roswell/USA) a sales and service company and Secop Italia S.r.l. (Milan/Italy) a sales and marketing support unit. Both Secop GmbH and Secop Inc. as well as the production sites sell compressors to third parties. The development expertise primarily resides at the Austrian site in Gleisdorf (near Graz) and the Motor Competence Center GmbH in Flensburg (Germany).

The sales activities at the European sites are coordinated by the German company Secop GmbH. Secop Compressors (Tianjin) Co., Ltd. operates production facilities and also has its own sales organisation for the Chinese market. The USA operates a sales organisation as well as a separate warehouse for products that are imported from the Secop Group's own plants in Slovakia and China.

In summary, the Group structure is as follows:



The core business is focussed on the global segments of Stationary Cooling and Mobile Cooling as well as the Medical Cooling segment currently under development. In the coming years, Secop's resources, investment funds and general focus will target these three segments.

1.2 Control system

The uniform information and controlling system established in the Secop Group is implemented in all Group companies and consolidated in Secop Group Holding GmbH. It supplies critical information on improving the cost and earnings situation to enable necessary countermeasures to be introduced where necessary. A weekly liquidity report and a monthly variance analysis from the annual budget and the intrayear forecasts are used for this purpose. The managing directors of the individual companies use these management tools to provide a monthly update to Group management on the current situation and the developments in the Group companies to support management decisions.

The key planning and management figures for internal management of the Group and Group companies (and so the key financial performance indicators) are the revenue and adjusted EBITDA figures. All key figures are recorded and monitored in the uniform Group reporting system. For the calculation of adjusted EBITDA, please refer to section 2.2 Business development and situation. Moreover, management receives regular updates on the turnover, the "adjusted" cost of sales (cost of sales not including the costs for depreciation and overheads) and the gross profit (revenue less "adapted" cost of sales) for each segment. These figures are additional financial performance indicators but are not considered key performance indicators.

The non-financial Group statement in line with Section 315b HGB is published as a separate report on the Company's website.

1.3 Research and development

Secop's product development activities are focussed on promoting the use of natural "green" refrigerants to adapt to the trends in many regions of the world to increase energy efficiency in order to reduce global carbon emissions and the miniaturisation of refrigeration compressors to reduce the use of raw materials.

In 2023, the **Mobile Cooling** segment launched the new BD Nano mobile cooling platform on the market, whose compact size offers excellent cooling performance, energy consumption and noise development in its class. The new product supports the Group strategy and has significant potential in the rapidly growing market for electromobility. In terms of application, the Group released a new generation of electronic control units to the market. They contain the latest technology and advanced functions for a wide range of applications in the Light Commercial Segment and control the compressor as well as the customer application based on customer-specific parameters. In **Stationary Cooling**, the new KLF platform was expanded with a whole series of R290 models that provide up to 10% greater energy efficiency and 20% lower costs compared to the previous DLE generation. The KLF compressors range was also expanded up to a cubic capacity of 9 cm^3 in response to the market requirements for miniaturization in which smaller compressors are able to provide the power of the larger platforms previously used. In the **Medical Cooling** segment, a special, customised series for compressors with greater durability and optimised use with various refrigerants was developed for the ULT (ultra low temperatures) business. This supports the development of mobile boxes and evaporator sets that are developed and supplier by the Group and can reach temperatures down to -80°C.

In 2024 the Group expects that the introduction of NLE and SCE platforms with advanced cooling capacity and improved variable-speed solutions in the ULT business will enhance the Group's competitiveness in the Stationary Cooling segment. The Mobile Cooling segment will benefit from the new BD Nano platform and the updated series of electronic control units that were developed for specific solutions in the automotive sector.

In 2023, the Group's R&D expense amounted to € 15.5 million (previous year: € 13.5 million). A total of 52% (previous year: 57%) was capitalised in the financial year. An average of around 148 employees work in the area of R&D. The Group may register patents to safeguard the research and development results.

2 Economic report

2.1 Macroeconomic and sector-specific conditions

The global economy proved surprisingly resilient in 2023, whereas the German economy recorded a 0.3% decline in gross domestic product due to high inflation of 5.9%[1] and uncertainties in the energy and raw materials prices.[2]

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[1] Source: IWH, Konjunktur Aktuell, 4/2023, 11. Jahrgang, 14 December 2023, p. 115.
[2] Source: BMWK, Schlaglichter der Wirtschaftspolitik, March 2024, p. 8.

The decline is primarily due to the sharp rise in energy prices in the first half, which caused households to adjust their demand and continued into the second half of the year. Industry also suffered from the high energy prices and low foreign demand from China and the USA. Private consumption is expected to rebound slightly in 2024, as inflation will likely act as a brake on the development of the key interest rate and real wages could rise as inflation falls and new collective bargaining agreements enter into force. This could stimulate private consumption and help to revive the economy.[3] The labour market remained stable and robust despite rising inflation and high energy prices, as the skills shortage continued to hamper growth across almost all sectors.[4] In the autumn of 2023, employment reached an all-time high with over 46 million people employed.[5] Unfortunately, the mood amongst companies is decidedly negative. Only during the financial crisis and the pandemic has the mood been worse, albeit it recovered slightly in the manufacturing sector towards the end of the year. For Germany, falling inflation and the associated expected reductions in the key interest rate[6] are predicted to result in growth of between 0.2% and 0.6% in 2024. Inflation is expected to fall back below 2% in 2025[7], which is likely to have a positive impact on production and private demand with predicted growth of 1% in 2025.[8]

The Economy in Europe remained flat, with growth of just 0.5% expected in 2023. Inflation in the euro area is likely to remain at a high 5.3% in 2023, while weak foreign demand and restrictive monetary policy are also putting a damper on the economy in the euro area. Consumer confidence has recovered from its downward trend, but remains weak. This is also the case for business indicators. Despite this, the European labour market proved to be robust and employment increased, albeit with initial signs of cooling. Industrial production slowed its descent and proved to be relatively robust despite the high key interest rates, but is expected to have a negative impact on the economy in the coming quarters due to the unfavourable financing conditions if there is no turnaround in monetary policy.[9] The global economy is unlikely to provide much momentum for net foreign demand for the time being. The main driver of economic growth will be the revival of private consumption, as falling inflation rates and rising nominal wages will likely lead to increased real wages by 2025 and stimulate private consumption. The labour market is expected to remain resilient until 2025 with an unemployment rate of around 6.5% into 2025, although the recovery in private consumption and a recovery in foreign demand could reinvigorate the employment figures.[10] Demand from the USA and Asia is expected to gradually recover during the year and continue to gain traction in 2025. Overall, the euro zone is expected to grow by 0.5% in 2023.

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[3] Source: DIW, Wochenbericht 50, 2023, p. 723.
[4] Source: BMWK, Schlaglichter der Wirtschaftspolitik, March 2024, p. 10.
[5] Source: BMWK, Schlaglichter der Wirtschaftspolitik, March 2024, p. 16.
[6] Source: DIW, Wochenbericht 50, 2023, p. 710.
[7] Source: BMWK, Schlaglichter der Wirtschaftspolitik, March 2024, p. 15.
[8] Source: DIW, Wochenbericht 50, 2023, p. 710.
[9] Source: DIW, Wochenbericht 50, 2023, p. 711.
[10] Source: DIW, Wochenbericht 50, 2023, p. 710.

In the following years, the recovery is predicted to lead to growth of 0.9% in 2024 and 1.4% in 2025.[11]

In contrast to other developed economies, the US economy reported strong growth of 2.5% in 2023.[12] This is primarily due to the growth in private demand generated by tax relief in previous years,[13] which was able to more than make up for the drop in corporate investments from the first half.[14] The boom in corporate investments in the first half was a one-off effect caused by the passage of the Chips & Science Act and the Inflation Reduction Act.[15] Exports and imports also increased significantly, maintaining a net zero trade balance. But the mood is souring even in the USA: the tight US labour market proved to be resilient, but has started to cool.[16] The unemployment rate increased slightly by 0.3% but remains at an historically low rate of 3.7%. However, this could have an impact on private consumption during the course of the year, as the savings accumulated by private households from tax breaks introduced during the years of the pandemic are expected to be almost fully utilised in 2023.[17] As a result, performance is primarily dependent on corporate investment, which could improve from the summer of 2024 if the expected turnaround in interest rates comes to fruition and stimulates the economy. Inflation remains at 4%, but (just like Europe) is expected to fall back below 2% in 2024 and 2025 with initial interest rate cuts predicted in early summer 2024. Due to the weak momentum, the US economy is expected to grow at a slower rate of 1.6% in 2024 and 1.7% in 2025.[18]

The Chinese economy was unexpectedly volatile due to the pick-up in consumer spending at the start of 2023 as a consequence of the removal of pandemic-related restrictions.[19] However, in the third quarter China once again grew strongly with quarterly growth of 1.3%. Despite this, the Chinese economy remains in a weak phase due to the persistent real estate crisis and the drop in consumer confidence, which is impacting private consumption. This is being exacerbated by weak foreign demand from Europe and the USA, which is dampening exports. China has responded with a substantial stimulus package, with initial interest rate cuts and low deposit requirements for real estate purchases, which is already showing initial success and explains the improved forecasts. The price development in China is the exact opposite to Europe, as consumer prices recorded a deflationary trend in the last quarter. For instance, consumer prices fell by 0.2% in October compared to the average for the year, which had a further negative influence on consumption. This development led to a loosening of monetary policy in China with two further interest rate cuts since. The low demand in foreign trade remains a drag on growth, even if the economic recovery in advanced economies is expected to gain momentum by the start of 2024.

[11] Source: DIW, Wochenbericht 50, 2023, p. 711.
[12] Source: DIW, Wochenbericht 50, 2023, p. 716.
[13] Source: BMWK, Schlaglichter der Wirtschaftspolitik, March 2024, p. 40.
[14] Source: DIW, Wochenbericht 50, 2023, p. 716.
[15] Source: DIW, Wochenbericht 36+37, 2023, p. 482.
[16] Source: DIW, Wochenbericht 50, 2023, p. 716.
[17] Source: BMWK, Schlaglichter der Wirtschaftspolitik, March 2024, p. 40.
[18] Source: DIW, Wochenbericht 50, 2023, p. 716.
[19] Source: BMWK, Schlaglichter der Wirtschaftspolitik, March 2024, p. 41.

However, economic growth is still predicted to remain above that of other developed industrialised nations. Even so, the Chinese economy is reported to have grown by 5.3% in 2023; the weakest rate of growth in three decades, excluding the 2020 - 2022 pandemic years. And growth is expected to continue to decline in the coming years.[20] The unresolved real estate crisis and increasing debt, which is restricting investment, the demographic headwind and limited opportunities to regain productivity are likely to act as a brake on potential growth.[21] As a result, China is expected to grow by 4.7% in 2024 and 4.2% in 2025.[22]

In summary, the global economy lost momentum in 2023. Industrial production and global trade stagnated as the catch-up effects of the previous year as a result of the coronavirus pandemic largely abated and global increases in leading interest rates to combat inflation dampened investment in almost all countries apart from China. Besides this, the ongoing Russia-Ukraine conflict and the situation in the Middle East are clouding the outlook for the global economy, particularly in Europe.

2.2 Business development and situation

Development of the Secop Group's overall business volume was restrained in 2023, although the product portfolio shifted to much more profitable transactions and the margins returned to a sustainable level following a very difficult 2022.

The market development in the **Stationary Cooling** segment continued to slow following the investments in previous years, particularly in food retail in Europe and America. Net sales in Europe, America and the Middle East failed to reach the levels posted in the previous year, while China recorded an increase in sales to partly offset the fall in demand in Europe and the USA.

In China, customers in the food service as well as food retail sectors ensured a good order situation, particularly in the second half of 2023, in order to meet the rising demand for cooling appliances in the Chinese domestic market. In Europe and the USA, the food retail segment recorded lower demand year-on-year due to limited investments as a result of an unstable market situation as well as a high inflation rate. In the food service sector in Europe and America demand for cooling solutions for hotels, restaurants and catering was lower throughout almost the entire 2023 period year-on-year. Even the beverage segment reported demand below expectations in all regions. The reluctance to invest in the food retail sector and beverage industry also had an influence on the distribution network, which led to a decline in investments for new plants as well as the modernisation of old plants. Irrespective of the lower demand for existing products, Secop was able to achieve initial successes from the introduction and authorization of new products.

[20] Source: DIW, Wochenbericht 50, 2023, p. 723716.
[21] Source: BMWK, Schlaglichter der Wirtschaftspolitik, March 2024, p. 41.
[22] Source: DIW, Wochenbericht 50, 2023, p. 723716.

Various customers are actively working to upgrade their product portfolio in order to bring environmentally friendly and efficient cooling solutions onto the market that comply with the new requirements, particularly for energy labelling.

In the **Mobile Cooling** segment, in 2023 demand was driven by the positive development of new projects from the automotive and eCars business in China. Secop products have established themselves in various new projects for eCar applications and the demand for integrated refrigerators in new eCar concepts in China is increasing demand for matching Secop compressors. The new BD Nano platform is particularly well-suited to the requirements of these projects and will allow Secop to build on its market share and extensive experience with cooling solutions for the automotive industry. The strong rise in demand from the automotive segment was able to partially compensate a fall in recreational vehicles in the USA and Europe as well as a decline in demand for portable boxes in China.

In 2023, the **Medical Cooling** segment recorded demand below the level in the previous year. Investments in the medical cold chain declined in 2023, which reflects the overall cautious approach that can also be observed for the other segments in America and Europe. In China too, medical demand was below expectations, as the investment level following the coronavirus pandemic fell due to limited government support for the development of the medical cold chain network. However, overall, the decline in demand marks more of a return to a normal growth level following the boost in demand triggered by the coronavirus pandemic in 2021 and 2022. To ensure continued potential growth, in 2023 Secop continue to actively work towards the successful completion of various projects to develop a more efficient medical cold chain.

The gross margins achieved in 2023 improved in comparison to 2022 due to a better product mix and more stable or falling raw material, energy and freight prices, although these remain above pre-crisis levels. The gross margin (revenue less cost of sales) in relation to sales of 21% is higher than that reported in 2022 (16%).

In 2023, Group earnings were negatively impacted by a fall in sales as a result of political and economic uncertainties and persistently high inflation, which was able to be at least partially compensated by the better margin development. The key management figure of adjusted EBITDA of € 18.4 million improved slightly year-on-year (€ 18.2 million). At the same time, the IFRS EBITDA (reported EBITDA) of € 17.7 million is below the value reported the previous year (previous year: € 23.9 million), particularly due to the negative non-recurring effects in 2023 as a result of the allowance for trade receivables from developing countries and the positive non-recurring effects in the previous year from the out-of-court settlements with the former owner (Nidec Europe B.V.).

In summary, targeted sales and the planned result could not be achieved in 2023 due to a range of external factors. In view of the considerable challenges faced in 2023, such as the ongoing Ukraine-Russia conflict and persistently high inflation, the Management Board is satisfied with the company's economic performance.

Adjusted EBITDA is calculated as follows:

	2023	2022
	T€	T€
Revenue	**235,475**	**277,763**
Cost of sales	**-186,169**	**-232,559**
Gross profit	**49,307**	**45,205**
Other operating income	17,544	26,895
Sales and distribution expenses	-18,151	-21,025
Administrative expenses	-17,431	-19,392
Other expenses	-25,357	-23,832
Operating profit	**5,911**	**7,852**
plus depreciation contained therein	11,747	16,008
EBITDA	**17,658**	**23,860**
Leasing costs acc. to IFRS 16	-1,750	-1,669
Unrealised currency gains/losses	-1,785	-656
Gains/losses from the sale of assets	-16	-11
Unadjusted EBITDA	**14,107**	**21,524**
Adjustments:		
Arbitration tribunal/SPA	-59	-6,374
Restructuring	1,230	1,499
Consulting expenses	860	1,342
Other	2,276	180
Adjusted EBITDA	**18,415**	**18,171**

2.2.1 Results of operations

	2023	2022	Change
	T€	T€	T€
Revenue	**235,475**	**277,763**	**-42,288**
Cost of sales	**-186,169**	**-232,559**	4,102
Gross profit	**49,307**	**45,205**	-9,352
Other operating income	17,544	26,895	2,874
Sales and distribution expenses	-18,151	-21,025	1,961
Administrative expenses	-17,431	-19,392	-1,526
Other expenses	-25,357	-23,832	**-1,941**
Operating profit	**5,911**	**7,852**	-1,694
Financial expenses	-12,040	-10,347	-155
Financial income	758	913	-1,849
Net financial income	-11,282	-9,434	**-3,789**
Profit before tax	**-5,372**	**-1,582**	-4,472
Income tax	-5,489	-1,016	**-8,262**
Accounting profit/loss	**-10,861**	**-2,600**	4,102

Sales of € 235.5 million in 2023 declined by 15% year-on-year. The personnel expenses contained in the cost of sales, sales and distribution expenses, administration expenses and other expenses in 2023 of € 41.1 million (previous year: € 39.7 million) as a percentage of revenue were higher year-on-year at 17% (previous year: 14%). The rise in personnel expenses was due to salary increases as well as the higher accrual of personnel-related provisions for bonuses and outstanding vacation, among others.

The depreciation contained in the cost of sales, sales and distribution expenses, administration expenses and other expenses in the 2023 financial year totalled € 11.7 million (previous year: € 16.0 million). Depreciation in the 2022 financial year was predominantly impacted by non-recurring effects, e.g. for the value adjustment of intangible assets in conjunction with the remaining domestic appliances. Measured as a percentage of revenue, the depreciation rate decreased from 6% in the previous year to 5% in 2023, due to the elimination of the non-recurring items in 2022 previously mentioned. Excluding these non-recurring effects, the depreciation rate in 2022 was 5%.

The Group segments developed as follows during the 2023 financial year: revenue in the Stationary Cooling segment fell by 19% compared to 2022. Demand in this segment was primarily impacted by an adjustment in demand in Europe, Asia, Africa and America. The decline in the cost of sales ratio from 89% to 82% is primarily due to the stabilised or falling raw materials, freight and energy prices.

In the Mobile Cooling segment, revenue fell by 7% compared to 2022. The decline in this segment is primarily due to lower demand for recreational vehicles in the USA and Europe, which was not able to be compensated by the rise in automotive revenue, as well as the high inventory levels amongst Mobile Cooling customers. The cost of sales ratio of 74% remained effectively unchanged from the previous year.

Revenue in the Medical Cooling segment declined by 9% year-on-year, as the pressure on the medical cold chain abated following the end of the coronavirus pandemic and customers adjusted their inventories. The cost of sales ratio remained virtually unchanged at 65%.

	2023			**2022**		
Segment	**Stationary Cooling**	**Mobile Cooling**	**Medical Cooling**	**Stationary Cooling**	**Mobile Cooling**	**Medical Cooling**
	T€	**T€**	**T€**	**T€**	**T€**	**T€**
Revenue	154,568	74,400	6,508	190,923	79,660	7,181
“Adjusted” cost of sales	-126,542	-55,426	-4,201	-169,347	-58,501	-4,711
Gross profit	**28,026**	**18,974**	**2,306**	**21,575**	**21,159**	**2,470**

This breakdown shows that 66% of revenue is generated by the Stationary Cooling segment, 32% by the Mobile Cooling segment and 3% by the Mobile Cooling segment.

The gross profit used for internal segment management rose by 9% year-on-year as a result of the previously mentioned improvements in the product mix within the segments and the harmonisation of internal prices and purchase costs.

The financial result (financial expenses less financial income) declined year-on-year. This is primarily due to the interest expenses, which recorded an overall increase of € 1.7 million. This development was driven by two effects: firstly, the issue of the new bond on 29 June 2023 and the repayment of the old bond means that Secop no longer holds any own bonds and, secondly, the 2023 bond has a higher coupon rate than the old 2020 bond (+1.65%). In addition, the general market interest rate level of the 3-month EURIBOR increased by 1.74% compared to December 2022.

In the 2023 financial year, the income tax expense is primarily dependent on the subsidiaries in China and Germany. The liabilities for deferred taxes in the Chinese subsidiary were remeasured, while the tax liabilities for withholding tax payable in China on intra-Group cost allocations between the German and Chinese companies were taken into account.

2.2.2 Financial position

The Group's principal financial liabilities comprise interest-bearing loans and borrowing and other financial liabilities as well as trade payables. The main purpose of these financial liabilities is to finance the Group's business activities in the short- and long-term. While the long-term liquidity requirements are covered by shareholder loans and the bond issued 2023, the operating cash flow, trade payables and current liabilities to banks from supply chain financing and the revolving credit facility cover the short-term liquidity requirements.

On 29 June 2023, Secop Group Holding GmbH issued a senior secured floating rate bond with a variable interest rate of 8.40% above the 3-month EURIBOR with an initial volume of € 50.0 million and a term until 29 December 2026, which was subsequently registered for trade on the stock exchange in Stockholm (Sweden). The conditions for bond liabilities stipulate that special repayments are possible within a defined framework as well as the purchase of own bonds. On the other hand, the Group can sell bond tranches back to the market in order to increase liquidity. In addition, the Group is obliged to adhere to financial covenants and other contractual obligations. Failure to comply with these contractual obligations and financial covenants could trigger the premature repayment of the outstanding bond liabilities. On 31 December 2023 nominal bond liabilities totalled € 50.0 million (excluding accrued interest).

The bond issued on 28 July 2020 was repaid in full with the bond issued on 29 June 2023.

Analysis of consolidated statement of cash flows

for the period from 1 January 2023 to 31 December 2023

	2023 T€	2022 T€
Operating activities		
EBIT	_5,910_	_7,851_
Depreciation and impairment of property, plant and equipment, intangible assets and right-of-use assets	11,747	14,567
+ Decrease/- increase in inventories	1,809	13,964
- Decrease/+ increase in trade receivables and short term assets	9,998	13,106
- Decrease/+ increase in trade payables, other liabilities and short term provisions	-723	-18,788
+ Decrease/- increase in provisions	-2,706	-676
- Non-cash income from Nidec settlement	0	-11,039
Non-cash items from the consolidation	-1,190	-1,111
+/- Changes in other statement of financial position items	2,370	1,510
Income tax paid	-1,623	-656
Net cash flows from operating activities	**_25,591_**	**_18,728_**
Investing activities		
+ Decrease/- increase in investments in property, plant and equipment	-10,420	-7,181
+ Decrease/- increase in investments in intangible assets	-8,105	-8,750
+ Decrease/- increase in right-of-use assets as per IFRS 16	-1,296	-940
+ Proceeds/- losses from sale of property, plant and equipment, intangible assets and right-of-use assets	111	136
Net cash flows used in investing activities	**_-19,710_**	**_-16,734_**
Financing activities		
+ Increase/- decrease in liabilities to banks	-6,581	5,245
Payment of principal portion of lease liabilities	-272	-228
Interest and fees paid	-6,823	-3,013
Other financing	-1,205	101
Net cash flows from financing activities	**_-14,880_**	**_2,105_**
Increase/decrease in cash and cash equivalents	**-8,998**	**4,099**
Cash and cash equivalents at 1 January	**17,245**	**13,049**
Decrease/increase in cash and cash equivalents	-8,998	4,099
Foreign exchange differences	-186	97
Cash and cash equivalents at 31 December	**8,061**	**17,245**

The cash flow from operating activities in the 2023 financial year improved by € 6.9 million to € 25.6 million year-on-year. The improvement is based on the operating result adjusted for material non-cash effects. In 2023, the operating result adjusted for the value adjustment for trade receivables from developing countries amounts to € 8.0 million, while the comparable previous year's value adjusted for the non-cash income from the settlement with Nidec Europe B.V. was € -3.2 million. The small decline in net current assets (inventories and trade receivables less trade payables) had a slightly negative effect year-on-year.

Cash flow from investment activity increased by € 3.0 million. In 2023, investments in property, plant and equipment mainly related to the introduction of the new BD Nano product platform in order to commence full series production in 2024. Investments in intangible assets remained at a similar level of € 8.1 million overall in 2023, the majority of which is attributable to the capitalisation of product development costs (R&D expenses) in accordance with IAS 38. The increase in right-of-use assets in line with IFRS 16 is due to the renewal of lease agreements in the USA in 2022 as well as 2023.

The cash flow from financing activities of € -14.9 million in 2023 is primarily the result of the net inflow from the refinancing of the 2020 bond with the 2023 bond (€ 11.4 million), the repayment of the Nidec Europe B.V. vendor loan (€ 10.0 million after offsetting the shareholder loans received in this respect), the repayment of all current liabilities to banks (€ 10.1 million) as well as the interest income affecting cash (€ 6.8 million). The net interest expense increased due to the higher general interest rate level for the bond (3-month EURIBOR) as well as due to the higher coupon for the new bond. In addition, since the refinancing, the company no longer holds any own bonds, which also contributed to a rise in the net interest result.

In summary, the Group's cash and cash equivalents declined by € 9.2 million between 31 December 2022 and 31 December 2023, totalling € 8.1 million on the reporting date.

The Group was able to meet its payment obligations at all times in 2023.

2.2.3 Net assets

	31/12/2023 T€	31/12/2022 T€
Assets		
Non-current assets		
Property, plant and equipment	89,414	86,339
Intangible assets	64,394	60,924
Right-of-use assets	6,346	6,844
Deferred tax assets	1,219	310
	161,373	**154,418**
Current assets		
Inventories	34,062	36,665
Trade receivables	28,097	39,265
Other financial assets	4,784	4,282
Other non-financial assets	7,459	6,585
Cash and bank balances	8,060	17,245
	82,462	**104,043**
Total assets	**243,835**	**258,461**
Equity and liabilities		
Equity		
Subscribed capital	25	25
Capital reserves	1,975	1,975
Retained earnings	21,234	32,267
Other reserves	1,775	3,723
Total equity	**25,009**	**37,990**
Non-current liabilities		
Interest-bearing liabilities	125,708	106,739
Other financial liabilities	5,661	6,549
Other non-financial liabilities	0	0
Provisions	3,881	5,675
Net employee defined benefit liabilities	2,892	2,827
Deferred tax liabilities	18,815	16,061
	156,957	**137,851**
Current liabilities		
Trade payables	45,179	47,787
Interest-bearing liabilities	0	10,060
Other financial liabilities	983	11,543
Other non-financial liabilities	10,090	7,030
Provisions	5,482	6,200
Deferred revenue	136	0
	61,869	**82,620**
Total liabilities	**218,826**	**220,471**
Total assets	**243,835**	**258,461**

The increase in non-current assets by € 6.9 million year-on-year is primarily due to the capitalisation of R&D expenses in line with IAS 38. In addition, the production sites also invested in property, plant and equipment in order to prepare the plants for the production of new products, such as the BD Nano platform, and to increase productivity and efficiency of production. The deferred tax assets are the result of the different local rules compared to IFRS in the Chinese subsidiary.

The 7% decline in inventories reflects a generally lower production cost level and the elimination of the strategic steel inventories still held in 2022. The systematic inventory management approach introduced in 2022 is also contributing to lower inventories. Trade receivables fell by 40% year-on-year due to better receivables management as well as lower business volume in the last quarter of 2023. Besides this, impairments were recognised for high-risk receivables. The increase in other non-financial assets is due to the increase in VAT receivables.

Current interest-bearing liabilities and the loan of the former owner Nidec were repaid in full in 2023 (€ -10.0 million and € -13.0 million respectively), which was also made possible by refinancing with the placement of the new bond, of which Secop does not have any own holdings, in the spring of 2023. The increase in non-current interest-bearing liabilities is primarily due to the capitalised interest on non-current shareholder loans and a contribution of € 3 million as part of the repayment of the vendor loan to Nidec. The percentage of current and non-current interest-bearing liabilities rose from 45% in the previous year to 52% in 2023.

On the assets side, total assets declined by € 14.6 million predominantly due to the reduction in trade receivables and bank balances. The liabilities side declined as a result of the € 10.0 million payment to Nidec (after offsetting the shareholder loan received in this respect) as well as the repayment of all short-term financing in China (€ 10.1 million). Due to the decline in equity, the "simple" equity ratio reduced to 10.3% (previous year: 14.7%). However, management considers the sum of equity and shareholder loans of € 101.7 million (previous year: € 107.1 million) in relation to the total assets to be the relevant ratio ("soft" equity ratio). As at 31 December 2023 this is 42%, representing a slight increase year-on-year (previous year: 41%).

2.2.4 Summary statement

In summary, management considers the company to be in a good economic position. While the results of operations deteriorated in 2023 compared to 2022, in view of the significant external factors and challenges, particularly the general inflation and reticence of some customers to make purchases, this can still be classed as satisfactory.

3 Outlook

Given the ongoing political and economic uncertainties in the individual regions, a reliable forecast for virtually all markets for 2024 is difficult. Only in China does the Group expect a significant upturn in the two main Stationary Cooling and Mobile Cooling segments. The challenging macroeconomic factors that the Group faced in 2023 will persist in the first half of 2024. In view of the persistently high inflation rates of above 2%, the Ukraine-Russia conflict as well as the Israel-Gaza conflict and the continued poor economic growth prospects in Europe, the overall economic expectations are restrained.

The Secop Group only expects demand in the Stationary Cooling segment to be above the 2023 level in China, while remaining at the low level reported in the previous year in America as well as Europe. There are no signs of any significant recovery in demand in Europe and America, with most customers forecasting restrained demand throughout 2024. The Group also does not expect any noticeable improvement of the situation in the Middle East and Africa. The demand level is unpredictable due to the turbulences in the regions. Stable demand is expected in Southeast Asia in 2024 as well. This scenario particularly relates to the beverage, food retail and food service segments. Despite the restrained forecast demand for existing products, Secop expects increasing demand for the compressors recently launched on the market. The KL series models for environmentally-friendly refrigerants and the NLV series with new electronic control units service a new generation of cooling solutions that various customers are developing to meet new, more stringent energy labelling and other requirements for “green” cooling solutions.

The **Mobile Cooling** segment will primarily be driven by the development of demand in China and the Group expects the order level to exceed that of 2023, primarily as a result of the automotive segment. The market launch of new eCar projects commenced during the previous year will have a corresponding positive effect on production and sales of the BD Nano platform. Following weak sales in 2023, a recovery is expected for the automotive and recreational vehicles market in Europe and America as well, once again supported by the new BD Nano platform. Overall, the expectation for the Mobile Cooling segment is that the rise in demand for refrigeration compressors for eCars in China in particular will compensate for the restrained demand for existing platforms in other regions resulting in total sales at the end of the year above the level reported in 2023.

For the **Medical Cooling** segment, the Group also expects a slight rise in demand. The ramp-up of the new platforms continued in the last quarter of 2023, which were recently released by leading customers and will now enter series production. The Group received approval to implement new highly efficient solutions for the storage and transport of medication from three customers. In addition, the last authorization phase of a new, innovative solution for vaccine refrigerators suitable for remote installations in rural areas has been reached. These new products as well as the normalization of customer inventories will help to underpin growth in the Mobile Cooling segment.

In the area of raw materials, energy and transport, the Group expects material and energy costs to remain at the levels recorded in the second half of 2023. Various negotiations with major Western suppliers in 2023 showed that there is little scope for further price reductions, so only minor price decreases are expected for 2024. By contrast, the efforts to reduce costs through product modifications, efficiency increases and changes in the supplier structure will continue unabated. The current crisis in the Red Sea will have a negative impact on transport costs. The previous delivery shortages for electronics have been resolved and make it possible to meet the expected level of demand.

Following the considerable activities in 2023, overall investments in 2024 are expected to return to the levels posted in previous years. Major investments are expected for the expansion of the production capacity for the BD Nano platform, the continued development of the SCE and NLE platforms as well as for streamlining and efficiency and quality improvements. The company also expects slightly lower R&D expenses compared to 2023.

The Group is forecasting growth in revenue and EBITDA adjusted for certain non-recurring effects compared to 2023, although this will depend heavily on economic and political development, particularly in Europe, the Middle East and worldwide, as well as the rise in demand for eCars in the Mobile Cooling segment. Secop expects a significant rise in revenue from the level of € 235 million reported in 2023. A significant rise in adjusted EBITDA is expected in 2024. Accordingly, higher EBITDA, EBIT and profit before tax in accordance with the IFRS are also expected.

4 Opportunities report

The Secop Group has focussed its activities on the Stationary Cooling, Mobile Cooling and Medical Cooling segments with two modern production plants in Slovakia and China. This focus provides the opportunity for the targeted use of available resources for investments as well as the research and development activities, which also has a positive impact on business growth and profitability.

The Secop Group is focussed on innovation and an ambitious roadmap for introducing new products to support business development in the various segments as well as to service the needs of customers with innovative solutions. The products have been developed together with customers with the goal of supporting the market trends towards green and efficient solutions for the storage and transport of food, beverages and medical products.

The core know-how in system design and direct contact with Secop's skilled application team enable customer requirements to be defined in order to tackle the imminent transformation in application design. This is reflected in the development of new platforms and the continued development and integration of existing platforms that lead to new and efficient solutions.

In the **Stationary Cooling** segment, which includes light industrial cooling applications, the key developments relate to applications in the food retail and food service sectors. The market trends in these segments indicate a shift towards environmentally-friendly refrigerants and energy-efficient solutions. Regulations in various regions are already restricting the use of refrigerants with high global warming potential (GWP), which is leading to a noticeable shift to green refrigerants with lower GWP. Among these environmentally-friendly refrigerants, hydrocarbons are the preferred option for the Secop product range and the company has conducted pioneering work in the introduction of such refrigerants. In response to this trend, Secop has developed a new product range optimised for hydrocarbons that strives to reduce greenhouse gas emissions. New versions of the KLF series have been placed on the market that offer a patented solution for reducing the risks of flammable refrigerants - a unique offer on the market. Secop is also working on the continued development of the NL and SCN platforms in order to launch new hydrocarbon-optimised models on the market that meet the market's demand for larger refrigerators with environmentally-friendly refrigerants and take account of the new environmental regulations.

Another important trend in food retail and food service is being driven by the requirements to reduce energy consumption in refrigerators. Secop is responding to this trend by developing new electronically-controlled compressors that optimise energy consumption and ensure the premium performance of the cooling units. These solutions will be tailored to the N and S platforms that are used in the food service and food retail industries. The roadmap includes new models of NLV and SLV compressors that take a modular approach to significantly improve energy efficiency. Combined with the use of environmentally-friendly refrigerants, these solutions are the perfect combination for meeting the rising demand for environmentally-friendly and energy-efficient cooling solutions.

As a premium provider of a comprehensive range of cooling solutions, Secop has developed a roadmap to pave the way towards a green market transition that supports energy-efficient cooling systems.

The **Mobile Cooling** segment is also facing profound changes in the market: in particular, end consumers are increasingly demanding cooling solutions that ensure the cooling of food and beverages in various mobility situations. A clear rise in demand for mobile cooling units was recorded during the coronavirus pandemic, triggered by the change in consumer demand in the leisure and automotive sector. This trend continued after the pandemic and confirmed a change in habits with a positive impact on the demand for portable cooling units. In addition, the increasing number of electric vehicles (eCars) whose large batteries enable the installation of powerful refrigerators for cooling food and beverages while charging, during transport or when parking the vehicle, is creating a whole new market segment.

To meet the growing customer requirements and profit from the market trends, Secop has developed and launched the new BD Nano platform. This platform provides greater performance capacity, premium efficiency and a compact size that optimises the space requirement without negatively impacting cooling capacity or energy consumption. The platform was initially developed for recreational vehicles and will subsequently be expanded to motor vehicles and lorries. In addition, Secop is developing a solution tailored to the market for electric vehicles that also require silent operation.

The demand for electric vehicles is booming and the integration of an effective cooling solution for beverages and food in these vehicles is fascinating. The compressor technology provides exceptional benefits compared to other cooling solutions and Secop is a leader in mobile battery-operated compressors for automotive applications whose BD Nano platform offers a solution that fits perfectly with the requirements for this new market.

The transition from trivalent refrigeration technology to a more powerful and reliable compressor solution in recreational vehicles is also in full swing and is continuing to spur on demand for compressors, especially compressors with green hydrocarbon refrigerants. The Secop BD Nano platform once again provides a perfect solution for this trend with new versions tailored to the needs of the market for recreational vehicles and boats. The upcoming developments for the BD Nano platform, which will be manufactured in a new production line in China, will position Secop as a top supplier for the new generation of cooling systems that are operated by battery packs and meet the rising demand for mobile solutions for various modes of transport.

The **Medical Cooling** segment was established to develop solutions for the medical cold chain with a focus on environmentally-friendly refrigerants, energy-efficient solutions and superior control of system performance for the storage as well as transport of medical products.

The pandemic period identified various gaps and requirements in the medical cold chain, especially for vaccines that need to be stored and transported at extremely low temperatures of -80°C. Secop launched initiatives in collaboration with market leaders to develop innovative cooling solutions tailored to the medical cold chain with the aim of optimising performance, reliability, energy efficiency and system monitoring opportunities. Secop developed cooling systems that support complete cooling solutions for storage applications at ultra-low temperatures and are optimised with environmentally-friendly and efficient electronically-controlled compressors. As there is a clear trend towards energy optimisation and maximum reliability in medical applications as well, Secop's roadmap contains new generations of compressors and cooling solutions that integrate advanced electronic control units with data collection functions to monitor and preventive maintenance.

Secop's innovative ULT cooling solutions for vaccine transport boxes closes a critical gap in the supply chain and enables the reliable and controlled transport of vaccines, even under adverse ambient conditions. As mRNA therapies are showing promising results for the treatment of diseases beyond the coronavirus (such as cancers), Secop's mobile cooling solutions are targeting further developments to improve the efficiency and reliability of the medical cold chain. In addition, Secop is developing solar direct drive solutions (SDD) to support the last mile of the medical cold chain and enable vaccines to be distributed in remote areas with unstable or no power supply. Secop aims to use its experience with SDD solutions to optimise these systems with the new generation of compressors in order to ensure the efficient and reliable storage of vaccines and offer a flexible AC/DC solution tailored to the requirements of the WHO. The next generation of SDD solutions will offer data logging functions for better monitoring of the refrigerator and its performance, which will further increase reliability in medical applications.

Secop's core competence in medical system design enables the company to respond to specific customer needs and offer tailored solutions for the medical cold chain. This makes use of the latest compressor and control technologies to optimise efficient and reliable solutions for medical refrigerators.

The Secop Group's **Research & Development** makes it possible to quickly respond to new trends in cooling solutions in response to market requirements and transform these into competitive products and solutions. The existing setup with specialised R&D sites makes it possible to focus on all areas of the compressor. The individual sites are focussed on the electric motor, compressor unit as well as the associated electronics and applications. This enables the faster and more sustainable development of compressors. At the Group, the R&D activities are supported by the CTO and a Programme Office, which ensures central management and supervision.

Focussing **production** at two sites in Slovakia and China allows overhead costs to be kept at a reasonable level while also developing and retaining valuable know-how at the sites. In addition, focussed efficiency measures can be developed close to production, which contribute towards cost savings and margin growth. The exchange of know-how between the sites also enables the development of measures to be split and subsequently exchanged for the benefit of the Group. The focussed production setup can also lead to further opportunities in areas such as quality, energy savings, process optimisations, etc.

In **Procurement**, the current setup of the Group with its centrally managed purchasing and the two production sites is ideal for exploiting the benefits of Europe and Asia as well as generating economies of scale and synergies. This also makes it possible to identify new suppliers with more efficient and effective production, or that can provide other advantages, e.g. in terms of quality.

In summary the opportunity situation is considered good.

5 Risk report

Risk management system

Secop's risk management system supports the early identification and minimisation of potential risks that threaten the achievement of the planned objectives or the continued existence of the company. The system enables risks to be quickly identified, assessed and adequate countermeasures to be taken.

Due to its complex processes, external factors and an intensely competitive market environment, the company is exposed to business risks.

The early detection and assessment of opportunities and risks is an integral part of the planning, controlling and reporting processes. The identified risks are analysed and necessary countermeasures are initiated depending on the probability of occurrence.

Cash management in particular is extremely important in the Group. The cash flows within the Group are optimised based on weekly, rolling liquidity planning as well as a quarterly company forecast together with stringent controlling. This ensures that the Group always has adequate liquidity.

The occurrence of one or more of the risks described below can, individually or together, significantly impair the Group's business activities and have material adverse effects on the net assets, financial position and results of operations of the Group. The following risks may also retrospectively prove to be non-exhaustive. Other risks, aspects and uncertainties may exist, of which the Group is currently unaware or which it does not consider material.

Market- and competition-related risks

- The Ukraine-Russia conflict or the Israel-Gaza conflict may have a greater negative impact on the European and global economy and hence the Group's business activities. While the direct effects of the conflicts on the Group have been limited to date, a protracted conflict or a deterioration in the situation may also indirectly have greater consequences for the Group, e.g. with further rises in commodity, energy and transport prices, a general weakening in demand or the like. Secop management considers this risk as moderate.

- The technology competition between the USA and China in the field of semiconductors could pose a risk for the procurement of these assemblies. The increasing isolation of China in the area of semiconductor innovations could lead to a shortage of available semiconductors as well as higher prices for available semiconductors. Secop is currently not reliant on high-tech semiconductors and, as such, the Secop management considers this risk as low.

- The market for hermetic compressors is characterised by high competitive pressure with, in some cases, highly variable raw material costs, which could lead to a situation in which Secop is not able to sell its products at prices above production costs. This risk primarily exists for less technologically advanced products. Irrespective of this, Secop always aims to pass rising raw material costs on to its customers. Secop management considers this risk as moderate.

- In the sale of its products, the Group relies on, among other things, key customers and their purchasing behaviour as well as the market success of the products of its customers. It has different customer groups in each of its business areas, all of which are exposed to different economic developments. The Stationary Cooling segment services manufacturers (OEMs) of cooling appliances for commercial applications. The establishment of new Asian competitors in their market may also place pressure on their sales markets. This could have an impact on Secop. Secop management considers this risk as moderate.

- The progressive concentration in the market for cooling applications could lead to the loss of customers, reduce the market share of existing customers or give other customers greater market power in relation to the Group, leading to additional price pressure. Secop management considers this risk as low.

- An unexpected, widespread recurrence of new, more aggressive and resistant viruses or their mutations and resulting government lockdown measures poses a continued risk of an unforeseen decline in revenue. Possible delivery shortages of intermediate products due to the temporary closure of supplier production facilities may affect the production and thus the sales of Secop compressors. Investment projects and new product launches at major customers could be suspended or delayed, as there may be a degree of uncertainty about future economic developments. Secop management considers this risk as low.

Operational risks

Production risk

- The Group uses a wide range of machines, tools and consumables for production. A sudden failure of these plants or a lack of availability of consumables could influence the production of compressors. The Group therefore carries out preventive maintenance of the machines and has a system-supported procurement policy for tools and consumables to ensure constant availability. Secop management considers this risk as low.

Quality risk

- The quality of the goods produced is extremely important for the Group. Any deviation from the supplied quality has an influence on the product properties, which could in turn lead to failures during customer operation.

The Group therefore constantly monitors the quality of the products through internal testing. In addition, the Company has introduced quality management systems that are certified by external auditors at regular intervals. The Group is certified in accordance with ISO 9001, 14001 and 45001 as well as IATF 16949. Secop management considers this risk as low.

Procurement risk

- The prices and availability of certain raw materials can have an impact on the Group. It is exposed to market-related price fluctuations for some commodities, e.g. copper, steel and aluminium. In addition, some commodities are exclusively traded in foreign currencies, so exchange rates have an influence on commodity prices. Moreover, risks related to the timely delivery of input materials exist, particularly for materials for which only one supplier is available (single sourcing). Changes to procurement prices are passed on to customers wherever possible. Furthermore, long-term agreements on procurement prices are reached where possible. Dependence on individual suppliers is countered by qualifying several sources where possible. Overall, Secop management considers this risk as low.

Personnel risk

- Employees are essential to the success of the Group. The loss of employees, e.g. in the R&D department, could lead to a loss of capacity for innovation that could influence the Company. The production sites are also heavily reliant on the quality of the personnel, meaning that any shortage could have an impact on business operations. The Group therefore maintains training and development measures, among others, in order to minimise the personnel risk. Secop management considers this risk as moderate.

Environmental risk

- The Group recognises the effects of climate change and takes responsibility towards citizens and future generations by initiating measures to reduce greenhouse gas emissions and to support the responsible use of resources. Climate change can have the following potential effects on the Secop Group: on the impairment of the plants in the Group itself, in the form of carbon emissions and ultimately in the refrigerants used. The Group does not foresee any risks in relation to the impairment of its production facilities due to climate change in relation to flooding and storms. These are joined by the risks of the impact that the Group itself has on climate change. Energy efficiency is therefore critical for the Group, both in its own production activities in order to minimise the required energy input and in the manufactured compressors, which should consume as little energy as possible during operation. To achieve this goal while maintaining cooling performance, the Group is constantly furthering the development of its compressors.

Another environmental aspect is the use of synthetic refrigerants, which could also have a negative impact on the climate and creates sales risks. As a result, the Group is targeting the use of more natural materials (e.g. natural “green” refrigerants) in order to replace the synthetic materials and protect the climate. Overall, Secop management considers the environmental risk as low.

Corporate risks

- The Group is exposed to risks due to high research and development costs. These research and development costs are critical for Secop’s future development and are therefore essential for future economic success. However, Secop cannot rule out the possibility that past or future research and development costs will not be able to be (fully) recovered by the subsequent sale of the developed products, e.g. because a product is not able to be successfully launched on the market. To counter this, market analyses and studies are carried out in parallel to the research and development process in order to avoid mis investments. Secop management considers this risk as moderate.

- Disruptions to and failures of the IT system could negatively impact on the course of business. The Group uses IT systems that are necessary for the proper administration as well as reporting, management and stock management. To do so, the Group procures IT services and uses IT systems supplied by external providers. The data centres and IT infrastructure are outsourced to third parties. The Group counters the risk of a disruption to the proper operation of the IT systems by third parties by concluding appropriate service level agreements (SLAs) in the contracts that cover availability, response and processing times. Secop management considers this risk as low.

- Existing control and monitoring systems could potentially prove inadequate for preventing violations by employees, representatives or partners, or fail to uncover violations after they have occurred. The Group has published an Ethics Guide for all employees to reinforce the applicable compliance principles and take additional measures to prevent compliance violations and ensure their early detection. In particular, it has clarified and raised awareness of price fixing that has occurred in the industry in the past. Secop management considers this risk as low.

- Tax risks could arise if, for example, tax rules are not observed or the tax authorities interpret alternatives or certain structural options differently to Secop. This could result in a higher tax expense as a result of tax audits. The Company counters this risk by consulting external specialists in tax matters. Secop management considers this risk as low.

- Legal risk could arise from non-compliance with laws or contractual obligations and have a material influence on net assets, financial position and results of operations. Secop has introduced an Ethics Manual, which is mandatory for all employees, to ensure legal compliance. In addition, the Company has implemented a whistle-blower system to detect possible violations at an early stage. The Group has also committed to compliance with minimum global standard in supply chains based on the UN standards. Secop management therefore considers this risk as low.

Risk reporting in relation to the use of financial instruments

The Group's principal financial liabilities comprise interest-bearing loans and borrowings, including the issued bonds, and other financial liabilities as well as trade payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group's principal financial assets include trade receivables as well as cash and bank balances that derive directly from its operations.

The Group is exposed to a number of financial risks in the course of its business operations, including market risk, credit and liquidity risk. Group management oversees the management of these risks. Derivative financial instruments are not currently in use.

<u>Market risk</u>

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 risks, such as commodity risk (see "Procurement risk"). Financial instruments affected by market risk primarily 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 Group manages its interest rate risk by agreeing fixed-rate loan conditions (where possible) and by arranging early repayment options, especially for variable-rate medium- and long-term loans. Interest rate swaps and comparable instruments are reviewed as necessary. The conditions for the variable-rate bond stipulate that special repayments are possible within a defined framework, as well as the targeted purchase of bond coupons on the market. On the other hand, the Group can sell bond tranches back to the market. Management considers this risk as moderate.

Foreign currency risk

Foreign currency risk is the risk that the fair value of assets and liabilities or future cash flows will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the Secop Group's operating activities (when revenue and/or expense is denominated in a foreign currency) and the Secop Group's net investments in foreign subsidiaries, especially with regard to the USD and RMB. Through the targeted management of Group purchasing, Secop endeavours to close out open currency positions to the extent possible and so achieve a "natural hedge". In addition, Secop constantly monitors price developments in order to employ hedging instruments as needed on the basis of corporate planning. Exchange rate fluctuations can also have a negative impact on the demand side, if currency prices allow competitors from other countries to offer cheaper products. Secop management currently considers the currency risk as moderate.

Default risk

The Group uses a multi-stage process to counter the risk of customer defaults. First, various mechanisms (credit insurance and rating agencies) are used to review the solvency of customers. Moreover, overdue customer receivables are discussed with the sales directors in a weekly meeting and, where applicable, actions are taken ranging from the adjustment of the terms of payment through to the legal enforcement of the receivables. Secop management considers the risk of default of customer receivables as moderate.

The Group counters the risk of bank failure through a diversified portfolio of banks, the selection of banks according to their offer, benefit and reliability for the Group, but also according to the rating of the respective banks. In addition, the amount of foreign and domestic bank balances is regularly monitored in order to limit the amount of possible defaults, if necessary. Secop management considers this risk as low.

Liquidity risk

Liquidity risk is the risk that the cash and cash equivalents required to settle payments due cannot be procured or only at high refinancing costs. This also includes the risk of the early repayment of financial liabilities, which would be highly relevant for the liquidity of the Group.

The bond issued in 2023 obliges the Group to adhere to certain financial covenants and other contractual obligations. If there were a break in the financial covenants and other contractual obligations and if this break could not be remedied or alternative sources of finance could not be found in the short term, this would have an impact on the Group's ability to continue as a going concern. The Company counters the risk through regular reporting and a preventive regular review of the contractual financial covenants and other contractual obligations to be observed.

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

- Active management of working capital and future investments,
- Flexible use of a "revolving credit facility" in Slovakia,
- Use and, if necessary, expansion of factoring lines,
- Use of the supply chain financing lines in China as well as
- Targeted purchase and sale of the issued bonds.

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

Summary presentation of the risk position

Management believes that the risks to the Group described above are manageable and that any threat to the continued existence of the Company is unlikely, even with respect to risk aggregation. Risks that are not currently considered relevant are monitored by management in order to identify any adverse effect, which cannot be fundamentally precluded, in good time and to allow appropriate countermeasures to be promptly initiated.

Flensburg, 19 March 2024

Jan Ehlers	Michael Engelen
Managing Director	Managing Director

INDEPENDENT AUDITOR'S REPORT

To Secop Group Holding GmbH, Flensburg

AUDIT OPINIONS

We have audited the consolidated financial statements of Secop Group Holding GmbH, Flensburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2023 to 31 December 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the group management report of Secop Group Holding GmbH, Flensburg, for the financial year from 1 January 2023 to 31 December 2023. In accordance with German legal requirements we have not audited the parts of the group management report specified in the "Other Information" section.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e(1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the parts of the group management report specified in the "OTHER INFORMATION" section.

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

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, the "EU Audit Regulation")in compliance with German Generally Accepted Standards for Financial

Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10(2) lit. f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5(1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2023 to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

Recoverability of intangible assets

Matter

As at 31 December 2023, the Company reports “intangible assets” of EUR 64 million (26% of total assets) in the consolidated financial statements. Of these, EUR 45 million are capitalised development costs. On every reporting date, the carrying amounts of the own developments of the Group are tested to identify any evidence of impairment. If evidence of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of any impairment expense. Intangible assets with indefinite useful lives are tested for impairment annually at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

The assessment of recoverability requires a number of judgements to be made by executive directors. The basis for assessing the recoverability of this item are the future cash flows, which are derived from the budget calculations prepared by the executive directors as well as the determined capitalisation rates. The budget calculations are based in particular on expectations of future increases in revenue. Given the uncertainties inherent in judgements and estimates and the amount of the balance sheet item, the recoverability of intangible assets was a key audit matter in conducting our audit.

The information provided by Secop Group Holding GmbH on the intangible assets is contained in sections 2.2, 3 and 10 of the notes.

Audit approach

We reviewed the assessment of the executive directors in relation to the recoverability of the intangible assets. First, we assessed the adequacy of the valuation techniques used for the impairment tests. Then, we scrutinised and verified the plausibility of the underlying planning assumptions. To do so, we documented the planning process, assessed the adherence to the budget and reviewed the consistency of the existing plans in consideration of the economic market environment. We also reviewed the adequacy of the capitalisation rate used.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- The separate non-financial consolidated accounts published on the parent company’s website referred to in Section 1.2 of the group management report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of audit conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If we conclude on the basis of our activities that there is a material misstatement in this other information, we are obliged to report this matter. We have nothing to report in this respect.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e(1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. manipulation of the accounts and financial losses) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

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

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

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the presentation, structure and content of the consolidated financial statements overall, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e(1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions or safeguards taken to eliminate risks to independence.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 14 September 2023. We were engaged by the management board on 12 October 2023. We have been the group auditor of Secop Group Holding GmbH without interruption since the 2021 financial year.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr Ralf

Wißmann. Kiel, 19 March 2024

BDO AG
Wirtschaftsprüfungsgesellschaft

QES Qualifizierte elektronische Signatur - Deutsches Recht

Heesch
Wirtschaftsprüfer
(German Public Auditor)

QES Qualifizierte elektronische Signatur - Deutsches Recht

Dr Wißmann
Wirtschaftsprüfer
(German Public Auditor)

BDO AG Wirtschaftsprüfungsgesellschaft
WIRTSCHAFTS-PRÜFUNGS-GESELLSCHAFT
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HAMBURG
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