Secop s. r. o.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS INCLUDING ANNUAL REPORT PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS APPROVED BY THE EU

for the year ended 31 December 2022

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INDEPENDENT AUDITOR'S REPORT

To the Owners and Statutory Body of the company
Secop s. r. o.:

I. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Secop s. r. o. (further referred to as „the Company"), which comprise the statement of financial position as at December 31st, 2022, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31st, 2022, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by European union ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 provisions of the Act No. 423/2015 Coll. on Statutory Audit and on amendments and supplements to the Act on Accounting No. 431/2002 Coll. as per later amendments (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors, 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.

Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements

Statutory body of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by European union ("IFRS EU"), and for such internal controls as statutory body determines are 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, statutory body 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 scepticism 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 used and the reasonableness of accounting estimates and related disclosures made by statutory body.
- Conclude on the appropriateness of statutory body'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.

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

II. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting. Our opinion on the financial statements stated above does not apply to other information in the annual report.

In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and evaluate whether these information are not materially inconsistent with the audited financial statements or our knowledge obtained during the audit of the financial statements, or otherwise appear to be materially misstated.

We evaluated whether the Company's annual report includes information which are required to be disclosed by the Act on Accounting.

Based on procedures performed during the audit of the financial statements, in our opinion:

- Information disclosed in the annual report prepared for the year 2022 is consistent with the financial statements for the given year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Company and its position, obtained during the audit of the financial statements, we are required to report whether material misstatements were identified in the annual report, which we received prior to the date of issuance of this auditor's report. In this respect, there are no findings that we should report on.

BDO Audit

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Licence UDVA No. 339

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Ing. Alena SERMEKOVÁ
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CERTIFIKOVANÝ AUDÍTOR
Ing. Alena Sermeková

June 29th, 2023
Pribinova 10
Bratislava, Slovak republic

Note - This is a translation of the original Slovak Auditor´s Report to the accompanying financial statements translated into English language. Annual Report has not been translated. For a full understanding of the information stated in the Auditor´s Report, the Report should be read in conjunction with the full set of financial statements prepared in Slovak.

Secop s.r.o.

Financial statements prepared in accordance with International Financial Reporting Standards

as at 31 December 2022

accounting period from 1 January 2022 to 31 December 2022
and comparison accounting period from 1 January 2021 to 31 December 2021
(expressed in thousands of euros, unless stated otherwise)

Compiled on:
23 June 2023

Contents

Statement of financial position

Assets	Note	31 December 2022	31 December 2021
Intangible long-term assets	**5**	697	660
Property, plant and equipment	**4**	53,158	50,709
Leased long-term assets		381	403
State-tax receivable deferred	**16**	682	962
Long-term assets		**54,918**	**52,734**
Inventories	**6**	26,188	37,495
Trade receivables	**7**	15,152	15,216
Other current assets	**7**	390	1,292
Cash and cash equivalents	**9**	5,223	4,223
Current assets		**46,953**	**58,226**
Total assets		**101,871**	**110,960**

Equity and Liabilities	Note	31 December 2022	31 December 2021
Share capital		91,742	91,742
Capital funds	**10**	32,570	32,470
Funds created from profit and other funds	**10**	377	377
Retained earnings / accumulated losses		-113,645	-113,451
Total equity		**11,044**	**11,138**
Long-term loan payables	**11**	42,465	42,465
Liabilities from leased assets – long-term		190	239
Other long-term liabilities	**13**	188	165
Long-term provisions	**13**	400	500
Deferred revenues (long-term part)	**14**	0	0
Long-term liabilities		**43,243**	**43,369**
Trade payables	**15**	37,300	47,565
Current contract liabilities	**15**	189	305
Short-term credits and loans	**11**	7,250	3,805
Provisions	**13**	1,904	1,754
Payables to employees	**15**	39	1,794
Liabilities from leased assets – current		188	202
Other current liabilities	**15**	714	1,028
Current liabilities		**47,584**	**56,453**
Total liabilities		**90,827**	**99,822**
Total Equity and Liabilities		**101,871**	**110,960**

The related notes on pages 8 – 39 are an integral part of these financial statements.

Statement of comprehensive income

	Note	1 January 2022-31 December 2022	1 January 2021-31 December 2021
Revenues from sale of own products and material	**18**	101,995	107,473
Revenues from sale of merchandise	**18**	45,334	49,104
Revenues from sale of services provided	**19**	5,210	4,522
Change in unfinished and finished goods	**20**	-5,175	3,543
Capitalization	**20**	69	148
Material consumption, cost of material sold	**21**	-66,080	-81,387
Energy consumption	**21**	-8,099	-3,469
Cost of merchandise sold	**21**	-47,875	-42,639
Cost of consumed services	**22**	-14,333	-18,323
Personnel expenses	**23**	-17,356	-20,376
Amortization and depreciation, value adjustments to long-term assets	**4.5**	-4,537	-2,994
Other operating income	**24**	11,585	634
Other operating expenses	**25**	-1,367	-592
Value adjustment to receivables	**26**	3,637	822
Other gains / losses net	**27**	2	38
Operating profit		**3,010**	**-3,496**
Interest expenses	**28**	-3,519	-3,069
Other financial income / expenses	**29**	595	356
Profit before tax		**86**	**-6,209**
Income tax	**17**	-280	962
Profit (loss) of the accounting period		**-194**	**-5,247**
Other comprehensive income			
Items which may be transferred to profit/(loss)			
Changes in the fair value of derivative hedging instruments		0	0
Other comprehensive income of the accounting period		**0**	**0**
Comprehensive income total		**-194**	**-5,247**

The related notes on pages 8 – 39 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
Balance as of 1 January 2021	**91,742**	**23,609**	**377**	**0**	**-108,204**	**7,524**
Comprehensive income of the current accounting period total	**0**	**0**	**0**	**0**	**-5,247**	**-5,247**
Profit (loss) of the current period	0	0	0	0	-5,247	-5,247
Transactions with owners, thereof:	**0**	**8,861**	**0**	**0**	**0**	**8,861**
Increase of equity	0	8,861	0	0	0	8,861
Balance as of 31 December 2021	**91,742**	**32,470**	**377**	**0**	**-113,451**	**11,138**
Comprehensive income of the current accounting period total	**0**	**0**	**0**	**0**	**-194**	**-194**
Profit (loss) of the current period	0	0	0	0	-194	-194
Transactions with owners, thereof:	**0**	**100**	**0**	**0**	**0**	**100**
Increase of equity	0	100	0	0	0	100
Balance as of 31 December 2022	**91,742**	**32,570**	**377**	**0**	**-113,645**	**11,044**

The related notes on pages 8 – 39 are an integral part of these financial statements.

Statement of cash flows

	Note	1.1.2022-31.12.2022	1.1.2021-31.12.2021
Cash flows from operating activities			
Cash generated from operations		6,128	-10,663
Interest paid	**28**	-74	-18
Net cash (outflow) from operating activities		**6,054**	**-10,681**
Cash flows from investing activities			
Purchase of long-term assets	**4.5**	-5,156	-6,565
Proceeds from sale of long-term assets		2	38
Net cash (outflow) from investing activities		**-5,154**	**-6,527**
Cash flows from financing activities			
Increase in capital funds	**10**	100	8,861
Drawing of loans from the Group	**11**	0	6,800
Net cash inflow from financing activities		**100**	**15,661**
(Decrease) increase in cash and cash equivalents		1,000	-1,547
Cash and cash equivalents at the beginning of the year	**9**	4,223	5,770
Cash and cash equivalents at the end of the year	**9**	**5,223**	**4,223**
Net profit (before interest, tax and extraordinary items)		**3,605**	**-3,140**
Adjustments for non-monetary transactions:			
Depreciation, value adjustments to fixed assets and wasted investments	**4.5**	4,430	2,799
Gain (-) / loss (+) from impairment of financial assets and contractual assets	**7**	-3,637	-821
Value adjustment to inventory	**6**	1,431	97
Other provisions	**13**	73	-281
Profit (-)/ Loss (+) from the sale of long-term assets		-2	-38
Reconciling differences in inventory (stock-counts)		375	57
Write-off of receivables		14	3
Other non-monetary transactions		448	-109
Operating profit before changes in working capital		6,737	-1,433
Changes in working capital:			
Decrease (increase) in trade receivables and other receivables (including accruals/deferrals of assets)	**7**	4,374	60
Decrease (increase) in inventory	**6**	7,555	-10,309
(Decrease) increase in liabilities (including accruals/deferrals of liabilities)	**15**	-12,538	1,019
Cash generated from operations		**6,128**	**-10,663**

Liabilities and receivables from financing activities

Loans and borrowings	**31 December 2022**	**31 December 2021**
Liabilities from financing activities as at beginning of the year	**46,270**	**36,419**
Liabilities from financing activities as at 31 December:		
Long-term loans received from the Group	42,465	42,465
Short-term loans received from the Group (interest)	7,250	3,805
Liabilities from financing activities as at 31 December total	**49,715**	**46,270**
Change in receivables and liabilities from loans, thereof:	**3,445**	**9,851**
Changes arising from cash flows	0	6,800
Non-monetary changes in financial payables	3,445	3,051

The parent company Secop Group Holding GmbH (originally: Zerfree GmbH) signed a credit agreement with the Company Secop s.r.o. in total amount of of EUR 40,665k with maturity of up to 10 years. Short-term loans from the group represent unpaid interest on a loan from the parent company.

The related notes on pages 8 – 39 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 December 2021 was approved by the Company's general meeting as at 26 October 2022.

Publication of the Financial Statements for the preceding accounting period

The financial statements as at 31 December 2021 including the auditor's report on the audit of the financial statements as at 31 December 2021 were filed in the Register of Financial Statements on 20 June 2022.

Legal reason for the preparation of the Financial statements

The Financial Statements of the Company as at 31 December 2022 has 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 January 2022 to 31 December 2022.

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.

Number of employees

In 2022 the Company had on the average 735 employees (preceding period: 754), thereof 9 managers (preceding period: 9).

Statutory body

Norbert Brath (Managing Director from 3 June 2021 until now)
Johannes Maerz (Managing Director from 1 February 2022 until now)
Dr. Jan Hans Hermann Ehlers (Managing director from 13 May 2020 to 2 March 2022)
Iztok Virant (Managing Director from 1 July 2018 to 22 June 2021)

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
Total	**91,742**	**100**	**100**	**100**

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 2022

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 2022

IAS/IFRS/IFRIC	Name	Valid for the reporting period beginning on or after	Endorsed by EU	Material impact on the financial statements
IFRS 3	Amendments to IFRS 3: References to the Conceptual Framework	1 January 2022	YES	NO
IAS 16	Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022	YES	NO
IAS 37	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022	YES	NO
Different standards	Improvement Project, cycle 2018-2020	1 January 2022	YES	NO

2.2. Issued standards, interpretations and amendments to standards, which entered into force after 1 January 2023

IAS/IFRS/IFRIC	Name	Valid for the reporting period beginning on or after	Approved for EÚ	Material impact on the financial statements
IFRS 17	Insurance contracts – issued on 18 May 2017	1 January 2023	YES	NO
IFRS 17 and IFRS 9	Amendment to IFRS 17 and IFRS 9 – issued on 18 May 2017	1 January 2023	YES	NO
IAS 1	Amendments to IAS 1: reporting of short-term and long-term liabilities in the financial statements - issued on 23 January 2020	1 January 2024	NO	NO
IAS 1	Amendments to IAS 1 - Non-current Liabilities with Covenants – issued on 31 October 2022	1 January 2024	NO	NO
IFRS 4	Amendment of IFRS 4 - postponement of IFRS 9 - issued on 25 June 2020	1 January 2023	YES	NO
IAS 1	Disclosure of accounting procedures - issued on 12 February 2021	1 January 2023	YES	NO
IAS 8	Definition of accounting estimates - issued on 12 February 2021	1 January 2023	YES	NO
IAS 12	Deferred tax relating to assets and liabilities arising from a single transaction - issued on 7/5/2021	1 January 2023	NO	NO
IFRS 16	Amendments to IFRS 16 - Lease liability in a sale and leaseback	1 January 2024	NO	NO
IFRS 10 a IAS 28	Sale or deposit of assets between the investor and its affiliate or joint venture	IASB has not yet determined effective date	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 2022, 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 2022 exceed total liabilities by EUR 11,044k, the ratio of equity to total liabilities of the Company is higher than the statutory ratio 8:100, specifically 12,5. During 2022, the parent company increased Capital funds by EUR 0,1 mil.
Total assets of the Company as at 31 December 2021 exceed total liabilities by EUR 11,138k, the ratio of equity to total liabilities of the Company is higher than the statutory ratio 8:100, specifically 11,2. During 2021, the parent company increased Capital funds by EUR 8,8 mil.

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“).

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

Long-term 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. In 2022, the Company reassessed the classification of spare parts held for the purpose of maintaining production and operations of manufacturing facilities which have a useful life of more than one year in the manufacturing facilities, and classified these spare parts as property, plant and equipment as of 31 December 2022; in 2021, these assets were classified as inventories. These spare parts are used exclusively for the repair and maintenance of production equipment, therefore the Company has decided to classify the spare parts group as property, plant and equipment as it is materially and economically related. Purchased spare parts are put in use when the part is installed in the production equipment.

Long-term tangible assets are recognized 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 long-term tangible asset also includes the estimated cost of dismantling and removing the asset. Borrowing costs directly attributable to the acquisition, construction or production of a 'qualifying asset' are capitalized 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 recognized 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 long-term tangible asset are capitalized and the replaced part is derecognized.

A long-term 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 duration of the operating lease is mainly 4 years. The Company recognizes fork-lift trucks and passenger cars in such a way.

Depreciation of long-term tangible assets

Depreciation charges of long-term 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.

Long - term 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 labor, 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 long-term intangible assets is derecognized 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 long-term intangible assets

Amortization of long-term 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 long-term 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 labor 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 amortization, 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 amortized 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 derivates 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 amortized 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 amortized 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.

h) 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.

<u>Cash and cash equivalents</u>
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 amortized 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.

<u>Current financial assets</u>
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 long-term 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 amortized 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.

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 long-term 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 recognized 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 recognized 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 recognized 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 Labor 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 labor 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 short-term and long-term portion of liabilities from defined benefit plans and recognizes the estimate as a whole under long-term 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 2022 and 31 December 2021.

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 for current and predeceasing period. 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

<u>Recognition of revenues from contracts with customers</u>
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 quantifiable asset 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 long-term 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 recognized 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 December 2021

Information on the movements of Property, plant and equipment as of 31 December 2021

	Land	Constructions and structures	Manufacturing machines and equipment	Other long-term tangible assets	Unfinished investments	Leased tangible assets	**Total**
Balance as of 31 December 2020							
Acquisition cost/Conversion cost	3,773	9,423	123,991	2,912	18,478	738	**159,315**
Accumulated depreciation and value adjustments	0	-1,503	-106,540	-2,314	-1,196	-257	**-111,810**
Carrying value	**3,773**	**7,920**	**17,451**	**598**	**17,282**	**481**	**47,505**
Additions		180	1,873	186	4,187		**6,426**
IFRS 16 new classification						120	**120**
Transfer from unfinished investments		570	14,836	537	-15,943		**0**
Carrying value of sold assets							**0**
Carrying value of damaged assets							**0**
Carrying value of disposed assets			-18				**-18**
Annual depreciation		-189	-2,314	-222		-197	**-2,922**
Adjustments					1		**1**
Closing balance	**3,773**	**8,481**	**31,828**	**1,099**	**5,527**	**404**	**51,112**
Balance as of 31 December 2021							
Acquisition cost/Conversion cost	3,773	10,173	140,674	3,633	6,721	858	**165,832**
Accumulated depreciation and value adjustments		-1,692	-108,846	-2,534	-1,194	-454	**-114,720**
Carrying value	**3,773**	**8,481**	**31,828**	**1,099**	**5,527**	**404**	**51,112**

Information on the movements of Property, plant and equipment as of 31 December 2022

Information on the movements of Property, plant and equipment as of 31 December 2022

	Land	Constructions and structures	Manufacturing machines and equipment	Other long-term tangible assets	Unfinished investments	Leased tangible assets	**Total**
Balance as of 31 December 2021							
Acquisition cost/Conversion cost	3,773	10,173	140,674	3,633	6,721	858	**165,832**
Accumulated depreciation and value adjustments	0	-1,692	-108,846	-2,534	-1,194	-454	**-114,720**
Carrying value	**3,773**	**8,481**	**31,828**	**1,099**	**5,527**	**404**	**51,112**
Additions			388		6,377	222	**6,987**
IFRS 16 new classification							**0**
Transfer from unfinished investments		440	3,403	115	-3,958		**0**
Carrying value of sold assets							**0**
Carrying value of damaged assets							**0**
Carrying value of disposed assets		-25	-368	-13		-37	**-443**
Annual depreciation		-268	-3,269	-291		-208	**-4,036**
Adjustments					-81		**-81**
Closing balance	**3,773**	**8,628**	**31,982**	**910**	**7,865**	**381**	**53,539**
Balance as of 31 December 2022							
Acquisition cost/Conversion cost	3,773	10,562	135,659	3,015	9,140	1,021	**163,170**
Accumulated depreciation and value adjustments		-1,934	-103,677	-2,105	-1,275	-640	**-109,631**
Carrying value	**3,773**	**8,628**	**31,982**	**910**	**7,865**	**381**	**53,539**

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In 2022, the Company reclassified spare parts held for the purpose of maintaining production and the activities of production facilities, whose usability in production facilities is more than one year, and presented these spare parts in long-term tangible assets as of 31 December 2022, in 2021 this asset was classified as inventory. These spare parts are used for the repair and maintenance of production equipment, therefore the Company decided to classify the group of spare parts as a long-term tangible asset, as it is materially and economically related. Purchased spare parts are put in use the moment the part is installed, in 2022 the amount of spare parts presented as production equipment was in the amount of EUR 388k and as unfinished investments as of 31 December 2022, these items represent the amount of EUR 2,1 million.

A lien was established on the land and buildings in favour of the creditor Nordic Trustee & Agency AB (publ) as part of the Secop Group bond issue transaction and an open credit line with a local bank.
There is no lien on machinery, equipment and other long-term tangible assets.

Long-term 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 73 milion.
- Assembly of machinery and equipment up to the amount of EUR 226,4 million.

The Company leases production and office spaces with the total area of 12.727 m², 1.696 m² 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.

The company has leased office space for the purpose of establishing a R&D department since 2021, actively used since January 2022, according to IFRS 16, these spaces are classified as buildings in the amount of EUR 128k.

5. Long-term intangible assets

Information on the movement of long-term intangible assets as of 31 December 2021

Information on the movement of long-term intangible assets as of 31 December 2021

	Software	Other long-term intangible assets	Acquisition of long-term intangible assets	**Total**
Balance as of 31 December 2020				
Acquisition/Conversion cost	761	42	421	**1,224**
Accumulated depreciation and value adjustments	-604	-42	0	**-646**
Carrying value	**157**	**0**	**421**	**578**
Increases	58		81	**139**
Transfer from unfinished investments	414		-414	**0**
Annual depreciation	-57			**-57**
Value adjustments				**0**
Closing balance	**572**	**0**	**88**	**660**
Balance as of 31 December 2021				
Acquisition/Conversion cost	1,233	42	88	**1,363**
Accumulated depreciation and value adjustments	-661	-42		**-703**
Carrying value	**572**	**0**	**88**	**660**

Information on the movement of long-term intangible assets as of 31 December 2022

Information on the movement of long-term intangible assets as of 31 December 2022

	Software	Other long-term intangible assets	Acquisition of long-term intangible assets	**Total**
Balance as of 31 December 2021				
Acquisition/Conversion cost	1,233	42	88	**1,363**
Accumulated depreciation and value adjustments	-661	-42	0	**-703**
Carrying value	**572**	**0**	**88**	**660**
Increases	6		109	**115**
Transfer from unfinished investments	153		-153	**0**
Carrying value of sold assets				**0**
Carrying value of destroyed assets				**0**
Carrying value of retired assets				**0**
Annual depreciation	-78			**-78**
Value adjustments				**0**
Closing balance	**653**	**0**	**44**	**697**
Balance as of 31 December 2022				
Acquisition/Conversion cost	1,287	0	44	**1,331**
Accumulated depreciation and value adjustments	-634	0		**-634**
Carrying value	**653**	**0**	**44**	**697**

6. Inventories

Inventories	**31 December 2022**	**31 December 2021**
Materials and spare parts	14,497	18,914
Unfinished and semi-finished goods	3,592	3,433
Finished goods	2,523	7,857
Merchandise	5,576	7,291
Total	**26,188**	**37,495**

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

Value adjustments to inventory	Balance as of 1 January 2022	Creation	Usage	Release	Balance as of 31 December 2022
Materials and spare parts	1,298	948	34	0	**2,212**
Unfinished and semi-finished goods	145	22	28	0	**139**
Finished goods	313	190	34	0	**469**
Merchandise	318	373	6	0	**685**
Total	**2,074**	**1,533**	**102**	**0**	**3,505**

Value adjustments to inventory	Balance as of 1 January 2021	Creation	Usage	Release	Balance as of 31 December 2021
Materials and spare parts	1,133	178	13	0	**1,298**
Unfinished and semi-finished goods	114	62	31	0	**145**
Finished goods	369	137	193	0	**313**
Merchandise	361	173	216	0	**318**
Total	**1,977**	**550**	**453**	**0**	**2,074**

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 23,8 mil. 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 2022	31 December 2021
Trade receivables	15,152	15,216
Receivables from third parties	*9,299*	*14,482*
Receivables from companies within Group	*6,605*	*5,123*
Value adjustment to trade receivables	*-752*	*-4,389*
VAT receivables	213	1,115
Other receivables	177	177
Spolu	**15,542**	**16,508**

Information on receivables in foreign currency are presented in point 32 of the Notes.

The amount of EUR 13,000k of trade receivables was paid at the date of financial statements.

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.

Future monetary losses related to trade receivables and other receivables are analyzed on the basis of the provision matrix below.
The overall analysis results in a risk as at 31 December 2022 of EUR 761k, of which the created impairment represents EUR 752k, the rest beyond the impairment already created is not significant

Balance as of 31 December 2022	Loss rate (in %)	Gross value of receivables (in EUR)	Lifetime expected credit losses (in EUR)
Trade receivables		**15,904**	**761**
Due	0,029%	10,754	3
overdue 30 days (inclusive)	0,037%	667	0
overdue 31 - 90 days	0,201%	306	1
overdue 91 - 180 days	0,603%	457	3
overdue 181 - 360 days	1,633%	133	2
overdue for more than 360 days	21%	3,587	752
Other receivables		**390**	**0**
Due	0,029%	390	0
More than 360 days overdue	21%	0	0
Total		**16,294**	**761**

In thousand EUR	31 December 2022	31 December 2021
Total receivables due	**11,144**	**14,699**
Individual non-impaired receivables overdue		
overdue till 30 days	667	1,033
overdue 31 - 90 days	306	335
overdue 91 - 180 days	457	229
overdue 181 - 360 days	133	226
overdue for more than 360 days	2,835	-14
Total Individual non-impaired receivables overdue	**4,398**	**1,809**
Individual impaired receivables (gross)		
Overdue for more than 360 days	752	4 389
Total Individual impaired receivables	**752**	**4 389**
Value adjustment to receivables	-752	-4 389
Closing balance of receivables	**15,542**	**16,508**

Due receivables credit quality is presented in the following overview:

Index	Rating	Customer	Receivables as of 31 December 2022
N/A	N/A	Secop Group	6,605
N/A	N/A	Andikala	3,478
N/A	N/A	Kiriazi	1,137
N/A	N/A	REFRIGERATION HOUSE	597
N/A	N/A	Danfoss	437
N/A	N/A	VODRAZKA s.r.o.	408
N/A	N/A	Waves Singer Pakistan Limited	362
Moody´s	A2	Frigoglass	273
N/A	N/A	Hoshizaki (Suzhou) Co.,ltd.	247
N/A	N/A	Shanghai YaoZhang Refrigeration	232
N/A	N/A	Others	2,128
Total			**15,904**

Index	Rating	Customer	Receivables as of 31 December 2021
N/A	N/A	Secop Group	5,123
N/A	N/A	Andikala	4,389
N/A	N/A	Kiriazi	2,228
N/A	N/A	REFRIGERATION HOUSE	1,388
N/A	N/A	Danfoss	823
N/A	N/A	VODRAZKA s.r.o.	703
N/A	N/A	Waves Singer Pakistan Limited	569
Moody´s	A2	Frigoglass	553
N/A	N/A	Hoshizaki (Suzhou) Co.,ltd.	456
N/A	N/A	Shanghai YaoZhang Refrigeration	344
N/A	N/A	Others	3,029
Total			**19,605**

8. Current financial assets

The Company does not record any loans towards companies within the consolidated Group as of 31 December 2022 or as of 31 December 2021.

9. Cash and cash equivalents

Cash and cash equivalents	31 December 2022	31 December 2021
Cash	0	2
Cash at banks	5,223	4,221
Total	**5,223**	**4,223**

The Company deals with concentration of credit risk exposures in regard 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 2022	31 December 2021
A2 from Moody's	5,218	4,216
Baa1 from Moody's	5	5
Total	**5,223**	**4,221**

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 December 2021: EUR 105k), that was established as customs liability guarantee.

In 2022, the company had at its disposal a credit line of up to EUR 10 mil., which it could use as an overdraft, revolving credit or to cover letters of credit with suppliers. As of 31 December 2022, the Company has not used this credit line, so the balance is zero.

The establishment of the credit line was part of the bond issue transaction of the entire Secop group, when shares in Secop s.r.o. were established for the benefit of the creditor Nordic Trustee & Agency AB (publ). At the same time, land and buildings were established for the benefit of the same creditor.

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 2022 amounts to EUR 91,742k (as of 31 December 2021: EUR 91,742k). The Company's share capital has been fully paid.

Under the item Capital funds are recognized monetary contributions from Parent Company Secop Group Holding GmbH, which continued in increasing of Capital funds, capital funds amount to EUR 32.6 million as at 31 December 2022.

Loss generated in 2021 in the amount of EUR 5.247k was transferred to retained losses of previous periods.

Funds created from profit and other funds comprise only legal reserve fund, which was in 2019 increased by the contribution from profit in the amount of EUR 187k to the amount of EUR 377k.

11. Long-term and current loan payables

Long-term loan payables	Maturity date	31 December 2022	31 December 2021
Loan from the current parent company Secop Group Holding GmbH	09.09.2029	42,465	42,465
Total		**42,465**	**42,465**

Long-term loan payables - interest	Maturity date	31 December 2022	31 December 2021
Loan from the current parent company Secop Group Holding GmbH (interest)	09.09.2029	7,250	3,805
Total		**7,250**	**3,805**

A consolidated loan from the current parent company Secop Group Holding GmbH bears, according to the contract, an interest at a fixed rate of 8 %.
The Company drew a loan in the amount of 6.8 mil. EUR during 2021. In 2022 the loan amount did not change.

The company concluded a loan agreement with the bank about financing in the form of a revolving loan and an overdraft in the total amount of EUR 10 million, from which it drew at least during the year, and as of 31 December 2022 the balance of the loan was zero.

12. Other (long-term) 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 2021 and 2022, the Company did not make use of the option of commodity derivatives.

13. Other long-term liabilities and provisions

Provisions and other long-term liabilities	31 December 2022	31 December 2021
Other long-term liabilities	188	165
Liabilities from leased assets (current and long-term portion)	378	441
Provision for claims (current and long-term portion)	2,304	2,254
Total	**2,870**	**2,860**

Provisions and other long-term liabilities	Balance as of 1 January 2022	Creation	Usage	Release	Balance as of 31 December 2022
Other long-term liabilities	165	103	80	0	188
Liabilities from leased assets - long-term	239	680	729	0	190
Liabilities from leased assets - current	202	0	14	0	188
Long-term provision for claims	500	0	100	0	400
Current provision for claims	1,754	675	525	0	1,904
Total	**2,860**	**1,458**	**1,448**	**0**	**2,870**

Provisions and other long-term liabilities	Balance as of 1 January 2021	Creation	Usage	Release	Balance as of 31 December 2021
Other long-term liabilities	125	43	3	0	165
Liabilities from leased assets - long-term	327	131	219	0	239
Liabilities from leased assets - current	173	202	173	0	202
Long-term provision for claims	511	0	11	0	500
Current provision for claims	2,064	752	832	230	1,754
Total	**3,200**	**1,128**	**1,238**	**230**	**2,860**

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 long-term 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 2022. 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 400k 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 long-term 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

Deferred income – long-term portion	31 December 2022	31 December 2021
Subsidy – state aid	0	0
Total	**0**	**0**

Deferred income – current portion	31 December 2022	31 December 2021
Subsidy – state aid	0	0
Other deferred income	0	0
Total	**0**	**0**

In the past, the Company accounted for the subsidy, which was granted as investment state aid for carrying out of an investment project „Introduction of production of a new product platform XV“.
As the profitability of production of the XV product line was reassessed in 2020, which led to the cessation of production, the subsidy was dissolved in revenues as at 31 December 2020 as a result of the cessation of production and impairment of related fixed assets.

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

Trade payables, payables to employees and other liabilities	31 December 2022	31 December 2021
Trade payables	37,300	47,565
Payables to third parties	*18,226*	*28,948*
Payables to companies within Group	*19,074*	*18,617*
Current contract liabilities	189	305
Payables to employees	39	1,794
Liabilities related to social security	467	533
Other current liabilities	247	495
Total	**38,242**	**50,692**

From the total amount of trade payables and other liabilities, the amount of EUR 23,181k is overdue (as of 31 December 2021: EUR 19,788k), of which overdue payables to companies within Group constitute EUR 18,881k (as of 31 December 2021: EUR 15,012k). From total overdue trade payables to third parties in the amount of EUR 4,300k is after due date within 30 days EUR 3,733k.

16. Deferred tax liability

The amount of the deferred tax receivable was reassessed in connection with the future plans of the Company in the next 3 years and the possibilities of its use. In 2022, the Company updated the assumptions and the development from the tax receivable is shown below.

Deferred tax liability (-); receivable (+)	as at 31 December 2021	recognized in Profit/Loss	recognized in equity	as at 31 December 2022
Tangible and intangible long-term assets	-950	128		-822
Inventories	435	301		736
Receivables	921	-764		157
Liabilities	941	-730		211
Provisions	1,169	528		1,697
Subsidies	0	0		0
Deferred tax assets not accounted for	-1,554	257		-1,297
Total	**962**	**-280**	**0**	**682**

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 December 2021	recognized in Profit/Loss	recognized in equity	as at 31 December 2022
Tax losses carried forward	1,978	-28	0	1 950
Tax losses expired	-1 922	0	0	-1 922
Total	**56**	**-28**	**0**	**28**

17. Income tax

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

Income tax	31 December 2022	31 December 2021
Current income tax	0	0
Deferred income tax - current	-280	962
Total	**-280**	**962**

	31 December 2022	31 December 2021
Profit (loss) before tax	86	-6,209
Tax at the income tax rate	18	-1,304

Tax effect of permanent differences		
- tax non-deductible expenses	576	1,059
- income not subject to tax	0	-206
Impact of temporary differences	-566	872
Impact of used tax losses	-28	-421
Impact of settled tax receivables from deferred tax	-280	962
Total	**-280**	**962**
Effective tax rate	**-325,58%**	**-15,49%**

The difference between the theoretical and the actual income tax in 2022 (as well as in 2021) 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,
- by applying tax write-offs
- 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.

Revenue from the sale of products, merchandise and materials	31 December 2022	31 December 2021
Revenue from the sale of products - compressors	96,379	100,129
Revenue from the sale of merchandise	45,334	49,104
Revenue from the sale of scrap	2,151	2,813
Revenue from the sale of materials	3,465	4,531
Total	**147,329**	**156,577**

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.

Revenue from contracts with customers	31 December 2022
Revenue from domestic contracts	6,288
Revenue from foreign contracts, thereof:	141,041
Germany	87,406
USA	13,915
China	8,406
Egypt	6,607
United Arab Emirates	4,574
Turkey	3,431
Netherlands	2,236
Other	*14,466*
Total	**147,329**

Revenue from contracts with customers	31 December 2021
Revenue from domestic contracts	7,373
Revenue from foreign contracts, thereof:	149,204
Germany	88,830
China	14,100
USA	13,817
Egypt	12,980
Slovenia	2,543
Turkey	2,348

Pakistan	2,303
Other	*12,283*
Total	**156,577**

19. Revenue from the sale of services

Revenue from the sale of services	31 December 2022	31 December 2021
Revenue related to rent	1,513	964
Other revenue from the sale of services	3,455	3,328
Sales from the re-invoices freight	242	230
Total	**5,210**	**4,522**

The Company leases production, storage and office spaces with the total area of 12.727 m², 1.696 m² 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

Changes in unfinished and finished goods, internal expenditure capitalized	31 December 2022	31 December 2021
Changes in unfinished and semi-finished products	153	99
Changes in finished goods	-5,328	3,444
Capitalization of long-term tangible assets	69	148
Total	**-5,106**	**3,691**

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

Material and energy consumption, cost of goods and material sold	31 December 2022	31 December 2021
Consumption of raw material and spare parts, thereof:	**66,080**	**81,387**
Consumption of direct material	*57,134*	*69,607*
Consumption of indirect material	*1,490*	*2,408*
Consumption of spare parts	*2,833*	*3,537*
Cost of material sold	*4,315*	*5,497*
Stocktaking surplus / shortage	*308*	*338*
Consumption of energies, thereof:	**8,099**	**3,469**
Electricity	*6,195*	*2,974*
Gas	*1,838*	*420*
Water, sewerage	*66*	*75*
Cost of goods sold	**47,875**	**42,639**
Total	**122,054**	**127,495**

22. Cost of consumed services

Cost of consumed services	31 December 2022	31 December 2021
Repair and maintenance	487	577
Representation cost and travel expenses	117	69
Transport	4,368	4,073
Cost of royalties, know-how and other support	6,506	10,196
Rent of trucks and other rent	121	89
Telecommunication and IT services	950	779
Cost of waste disposal and cleaning	279	312
Cost of advisory services	170	95
Sales commissions	109	293
Courses and trainings	37	85
Other services	1,189	1,755
Total	**14,333**	**18,323**

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

Cost of audit	31 December 2022	31 December 2021
Cost related to auditor, audit company, out of it:	**57**	**42**
Audit of the individual financial statements and other services related to audit of financial statements performed by the audit company	57	42

23. Personnel expenses

Personnel expenses	31 December 2022	31 December 2021
Wage costs	11,465	12,992
Social and health insurance	4,076	4,583
thereof: Contributions to first, second and third pillar	*2,489*	*2,494*
Cost of leased labor	799	1,714
Other social expenses	1,016	1,087
Total	**17,356**	**20,376**

24. Other operating income

Other operating income	31 December 2022	31 December 2021
Income from subsidies	422	561
Income from insurance claims	3	7
Other operating income	11,160	66
Total	**11,585**	**634**

Since 2020, and during 2021, the Company underwent several changes and the impact of COVID, when it tried to maintain the maximum number of jobs for which it requested a contribution under the First Aid measures provided through the Ministry of Labor, Social Affairs and Family of the Slovak Republic especially in 2020, but also in 2021.
In 2022, the Ministry of Economy approved subsidies for businesses burdened by high energy prices. The Company received this subsidy in December 2022.
The high prices of energy and input materials caused a decrease in the profitability of products, therefore the Company received a subsidy within the group to cover high material and energy inputs in the amount of EUR 10.9 million, reported in Other operating income.

25. Other operating expenses

Other operating expenses	31 December 2022	31 December 2021
Insurance	350	357
Other taxes and fees	159	159
Expenses for warranties and claims	676	478
Other operating expenses	182	-402
Total	**1,367**	**592**

26. Value adjustment to receivables

Value adjustment to receivables	31 December 2022	31 December 2021
Value adjustment to receivables	3,637	822
Total	**3,637**	**822**

Value adjustment to receivables reflects movements in the impairment of receivables from customers during the year. In 2022, overdue receivables from a high risk customer were paid, and therefore, based on regular cash flows, the amount of future monetary losses was reassessed and the risk reduced, which represents a reduction in the provision for receivables in 2022.

27. Other gains/losses net

Other gains/ losses net	31 December 2022	31 December 2021
Profit / loss from the sale of assets	2	38
Total	**2**	**38**

The sale of assets represents revenue from the sale of unnecessary assets.

28. Interest expenses

Interest expenses	31 December 2022	31 December 2021
Interest expenses from bank loans	66	8
Interest expenses from loans	3,444	3,052
Interest expenses from rental	9	9
Total	**3,519**	**3,069**

29. Other financial income and expenses

Other financial income and expenses	31 December 2022	31 December 2021
Gain (loss) from exchange rate differences	595	356
Total	**595**	**356**

30. Contingent liabilities and contingent assets

The Company has established in Všeobecná úverová banka a bank guarantee in the amount of EUR 105k in favor of the Customs Office Nitra.

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 2013 to 2020 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. In spite of the decline in the volume of production of compressors and restructuring of the Company, the Company sustains the number of research and development employees. Since 2021 and subsequent years, the Company fills global positions in Slovakia with group-level responsibilities such as Global Director for Logistics, IT. From the analysis of the functional and risk profile of the Company, it was concluded that the Company is not a contract manufacturer, as decision-making competences and responsibilities in several areas are fully represented in the Slovak Company, but it does not have the full responsibility of an independent producer either.

In 2020 and 2021, the company received state subsidies to compensate for the effects of the COVID-19 pandemic in the total amount of EUR 1,689k. This aid may be subject to audit by public authorities, and there is currently no certainty as verified in practice as to how these audit by public authorities will be applied. The degree of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available. In 2022, a subsidy to compensate for high energy prices was received in the amount of EUR 422k in accordance with the declared conditions and based on data and information from the electricity supplier.

Operating lease contracts

Future aggregated undiscounted 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 2022	31 December 2021
Cars, thereof	**57**	**49**
till 1 year	*23*	*22*
in 2 - 5 years	34	*27*
Machines, fork-lift trucks and other, thereof	**227**	**363**
till 1 year	140	*180*
in 2 - 5 years	87	*183*
Buildings and land, thereof	**94**	***0***
till 1 year	25	*0*
in 2-5 years	69	*0*
Total	**284**	**412**

As at 31 December 2022, the Company rents administrative premises for research and development, 4 passenger cars and 55 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 to 60 months for each machine according to the new individual contract.

The Company has been applying IFRS 16 in full since 1 April 2019.

Capital commitments

As at 31 December 2022 and as at 31 December 2021, 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.

31. Transactions with related parties

The related parties of the Company include:

- Motor Competence Center Holding
- Secop Compressors
- Secop Group Holding GmbH
- Secop Austria GmbH
- Secop Holding GmbH
- Secop GmbH
- Secop Italy Srl
- Secop Inc.

The Company paid no renumeration 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 2022	31 December 2021
Secop Group Holding GmbH	**3,956**	**5,133**
Interest from received loan	3,445	3,052
Services received	1,430	2,886
Services provided	(919)	(805)
Total	**3,956**	**5,133**

Balances towards the parent company	31 December 2022	31 December 2021
Secop Group Holding GmbH	**49,715**	**46,270**
received loan (principal)	42,465	42,465
interest of the received loan	7,250	3,805
Total	**49,715**	**46,270**

Transactions with related parties	31 December 2022	31 December 2021
Sale of materials, merchandise and products	107,687	107,699
Services provided	3,433	2,605
Purchase of assets	0	890
Purchase of materials, merchandise	13,139	18,780
Services received	(4,464)	6,995
Royalties	1,120	1,130
Commission expenses	109	293
Total	**121,034**	**138,392**

Balances towards related parties	31 December 2022	31 December 2021
Trade receivables	6,605	5,123
Trade payables	19,074	18,617
From which Parent Company	*220*	*249*

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 10 (in 2021: 9).

Benefits and renumeration of the members of the key management personnel of the Company including contributions in 2022 amount to a total of EUR 1,188k (in 2021: EUR 1,394k). As of 31 December 2022, the Company records payable to the members of key management in the amount of EUR 53k (as of 31 December 2021: EUR 45k). In 2021, the Company is gradually expanding its competences and responsibilities beyond local production and development and covering global functions, which was also reflected in management.

32. 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 2022 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:

Item	31 December 2022	31 December 2021
Financial assets at amortized cost		
Trade receivables	15,152	15,216
Other receivables	177	177
Cash and cash equivalent	5,223	4,223
Total	**20,552**	**19,616**
Financial liabilities at amortized cost		
Credits and loans	49,715	46,270
Trade payables and contractual liabilities	37,489	47,870
Liabilities to employees	39	1,794
Liabilities from leased assets - current	188	202
Other liabilities	714	1,028
Total	**88,145**	**97,164**

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 analyzed 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 1,984k as of 31 December 2022 (as of 31 December 2021: EUR 2,338k). 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 2022 amount to EUR 15,152k. From the balance of open items of trade receivables the amount of EUR 13k was paid at the date of financial statements.

Receivables overdue for more than 180 days which are not covered by value adjustment are not material, as express in note no. 7.

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.

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

as of 31 December 2022	within 30 days	31 - 90 days	91 - 360 days	1 - 5 years	more than 5 years	Total
Trade payables and contractual liability	30,874	6,550	65	0	0	**37,489**
Long-term and current loan payables (principal + interest)	7,532	566	2,595	13,786	48,297	**72,776**
Total	**38,406**	**7,116**	**2,660**	**13,786**	**48,297**	**110,265**

as of 31 December 2021	within 30 days	31 - 90 days	91 - 360 days	1 - 5 years	more than 5 years	Total
Trade payables and contractual liability	33,643	13,714	513	0	0	**47,870**
Long-term and current loan payables (principal + interest)	4,088	566	2,595	13,786	51,741	**72,776**
Total	**37,731**	**14,280**	**3,108**	**13,786**	**51,741**	**120,646**

Group liabilities overdue	31 December 2022	31 December 2021
within 30 days	158	2,451
31 - 90 days	248	2,312
91 - 180 days	276	4,123
181 - 360 days	2,636	6,451
over 360 days	15,562	3,989
Total	**18,880**	**19,326**

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:

	31 December 2022		31 December 2021	
in EUR	**assets**	**liabilities**	**assets**	**liabilities**
DKK	11	3	18	0
USD	4,635	2,389	13,315	3,678
GBP	0	0	7	0
CNY	0	1,215	13	1,229
Total	**4,646**	**3,607**	**13,713**	**4,907**

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, as it eliminates the impact of the USD exchange rate through a similar volume of purchases and sales in USD.

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 2022		31 December 2021	
	Change in exchange rates	**Impact on profit or loss**	**Change in exchange rates**	**Impact on profit or loss**
EUR/USD	+ 3%	67	+ 3%	284
EUR/USD	- 3 %	-67	- 3 %	-284
EUR/CNY	+ 3%	-36	+ 3%	-37
EUR/CNY	- 3 %	36	- 3 %	37

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 2022 or 2021.

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 2022	31 December 2021
Steel	21,416	22,913
Copper	9,866	13,873
Aluminium	2,841	4,167
Total	**34,123**	**40,953**

	31 December 2022		31 December 2021	
	Change in volume of purchases	**Impact on profit or loss**	**Change in volume of purchases**	**Impact on profit or loss**
Steel	+ 3%	642	+ 3%	687
Steel	- 3 %	-642	- 3 %	-687
Copper	+ 3%	296	+ 3%	416
Copper	- 3 %	-296	- 3 %	-416
Aluminium	+ 3%	85	+ 3%	125
Aluminium	- 3 %	-85	- 3 %	-125

Interest risk

The company is not exposed to interest rate risk due to the fixed rate of 8% for the long-term loan provided by the parent company. The open credit line has a variable interest rate, as it depends on the development of the Euribor, but the Company does not use this credit line to a significant extent yet.

Analysis of interest risk sensitivity

The sensitivity analysis was determined on the basis of engagement towards the interest rates on the loan provided by the parent company as a simulation in the event of a change in conditions from the parent company, what we do not expect. The increase of the interest rates by one percentage point would cause the decrease of profit for the period from January to December 2022 of EUR 431k (for the period from January 2021 to December 2021: decrease of profit of EUR 376k), the decrease of the interest rates by one percentage point would cause the increase of profit for the period from January to December 2022 of EUR 431k (for the period from January 2021 to December 2021: increase of profit of EUR 376k).

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 2022	31 December 2021
Equity	11,044	11,138
Equity	**11,044**	**11,138**
Total liabilities	90,827	99,822
Cash and cash equivalents	-5,223	-4,223
Net debt	**85,604**	**95,599**
Equity to Net debt ratio	**0.13**	**0.12**

Disclosures of fair value

Fair value measurements are analyzed 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:

	31 December 2022	
Item	**Level 2**	**Carrying amount**
Long-term loan payables	64,702	42,465

	31 December 2021	
Item	**Level 2**	**Carrying amount**
Long-term loan payables including the current portion without the credit lines	63,566	42,465

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.

33. Post-reporting date events

After 31 December 2022 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.

In 2022, the Company continued to successfully manage employee absences due to COVID-19 pandemic at the end of 2021, at the beginning of 2022 partly from external sources.

In 2022, the Company feels the pressure and impact of the increase in the prices of materials and energy on the market, which is reflected in the selling prices of compressors, and together with business managers transfer these impacts to customers to the extent that the market allows, which in 2023 the Company feels at a reduced sales volume.

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 23 June 2023.

Norbert Brath	**Johannes Maerz**	**Martina Melovič**
Managing Director	Managing Director	Finance Director