



**Secop s. r. o.**  
Zlaté Moravce

**A U D I T O R ' S   R E P O R T**

**ON THE FINANCIAL STATEMENTS AND ON  
THE ANNUAL REPORT AND ANNUAL  
REPORT FOR THE YEAR ENDED  
31 DECEMBER 2019**

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## INDEPENDENT AUDITOR'S REPORT

This Report is intended for shareholders and Managing Directors of the company

**Secop s. r. o.**  
**Limited liability company with registered capital of thsd. EUR 91.742**  
**The headquarters of the Company: Továrenská 49, Zlaté Moravce 953 01**  
**Identification code (IČO): 35 800 399**

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the company Secop s. r. o. ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and methods and other explanatory information, showing a balance sheet total of thsd. EUR 115,514 and a loss of thsd. EUR 5,491.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company

**Secop s. r. o.**  
Zlaté Moravce  
as at December 31, 2019,

and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by European Union.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act No. 423/2015 Coll on Statutory Audit and on amendments of Act No. 431/2002 Coll. On Accounting as amended (hereinafter as "Act on Statutory Audit") related to the ethical requirements, including Code of Ethics for Professional Accountants, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other matter

The financial statements of company Secop s. r. o. for the year ended 31 December 2019 were audited by another auditor who expressed an opinion with Emphasis of matter paragraph concerning Material Uncertainty Related to Going Concern on those statements on 27 June 2019.

### *Management's responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies and methods used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## **Report on Other Legal and Regulatory Requirements**

### *Report on information contained in Annual Report*

Management is responsible for the information contained in the Annual Report prepared in accordance with the Act on Accounting. Our opinion on the financial statements does not cover the other information in annual report.

In connection with our audit of the financial statements, our responsibility is to read the information in annual report, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We considered, whether the Annual Report of the Company contains all data, which is required by the Act on accounting.

Based on the work performed during the audit of the financial statements, we concluded the following:

- information in the Annual Report for the year ending on 31 December 2019 are consistent with the financial statements for that year,
- the annual report contains all information required by the Act on accounting.

Furthermore, based on our knowledge about the accounting unit and its situation obtained during the audit of the financial statements, we are required to report, whether we have identified any material misstatement in the Annual Report that we received prior to the date of this auditor's report. We have nothing to report in this regard.

Bratislava on 25 May 2020

**Grant Thornton Audit, s.r.o.**

Audit company

Licence No. 28

Hodžovo námestie 1/A, 811 06 Bratislava

  
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Ing. Ladislav Nyéki  
Proxy  
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Ing. Ladislav Kmenta  
Statutory auditor, Licence No. 1129



**Financial statements prepared  
in accordance with  
International Financial Reporting Standards**

**as at 31 December 2019**

shortened accounting period from 1 April 2019 to 31 December 2019  
(expressed in thousands of euros, unless stated otherwise)

**Compiled on:**  
21 April 2020



**Secop s. r. o.**

Financial statements  
as at 31 December 2019

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**Statement of financial position**

<b>Assets</b>	<b>Note</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Intangible non-current assets	5	1,319	1,176
Property, plant and equipment	4	42,298	51,287
Leased non-current assets	4	542	0
<b>Non-current assets</b>		<b>44,159</b>	<b>52,463</b>
Inventories	6	27,793	28,046
Trade receivables	7	40,751	50,768
Other current assets	7	143	223
Cash and cash equivalents	9	2,668	1,010
<b>Current assets</b>		<b>71,355</b>	<b>80,047</b>
<b>Total assets</b>		<b>115,514</b>	<b>132,510</b>

<b>Equity and Liabilities</b>	<b>Note</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Share capital		91,742	91,742
Capital funds	10	19,000	8,000
Funds created from profit and other funds	10	377	190
Retained earnings / accumulated losses		-100,223	-94,545
<b>Total equity</b>		<b>10,896</b>	<b>5,387</b>
Non-current loan payables	11	40,665	11,512
Liabilities from leased assets – non-current	13	385	0
Other non-current liabilities	13	75	75
Long-term provisions	13	786	926
Deferred income (non-current portion)	14	1,338	1,434
<b>Non-current liabilities</b>		<b>43,249</b>	<b>13,947</b>
Trade payables	15	56,160	79,352
Current contract liabilities	15	167	174
Current loan payables	11	0	29,113
Provisions	13	2,344	1,549
Payables to employees	15	1,372	1,475
Liabilities from leased assets – current	13	168	0
Other current liabilities	15	1,031	1,386
Deferred income (current portion)	14	127	127
<b>Current liabilities</b>		<b>61,369</b>	<b>113,176</b>
<b>Total liabilities</b>		<b>104,618</b>	<b>127,123</b>
<b>Total Equity and Liabilities</b>		<b>115,514</b>	<b>132,510</b>

The related notes on pages 8 – 44 are an integral part of these financial statements.



**Statement of comprehensive income**

	Note	1 April 2019-30 December 2019	1 April 2018-31 March 2019
Revenues from sale of own products and material	18	90,898	143,855
Revenues from sale of merchandise	18	30,017	48,810
Revenues from sale of services provided	19	1,671	1,302
Change in unfinished and finished goods	20	-1,340	-319
Capitalization	20	291	1,011
Material consumption, cost of material sold	21	-63,124	-104,889
Energy consumption	21	-3,123	-4,424
Cost of merchandise sold	21	-28,429	-44,712
Cost of consumed services	22	-9,794	-12,173
Personnel expenses	23	-15,052	-21,684
Amortization and depreciation, value adjustments to non-current assets	4.5	-2,473	-2,527
Other operating income	24	185	197
Other operating expenses	25	-3,733	-1,004
Value adjustment to receivables	26	-178	47
Other gains / losses net	27	54	-104
<b>Operating profit</b>		<b>-4,130</b>	<b>3,386</b>
Interest income	28	0	39
Interest expenses	29	-1,184	-351
Other financial income / expenses	30	-177	679
<b>Profit before tax</b>		<b>-5,491</b>	<b>3,753</b>
Income tax	17	0	0
<b>Profit (loss) of the accounting period</b>		<b>-5,491</b>	<b>3,753</b>
<b>Other comprehensive income</b>			
<i>Items which may be transferred to profit/(loss)</i>			
Changes in the fair value of derivative hedging instruments		0	0
<b>Other comprehensive income of the accounting period</b>		<b>0</b>	<b>0</b>
<b>Comprehensive income total</b>		<b>-5,491</b>	<b>3,753</b>

The related notes on pages 8 – 44 are an integral part of these financial statements.

**Statement of changes in equity**

	Share capital	Capital funds	Funds created from profit	Other funds	Retained earnings / accumulated loss	Total
<b>Balance as of 1 April 2018</b>	<b>91,742</b>	<b>8,000</b>	<b>190</b>	<b>0</b>	<b>-98,298</b>	<b>1,634</b>
<i>Comprehensive income of the current accounting period total</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,753</b>	<b>3,753</b>
Profit (loss) of the current period	0	0	0	0	3,753	3,753
Other comprehensive income	0	0	0	0	0	0
<i>Transactions with owners, thereof:</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Increase of equity	0	0	0	0	0	0
<b>Balance as of 31 March 2019</b>	<b>91,742</b>	<b>8,000</b>	<b>190</b>	<b>0</b>	<b>-94,545</b>	<b>5,387</b>
<i>Comprehensive income of the current accounting period total</i>	<b>0</b>	<b>0</b>	<b>187</b>	<b>0</b>	<b>-5,678</b>	<b>-5,491</b>
Profit (loss) of the current period	0	0	187	0	-5,678	-5,491
Other comprehensive income	0	0	0	0	0	0
<i>Transactions with owners, thereof:</i>	<b>0</b>	<b>11,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,000</b>
Increase of equity	0	11,000	0	0	0	11,000
<b>Balance as of 31 December 2019</b>	<b>91,742</b>	<b>19,000</b>	<b>377</b>	<b>0</b>	<b>-100,223</b>	<b>10,896</b>

The related notes on pages 8 – 44 are an integral part of these financial statements.

**Statement of cash flows**

	Note	1.4.2019- 31.12.2019	1.4.2018- 31.3.2019
<b>Cash flows from operating activities</b>			
Cash generated from operations		-15,759	-13,117
Interest paid	29	-154	-305
Interest received	28	0	39
Income tax paid	17	0	-3
<b>Net cash (outflow) from operating activities</b>		<b>-15,913</b>	<b>-13,386</b>
<b>Cash flows from investing activities</b>			
Purchase of non-current assets	4.5	-3,440	-8,029
Proceeds from sale of non-current assets		9,971	0
<b>Net cash (outflow) from investing activities</b>		<b>6,531</b>	<b>-8,029</b>
<b>Cash flows from financing activities</b>			
Increase in capital funds	10	11,000	0
Drawing of bank loans	11	0	0
Drawing of loans from the Group and the so called "cash pool"	11	40	30,778
Repayment of current financial assets	8	0	2,007
Repayment of bank loans	11	0	-10,524
Partial repayment of loan from parent company	11	0	-517
<b>Net cash inflow from financing activities</b>		<b>11,040</b>	<b>21,744</b>
(Decrease) increase in cash and cash equivalents		1,658	329
Cash and cash equivalents at the beginning of the year	9	1,010	681
<b>Cash and cash equivalents at the end of the year</b>	9	<b>2,668</b>	<b>1,010</b>
<b>Net profit (before interest, tax and extraordinary items)</b>		<b>-4,307</b>	<b>4,065</b>
<i>Adjustments for non-monetary transactions:</i>			
Depreciation, value adjustments to fixed assets and wasted investments	4.5	2,346	2,656
Gain (-) / loss (+) from impairment of financial assets and contractual assets	7	178	-47
Value adjustment to inventory	6	-659	-738
Other provisions	13	655	-630
Profit (-)/ Loss (+) from the sale of non-current assets		-53	104
Reconciling differences in inventory (stock-counts)		434	796
Write-off of receivables		168	47
Waiver of the debt		0	0
Other non-monetary transactions		-57	194
Operating profit before changes in working capital		-1,295	6,447
<i>Changes in working capital:</i>			
Decrease (increase) in trade receivables and other receivables (including accruals/deferrals of assets)	7	9,806	-29,584
Decrease (increase) in inventory	6	478	1,285
(Decrease) increase in liabilities (including accruals/deferrals of liabilities)	15	-24,748	8,735
<b>Cash generated from operations</b>		<b>-15,759</b>	<b>-13,117</b>

**Liabilities and receivables from financing activities**

<b>Loans and borrowings</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
<b>Liabilities from financing activities as at 1 April</b>	<b>40,625</b>	<b>18,881</b>
<b>Liabilities from financing activities as at 31 December:</b>		
Long-term loans received from the Group	40,665	11,512
Short-term loans received from the Group	0	29,113
<b>Liabilities from financing activities as at 31 December total</b>	<b>40,665</b>	<b>40,625</b>
<b>Change in receivables and liabilities from loans, thereof:</b>	<b>40</b>	<b>21,744</b>
Changes arising from cash flows	11,040	21,744
Thereof contribution to capital funds	-11,000	0
Non-monetary changes in financial liabilities	0	0

Under Regulation of the European Commission, the Nidec Group sold its compressor business (the Secop Group) as of 6 September 2019 to the new owner –ESSVP IV fund, advised by Orlando Management. The divestment included also loans, namely a short-term loan in the amount of EUR 29,113k and a long-term loan in the amount of EUR 11,512k as at 31 March 2019. The amount of the loan increased by EUR 40k represented by an unpaid interest and the new shareholder Zerfree GmbH concluded a credit agreement with the Company Secop s.r.o., with a maturity of up to 10 years.

The related notes on pages 8 – 44 are an integral part of these financial statements.

**Notes to the financial statements****1. Information about the Company****Foundation of the company****Secop s. r. o.**

History of the name of the Company:

Secop s. r. o.	from 1 November 2019 until now
Nidec Global Appliance Slovakia s.r.o.	from 23 August 2017 to 31 October 2019
Secop s.r.o.	from 15 January 2011 to 22 August 2017
Danfoss Compressors, spol. s.r.o.	from 19 September 2001 to 14 January 2011
TAKER, s.r.o.	from 22 November 2000 to 18 September 2001

Seat of the Company: Továrenská 49, 953 01 Zlaté Moravce

The company Secop s. r. o. (further referred to only as "Company") was founded on 24 October 2000 and registered at the Commercial Register on 22 November 2000 (Commercial Register of the County Court Bratislava I in Bratislava, section Sro, file 13235/N). The Incorporation Agreement from 5 November 2001 changed the seat of the Company from Bratislava, Vajnorská 8/A to Zlaté Moravce, Továrenská 49 and subsequently the file of the company was transferred to County Court Nitra. Identification number (IČO) is 35 800 399.

**Scope of business according to the extract from the Commercial Register**

- Purchase of goods for further sale to other sole traders (wholesale);
- Production of motors and hermetic compressors for home cooling systems and other cooling systems and facilities and parts thereof.

**Information on unlimited liability**

The Company is not a shareholder with unlimited liability in other companies according to Article 56 (5) of the Commercial Code or according to similar provisions of other regulations.

**Approval of the financial statements for the preceding accounting period**

The financial statements as at 31 March 2019 have not been approved by the Company's general meeting yet due to a change of ownership of the Company, it is planned to do so together with these financial statements.

**Publication of the Financial Statements for the preceding accounting period**

The financial statements as at 31 March 2019 including the auditor's report on the audit of the financial statements as at 31 March 2019 were filed in the Register of Financial Statements on 04 July 2019.

**Change in the length of the accounting period**

Since 1 January 2020, the Company has switched to the financial year of the Secop Group which shall be the same as the calendar year. The accounting period ending on 31 December 2019 is thus a shortened accounting period lasting 9 months. For this reason, data presented in these financial statements are not fully comparable with data for the preceding accounting period.

**Legal reason for the preparation of the Financial statements**

The Financial Statements of the Company as at 31 December 2019 have been prepared as ordinary financial statements in accordance with Article 17 (6) of Slovak Act No. 431/2002 Coll. on Accounting as amended („Act on Accounting“) for the accounting period from 1 April 2019 to 31 December 2019.

### Information on the Group

For the purposes of the preparation of the financial statements, the Company is a part of the SECOP Group and consequently a part of the investment fund ESSVP IV Group active in the Nordics and German-speaking countries.

The parent company Secop Group Holding GmbH with registered office in Südliche Münchner Str. 8, c/o FlorinTreunhand GmbH, Grünwald 820 31, Germany is managed by the fund.

The Company is included in consolidated financial statements of the parent company Secop Group Holding GmbH.

The SECOP Group was sold as of 6 September 2019 by the original owner Nidec Europe B.V. due to the regulation of the European Commission.

During the period from 1 April 2019 to 6 September 2019, the Company was a part of the NIDEC Group. The previous parent company Nidec Europe B.V. is exempted from the obligation to prepare the consolidated financial statements, because it is included in the consolidated financial statements of the company at a higher level of the group within the Nidec Corporation, namely of the company Nidec Corporation, ID: 9130001002387, with registered office in 338 Kuzetonoshiro-cho, Minami-ku, Kyoto 601-8205, Japan, where the consolidated financial statements and the consolidated annual report for the whole group are available. The Company Nidec Corporation is listed on the Tokyo Stock Exchange (listed under number 6594).

### Number of employees

In 2019 – period from 1 April 2019 to 31 December 2019- the Company had on the average 896 employees (preceding period: 1.082), thereof 8 managers (preceding period: 8).

### Statutory body

Iztok Virant (Managing Director from 1 July 2018 until now)

Ricardo Alexandre Maciel (Managing Director from 10 September 2019 until now)

Valter Taranzano (Managing Director from 2 August 2017 to 9 September 2019)

Alberto Gentile (Managing Director from 2 August 2017 to 9 September 2019)

### Shareholders of the Company

Shareholder	Interest in share capital in thousand EUR		Voting rights in %	Different interest on other items of equity than interest on share capital in %
	in absolute terms	in %		
Secop Group Holding GmbH	91,741	99,99	99,99	99,99
Secop GmbH	1	0,01	0,01	0,01
<b>Total</b>	<b>91,742</b>	<b>100</b>	<b>100</b>	<b>100</b>

## 2. Application of new and amended International Financial Reporting Standards approved for use in EU

### 2.1. Materiality assessment of the impact of new and amended IFRS valid for the reporting period beginning on or after 1 January 2019

The following new international standards, amendments to existing standards and new interpretations issued by International Accounting Standards Board (IASB) and approved by the EU, entered into force for the Company from 1 January 2019:

IAS/IFRS/IFRIC	Name	Valid for the reporting period beginning on or after	Material impact on the financial statements
IFRS 16	Leases	1 January 2019	YES
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	NO
IFRS 9	Amendment to IFRS 9 -Prepayment features with negative compensation	1 January 2019	NO
Various standards	Improvements to IFRS 2015-2017 Cycle	1 January 2019	NO
IAS 19	Amendment to IAS 19 – Employee benefits	1 January 2019	NO
IAS 28	Amendment to IAS 28 – Investments in Associates and Joint Ventures	1 January 2019	NO

### 2.2. New and revised IFRS that have significant impact on the amounts recognized and/or information disclosed in the financial statements

**IFRS 16 "Leases"** (issued on 13 January 2016 and effective in EU for the annual reporting periods beginning on or after 1 January 2019). This new standard introduces new principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 eliminates classification of leases as either operating or finance leases as defined by IAS 17 and, instead, introduces a single lessee accounting model. A lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the profit or loss. From the standpoint of the lessor, IFRS 16 carries forward the majority of the accounting requirements from the current standard IAS 17. The lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company has analysed the impact of the standard and after consideration of the materiality and the new principles, the effect of the change of this standard on assets and liabilities as of 31 March 2019, taking into account fork-lift trucks (53) and passenger cars (3) under operating lease is presented below:

Item	The carrying amount as of 31 March 2019 under IAS 17	Impact of IFRS 16	The carrying amount as of 1 April 2019 under IFRS 16
Property, plant and equipment	0	698	698
<b>Total assets</b>	<b>0</b>	<b>698</b>	<b>698</b>
Other current liabilities	0	168	168
Other non-current liabilities	0	530	530
<b>Total equity and liabilities</b>	<b>0</b>	<b>698</b>	<b>698</b>

The Company applied the standard in the financial statements for the period from 1 April 2019 to 31 December 2019, see points 4 and 13.

**2.3. Issued standards, interpretations and amendments to standards, which entered into force after 1 January 2020**

IAS/IFRS/IFRIC	Name	Valid for the reporting period beginning on or after	Approved for EÚ	Material impact on the financial statements
Various standards	Improvements to IFRS 2015-2017 Cycle	1 January 2020	YES	NO
IAS 1 and IAS 8	Amendment to IAS 1 and IAS 8 – Definition of Materiality	1 January 2020	YES	NO
IFRS 3	Amendment to IFRS 3 – Business combinations	1 January 2020	NO	NO
IFRS 9, IAS 39 and IFRS 7	Amendment to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform	1 January 2020	YES	NO
IFRS 17	Insurance Contracts	1 January 2021	YES	NO
IAS 1	Amendment to IAS 1 – Classification of Liabilities as Current or Non-Current	not determined	NO	NO
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	not determined	NO	NO

**3. Significant accounting policies**
**Declaration of conformity**

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as amended and effective as of 31 December 2019, which contain standards and interpretations approved by the International Accounting Standards Board (IASB) and by the International Financial Reporting Interpretations Committee (IFRIC) and which were adopted by the European Union (EU); they are also compiled in accordance with the Act no. 431/2002 Coll. on Accounting (Act on Accounting).

**Basis for compilation of financial statements**

These financial statements were compiled in accordance with the IFRS according to the historical cost principle except for re-measurement of financial assets and financial liabilities at fair value through profit/loss of the current period. Substantial accounting practices have been consistently applied to all accounting periods.

These financial statements were compiled on the basis of the going concern assumption.

Total assets of the Company as at 31 December 2019 exceed total liabilities by EUR 10,896k. As of the date of the sale of the Company to the new owner, the parent company increased capital funds by EUR 11 million.

Total assets of the Company as at 31 March 2019 exceed total liabilities by EUR 5,387k, the ratio of equity to total liabilities of the Company is less than the statutory ratio 8:100 for the year 2018, therefore, the Company became subject to the provisions in Section 67a - Section 67i of the Commercial Code about “company in crisis” and point 3 of Section 3 of Act No. 7/2005 Coll. on Bankruptcy and Restructuring. However, at the same time the Company complied with the conditions related to this legislation, and thereafter strengthened its equity.

**Use of estimates and judgements**

The preparation of financial statements in accordance with IFRS/EU requires the management to make judgments, estimates and assumptions which influence the process of application of the accounting principles of the Company and the recognized amounts of assets and liabilities, income and costs. Estimates and the related assumptions are based on previous experience and other various factors regarded as reasonable in the circumstances, and provide the basis for assessment of carrying values of assets and



liabilities which are not apparent from other sources. The actual results may differ from these estimates. Differences between the actual results and the estimates are immaterial.

Estimates and related assumptions are constantly revised. Re-evaluation of the accounting estimates will be recognized in the period, in which the re-evaluation occurred if the re-evaluation influences only this period or in the re-evaluation period and the following periods if the re-evaluation influences this and the following periods.

Information about material uncertainties of estimates and critical decisions concerning the application of accounting methods, which significantly influenced the values recognized in the financial statements, are described in detail in the individual paragraphs of the Notes, in particular:

- Provisions and contingent liabilities – estimate of the amount of the provision necessary to meet the existing liabilities
- Property, plant and equipment – determination of useful life of an asset
- Revenues or sales
- Financial instruments – allowance for expected credit losses („ECL“).

The assessment of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in relation to the commitments into which the Nidec Group entered upon the divestiture of the compressor business vis-à-vis the European Commission (document EU Case COMP/M.8947 from 28 February 2019):

The Company continues to manufacture motors for the Nidec Group for its motors division even after sale of its compressor business to a third party under the terms of the OEM contract which entered into force on 7 September 2019. The conditions of the divestment of machines and equipment in the amount of EUR 10 million were also a part of the agreements in September 2019 and they shall be gradually relocated to one of the companies of the NIDEC Group according to the plans of production of motors and components and their sale. Until the end of 2019, the Company manufactured final motors for the NIDEC Group, since January 2020 it manufactures only components. Discontinuation of production is expected in May 2020. As the assets were sold and they were related to the manufacturing of final motors and their production or the production of components continues, neither the conditions of disclosure of non-current assets for sale nor the conditions of disclosure of motors business separately as a division with cessation of activities have been met.

### **Currency of presentation**

Financial statements are presented in the euro (EUR). This currency is also the currency of the primary economic environment, in which the Company performs its business activities (functional currency). Financial statements are presented in thousands of euros.

### **Foreign currencies**

Transactions in other currency than the functional currency (foreign currency) are converted into the functional currency at the initial recognition using the exchange rate valid at the date of transaction. During compilation of the financial statements cash items denominated in foreign currencies are always converted at the foreign exchange rate valid at the balance sheet date. Non-cash items measured at acquisition cost are not converted at the balance sheet date. Exchange differences arising from the settlement and conversion of cash items are included in the Profit and Loss Statement for the respective period.

### **Property, plant and equipment**

Non-current tangible assets include property, plant and equipment, which are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and which are expected to be used during more than one accounting period.

Non-current tangible assets are recognised at acquisition cost less accumulated depreciation and impairment losses. Acquisition cost comprises all costs that are directly attributable to acquisition of an asset and to bringing the asset to condition necessary for it to be capable of operating in the manner intended by management. If the Company is obliged to remove the item and restore the site on which it is located, the

acquisition cost of non-current tangible asset includes also the estimated cost of dismantling and removing the asset. Borrowing costs directly attributable to the acquisition, construction or production of a 'qualifying asset' are capitalised as part of the cost of that asset.

Costs incurred after an asset was put into use shall be included in the carrying amount of the related asset or shall be recognised as a separate asset, whichever is appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Daily maintenance expenses and small repairs are expensed as incurred. The cost to replace significant parts or components of a non-current tangible asset are capitalized and the replaced part is derecognized.

A non-current tangible asset is derecognized at the moment of retirement, or when no future economic benefits are expected from further use of the asset. Profit or loss on de-recognition of the asset, determined by comparison of the revenue with the carrying amount of the item, is recognized in the Profit or Loss of the current accounting period.

Since 1 April 2019, the Company recognizes assets under operating leases complying with IFRS 16 as a part of the asset in the amount of amortized future lease payments combined with a straight-line depreciation over the operating lease term. The Company recognizes fork-lift trucks and passenger cars in such a way.

#### ***Depreciation of non-current tangible assets***

Depreciation charges of non-current tangible assets (other than land, unfinished investments and selected production machinery and equipment) are recognized evenly to allow depreciation of acquisition cost of the asset during its estimated useful life.

Depreciable amount of an asset is its acquisition cost less its residual value. Residual value of an asset and its useful life shall be regularly reviewed.

The Company uses following periods of economic life:

SK301	Manufacturing plant and equipment	18 years
SK302	Generic tools	10 years
SK303	Forms	7 years
SK304	Presses	25 years
SK305	Buildings & halls	50 years
SK307	Installations in buildings	22 years
SK306	Cars and production vehicles	5 years
SK308	Furniture and storage equipment	15 years
SK309	IT equipment	8 years
SK312	Wastewater treatment plants	22 years
SK313	Electrical switchgears and equipment	15 years
SK316	Low-value tangible assets	2 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

Land is not depreciated.

Unfinished investments comprise unfinished property, plant and equipment and are recognized at acquisition cost, which includes costs of property, plant and equipment and other direct costs. Unfinished investments are not depreciated before they are put into a serviceable condition and into operation.

**Non-current intangible assets**

Intangible assets are recognized at acquisition cost less accumulated amortization and accumulated impairment losses. Intangible assets are recognized if it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the asset can be measured reliably.

Costs of improvement or extension of the use of software beyond the initial specification are recognized as technical improvements and added to initial acquisition cost of software. Costs related to software maintenance are expensed in the accounting period in which they are incurred.

Given the growing competences of the development department and works on projects for new products, the Company has decided to make use of the option to capitalize development costs.

Development means plan or design for the production of new or substantially improved products and processes. Development costs are capitalized only when they can be reliably measured; products or processes are demonstrated to be technically and commercially feasible; future economic benefits are probable; there is an intention of the Company to finish and use or sell the results of the development and the Company has sufficient resources to finish the development, for its use or sale. Capitalized development costs comprise material costs, direct labour, production overheads directly attributable to the creation of the asset operating in the intended manner and capitalized interest and borrowing costs. Other development costs which do not meet the above mentioned criteria are recognized in profit or loss in that accounting period, in which they were incurred. Capitalized development costs are depreciated evenly during the estimated economic life.

An item of non-current intangible assets is derecognised on disposal, or when no future economic benefits are expected from its use. Gains and losses on asset disposal are determined by comparing the revenues with the carrying value of the asset and they are recorded with an impact on profit or loss of the current period.

***Amortization of non-current intangible assets***

Amortization of non-current intangible assets is recognized evenly so that the amount for amortization of an asset is amortized over useful life of that asset. The amount for amortization of an asset is its cost less its residual value. The residual value of an asset is nil unless there is a commitment by a third party to purchase the asset at the end of its economic life or unless there is an active market for that asset. Residual value of an asset and its useful life shall be regularly reviewed.

The Company uses following periods of economic life:

SK310 Software	10 years
SK314 Development costs	8 years
SK315 Low-value intangible assets	2 years

**Impairment of non-current tangible and intangible assets**

At each balance sheet date the Company will revise the carrying amount of tangible and intangible assets to identify potential signs of impairment of the respective asset. In case of identification of such signs it will estimate the realizable value of the asset in order to determine the scope of potential impairment losses. If the realizable value of an individual item cannot be quantified the Company will determine the realizable value of the cash generating unit to which the asset belongs. The realizable value equals the fair value less costs of sale or the value in use, whichever is higher. When assessing the value in use the estimate of future cash-flows is discounted to their present value at the discount rate before taxation, which reflects current market assessment of the time value of money and the risks specific to the asset.

If the estimate of the realizable value of asset (or of the cash generating unit) is lower than its carrying amount then the carrying amount of the asset (entity generating cash) is reduced to its realizable value. The impairment loss will be directly reflected in the Profit or Loss for the accounting period.

The impairment loss may be reversed only if there is a change of estimates used to determine the asset's value in use or its fair value less cost of sales. If the impairment loss is subsequently reversed the carrying amount of the assets (the entity generating cash) will be increased to the adjusted estimate of the recoverable amount; however, the increased carrying amount must not exceed the carrying amount, which would be determined if no loss on impairment of the assets (cash generating unit) had been recognized in the previous years. The reversal of the impairment loss will be directly reflected in the Profit or Loss for the accounting period.

### **Inventory**

Inventory is valued at the lower of the following: cost (purchased inventory) or own cost (inventory produced by own work) or net realization value.

Acquisition cost includes price of inventory and costs of purchase, cost of conversion and other costs (duty, freight, insurance, commissions, discounts, price reductions etc.) of inventory up to their present state and present place.

In the case of own work capitalized, costs of conversion comprise direct costs (direct material, direct labour and other direct costs) and a portion of indirect costs directly related to production of inventory by own work (overheads) up to their present state and present place. Production overheads is included in own costs depending on the stage of completion of the inventory. Administrative overheads and sales costs are not included in own costs.

The Company measures inventory during the accounting period structured as follows: determined standard price, deviation from the standard price and costs of acquisition. Any disposal of inventory is recognized at determined standard cost. Valuation differences and costs of acquisition of inventory are allocated on a monthly basis to the value of inventory or released in costs depending on the ratio of their additions to the value of acquired inventory at standard valuation in the respective period.

Net realization value is estimated selling price of inventory decreased by estimated costs of its completion and estimated costs of its sale. If acquisition cost or own costs of inventory exceed its net realization value at the balance sheet date a value adjustment to inventory will be created in the amount of the difference between its valuation in accounting and its net realization value.

### **Financial instruments**

#### *a) Key measurement definitions*

*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 measurement date. The best evidence of fair value is the price in an active market. Active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

*Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, as well as levies by regulatory agencies and security exchanges, transfer taxes and duties. Transaction costs do not include debt premiums and discounts, financing costs or allocations of internal administrative or holding costs.

*Amortized cost („AC")* is the amount at which the financial instrument is recognized at initial recognition minus principal repayments, plus cumulative amortisation, and for financial assets minus any allowance for

expected credit losses („ECL“). Accrued interest includes amortization of transaction costs accrued at initial recognition and any debt premium or discount up to the amount payable using the effective interest method. Accrued interest income or accrued interest expense including accrued coupon and amortized debt discount or premium (including any accrued charges) is not recognized separately and it is included in the carrying values of the related items in the Statement of financial position.

*Effective interest method* is the method of allocation of interest revenue or interest expense over the relevant period in order to achieve a constant regular interest rate (effective interest rate) from the book value. Effective interest rate is the rate that exactly discounts estimated future cash payments or income (except for future credit losses) over the expected useful life of a financial instrument or over a shorter period, whichever is appropriate, to the gross carrying amount of the financial instrument. Effective interest rate discounts cash flows from variable rate debt instruments until the next date of revaluation of interest rate, except for debt premiums or discounts, which reflect the credit spread over the floating rate specified by the instrument or other variables which have not been revalued to reflect the market rates. Such debt premiums or discounts are amortized over the expected useful life of the instrument. Calculation of the current value includes all fees paid or received between the contracting parties, which constitute an integral part of the effective interest rate.

*b) Financial assets – Initial recognition*

All financial instruments are initially recognized at fair value adjusted for transaction costs. Fair value at initial recognition is best demonstrated by the transaction price. Profit or loss at initial recognition is reported if, and only if there is a difference between fair value and the transaction price which may be evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique, whose variables include only data from observable markets. Upon initial recognition, a value adjustment to financial assets measured at amortized cost is recognized, resulting in an immediate accounting loss.

*c) Financial assets – Measurement categories*

The Company classifies financial assets only in the category of amortised cost. Classification and subsequent measurement of financial assets depends on: (i) business model of the Company for managing its portfolio of related assets and (ii) characteristics of cash flows from assets.

*d) Financial assets – business model*

A business model refers to how the Company manages its assets in order to generate cash flows, i.e. whether the objective of the Company is: (i) solely to collect contractual cash flows from assets (hold to collect), or (ii) to collect contractual cash flows and cash flows arising from sale of assets (hold to collect and sell), or if none of the items (i) and (ii) is applicable, financial assets are classified under „other“ business model and are measured at fair value through profit or loss („FVTPL“).

A business model for a group of assets (on a portfolio level) is determined on the basis of all relevant information available at the date of assessment on the activities undertaken by the Company in order to achieve the objective set for the portfolio. Factors, that the Company takes into account when determining the business model, include purpose and composition of the portfolio and previous experience with how the cash flows from the related assets were collected. The objective of the business model used by the Company is to hold financial assets and collect contractual cash flows.

*e) Financial assets – Cash flow characteristics*

If the objective of a business model is to hold assets and collect contractual cash flows or to hold financial assets to collect cash flows and sell assets, the Company determines, whether cash flows are solely payments of principal and interest („SPPI“). Financial assets with embedded derivatives are considered as a whole when assessing whether cash flows meet the SPPI criterion. When conducting this assessment, the Company assesses whether contractual cash flows comply with the basic credit arrangements, i.e. whether interest includes only compensation for credit risk, the time value of money, other lending risks and a profit margin.

Where contractual terms introduce risk exposure or volatility which is contrary to basic credit arrangements for granting credits, a financial asset is classified and measured at FVTPL. SPPI is assessed at initial recognition of an asset and it is not reassessed subsequently. The Company applies the SPPI test to its financial assets.

The Company holds only trade receivables, contract assets, cash and cash equivalents. The nature of these financial assets is current and contractual cash flows are represented by payments of principal and interest considering the time value of money, therefore, they are measured at amortised cost.

*f) Financial assets – reclassification*

Financial instruments are reclassified only if the business model for managing the Company's portfolio as a whole changes. Such reclassification has future effects and is implemented from the first day of the first reporting period following the change of the business model. The Company has neither changed its business model during the current period nor done any reclassification.

*g) Impairment of financial assets – allowance for expected credit losses („ECL“)*

The Company determines ECL for receivables recognized at amortized cost and for contract assets taking into account expected future developments. The Company calculates ECL and recognizes net impairment losses on financial and contract assets at each reporting date. Calculation of ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, (ii) the time value of money and (iii) all available and supportable information which is available at the reporting date without undue cost and effort about past events, current conditions and forecasts of future conditions.

Receivables measured at amortised cost are presented in the Statement of financial position after deduction of adjustments considering the calculation of ECL.

The Company uses the ECL approach for trade receivables as a simplified approach under IFRS 9, i.e. it measures ECL using lifetime expected credit losses. In order to calculate lifetime ECLs for trade receivables the Company uses matrix which takes into account receivables turnover during the current period, revenues for the current period and the amount of written-off receivables. Based on these indicators, the Company has decided that creation of value adjustments to trade receivables on the basis of historical data is sufficient as the development of the given indicators corresponds to the development in previous years.

*b) Financial assets – write off*

The Company writes off a financial asset, in its entirety or portion of it, when the Company has exhausted all practical means of recovering cash flows from these assets and there is no reasonable expectation of recovering these cash flows.

*i) Financial assets – derecognition*

The Company derecognizes financial assets if i) the assets have been repaid or the rights to the cash flows from these assets expired or ii) the Company has transferred its right to receive the cash flows from the financial assets to a third party.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, balances of current accounts (non-term deposits) and other current highly liquid investments with maturity not exceeding three months, which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in the value. Cash and cash equivalents are measured at amortised cost due to the fact that the Company holds them to obtain funds and cash flows correspond to principal and interest. Value adjustments related to cash and cash equivalents are immaterial.

### Current financial assets

Current financial assets represent current received loans and equivalents. Value adjustments related to current financial assets are immaterial.

### Trade receivables and other receivables

Receivables represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that are not intended for trade. They are included in the current assets if their maturity does not exceed 12 months after the balance sheet date. Otherwise, they are recognized as non-current assets. In the balance sheet, receivables are recognized under current financial assets and under trade receivables and other receivables.

Receivables are initially valued at transaction cost as defined in IFRS 15 and IFRS 9 and subsequently recognized at amortised cost using the effective interest method, whereby their value will be decreased by an adjustment. How the Company creates adjustments to receivables is described in the section Impairment of financial assets – allowance for expected credit losses („ECL“) above and in point 7 of the Notes.

### Provided loans

Provided loans are initially measured at fair value plus transaction costs and subsequently at amortized cost using the effective interest rate method, whereby their value will be decreased by an adjustment. Provided loans are recognized in the Statement of financial position under Current financial assets. The Company provides short-term loans to companies within Group (as of 31 March 2019, the loans were fully repaid).

### Trade payables

Trade payables represent an obligation to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Liabilities are classified as current liabilities if they are due within one year or within the entity's operating cycle. All other items of liabilities are recognized as non-current liabilities.

Trade payables are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.

### Received credits and loans

Interest-bearing bank loans, bank overdrafts and loans are initially measured at fair value less transaction costs incurred. Credits and loans are subsequently recognised at amortized cost using the effective interest rate method, whereby the difference between the value, at which the loans are to be repaid and the acquisition cost is recognized in profit or loss using the effective interest method over the duration of the credit relationship.

### Offsetting

Financial assets and liabilities are offset and the net value is recognized in the individual statement of financial position if, and only if, the entity has a legally enforceable right to set-off the recognised amounts and it also intends either to settle items on a net basis, or to realize the asset and settle the liability simultaneously. The right of set-off (a) shall not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of bankruptcy or restructuring.

### **Equity**

The legal reserve fund was created in accordance with the Commercial Code. Contributions to the legal reserve fund are created in the amount of 5% of net profit of the Company until the fund reaches the amount of 10% of share capital. This fund is indivisible and may only be used to increase share capital or for coverage of losses.

Capital funds include investments of partners, other funds are created from other financial and hedging derivative transactions of the Company. Capital funds may be used to increase share capital or to cover losses.

### Provisions and contingent liabilities

Provision is a liability of uncertain timing or amount. Provisions are posted if the Company currently has legal or other obligations that result from past events and their fulfilment will probably lead to outflow of resources embodying economic benefits of the Company and the amount of the liability can be reliably estimated. Provisions are not formed for future operating losses.

They are measured on the basis of the best estimate of the management of the Company, concerning costs required for fulfilment of the obligation at the balance sheet date. If the impact of the time value of money is significant, provisions are discounted to the present value using the discount rate before taxation, which reflects the risks specific for the obligation. Increase in provisions owing to the passage of time is accounted for as interest expense.

Contingent liabilities include obligations that do not meet the recognition criteria and obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not reported in the individual financial statements. They are disclosed in the Notes to the individual financial statements, except for those where the outflow of resources embodying economic benefits is highly improbable.

#### *Provisions for warranty repairs*

During the year, the Company creates provisions for warranty repairs in the amount of 0,5 % of the total amount of sales and at the end of the period, the amount of provision is reassessed by the Company based on the number of open complaints, volume of sold pieces placed in the market depending on the warranty period agreed with the customer (1-2 years after placing of the final product – refrigerator or cooling system at the final customer) and the estimated compensation amount.

### Employee benefits

Salaries, wages, contributions to state pension and insurance schemes, paid annual leaves and paid sickness leaves, bonuses and other benefits in kind (e.g. health care) are recognised in the accounting period to which they are timely and objectively related.

#### Defined contribution plans

The Company contributes to state and private supplementary pension insurance schemes.

During the year, the Company pays mandatory contributions to health, sickness, pension, accident insurance, as well as contributions to guarantee funds and unemployment insurance in the statutory amount on the basis of gross wages. Throughout the whole year, the Company contributed to these funds in the amount of 35,2 % of gross wages up to the amount of monthly salary specified by the relevant legislation, whereby the employee contributed to the insurance concerned with another 13,4 %. The cost of these contributions is accounted for in profit or loss in the same period as the related wages and salaries.

The Company shall have no further legal or other obligations to pay further contributions unless the fund has sufficient assets for payment of entitlements to all employees for the period worked by them in the current or previous periods.

#### Defined benefit plans

According to the Labour Code a retiring employee is entitled to remuneration in the amount of one average monthly wage. On the basis of the collective agreement with trade unions valid for the current year the Company provides bonuses for life anniversaries and one-off allowance for survivors of an employee who died in an industrial accident. Based on these assumptions, the Company forms provision for employee benefits taking into account average annual labour turnover, wage increase and discount factor.

Expected period of utilization of the provision is longer than one year. The timing of provision and amount of the liability is uncertain.



In accordance with paragraph 133 of IAS 19 Employee Benefits, the Company does not differentiate current and non-current portion of liabilities from defined benefit plans and recognizes the estimate as a whole under non-current liabilities.

### **Income tax due**

The company determines the tax base and calculates the tax due on the basis of profit and/or loss recognized in the Statement of comprehensive income, adjusted by items of revenues or costs increasing the tax base according to valid tax regulations. The payable of the Company from the tax due is calculated using the tax rates valid at the date of financial statements. The tax liability is indicated after deduction of paid advances for the income tax, which the Company paid during the year. If advance payments for the income tax made during the year exceed the tax liability for this year the Company will report the resulting tax asset.

### **Deferred taxes**

The balance sheet method is used for the calculation of the deferred tax. Deferred income taxes reflect the net tax impact of temporary differences between the carrying amount of assets and liabilities used for the financial reporting purposes and the values used for the tax purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, redeemable and unused tax credits and tax losses to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized (up to the amount at which it is probable that temporary differences can be set off against the future tax base).

The rate of the income tax, which is expected to be valid at the moment of payment of the deferred tax, is used for the calculation of the deferred tax. The carrying amount of deferred tax assets is always assessed at the balance sheet date and decreased when generation of taxable profits sufficient for recovery of some or all assets seems improbable.

Deferred tax assets and deferred tax liabilities are set off against each other if there is a legal claim for setting off of current tax assets against current tax liabilities and if they relate to the income tax imposed by the same tax authority, whereby the Company intends to settle its current tax assets and liabilities on a net basis.

The deferred tax is recognized in the Profit and Loss Statement, unless it relates to items that are recognized directly as a component of other comprehensive income. In this case the respective deferred tax will be recognized in the Other comprehensive income as well.

### **Lease**

Lease is classified as financial lease when basically all risks and benefits typical for ownership of the respective asset are transferred to the lessee on the basis of the terms of lease. Any other type of lease is classified as operating lease. The Company does not register any financial lease as at 31 December 2019 and 31 March 2019.

Operating lease has been revised in accordance with the new IFRS 16 valid for financial statements from 1 January 2019, which the Company considered in the financial statements from 1 April 2019. Under this standard assets which meet the requirements of operating lease are recognized as part of assets at amortized cost of future lease payments depreciated on a straight-line basis over the entire operating lease term.

Operating lease not complying with IFRS 16 or short-term rent is recognized as asset by the lessor and lease payments or rental payments are recognized in costs evenly during the period of the lease contract.

## Revenue or Income

### Recognition of revenues from contracts with customers

The main sources of revenue of the Company are proceeds or revenues from the sale of compressors and accessories based on orders from customers. Revenues are measured at the fair value of the consideration received or receivable and they are recognized after consideration of VAT, amount of the expected returns, rebates and discounts. The Company recognizes revenues when their amount can be reliably estimated and it is probable that they will bring economic benefits to the Company and specific criteria of individual categories of revenues from contracts or orders from customers have been met. Revenue is reduced by the agreed bonuses, which are contractually declared and evaluated on an annual basis after the end of the year concerned depending on annual sales and agreed conditions.

The Company accounted for estimated annual bonuses to customers for achieving sales as for a provision under trade payables. The so called volume discounts or customer bonuses, which depend on the volume of purchases of the customer and the agreed percentage of sales, have been agreed with certain customers. Based on these assumptions, the Company defines contract liabilities as current as they will be settled by the end of the following financial year.

### Contract assets and contract liabilities (accruals/deferrals)

The Company accounts for contract assets or receivables where it has performed the obligation from a contract with a customer prior to receiving the related consideration. The Company recognizes a contract asset or receivable in the individual balance sheet depending on the period, to which the performance obligation from the contract with the customer is timely and objectively related and whether occurrence of other events is required prior to payment. Where the Company receives consideration prior to performing the obligation from the contract with the customer, the Company reports a contract liability. The Company creates a 100 % allowance to receivables which are overdue for more than one year. Company's experience has shown that such overdue receivables are, in general, unrecoverable.

The Company has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the promised amount for the impact of a significant financing component, as the Company expects at contract inception that the interval between transfer of the promised goods or services by the Company to the customer and payment by the customer will be less than one year. The Company has not concluded contracts with customers or trades with individual performances longer than one year.

## Financial costs and financial income

Financial costs and financial income include costs of received credits and loans calculated at the effective interest rate, received interest, foreign exchange gains and losses and bank fees.

Costs of received credits and loans directly attributable to the acquisition, construction or production of non-current tangible assets are activated as part of acquisition cost of the respective asset. Other costs of received credits and loans are recognized as costs in the profit or loss for the accounting period in the period, in which they arose.

Interest revenues are recognized in the Profit or Loss in the period, to which they are timely and objectively related, using the effective interest rate.

## Subsidies from the state budget

Subsidies are recognized only when there is reasonable assurance that the entity will comply with any conditions related to the subsidies and that subsidies will be received. Subsidies are systematically recognized in profit and loss in the periods in which the Company accounts for related costs to be compensated by the subsidy.

Received state subsidies, the provision of which is made conditional upon acquisition of non-current assets, are recognized as deferred income and released into revenues over the useful life of an asset. Revenues are recognized in the Profit or Loss under the item Other operating income.

Subsidies to be taken as compensation for costs already incurred or losses already incurred or for the purpose of providing immediate financial support to the Company, with no future related costs, are recognised as income in the period to which they are timely and objectively related.

#### 4. Property, plant and equipment

##### Information on the movements of Property, plant and equipment as of 31 March 2019

Information on the movements of Property, plant and equipment as of 31 March 2019						
	Land	Constructio ns and structures	Manufacturi ng machines and equipment	Other non- current tangible assets	Unfinished investments	Total
<b>Balance as of 1 April 2018</b>						
Acquisition cost/Conversion cost	3,773	8,274	136,151	2,906	6,705	157,809
Accumulated depreciation and value adjustments	0	-1,033	-107,028	-2,486	-546	-111,093
<b>Carrying value</b>	<b>3,773</b>	<b>7,241</b>	<b>29,123</b>	<b>420</b>	<b>6,159</b>	<b>46,716</b>
Increases	0	158	6,789	222	190	7,359
Transfer from unfinished investments	0	426	1,841	4	-2,271	0
Carrying value of sold assets	0	0	0	0	0	0
Carrying value of destroyed assets	0	0	0	0	0	0
Carrying value of retired assets	0	0	-13	-8	-262	-283
Annual depreciation	0	-162	-2,529	-76	0	-2,767
Value adjustment	0	0	0	0	262	262
<b>Closing balance</b>	<b>3,773</b>	<b>7,663</b>	<b>35,211</b>	<b>562</b>	<b>4,078</b>	<b>51,287</b>
<b>Balance as of 31 March 2019</b>						
Acquisition cost/Conversion cost	3,773	8,858	144,005	2,803	4,362	163,801
Accumulated depreciation and value adjustments	0	-1,195	-108,794	-2,241	-284	-112,514
<b>Carrying value</b>	<b>3,773</b>	<b>7,663</b>	<b>35,211</b>	<b>562</b>	<b>4,078</b>	<b>51,287</b>

**Information on the movements of Property, plant and equipment as of 31 December 2019**
**Information on the movements of Property, plant and equipment as of 31 December 2019**

	Land	Constructions and structures	Manufacturing machines and equipment	Other non-current tangible assets	Unfinished investments	Leased tangible assets	Total
<b>Balance as of 1 April 2019</b>							
Acquisition cost/Conversion cost	3,773	8,858	144,005	2,803	4,362	0	<b>163,801</b>
Accumulated depreciation and value adjustments	0	-1,195	-108,794	-2,241	-284	0	<b>112,514</b>
<b>Carrying value</b>	<b>3,773</b>	<b>7,663</b>	<b>35,211</b>	<b>562</b>	<b>4,078</b>	<b>0</b>	<b>51,287</b>
Increases	0	408	3,784	169	-1,082	0	<b>3,279</b>
IFRS 16 new classification	0	0	0	0	0	698	<b>698</b>
Transfer from unfinished investments	0	9	410	1	-420	0	<b>0</b>
Carrying value of sold assets	0	0	-9,905	-35	0	0	<b>-9,940</b>
Carrying value of retired assets	0	0	-90	0	0	0	<b>-90</b>
Annual depreciation	0	-128	-1,892	-70	0	-156	<b>-2,246</b>
Value adjustments	0	0	0	0	-148	0	<b>-148</b>
<b>Closing balance</b>	<b>3,773</b>	<b>7,952</b>	<b>27,518</b>	<b>627</b>	<b>2,428</b>	<b>542</b>	<b>42,840</b>
<b>Balance as of 31 December 2019</b>							
Acquisition cost/Conversion cost	3,773	9,275	136,444	2,911	2,860	698	<b>155,961</b>
Accumulated depreciation and value adjustments	0	-1,323	-108,926	-2,284	-432	-156	<b>113,121</b>
<b>Carrying value</b>	<b>3,773</b>	<b>7,952</b>	<b>27,518</b>	<b>627</b>	<b>2,428</b>	<b>542</b>	<b>42,840</b>

There is no lien established over property, plant and equipment.

Non-current tangible assets of the Company are insured against damage, destruction or loss caused by any event in accordance with the insurance contract, the insurance amount has been agreed in the following way:

- Group of immovable assets up to the amount of EUR 53 million.
- Assembly of machinery and equipment up to the amount of EUR 228,6 million.

The Company leases production and office spaces with the total area of 12.727 m<sup>2</sup>, 1.696 m<sup>2</sup> out of it constitute office spaces. These premises are a part of the production, storage and office spaces of the Company, not separate units, and thus, they are not reserved for investment purposes.

**5. Non-current intangible assets**
**Information on the movement of non-current intangible assets as of 31 March 2019**

	Software	Other non-current intangible assets	Acquisition of non-current intangible assets	Total
<b>Balance as of 1 April 2018</b>				
Acquisition/Conversion cost	770	45	348	<b>1,163</b>
Accumulated depreciation and value adjustments	-590	-45	0	<b>-635</b>
<b>Carrying value</b>	<b>180</b>	<b>0</b>	<b>348</b>	<b>528</b>
Increases	4	0	666	<b>670</b>
Annual depreciation	-22	0	0	<b>-22</b>
Value adjustments	0	0	0	<b>0</b>
<b>Closing balance</b>	<b>162</b>	<b>0</b>	<b>1,014</b>	<b>1,176</b>
<b>Balance as of 31 March 2019</b>				
Acquisition/Conversion cost	723	42	1,014	<b>1,779</b>
Accumulated depreciation and value adjustments	-561	-42	0	<b>-603</b>
<b>Carrying value</b>	<b>162</b>	<b>0</b>	<b>1,014</b>	<b>1,176</b>

**Information on the movement of non-current intangible assets as of 31 December 2019**
**Information on the movement of non-current intangible assets as of 31 December 2019**

	Software	Other non-current intangible assets	Acquisition of non-current intangible assets	Total
<b>Balance as of 1 April 2019</b>				
Acquisition/Conversion cost	723	42	1,014	<b>1,779</b>
Accumulated depreciation and value adjustments	-561	-42	0	<b>-603</b>
<b>Carrying value</b>	<b>162</b>	<b>0</b>	<b>1,014</b>	<b>1,176</b>
Increases	36	0	125	<b>161</b>
Annual depreciation	-18	0	0	<b>-18</b>
Value adjustments	0	0	0	<b>0</b>
<b>Closing balance</b>	<b>180</b>	<b>0</b>	<b>1,139</b>	<b>1,319</b>
<b>Balance as of 31 December 2019</b>				
Acquisition/Conversion cost	758	42	1,139	<b>1,939</b>
Accumulated depreciation and value adjustments	-578	-42	0	<b>-620</b>
<b>Carrying value</b>	<b>180</b>	<b>0</b>	<b>1,139</b>	<b>1,319</b>

**6. Inventories**

<b>Inventories</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Materials and spare parts	12,481	13,562
Unfinished and semi-finished goods	2,694	4,046
Finished goods	5,227	5,015
Merchandise	7,391	5,423
<b>Total</b>	<b>27,793</b>	<b>28,046</b>

The movements in the value adjustment are presented in the below overviews:

Value adjustments to inventory	Balance as of 1 April 2019	Creation	Usage	Release	Balance as of 31 December 2019
Materials and spare parts	642	177	227	0	592
Unfinished and semi-finished goods	165	77	154	0	88
Finished goods	321	118	100	141	198
Merchandise	592	45	412	42	183
<b>Total</b>	<b>1,720</b>	<b>417</b>	<b>893</b>	<b>183</b>	<b>1,061</b>

Value adjustments to inventory	Balance as of 1 April 2018	Creation	Usage	Release	Balance as of 31 March 2019
Materials and spare parts	1,015	140	381	132	642
Unfinished and semi-finished goods	41	135	11	0	165
Finished goods	235	101	2	13	321
Merchandise	1,167	32	547	60	592
<b>Total</b>	<b>2,458</b>	<b>408</b>	<b>941</b>	<b>205</b>	<b>1,720</b>

A value adjustment was created to reflect impairment of inventory, which, in case of material and merchandise is recognized as material consumption or cost of goods sold and in case of own products under change in unfinished and finished goods. The value of inventory has been impaired mainly due to wear-out of the material.

Inventory of the Company is not encumbered by any lien.

The inventories of the Company are insured up to the value of EUR 33 000 000 against damage, destruction or loss caused by any event in accordance with the insurance contract.

## 7. Trade receivables and other current assets

Trade receivables and other current assets	31 December 2019	31 March 2019
Trade receivables	40,751	50,768
<i>Receivables from third parties</i>	12,590	14,263
<i>Receivables from companies within Group</i>	33,969	42,111
<i>Value adjustment to trade receivables</i>	-5,808	-5,606
Other receivables	145	249
Value adjustment to other receivables	-2	-26
<b>Total</b>	<b>40,894</b>	<b>50,991</b>

Information on receivables in foreign currency are presented in point 33 of the Notes.

There is established a lien over receivables in the total amount of EUR 268k. The lien is managed by the Agreement on the establishment of lien in favour of Všeobecná úverová banka, a.s., where in case of default the bank may contact directly the creditors of the Company to pay their financial liabilities to the Company directly to the bank.

The amount of EUR 29,712k of trade receivables was paid at the date of financial statements.

The Company has reassessed the risk of non-payment by individual customers on a client-by-client basis and adjusted an already created allowance due to risk of non-payment vis-à-vis the customer Andikala up to the amount of EUR 5.8 million, which was assessed as risky due to non-payment in spite of the statement of the owners of the company Andikala of settlement of the full outstanding amount.

Under IFRS 9, the Company has analysed the method of creation of value adjustments to loans and receivables from customers, receivables from finance leases and to trade receivables on the basis of credit

losses, mentioned below. According to the analysis, the Company assessed the additional risk to already created specific allowances as immaterial.

Credit losses relating to trade receivables and other receivables are analysed on the basis of provision matrix, which is presented below. It follows from the matrix that the creation of allowance as an impairment of receivables is in higher amount than at individual assessment of customers. Out of the amount of EUR 132k of receivables from the Group which are overdue for more than 180 days, the amount of EUR 39k was paid prior to the preparation of the Financial statements, the rest of unpaid receivables from the Group has been evaluated as immaterial for the recognition of impairment.

The overall analysis reveals a risk in the amount of EUR 5,962k, of which the impairment made represents EUR 5,810k, the rest beyond the already made impairment is related to receivables within Group.

Balance as of 31 December 2019	Loss rate (in %)	Gross value of receivables (in EUR)	Lifetime expected credit losses (in EUR)
<b>Trade receivables</b>		<b>46,559</b>	<b>5,960</b>
Due	0.039 %	19,522	8
overdue 30 days (inclusive)	0.064 %	12,384	8
overdue 31 - 90 days	0.127 %	8,371	11
overdue 91 - 180 days	0.560 %	351	2
overdue 181 - 360 days	100 %	65	65
overdue for more than 360 days	100 %	5,866	5,866
<b>Other receivables</b>		<b>145</b>	<b>2</b>
Due	0.039 %	143	0
More than 360 days overdue	100 %	2	2
<b>Contract assets</b>		<b>0</b>	<b>0</b>
<b>Total</b>		<b>46,704</b>	<b>5,962</b>

Balance as of 31 March 2019	Loss rate (in %)	Gross value of receivables (in EUR)	Lifetime expected credit losses (in EUR)
<b>Trade receivables</b>		<b>56,374</b>	<b>7,380</b>
Due	0.011 %	35,364	4
overdue 30 days (inclusive)	0.030 %	6,150	2
overdue 31 - 90 days	0.087 %	3,202	3
overdue 91 - 180 days	0.274 %	2,060	6
overdue 181 - 360 days	36.544 %	3,519	1,286
overdue for more than 360 days	100.000 %	6,079	6,079
<b>Other receivables</b>		<b>249</b>	<b>26</b>
Due	0%	223	0
More than 360 days overdue	100%	26	26
<b>Total</b>		<b>56,623</b>	<b>7,406</b>

In thousand EUR	31 December 2019	31 March 2019
<b>Total receivables due</b>	<b>19,665</b>	<b>35,587</b>
<b>Individual non-impaired receivables overdue</b>		
overdue till 30 days	12,384	6,150
overdue 31 - 90 days	8,371	3,202
overdue 91 - 180 days	351	2,060
overdue 181 - 360 days	65	3,519
overdue for more than 360 days	58	0
<b>Total Individual non-impaired receivables overdue</b>	<b>21,229</b>	<b>14,931</b>
<b>Individual impaired receivables (gross)</b>		
Overdue for more than 360 days	5,810	6,105
<b>Total Individual impaired receivables</b>	<b>5,810</b>	<b>6,105</b>
Value adjustment to receivables	-5,810	-5,632

<b>Closing balance of receivables</b>	<b>40,894</b>	<b>50,991</b>
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Due receivables credit quality is presented in the following overview:

Index	Rating	Customer	Receivables as of 31 December 2019
N/A	N/A	Secop Group	33,969
N/A	N/A	Andikala	5,808
Moody's	A3	Nidec Group	1,172
S&P	B-	Frigoglass	821
N/A	N/A	Refrigeration House	644
Moody's	A2	Danfoss	411
N/A	N/A	Vodrážka	334
N/A	N/A	Hoshizaki	295
N/A	N/A	Epta	277
N/A	N/A	Everest	263
N/A	N/A	Others	2,565
<b>Total</b>			<b>46,559</b>

Index	Rating	Customer	Receivables as of 31 March 2019
Moody's	A3	Nidec Group	42,111
N/A	N/A	Andikala	6,108
S&P	B-	Frigoglass	979
N/A	N/A	Varioline Intercool	778
Moody's	A2	Danfoss	662
N/A	N/A	Shanghai YaoZhang Refrigeration	650
Moody's	A3	Guangdong Xingxing Refrigeration	586
N/A	N/A	Refrigeration House	554
N/A	N/A	Epta	475
N/A	N/A	Vodrážka	420
N/A	N/A	Others	3,051
<b>Total</b>			<b>56,374</b>

## 8. Current financial assets

The Company does not record any loans towards companies within the consolidated Group as of 31 December 2019 or as of 31 March 2019.

## 9. Cash and cash equivalents

Cash and cash equivalents	31 December 2019	31 March 2019
Cash	1	0
Cash at banks	2,667	1,010
<b>Total</b>	<b>2,668</b>	<b>1,010</b>

The Company deals with concentration of credit risk exposures in regards to cash and cash equivalents to four banks. The credit quality of cash and cash equivalents without any indication of impairment is as follows:

Credit rating	31 December 2019	31 March 2019
A2 from Moody's	2,663	1,005
Baa1 from Moody's	4	5
<b>Total</b>	<b>2,667</b>	<b>1,010</b>



Cash on hand, bank accounts, stamps and vouchers are presented in financial accounts. The bank accounts are at the Company's full disposal.

The Company has established a bank pledge of EUR 105k (as of 31 March 2019: EUR 105k), that was established as customs liability guarantee.

Upon divestment of the Company as of 6 September 2019, the credit line, the so called „cash pool“ within the Nidec Group was sold to the new owner Secop Group Holding GmbH (former Zerfree GmbH) together with other loans.

The Company did not account for expected losses for cash and cash equivalents as having considered the likelihood of collapse of banking institutions, the impact of these expected losses on the financial statements of the Company would not be material.

## 10. Equity

Share capital of the Company as of 31 December 2019 amounts to EUR 91,742k (as of 31 March 2019: EUR 91,742k). The Company's share capital has been fully paid.

Monetary contributions of the former shareholder Nidec B.V., that increased the capital funds by cash contribution in the amount of EUR 11 million upon sale of the Company as of 6 September 2019, are recognized under the item Capital funds.

As of 31 December 2019, capital funds amount to EUR 19 million (as of 31 March 2019: EUR 8 million).

Profit realised for the period from 1 April 2018 to 31 March 2019 in the amount of EUR 3,753k was distributed as follows: contribution to reserve fund in the amount of EUR 187k and the remaining amount of EUR 3,566k was transferred to retained earnings from previous years.

Funds created from profit and other funds comprise only legal reserve fund, which was as of 31 December 2019 increased by the contribution from profit in the amount of EUR 187k to the amount of EUR 377k (as of 31 March 2019: EUR 190k).

## 11. Non-current and current loan payables

<b>Non-current loan payables</b>	<b>Maturity date</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Loan from the former parent company Nidec B.V.	30.09.2024	0	11,512
Loan from the current parent company Secop Group Holding GmbH	09.09.2029	40,665	0
<b>Total</b>		<b>40,665</b>	<b>11,512</b>

<b>Current loan payables</b>	<b>Maturity date</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Loan from the former parent company Nidec B.V.	31.03.2020	0	1,735
CMS Cash pool	31.03.2020	0	27,378
<b>Total</b>		<b>0</b>	<b>29,113</b>

Variable components of the agreed interest rates are linked to the interest rates 1M or 3M EURIBOR on the interbank market and the agreed margin, which varies from 1,85 % to 3,5 % depending on the type of the borrowing.

Loan from the former parent company was subject to financing terms and conditions of Nidec Corporation, in which the interest rate depended on the Group's funding costs and a margin of 0,1 %. The Group's credit line CMS cash pooling bore a variable interest rate of average 0,35 %. Financing conditions were agreed on a corporate level of the Nidec Group.

Loans from the previous parent company, including the so called cash pool were divested upon sale of the Secop Group to the new parent company Secop Group Holding GmbH (former Zerfree GmbH) as of the date of the sale 6 September 2019.

A consolidated loan from the current parent company Secop Group Holding GmbH (former Zerfree GmbH) bears, according to the contract, an interest at a fixed rate of 8 %.

## 12. Other (non-current) financial liabilities

The Company has concluded with the bank an agreement on commodity derivatives in order to secure cash-flows for repayment of debts from purchase of copper for a price known in advance, thus allowing the Company to partially plan the cash-flows required for purchase of copper used in the manufacturing process. In 2018 and 2019, the Company did not make use of the option of commodity derivatives.

## 13. Other non-current liabilities and provisions

Provisions and other non-current liabilities	31 December 2019	31 March 2019
Other non-current liabilities	75	75
Liabilities from leased assets (current and non-current portion)	553	0
Provision for claims (current and non-current portion)	3,130	2,475
<b>Total</b>	<b>3,758</b>	<b>2,550</b>

Provisions and other non-current liabilities	Balance as of 1 April 2019	IFRS 16	Creation	Usage	Release	Balance as of 31 December 2019
Other non-current liabilities	75		7	7	0	75
Liabilities from leased assets - non-current	0	530	0	145	0	385
Liabilities from leased assets - current	0	168	126	126	0	168
Non-current provision for claims	926		10	0	150	786
Current provision for claims	1,549		3,817	2,162	860	2,344
<b>Total</b>	<b>2,550</b>	<b>698</b>	<b>3,960</b>	<b>2,440</b>	<b>1,010</b>	<b>3,758</b>

Provisions and other non-current liabilities	Balance as of 1 April 2018	Creation	Usage	Release	Balance as of 31 March 2019
Other non-current liabilities	118	6	3	46	75
Non-current provision for claims	909	17	0	0	926
Current provision for claims	2,153	810	599	815	1,549
<b>Total</b>	<b>3,180</b>	<b>833</b>	<b>602</b>	<b>861</b>	<b>2,550</b>

A provision for severance benefits was created based on analysis of retirement age of the employees and according to the fluctuation in previous periods. It is included in other non-current liabilities. The amount of provision was assessed by the Company management.

A provision for warranty repairs was created to be used for the estimated cost of warranty repairs of products that were sold prior to 31 December 2019. During the year, the provision was calculated as 0.5% of the total amount of sales. The amount of provision is assessed by the Company based on the number of open complaints and the estimated compensation amount, which depends on the conditions agreed with the customer either by contract or agreement depending on monitoring of the compressors returned from the market, warranty period (1-2 years after placing of the final product such as refrigerator or cooling system at the final customer) and compensation for each claimed piece.

From the total amount of provision for warranty repairs, the amount of EUR 786k is represented by a provision with expected utilization period longer than one year as it relates to compressors manufactured in the last year, for which the financial statements are prepared, thus, it is assumed that complaints will take place in the following years.

Short-term provision for warranty repairs is related to specific customer complaints and estimated number of compressors at the final customers.

The provision was split into current and non-current portion by estimate. The conditions of individual claims are changing over time depending on the development of mutual negotiations, therefore all assumptions at the time of the preparation of financial statements have been taken into account.

#### 14. Deferred income

<b>Deferred income – non-current portion</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Subsidy – state aid	1,338	1,434
<b>Total</b>	<b>1,338</b>	<b>1,434</b>

  

<b>Deferred income – current portion</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Subsidy – state aid	127	127
<b>Total</b>	<b>127</b>	<b>127</b>

Subsidy was granted as investment state aid for carrying out of an investment project „Introduction of production of a new product platform XV“. The Company has decided to recognize the subsidy as deferred income which shall be systematically released into income over the useful life of an asset, for the acquisition of which it was received. Deferred income which shall be recognized in income in the immediately following period shall be reported as current.

#### 15. Trade payables, payables to employees and other current liabilities

<b>Trade payables, payables to employees and other liabilities</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Trade payables	56,160	79,352
<i>Payables to third parties</i>	<i>30,266</i>	<i>41,579</i>
<i>Payables to companies within Group</i>	<i>25,894</i>	<i>37,773</i>
Current contract liabilities	167	174
Payables to employees	1,372	1,475
Liabilities related to social security	509	579
VAT payables	96	307
Other current liabilities	426	500
<b>Total</b>	<b>58,730</b>	<b>82,387</b>

From the total amount of trade payables and other liabilities, the amount of EUR 26,330k is overdue (as of 31 March 2019: EUR 35,022k), of which overdue payables to companies within Group constitute EUR 22,928k (as of 31 March 2019: EUR 33,215k).

#### 16. Deferred tax liability

<b>Deferred tax liability</b>	<b>as at 31 March 2019</b>	<b>recognized in Profit/Loss</b>	<b>recognized in equity</b>	<b>as at 31 December 2019</b>
Tangible and intangible non-current assets	-4,449	467		-3,982
Inventories	360	-138		222
Receivables	1,183	37		1,220
Liabilities	136	-80		56
Provisions	1,041	632		1,673
Subsidies	321	-20		301
Tax losses carried forward	1,408	-898		510
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Deferred tax liability</b>	<b>as at 1 April 2018</b>	<b>recognized in Profit/Loss</b>	<b>recognized in equity</b>	<b>as at 31 March 2019</b>
Tangible and intangible non-current assets	-3,577	-872		-4,449
Inventories	515	-155		360
Receivables	1,193	-10		1,183
Liabilities	62	74		136
Provisions	1,021	20		1,041

Subsidies	323	-2		321
Tax losses carried forward	463	945		1,408
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The amount of total tax losses carried forward, unused tax deductions and other tax claims and deductible temporary differences with respect to which a deferred tax asset was not recognized:

	as at 31 March 2019	recognized in Profit/Loss	recognized in equity	as at 31 December 2019
Tax losses carried forward	3,430	110	0	3,540
Tax losses expired	-797	-1,112	0	-1,909
<b>Total</b>	<b>2,633</b>	<b>-1,002</b>	<b>0</b>	<b>1,631</b>

	as at 1 April 2018	recognized in Profit/Loss	recognized in equity	as at 31 March 2019
Tax losses carried forward	4,451	-1,021	0	3,430
Tax losses expired	-797	-92	0	-797
<b>Total</b>	<b>3,746</b>	<b>-1,113</b>	<b>0</b>	<b>2,633</b>

## 17. Income tax

Transition from the theoretical to reported income tax is shown in the overview below:

Income tax	31 December 2019	31 March 2019
Current income tax	0	0
Deferred income tax - current	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

	31 December 2019	31 March 2019
Profit (loss) before tax	-5,491	3,753
Tax at the income tax rate	-1,153	788
Tax effect of permanent differences		
- tax non-deductible expenses	317	508
- income not subject to tax	0	-3
Impact of temporary differences	726	-272
Impact of used/unused tax losses	110	-1,021
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Effective tax rate</b>	<b>0.00 %</b>	<b>0.00 %</b>

The difference between the theoretical and the actual income tax in 2019 (as well as in 2018) was caused by:

- application of tax losses carried forward from the previous tax periods, whereby the deferred tax asset in the previous periods was recognized in the amount, up to which the Company regarded it probable that taxable profit will be available against which this asset can be utilized,
- claiming tax relief on subsidies
- as well as differences in the classification of certain cost and revenue items for the accounting and tax purposes.

## 18. Revenue from the sale of products, merchandise and materials

Revenue from the sales includes revenues from contracts with customers, which introduce discounts to customers as reductions in revenues based on annual sales. Open contractual liability to customers is recognized directly in the Statement of Financial Position.

<b>Revenue from the sale of products, merchandise and materials</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Revenue from the sale of products - compressors	86,004	135,291
Revenue from the sale of merchandise	30,017	48,810
Revenue from the sale of scrap	1,819	3,302
Revenue from the sale of materials	3,075	5,262
<b>Total</b>	<b>120,915</b>	<b>192,665</b>

The Company has not concluded any contracts with customers whose delivery and performance exceeds one year. In accordance with the provisions of IFRS 15, the Company applies the practical expedient in paragraph 121 and will not disclose information about the price allocated to the remaining performance obligation for those contracts that have an original expected duration of one year or less.

<b>Revenue from contracts with customers</b>	<b>31 December 2019</b>
Revenue from domestic contracts	3,727
Revenue from foreign contracts, thereof:	117,188
<i>Germany</i>	68,464
<i>Italy</i>	14,300
<i>USA</i>	9,247
<i>China</i>	8,501
<i>Egypt</i>	2,626
<i>Romania</i>	2,385
<i>Taiwan</i>	1,199
<i>Other</i>	10,466
<b>Total</b>	<b>120,915</b>

<b>Revenue from contracts with customers</b>	<b>31 March 2019</b>
Revenue from domestic contracts	5,936
Revenue from foreign contracts, thereof:	186,729
<i>Germany</i>	104,209
<i>Italy</i>	22,202
<i>USA</i>	15,529
<i>China</i>	12,971
<i>Pakistan</i>	7,291
<i>Egypt</i>	3,967
<i>India</i>	1,893
<i>Other</i>	18,667
<b>Total</b>	<b>192,665</b>

#### 19. Revenue from the sale of services

<b>Revenue from the sale of services</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Revenue related to rent	760	846
Other revenue from the sale of services	861	390
Sales from the re-invoices freight	50	66
<b>Total</b>	<b>1,671</b>	<b>1,302</b>

The Company leases production, storage and office spaces with the total area of 12.727 m<sup>2</sup>, 1.696 m<sup>2</sup> out of it constitute office spaces rented to other lessees. These premises are a part of the production, storage and office spaces of the Company, not separate units.

**20. Changes in unfinished and finished goods, internal expenditure capitalized**

<b>Changes in unfinished and finished goods, internal expenditure capitalized</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Changes in unfinished and semi-finished products	-1,429	130
Changes in finished goods	89	-449
Capitalization of property, plant and equipment	173	375
Capitalization of non-current intangible assets	118	636
<b>Total</b>	<b>-1,049</b>	<b>692</b>

**21. Material and energy consumption, cost of goods and material sold**

<b>Material and energy consumption, cost of goods and material sold</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
<b>Consumption of raw material and spare parts, thereof:</b>	<b>63,124</b>	<b>104,889</b>
<i>Consumption of direct material</i>	54,427	92,103
<i>Consumption of indirect material</i>	1,759	2,314
<i>Consumption of spare parts</i>	2,343	3,732
<i>Cost of material sold</i>	4,336	6,065
<i>Stocktaking surplus / shortage</i>	259	675
<b>Consumption of energies, thereof:</b>	<b>3,123</b>	<b>4,424</b>
<i>Electricity</i>	2,743	3,866
<i>Gas</i>	320	466
<i>Water, sewerage</i>	60	92
<b>Cost of goods sold</b>	<b>28,429</b>	<b>44,712</b>
<b>Total</b>	<b>94,676</b>	<b>154,025</b>

**22. Cost of consumed services**

<b>Cost of consumed services</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Repair and maintenance	519	836
Representation cost and travel expenses	109	103
Transport	1,575	2,772
Cost of royalties, know-how and other support	5,526	5,659
Rent of trucks and other rent	267	307
Telecommunication and IT services	583	716
Cost of waste disposal and cleaning	219	347
Cost of advisory services	165	273
Sales commissions	93	296
Courses and trainings	53	32
Other services	685	832
<b>Total</b>	<b>9,794</b>	<b>12,173</b>

As part of costs of advisory services, costs of audit represented:

<b>Cost of audit</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
<b>Cost related to auditor, audit company, out of it:</b>	<b>45</b>	<b>93</b>
Audit of the individual financial statements and other services related to audit of financial statements performed by the audit company	45	93

**23. Personnel expenses**

<b>Personnel expenses</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Wage costs	10,071	14,152

Social and health insurance	3,563	4,953
<i>thereof: Contributions to first, second and third pillar</i>	<i>1,974</i>	<i>2,757</i>
Cost of leased labour	537	1,580
Other social expenses	881	999
<b>Total</b>	<b>15,052</b>	<b>21,684</b>

**24. Other operating income**

<b>Other operating income</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Income from subsidies	96	127
Income from insurance claims	20	20
Other operating income	69	50
<b>Total</b>	<b>185</b>	<b>197</b>

**25. Other operating expenses**

<b>Other operating expenses</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Insurance	345	446
Other taxes and fees	97	146
Expenses for warranties and claims	2,771	9
Other operating expenses	520	403
<b>Total</b>	<b>3,733</b>	<b>1,004</b>

**26. Value adjustment to receivables**

<b>Value adjustment to receivables</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Value adjustment to receivables	-178	47
<b>Total</b>	<b>-178</b>	<b>47</b>

Value adjustment to receivables reflects movements in the impairment of receivables from customers in the given year. In 2019, a receivable from the Company Steria was dissolved as it was written off to other operating expenses.

**27. Other gains/losses net**

<b>Other gains/ losses net</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Profit / loss from the sale of assets	54	-104
<b>Total</b>	<b>54</b>	<b>-104</b>

As of 6 September 2019, the Company sold its machines and equipment relating to motor manufacturing for the Nidec Group in the amount of EUR 10 million, which was a part of the arrangements between the original owner of the compressor business Nidec and the new owner Secop Group Holding GmbH (former Zerfree GmbH). The Company continued to manufacture motors for the Nidec Group even after the divestment until the end of the year 2019 and from 2020 it manufactures only components with expected discontinuation of production in May 2020.

**28. Interest income**

<b>Interest income</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Interest income from loans	0	39

Total	0	39
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### 29. Interest expenses

Interest expenses	31 December 2019	31 March 2019
Interest expenses from bank loans	10	115
Interest expenses from loans	1,152	236
Interest expenses from financing of trade liabilities	13	0
Interest expenses from rental	9	0
<b>Total</b>	<b>1,184</b>	<b>351</b>

### 30. Other financial income and expenses

Other financial income and expenses	31 December 2019	31 March 2019
Profit (loss) from commodity derivatives	8	-37
Gain (loss) from exchange rate differences	-185	716
<b>Total</b>	<b>-177</b>	<b>679</b>

### 31. Contingent liabilities and contingent assets

The Company has established in Všeobecná úverová banka a bank guarantee in the amount of EUR 105k in favour of the Customs Office Nitra. However, the above mentioned cash is at the Company's full disposal.

Slovak tax legislation contains several provisions, which allow more than one interpretation. The interpretation of business activities of the Company by its management does not necessarily correspond to the interpretation of these activities by the tax authorities, however, the extent of this risk cannot be reliably quantified. The accounting periods 2012 to 2019 are subject to the possibility of tax audit. The Company has undergone changes over the years; more activities, responsibilities and competencies were transferred from the parent company or other subsidiaries to the Company, thus bringing the Company closer to the nature of an independent manufacturer. In 2017, the Company extended its research and development activities (increase in the number of research and development employees from 12 engineers to 23 in the year 2017 and their retention for further steps). In spite of the yoy decline in the volume of production of compressors and restructuring of the Company, the Company sustains the number of research and development employees. Functional and risk analysis of the Company has shown that the Company is close to an independent manufacturer (67 %) and the decision-making competencies and responsibilities in several areas are fully represented by the Slovak Company.

### Operating lease contracts

Future aggregated minimum lease instalments from non-cancellable operating lease contracts (instalments in a foreign currency are recognized at the rate valid in the end of the reporting period) are as follows:

Operating lease	31 December 2019	31 March 2019
Cars, thereof		
till 1 year	12	18
in 2 - 5 years	23	12
Machines, fork-lift trucks and other, thereof		
till 1 year	174	192
in 2 - 5 years	375	446
<b>Total</b>	<b>584</b>	<b>668</b>

As at 31 December 2019, the Company rents 3 passenger cars and 53 forklift trucks in the form of an operating lease, which are usually at the end of their useful life, therefore, the Company does not buy them



out. Lease agreements are concluded for a period of 48 months for each machine according to the new agreement concluded in December 2018.

The impact of change in assessment of operating lease as a result of the entry into force of the new IFRS 16 is explained on page 10.

### Capital commitments

As at 31 December 2019 and as at 31 March 2019, the Company had no contractual investment and other capital expenditures.

### Environmental obligations

The management of the Company believes that the Company fulfils the requirements of the Slovak environmental legislation and does not expect that the Company will be obliged to pay material fines related to the environment in the future.

### Lawsuits and potential losses

The Company does not have any material contingent liabilities whether on the ground of lawsuits or any other legal claims.

## 32. Transactions with related parties

The related parties of the Company include:

- Motor Competence Center Holding
- Nidec Americas Holding Corporation (until 6.9.2019)
- Nidec Compressors (later Secop Compressors)
- Nidec Europe B.V. (until 6.9.2019)
- Nidec Global Appliance Austria GmbH (later Secop Austria GmbH)
- Nidec Global Appliance Compressors GmbH (later Secop Holding GmbH)
- Nidec Global Appliance Germany GmbH (later Secop GmbH)
- Nidec Global Appliance Italy Srl (later change of name to Secop Italy Srl)
- Nidec Global Appliance USA Inc. (later change of name to Secop Inc.)
- Nidec Motor Corporation Romania S.A. (until 6.9.2019)
- Nidec Sole Motor Corporation Srl (until 6.9.2019)
- Nidec GPM Hungary Kft (until 6.9.2019)
- Nidec Techno Motor Corporation (until 6.9.2019)

The Company paid no remuneration to managers and members of the statutory body of the Company in the current accounting period or preceding accounting period.

Transactions with the parent company	31 December 2019	31 March 2019
<b>Original parent company Nidec B.V.</b>	<b>122</b>	<b>236</b>
Interest from received loan	122	236
<b>Current parent company Secop Group Holding GmbH (formerly called Zerfree GmbH)</b>	<b>1,030</b>	<b>0</b>
Interest from received loan	1,030	0
<b>Total</b>	<b>1,152</b>	<b>236</b>

Balances towards the parent company	31 December 2019	31 March 2019
<b>Original parent company Nidec B.V.</b>	<b>0</b>	<b>40,625</b>
received loan	0	13,247
cash pool	0	27,378
<b>Current parent company Secop Group Holding GmbH (formerly called Zerfree GmbH)</b>	<b>40,665</b>	<b>0</b>
received loan	40,665	0

<b>Total</b>	<b>40,665</b>	<b>40,625</b>
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<b>Transactions with related parties</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Sale of materials, merchandise and products	91,966	149,707
Services provided	301	447
Purchase of assets	322	538
Purchase of materials, merchandise	13,618	22,981
Services received	5,044	4,926
Royalties	497	913
Sale of assets	9,992	12
Commission expenses	93	296

<b>Balances towards related parties</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
Trade receivables	33,969	42,111
Trade payables	25,894	37,773
	<b>59,863</b>	<b>79,884</b>

Loan received within the Group which was recognized as current financial asset was repaid in the preceding accounting period – in November 2018 – in full.

### Transactions with the key management personnel

According to IAS 24, related parties are also members of the key management personnel of the Company or of its parent company. Key management personnel of the Company are employees having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. Average number of members of the key management personnel during the current accounting period is 8 (in 2018/2019: 7).

Benefits and remuneration of the members of the key management personnel of the Company including contributions in 2019 (in the period from April to December 2019) amount to a total of EUR 566k (in the period from April 2018 to March 2019: EUR 901k). As of 31 December 2019, the Company records payable to the members of key management in the amount of EUR 38k (as of 31 March 2019: EUR 35k).

### 33. Financial instruments and factors of the financial risk management

The Company is exposed to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency, price and interest)

Financial risks lie within the responsibility of the corporate management of the Company and are regularly evaluated. Company in managing its commodity risk resulting from cash flows from business activities in 2019 did not enter into financial derivative instruments.

The carrying amount of financial assets and liabilities classified according to individual categories of the balance sheet is as follows:

<b>Item</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
<b>Financial assets at amortized cost</b>		

Trade receivables	40,751	50,768
Other receivables	145	249
Cash and cash equivalent	2,668	1,010
<b>Total</b>	<b>43,564</b>	<b>52,027</b>
<b>Financial liabilities at amortized cost</b>		
Credits and loans	40,665	40,625
Trade payables and contractual liabilities	56,327	79,526
Liabilities to employees	1,372	1,475
Liabilities from leased assets - current	168	0
Other liabilities	1,031	1,386
<b>Total</b>	<b>99,563</b>	<b>123,012</b>

### Credit risk

Credit risk is the risk of financial loss of the Company if the customer or the counterparty of the financial instrument fails to fulfil its contract obligations. The credit risk arises in particular from customer receivables of the Company.

The management of the Company evaluates the client creditworthiness. Each new customer is analysed and evaluated on an individual basis according to the determined credit policy before the standard payment and delivery terms are proposed. The Company secures against the potential risk (third countries) through documentary letters of credit and collections.

The ageing structure of overdue trade receivables is present in point 7.

The value of trade receivables secured by a documentary letter of credit was EUR 505k as of 31 December 2019 (as of 31 March 2019: EUR 1,718k). Due to higher risk of trades with third countries, the Company uses the possibility to secure deliveries from customers through documentary letters of credit, which are handled in cooperation with the bank of the Company and the bank of the customer.

Total trade receivables as of 31 December 2019 amount to EUR 40,751k. From the balance of open items of trade receivables the amount of EUR 29,712k was paid at the date of financial statements.

Receivables overdue for more than 180 days constitute receivables from companies within Group, however, their amounts are not material and as the Company records also payables to these Companies or they are regularly paid, these were, therefore, assessed as current and will be subject to settlement in the following period.

### Liquidity risk

Liquidity risk is the risk that the Company will be unable to pay its financial liabilities at the maturity date. The Company manages its liquidity in such a way that it can always meet its financial liabilities within the period for repayment, in both usual and unusual circumstances, without reporting unacceptable losses.

As at 31 March 2019, the Company had drawn EUR 27,378k from credit lines, the so called cash pooling from the Group, the conditions of which were managed on corporate level of the parent company. This credit line was cancelled upon sale of the Group to the new owner and the credit was sold together with other loans to the new shareholder Secop Group Holding GmbH (former Zerfree GmbH).

Data shown in the table represent contractual non discounted cash-flows, taking into account the earliest possible maturity dates:

as of 31 December 2019	within 30 days	31 - 90 days	91 - 360 days	1 - 5 years	more than 5 years	Total
Trade payables and contractual liability	39,978	16,098	251	0	0	56,327

Non-current and current loan payables (principal + interest)	1,301	542	2,494	13,201	56,143	<b>73,681</b>
<b>Total</b>	<b>41,279</b>	<b>16,640</b>	<b>2,745</b>	<b>13,201</b>	<b>56,143</b>	<b>130,008</b>

as of 31 March 2019	within 30 days	31 - 90 days	91 - 360 days	1 - 5 years	more than 5 years	Total
Trade payables and contractual liability	52,026	21,783	5,717	0	0	<b>79,526</b>
Non-current and current loan payables (principal + interest)	0	45	1,868	10,908	1,046	<b>13,867</b>
Cash pool	0	0	27,378	0	0	<b>27,378</b>
<b>Total</b>	<b>52,026</b>	<b>21,828</b>	<b>34,963</b>	<b>10,908</b>	<b>1,046</b>	<b>120,771</b>

Group liabilities overdue	31 December 2019	31 March 2019
within 30 days	346	1,677
31 - 90 days	1,685	3,106
91 - 180 days	3,204	2,508
181 - 360 days	8,291	11,705
over 360 days	9,402	14,219
<b>Total</b>	<b>22,928</b>	<b>33,215</b>

### Currency risk

The Company performs its activities in different countries and is exposed to foreign currency risks due to the changes in the foreign currency exchange rates, in particular USD. The currency risk arises when future commercial operations, recognized assets or liabilities are denominated in a foreign currency, i.e. in a currency that is not the functional currency of the Company.

Carrying amounts of financial assets and liabilities denominated in foreign currencies are as follows:

in EUR	31 December 2019		31 March 2019	
	assets	liabilities	assets	liabilities
DKK	12	2	15	2
USD	9,819	1,118	13,239	1,968
GBP	25	0	226	0
CNY	0	1,261	0	958
other	0	0	0	1
<b>Total</b>	<b>9,856</b>	<b>2,381</b>	<b>13,480</b>	<b>2,929</b>

In the current accounting period (and in the preceding shortened accounting period), the Company did not enter in connection with the currency risk any currency derivative position with the aim to secure its currency position.

### Analysis of sensitivity to currency risk

The sensitivity analysis includes only outstanding monetary items denominated in foreign currency and adjusts their conversion at the end of the accounting period by the 3% change of the USD and CNY exchange rate:

	31 December 2019		31 March 2019	
	Change in exchange rates	Impact on profit or loss	Change in exchange rates	Impact on profit or loss
EUR/USD	+ 3 %	261	+ 3 %	338
EUR/USD	- 3 %	-261	- 3 %	-338
EUR/CNY	+ 3 %	-38	+ 3 %	-29
EUR/CNY	- 3 %	38	- 3 %	29

**Market risk**

The Company is exposed to the market risk of price fluctuations in case of purchase of certain raw materials, the price of which depends on the market prices of commodities on the international markets. To decrease the impact of the commodity risk on the profit or loss of the Company, the Company cooperates with local banks and if necessary it concludes commodities businesses. The Company did not utilize these services in the current or the shortened accounting period 2018.

Analysis of sensitivity to market risk

Sensitivity analysis includes only changes in the price of key commodities purchased by the Company.

Purchases in thousand EUR	31 December 2019	31 March 2019
Steel	12,117	20,978
Copper	10,175	15,391
Aluminium	2,212	4,957
<b>Total</b>	<b>24,504</b>	<b>41,326</b>

	31 December 2019		31 March 2019	
	Change in volume of purchases	Impact on profit or loss	Change in volume of purchases	Impact on profit or loss
Steel	+ 3 %	364	+ 3 %	629
Steel	- 3 %	-364	- 3 %	-629
Copper	+ 3 %	305	+ 3 %	462
Copper	- 3 %	-305	- 3 %	-462
Aluminium	+ 3 %	66	+ 3 %	149
Aluminium	- 3 %	-66	- 3 %	-149

**Interest risk**

The Company is exposed to the interest rate risk, in particular due to drawn and provided loans with variable interest rate, which expose the Company to the risk of variability of cash-flows.

Analysis of interest risk sensitivity

The sensitivity analysis was determined on the basis of engagement towards the interest rates for unsecured financial instruments with a variable interest rate. The increase of the interest rates by one percentage point would cause the decrease of profit for the period from April to December 2019 of EUR 271k (for the period from April 2018 to March 2019: decrease of profit of EUR 337k), the decrease of the interest rates by one percentage point would cause the increase of profit for the period from April to December 2019 of EUR 220k (for the period from April 2018 to March 2019: increase of profit of EUR 175k).

**Capital risk management**

The Company is monitored within the Group due to its credit burden and the increase of credit burden of the Company shall be reviewed on the Group level, thus leading towards the recovery of the Company. The indicator of indebtedness in this sense was as follows:

	31 December 2019	31 March 2019
Equity	10,896	5,387
<b>Equity</b>	<b>10,896</b>	<b>5,387</b>

Total liabilities	104,618	127,123
Cash and cash equivalents	-2,668	-1,010
<b>Net debt</b>	<b>101,950</b>	<b>126,113</b>
<b>Equity to Net debt ratio</b>	<b>0.11</b>	<b>0.04</b>

When selling the Group, the original parent company increased the equity by EUR 11 million as at 6 September 2019, thereby reducing the credit burden. The next steps towards the recovery of the Company have been set for the year 2020. In March 2020, equity was increased again through capital contribution in the amount of EUR 2,3 million.

### Disclosures of fair value

Fair value measurements are analysed according to the fair value hierarchy as follows:

- Level 1:** measurement at (unadjusted) quoted prices in active markets for identical assets or liabilities;
- Level 2:** valuation techniques where all significant inputs are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3:** inputs that are not based on observable market data (i.e. subjective input variables).

In case that the measurement at fair value uses observable inputs, which, however, require a material adjustment, such measurement falls under Level 3. The significance of an input should be assessed against fair value measurement in its entirety.

Assets and liabilities not measured at fair value and for which the fair value shall be disclosed are presented in the following overview:

Item	31 December 2019	
	Level 2	Carrying amount
Non-current loan payables	63,658	40,665

  

Item	31 March 2019	
	Level 2	Carrying amount
Non-current loan payables including the current portion without the credit lines	13,053	13,247

Fair value of long-term loans and borrowings is stated above and it is determined as the current value of future cash flows discounted at the market interest rate, at which the Company would purchase loans from external banks.

Financial instruments in the Balance Sheet consist of trade receivables and other receivables, cash and cash equivalents, credits and loans, trade payables and other payables. The estimated fair value of these instruments nears their current carrying amount.

### 34. Post-reporting date events

After 31 December 2019 no events (other than those already disclosed in other parts of these financial statements) occurred, that would require corrections or disclosure in the financial statements..

At the end of the year 2019, the news from China about coronavirus appeared for the first time. In the first months of 2020, the virus spread all over the world and its negative impact has taken on large proportions. Even though at the time of the publication of these financial statements, the management of the accounting entity did not record any notable/important drop in the sales, however, since the situation is constantly changing, it is not possible to predict the future effects/impact. The management will continue to monitor the potential impact and will take all possible steps to mitigate the negative effects on the Company and its employees.

No material events occurred after preparation of the financial statements except for those mentioned above.

These financial statements were signed and approved for publication by the statutory body of the Company on 21 April 2020.



**Iztok Virant**  
Managing Director



**Martina Melovič**  
Finance Director