Annual Financial Statements

dated

31 December 2021

of

Secop GmbH
Flensburg

Secop GmbH

Balance Sheet dated 31 December 2021

A s s e t s

	31/12/2021 EUR	31/12/2021 EUR	Previous year EUR	Previous year EUR
A. Non-current assets				
I. Intangible assets				
1. Concessions, industrial property rights, similar rights and titles and licenses to such assets	4.928.517,22		5.319.702,57	
2. Advance payments	19.220.826,07	24.149.343,29	16.358.995,52	21.678.698,09
II. Property, plant and equipment				
1. Technical plant and machinery	325.403,89		81.339,89	
2. Other systems, operational and business equipment	85.073,00		71.829,00	
3. 4. Advance payments and assets under construction	35.350,00	445.826,89	26.676,00	179.844,89
III. Financial assets				
Shares in corporate affiliates		9.010.750,00		9.273.952,00
		33.605.920,18		31.132.494,98
B. Current assets				
I. Receivables and other assets assets				
1. Trade receivables	17.840.390,52		9.640.868,08	
2. Receivables from corporate affiliates	14.727.427,48		12.635.351,11	
3. Other assets	4.873.244,54	37.441.062,54	4.272.212,68	26.548.431,87
II. Cash, credit balances with banks		2.299.840,66		4.666.297,49
		39.740.903,20		31.214.729,36
C. Deferred items		112.796,36		81.490,31
		73.459.619,74		62.428.714,65

L i a b i l i t i e s & E q u i t y

	31/12/2021 EUR	Previous year EUR
A. Shareholders' equity		
I. Subscribed capital	26.000,00	26.000,00
II. Capital reserves	65.631.692,80	65.631.692,80
III. Loss carried forward	-35.442.601,71	-26.817.017,31
IV. Net profit for the year (previous year: net loss)	5.340.484,72	-8.625.584,40
	35.555.575,81	30.215.091,09
B. Provisions		
1. Provisions for pensions and similar obligations	3.697.870,00	3.489.236,00
2. Tax provisions	466.611,00	0,00
3. Other provisions	2.967.306,95	1.479.127,66
	7.131.787,95	4.968.363,66
C. Liabilities		
1. Liabilities to banks	0,00	1.918.037,84
2. Trade payables	296.313,80	230.467,81
3. Liabilities with corporate affiliates	29.700.427,81	24.379.403,72
4. Other liabilities of which from taxes: EUR 57,152.91 (prev. yr.: EUR 65,139.54) of which in connection with social security EUR 0.00 (prev. yr. EUR 0.00)	775.514,37	717.350,53
	30.772.255,98	27.245.259,90
	73.459.619,74	62.428.714,65

Secop GmbH

Profit and loss account for the period 1 January to 31 December 2021

			2021	2020
			EUR	EUR
1.	Sales revenue		141.602.080,64	148.829.463,89
2.	Other own work capitalised		3.978.372,00	0,00
3.	Other operating income -- of which from currency translation EUR 905,162.06 (prev. yr.: EUR 327,269.75)--		2.903.189,18	10.794.698,54
4.	Cost of materials			
	a) Expenses for raw, secondary production and production process materials and purchased goods	114.118.672,64		117.631.990,89
	b) Expenses for services purchased	6.816.225,05	120.934.897,69	5.588.548,65
5.	Personnel expenses			
	a) Wages and salaries	3.563.524,25		3.693.611,31
	b) Expenses for social security and retirement and support pensions -- of which from retirement pensions EUR 179,507.25 (prev. yr.: EUR 185,309.27)	653.548,20	4.217.072,45	610.597,44
6.	Amortisation of intangible non-current assets and Property, plant and equipment		3.738.897,08	4.292.795,41
7.	Other operating expenses -- of which from currency translation EUR 607,164.75 (prev. yr.: EUR 772,689.27)		12.891.807,92	32.755.755,29
8.	Income from debt financial assets --of which from corporate affiliates: EUR 0.00 (prev. yr.: EUR 118,577.37)		0,00	118.577,37
9.	Other interest and similar income --of which from corporate affiliates: EUR 0.00 (prev. yr.: EUR 5,190.18)		0,00	6.939,18
10.	Interest and similar expenses --of which to corporate affiliates: EUR 45,916.28 (prev. yr.: EUR 727,209.30) --of which from accrual of interest EUR 116,022.00 (prev. yr.: EUR 132,699.00)		372.660,47	1.050.288,72
11.	Earnings before taxes		6.328.306,21	-5.873.908,73
12.	Income taxes		948.044,41	2.747.680,69
13.	Earnings after taxes		5.380.261,80	-8.621.589,42
14.	Other taxes		39.777,08	3.994,98
15.	Net profit/loss for the year		5.340.484,72	-8.625.584,40

Secop GmbH, Flensburg

Notes to the financial statements for the period 1 January - 31 December 2021

I. General disclosures regarding the annual financial statements

The annual financial statements of Secop GmbH dated 31 December 2021 have been prepared in accordance with accounting rules under German Commercial Code and under the GmbH Act, observing generally accepted accounting principles.

The Profit & Loss was prepared applying the total cost method.

The company is a large stock corporation per § 267 (3) HGB, and is registered under the company name Secop GmbH with registered office in Flensburg, commercial register record number HRB 8698 FL, kept by Flensburg Local Court.

The item “Earnings before taxes” was included in the profit & loss account to afford a clearer presentation.

II. Accounting, measurement and conversion methods

The following were the primary accounting and measurement methods applied to prepare the financial statements.

Intangible assets and property, plant and equipment

These items are stated at (acquisition or production) cost less scheduled, usage-related depreciation/amortisation. Advance payments are measured at nominal value. If the value of non-current assets measured applying the abovementioned principles is greater than their attributable fair value on the statement date, unscheduled depreciation/amortisation is recorded for this discrepancy. If the reasons for recording such unscheduled depreciation/amortisation in previous financial years no longer apply, a reversal/write-up is recorded.

Research and development expenses respectively are separately recorded in accordance with a project plan. Research expenses are not capitalised. The development phase, upon which capitalisation of development costs depends, commences upon ending of the concept phase, i.e. when the design or “project target setting” phase starts. Capitalised development output is measured as direct costs plus an overhead mark-up for expenses not directly related to the development project. Optional cost components are not included in production cost.

Scheduled depreciation is recorded on a straight-line basis over the estimated useful life as follows:

	Useful life Years
Concessions, industrial property rights and similar rights and assets	6 - 8
Technical systems/equipment	10 - 13
Business and office equipment	3 - 5

Additions to movable property, plant and equipment assets are depreciated a straight-line basis pro rata.

Low-value assets with an acquisition cost of EUR 800.00 or less are fully depreciated in the year of acquisition. The generally accepted modified version of this simplification rule is followed. The year of purchase is taken as the year of disposal.

Financial assets

Shares in corporate affiliates are measured at the lower of acquisition cost or fair value if an impairment is expected to be permanent. A write-up as a mandatory impairment reversal up to the original cost is recorded if the circumstances causing a lasting impairment no longer apply.

Loans are carried at cost less redemption instalments received.

Receivables and other assets

Receivables and other assets are carried at nominal value. Item-specific expected credit losses are recorded on these to reflect default risk.

Bank balances

Bank balances are carried at nominal value.

Deferred items

Expenses accruing in periods before the statement date are recorded as deferred assets if they represent an expense for a period after the statement date.

Shareholders' equity

Subscribed capital is carried at nominal value.

Provisions

Provisions for pensions and similar obligations are calculated via actuarial formula applying the projected unit credit method and an interest rate of 1.87% (previous year: 2.30%) p.a., referencing the Klaus Heubeck 2018 G mortality tables. The interest rate corresponds to the average market interest rate for the past ten years as published by the German Bundesbank, applying a remaining term of 15 years for pension obligations. An annual pension increase of 1.5% (previous year: 1.5%) was applied as basis for measuring pensions provisions and similar obligations. Annual wage and salary increases were not taken into account.

Provisions for service anniversary obligations are calculated via actuarial formula applying the projected unit credit method with an interest rate of 1.35% p.a. (previous year: 1.60%). The interest rate corresponds to the average market interest rate for the past seven years as published by the German Bundesbank, applying a remaining term of 15 years for service anniversary obligations.

Annual wage and salary increases of 2.0% (previous year: 2.0%) were applied for measuring provisions for service anniversary obligations as well as an increase rate of 2.0% p.a. for the contribution assessment limit (previous year: 2.0%).

Other provisions are recorded to reflect all other identifiable risks and uncertain liabilities. These are measured at the net fulfilment amount deemable as necessary applying principles of prudent business judgement.

Liabilities

Liabilities are carried at their redemption amount.

The company utilises the option per § 274 (1) HGB of not recognising deferred tax assets.

Deferred tax assets are primarily recognised for temporary value differences for non-current assets, pension provisions and capitalised offsettable loss carryforwards. These were offset against deferred tax liabilities recognised for temporary differences affecting intangible assets and shares in corporate affiliates. The applicable tax rate is 30.18%.

Currency translation

Assets and liabilities in foreign currency are measured at the exchange rate applicable on the transaction date.

Current receivables and liabilities realisable/maturing in one year or less and bank balances in foreign currency are translated applying the average exchange rate for the balance sheet date.

Non-current foreign currency liabilities are measured at the greater of the bid exchange rate at the time the liability arises or the average exchange rate for the balance sheet date.

The imparity principle is applied for any resulting gains or losses.

III. Notes to the annual financial statements

Notes on the balance sheet

Non-current assets

Please refer to the schedule of gross non-current assets for the period 1 January 2021 to 31 December 2021, attached to the Notes (change in non-current assets). Capitalised development costs include such costs from projects for the electronics of the future variable speed generation (XV, SLV, DLV, NLV) and for the Kappa product generations.

Development project costs in which technical development work has not yet been completed are shown reported as advance payments on intangible assets. These concern contractually agreed, paid development services provided by corporate affiliates.

An impairment of EUR 2,362 thousand was recorded on intangible assets during the year under review. This impairment is for capitalised development costs for the Delta VSD generation, for which an unscheduled write-down was recorded during the financial year.

In connection with the capitalisation of the development costs, an amount of EUR 24,137 thousand is restricted from distribution per § 286 (8) of German Commercial Code (HGB).

Shareholdings

Overview of financial investments:

Company name	Domicile	% equity stake	Shareholders' equity T	Net income for the year T
Secop Austria GmbH	Gleisdorf, Austria	100	1,956 euros	-7,962 euros
Secop Italia s.r.l.	Milan, Italy	100	359 euros	70 euros

Motor Competence Center GmbH, Flensburg merged into Motor Competence Center Holding GmbH, Flensburg effective 1 January 2021. Motor Competence Center Holding GmbH was then sold to Secop Group Holding GmbH on 20 December 2021.

Trade receivables

Trade receivables of EUR 17,840 thousand are due within a period of one year (previous year EUR 9,641 thousand).

Receivables from corporate affiliates

Receivables from corporate affiliates amounted to EUR 14,727 thousand (previous year: EUR 12,635 thousand), of which EUR 13,327 thousand represented trade receivables (previous year: EUR 12,634 thousand) and EUR 1,400 thousand represented other receivables from shareholders (previous year: EUR 1 thousand).

As in the previous year, all receivables are due within a period of one year.

Other assets

Other assets include in particular sales tax refunds owed from tax authorities (EUR 717 thousand, previous year: EUR 1,000 thousand), receivables from a factoring company (EUR 3,149 thousand, previous year EUR 2,260 thousand) and receivables from staff. Other assets are due within a period of one year, excepting an amount of EUR 1,000 thousand (previous year: EUR 1,000 thousand).

Share capital

Share capital totals EUR 26,000.00.

Capital reserves

Capital reserves total EUR 65,632 thousand (previous year: 65,632 thousand). In financial year 2020 the shareholder, Secop Group Holding GmbH deposited an additional EUR 30,152 thousand to the company's free capital reserves per § 272 (2) No. 4 HGB.

Pension provisions and similar obligations

The difference per § 253 (6) HGB, i.e. the difference between pension provisions measured at the average market interest rate for the past seven years (EUR 4,024 thousand) and pension provisions measured at the average market interest rate for the last ten years (EUR 3,697 thousand) as of 31 December 2021 was EUR 327 thousand (previous year: EUR 425 thousand). The difference amount between provisions for pension obligations recorded when applying the seven-year rate versus the ten-year average interest rate is restricted from distribution if this amount cannot be covered by freely available reserves remaining after the distribution plus a profit carryforward, less a loss carryforward.

Other provisions

The principal items comprising other provisions are provisions for customer bonuses in the amount of EUR 1,633 thousand (previous year: EUR 674 thousand) and other staff costs, including for service anniversaries and partial retirement arrangements in the amount of EUR 624 thousand (previous year: EUR 679 thousand).

Liabilities to banks

Liabilities to banks have been repaid in full (previous year: EUR 1,918 thousand).

Trade accounts payable

Trade accounts payable to third parties in the amount of EUR 296 thousand are due within a period of one year (previous year: EUR 230 thousand).

Liabilities to corporate affiliates

Liabilities to corporate affiliates amounted to EUR 29,700 thousand (previous year: EUR 24,379 thousand), of which EUR 27,402 thousand represented trade payables (previous year: EUR 20,674 thousand), EUR 759 thousand represented other liabilities (previous year: EUR 2,418 thousand) and EUR 1,539 thousand represented loan liabilities (previous year EUR 1,287 thousand). Liabilities in the amount of EUR 2,298 thousand represent other liabilities to shareholders (previous year: EUR 2,628 thousand).

Liabilities in the amount of EUR 28,162 thousand are due within a period of one year (previous year: EUR 23,042 thousand); EUR 0 thousand in liabilities are due between one and five years (previous year: EUR 0 thousand). Liabilities of EUR 1,538 thousand have a maximum remaining term of more than five years (previous year: EUR 1,337 thousand).

Other liabilities

Other liabilities principally include customers with credit balances and tax liabilities due short-term.

Notes on the profit & loss account

Sales revenue

Sales revenue of Secop GmbH includes in particular sales revenue from compressor sales, management fee income from the provision of services to corporate affiliates and licensing income. A breakdown of sales revenues by business area is shown below, stating amounts.

	2021 kEUR	2020 kEUR
Revenue from sales of goods	121,530	126,062
Sales revenue from allocated management fees	13,222	15,733
Licensing income	6,850	7,034
Total	141,602	148,829

Sales revenues of the Secop Group are predominantly invoiced to the respective end customers via Secop GmbH, while goods are delivered directly from the manufacturing plants. Sales revenues break down by geographic market as follows:

	2021 kEUR	2020 kEUR
Domestic	5,358	24,324
The European Union	85,403	73,173
Rest of world	50,841	51,332
Total	141,602	148,829

Other operating income

Other operating income results primarily from sale of the equity investment in Motor Competence Center Holding GmbH in the amount of EUR 1,137 thousand, from exchange rate gains in the amount of EUR 905 thousand, and the reversal of provisions in the amount of EUR 136 thousand.

Cost of materials

Cost of materials primarily includes goods purchased from the supplying plants and research and development services purchased by corporate affiliates.

Personnel expenses

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

Depreciation, amortisation and impairments

Depreciation, amortisation and impairments principally comprises amortisation of intangible assets (capitalised development costs) in the amount of EUR 1,273 thousand and unscheduled amortisation of intangible assets in the amount of EUR 2,362 thousand.

Other operating expenses

Other operating expenses primarily comprise corporate pass-on/allocation items, travel, IT, sales & marketing, license, consulting and insurance expenses.

Total research & development expenses

Research & development expenses for 2021 totalled EUR 11,278 thousand, stemming from multiple development projects. Of this amount, EUR 6,126 thousand was capitalised in the financial year under review.

Net interest income

Net interest income includes interest income and expenses vis-a-vis corporate affiliates, the parent company and external lenders.

Income taxes

Income taxes primarily represent refunds of domestic tax paid in advance from previous years, paid withholding tax and the recording of income tax receivables from the current year.

IV. Other disclosures

Deferred taxes

Factoring

The Secop Group partly sells short-term trade receivables to a third party as part of a so-called real factoring. All significant opportunities and risks are transferred to the buyer so that the receivables sold are fully derecognised and no sustained commitment is taken into account on the balance sheet.

Other financial obligations, contractual liability

Other financial obligations from rental, lease and maintenance contracts for years following total EUR 8,249 thousand (of which EUR 1,595 thousand are due in less than one year).

On 28 July 2020 the parent company of Secop Group Holding GmbH floated a variable-rate bond issue ("senior secured floating rate bonds") in an initial volume of EUR 50 million maturing on 29 January 2024 on the over-the-counter market in Frankfurt, Germany and on the Stockholm Stock Exchange in Sweden. As at 31 December 2021 these bond liabilities totalled a nominal EUR 37.8 million (excluding interest). Secop GmbH has assumed a guarantor commitment for this contract. In view of the parent company's financial situation, no claims are expected.

In addition to the IP rights owned by Secop GmbH (capitalised development costs for intangible assets), shares in corporate affiliates and trade receivables not subject to factoring have been pledged as collateral.

The probability of a claim being asserted against the guarantor or the provided collateral being claimed is considered to be low at this time because Secop Group Holding GmbH has to date fulfilled its contractual obligations for the bond issue and there are no indications and no information has been provided by management that these contractual obligations may not be met.

Consolidation status

Secop Group Holding GmbH, Flensburg, prepares consolidated financial statements for its largest and smallest corporate groups in Germany, to which Secop GmbH and its subsidiaries belong. Secop GmbH is therefore released from obligation to prepare consolidated financial statements and a group management report on its own. Disclosures on accounting/measurement and consolidation methods deviating from German law is not necessarily required, as the exempting consolidated financial statements of the parent company are prepared in accordance with IAS/IFRS as adopted by the EU.

Governance bodies and related expenses

The disclosures per § 285 No. 9 a HGB have been omitted in line with § 286 (4) HGB.

Executive management

Mr. Peter Michael Killemose Hansen, Sønderborg, Denmark, Managing Director (through 7 June 2021)

Dr. Philipp Freiherr von Stietencron, Hannover, Managing Director (from 6 May 2020 to 21 December 2021)

Dr. Andreas Joseph Schmid, Grünwald, Managing Director (from 7 June 2021 to 20 October 2021)

Mr. Jan Ehlers, Timmendorfer Strand, Managing Director (since 20 October 2021)

Average number of employees

	2021	2020
White-collar employees	35	34

Auditor’s fee

The total auditor fee expense recorded for auditing services was EUR 26 thousand (previous year: EUR 41 thousand)

Proposal for the appropriation of profits

The net accounting profit recorded for the year of EUR 5,340,484.72 is carried forward to the financial year following.

Significant post-reporting date events/transactions

The events of 2022 in Russia and Ukraine have had no material impact on the business activities of Secop GmbH, as the Secop Group only had sales revenue of EUR 13 million in Russia in 2021. The company is evaluating the situation on an ongoing basis in order to minimise risk.

No business events/transactions occurred after the statement date other than as reported.

Flensburg, 21 April 2022

Jan Ehlers
Managing Director

Secop GmbH

Change in non-current assets for financial year 2021

	Acquisition/production cost					Cumulative depreciation/amortisation				Carrying values	
	01/01/2021	Additions	Disposals	Reclassifications	31/12/2021	01/01/2021	Additions	Disposals	31/12/2021	31/12/2021	31/12/2020
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets											
1. Concessions, industrial property rights, similar rights and titles and licenses to such rights and titles	17.366.664,89	6.126.153,00	0,00	-2.861.830,55	20.630.987,34	12.046.962,32	3.655.507,80	0,00	15.702.470,12	4.928.517,22	5.319.702,57
2. Advance payments	16.358.995,52	0,00	0,00	2.861.830,55	19.220.826,07	0,00	0,00	0,00	0,00	19.220.826,07	16.358.995,52
	33.725.660,41	6.126.153,00	0,00	0,00	39.851.813,41	12.046.962,32	3.655.507,80	0,00	15.702.470,12	24.149.343,29	21.678.698,09
II. Property, plant and equipment											
1. Technical plant and machinery	1.252.241,29	287.903,95	142.886,78	0,00	1.397.258,46	1.170.901,29	41.943,41	140.990,24	1.071.854,46	325.404,00	81.340,00
2. Other systems, operational and business equipment	231.078,57	54.689,87	23.825,28	0,00	261.943,16	159.249,57	41.445,87	23.825,28	176.870,16	85.073,00	71.829,00
3. 4. Advance payments and assets under construction	26.676,00	8.674,00	0,00	0,00	35.350,00	0,00	0,00	0,00	0,00	35.350,00	26.676,00
	1.509.995,86	351.267,82	166.712,06	0,00	1.694.551,62	1.330.150,86	83.389,28	164.815,52	1.248.724,62	445.827,00	179.845,00
III. Financial assets											
Shares in corporate affiliates	9.273.952,00	0,00	263.202,00	0,00	9.010.750,00	0,00	0,00	0,00	0,00	9.010.750,00	9.273.952,00
	44.509.608,27	6.477.420,82	429.914,06	0,00	50.557.115,03	13.377.113,18	3.738.897,08	164.815,52	16.951.194,74	33.605.920,29	31.132.495,09

Secop GmbH

Management Report for the 2021 Financial Year

1. Company profile

Secop GmbH (DES) with registered office in Flensburg, Germany, develops and distributes hermetic compressors for cooling applications worldwide. The company is a wholly owned subsidiary of Secop Group Holding GmbH (SGH), which prepares the consolidated financial statements for the Secop Group, its largest and smallest sets of consolidated companies in Germany.

DES is the direct 100% shareholder of Secop Austria GmbH (Secop Austria), Gleisdorf, Austria and of Secop Italy s.r.l. Milan, Italy.

Secop Austria and Secop s.r.o., Zlaté Moravce, Slovakia (Secop Slovakia) are responsible for research and development along with Motor Competence Holding GmbH (Flensburg).

The business activities of DES primarily concern sales of compressors purchased from Secop Group plants in Slovakia and China.

The compressors business is organised into the segments of stationary cooling and mobile cooling.

In the Stationary Cooling segment DES sells compressors for commercial cooling applications, which mainly include compressors for bottle coolers and glass door refrigerators, for commercial refrigerators and for supermarket freezers and marketing coolers.

In the Mobile Cooling segment DES sells compressors for mobile applications, which primarily include truck refrigerators, car minibars, spot coolers, battery/accumulator coolers in the telecommunications sector and cool boxes for private and medical applications. In all three business areas DES offers consulting services for customers to support them regarding uses and applications.

DES and the two business segments are differently positioned. DES performs worldwide distribution for the Stationary Cooling and Mobile Cooling business segments.

As part of its operating activities the Company also provides headquarters services provided for the Secop Group. Management fee revenue is generated from these services. DES also owns patents, utility models, trademarks and other registered industrial property rights as well as know-how in compressor manufacturing and sales. The Company generates licensing income on these from corporate affiliates and third parties.

2. Research & development

In 2021, the Secop Group restructured its global R&D organisation, implementing and consolidating changes. The Motor Competence Center with the “Electric Motors”, “Electrical Equipment” and “Electronic Control Units” divisions, whose administration is located in Flensburg (Germany), reports to the head of global CTO and operates as an R&D supplier in the Secop Group. The Gleisdorf site (Austria) is home to the new development centre for mechanical design with the intention of gaining access to the know-how in the development of car engines in the Graz region (Austria). The research and development activities in Austria are focussed on advance development for new compressor platforms, new areas of application and new processing technologies. The continued development of product platforms to increase efficiency takes place in Austria as well as in the respective plants in Slovakia or China in which the product platform is being produced. The third element in the

R&D organisation is the Project Management and Product Engineering. It operates globally and supervises the design and implementation of new products and the improvement of existing products. The new structure is intended to reduce project durations and improve the quality of the R&D results.

In addition to the structure, the product development process has been updated by upgrading project management tools to the latest state of the art. The optimisation of cross-divisional committees led to the greater consideration of market and customer requirements in the development pipeline. This resulted in a consolidated and coordinated development roadmap within the company that enables a continuous flow of innovation. The resources are assigned according to the corporate priorities and extend from an initial outline of the ideas through to the start of series production.

The Secop Group's priorities in its product development activities include "green" refrigerants, improving energy efficiencies, compactness and streamlining the use of raw materials.

In 2021 the Secop Group turned its focus to developing compressors for medical applications. As a first step, existing models were refined and advanced for ultra-low temperatures (>-80°C), which were quickly able to be distributed due to the Covid-19 crisis. The next development step is to optimise these compressors in 2022, which are even better equipped and certified specifically for use in two-stage ultra-low temperature cascade refrigeration systems and temperatures >= -80 °C. In this field, the Secop Group is also working together with non-profit foundations to reduce electricity consumption even further to a level that can be supplied by solar panels.

In the area of mobile cooling, an additional modern platform/compressor type, the BDnano product, was manufactured in the 2021 financial year. This supports a further drop in energy consumption and is smaller in size together with an optimised noise level and vibrations. Production of the BDnano is expected to commence in 2022.

In the refrigeration compressors market segment there is a firm trend towards speed-controlled compressors. The resulting flexibility to respond to different cooling requirements with variable refrigeration output by the compressor provides a range of possible new applications.

When there is a greater need for cooling, such as in pull-down mode, the speed can be increased in order to increase cooling power. When the need for cooling is lower, such as in sustainment mode, the speed can be reduced to a very low level, which simultaneously reduces the noise development to a minimum.

In the past year, Secop has been working on a new speed-controlled generation of compressors. The resulting competitive advantage is primarily the result of a long-term collaboration with universities and private research and development partners.

DES recorded R&D expenses of EUR 11.2 million for 2021 (previous year: EUR 14.0 million). Of this total, 54% was capitalised (previous year: 57%)

The Group has an average 150 R&D staff around the world, including 34 employees at the Flensburg, Germany site and 50 employees working in Gleisdorf, Austria. Secop GmbH files for patents as necessary to safeguard the Company's research and development results. We will continue investing in research and development in 2022 in a similar scope as in 2021 to keep our R&D expertise on the cutting edge and ensure the competitiveness of the Secop Group. Research and development activities are financed within the Secop Group, and indirectly via compressor sales.

3. Business conditions

3.1. Developments in the industry and the overall economy

Despite the Covid-19 pandemic and a sharp recession in the previous year, the German economy bounced back with 2.7% growth in gross domestic product in 2021, which is comparable to growth rates prior to the Covid-19 pandemic. Similar to the economic and financial crisis of 2008 and 2009, gross domestic product fell by 5.0% in 2020.[1]

Despite the partial lockdown, industrial production continued to improve in 2021, as did manufacturing order volume. This indicates that the industry, in contrast to 2020, was less heavily affected by the measures.[1]

The labour market developed positively in spite of the partial lockdown[1] The seasonally-adjusted employment rate increased significantly in November, while the seasonally-adjusted unemployment rate once again fell sharply in December 2021.[1]

Exports of goods and services continued to improve in November 2021. A look at the national leading indicators shows a gap between supply and demand. The ifo's export forecast for the manufacturing sector points toward difficulties satisfying global demand. International incoming orders increased in November (+8.0%) versus the previous month to their fourth-highest level since 1991. The expectations for German foreign trade are fundamentally optimistic despite the measures to combat the pandemic and global supply bottlenecks.[1]

China, as the origin and first epicentre of the Covid-19 pandemic, was the only major economy to report positive economic growth[2]. The country grew by 11.7% in the second quarter of 2021[2] and, in the third quarter it recorded moderate price- and season-adjusted GDP growth of 2.7% versus the previous quarter and 4.9% versus the previous year.[2]

For China, the October forecast of the Federal Ministry for Economic Affairs and Climate Action still expects growth in the current year, with economic performance set to increase by 1.9%. A strong rise of 8.0% was reported for 2021, with expectations of 5.3% growth for 2022.[2]

The overall market for compressors (volume of around 170 million compressors) is a growth market with expected growth of 5.5% p.a. (2021 to 2027). The reasons for this are the increasing areas of application of refrigerators (food, trade, transport, pharmaceuticals, etc.) as well as the rising demand due to rising global temperature as well as the growing population. Our current expectations are that it is highly unlikely that the Covid-19 pandemic will lead to any significant fall in overall demand. Secop products are vital appliances, used for example in the health sector for maintaining cold chains and supplying the population with refrigerated food and health products (e.g. vaccines).

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[1] Source: Press release by the Federal Ministry for Economic Affairs and Climate Action of 14 January 2022

[2] BMWI Schlaglichter der Wirtschaftspolitik, December 2021

Overall growth in the commercial refrigeration market was reported for the stationary cooling segment. The food service market recorded good demand from hotels, restaurants and catering, driven by a good seasonal result in these segments, which recovered from the fall in demand caused by the effects of Covid-19. The medical segment continued to report strong demand, boosted by medical projects worldwide as well as for the cold chains of vaccines and storage in pharmaceutical laboratories. The food retail segment recorded a positive level of demand due to good investments in the food and beverage markets. Other segments, such as bottle coolers, freezers and beverage dispensers, also posted a good level of demand, supported by strong consumer demand.

The mobile cooling segment posted outstanding demand throughout the entire year. The automotive segment registered a growing demand level for both car as well as lorry applications. The leisure industry recorded good demand for recreational vehicles and mobile cooling solutions, which confirmed the positive trends generated by new consumption habits for food and beverages under mobility conditions.

3.2. Business results

2021 was a good year in terms of the demand and order level and confirmed the recovery trend from the 2020 financial year, which was heavily influenced by the effects of Covid-19. The Secop Group recorded extraordinarily solid demand across all of its core application segments: food retail, food service, medical, automotive and leisure. Despite the persistent global Covid-19 pandemic, Secop was able to increase its revenue in 2021.

On the other hand, the business was negatively affected by significant restrictions in the supply chain, especially affecting electronic components. Obstacles to electronics availability and associated long lead times had a negative impact on our ability to satisfy high market demand. The supply bottleneck made it impossible to fully meet demand for electronically operated compressors. This situation was further complicated by transport embargoes for goods produced in China. Raw material prices remained high throughout the year, impacting the cost of compressors. In addition to materials costs, transport costs also increased dramatically. To respond to the rise in material and transport costs and offset the associated effects on the cost of compressors, the price list was adjusted twice in 2021 to reflect higher costs in a new price list.

The gross profit margins the Group achieved in 2021 remained stable versus 2020, while gross margin (revenue less cost of sales) of around 20% of revenue remained at the 2020 level.

Overall, in light of the considerable challenges in 2021, management is satisfied with the economic performance of the Secop Group through the end of 2021 in spite of ongoing difficulties within the supply chain. The forecast revenue values were furthermore significantly exceeded, as customers accepted higher prices in view of Secop's ability to deliver at all times in 2021. Unfortunately, the Company was unable to meet its EBITDA estimate due primarily to the sharp rise in materials prices in the second half of the year.

The key planning and monitoring parameters for the Company's internal management, which influence the key financial performance indicators, are earnings from compressor sales and EBITDA (earnings before interest (net financial income), taxes, and depreciation/amortisation. The change in these KPIs in 2021 versus the previous year is shown below.

in kEUR	1 January - 31 December 2021	1 January - 31 December 2020	Diff.	in %
Sales revenue	141,602	148,829	-7,227	-5%
- of which from compressor sales	122,984	126,062	-3,078	-2%
EBITDA	10,450	-657	11,108	>100 %

Of the decline in total sales revenue, EUR 3,078 thousand was attributable to compressor sales. This decrease was mainly due to the Company's almost entirely exiting the Household business in 2021. Revenue rose sharply however in the Stationary and Mobile Cooling business segments. The compressor sales estimate of EUR 111,179 thousand for the 2021 financial year (see 2020 Management Report) was exceeded thanks to Secop GmbH maintaining the ability to deliver at nearly all times. Management fee revenue declined on the other hand by EUR 2,511 thousand and licensing income declined by EUR 184 thousand.

The increase in EBITDA by EUR 11,108 thousand in 2021 resulted from realignment of the Secop Group, involving principally one-off effects announced in financial year 2020 (including a waiver of receivables from Secop Austria in the amount of EUR 11,500 thousand). This was offset however by development costs the Company capitalised in the amount of EUR 6,126 thousand in 2021, boosting EBITDA.

Still, the EBITDA estimate of EUR 11,069 thousand for financial year 2021 set in the previous year was not achievable, coming in at EUR 10,450 thousand for the financial year under review. Changing materials prices were the main reason for not making the estimate, as materials costs rose substantially in the second half of 2021, affecting earnings.

Negative one-off charges connected with the realignment of the Secop Group had a major effect on DES earnings in 2020. In view of the great challenges faced in 2021, management remains satisfied all in all with the business results for 2021, given that the Secop Group and thus DES by extension had undergone a complete realignment by the end of the year.

3.3. Explanations regarding earnings, assets and financial position

Earnings

The table below provides an overview of the primary changes in earnings versus the previous year:

in kEUR	1 January - 31 December 2021	1 January - 31 December 2020	Diff.	in %
Sales revenue	141,602	148,829	-7,227	-5%
Other own work capitalised	3,978	0	3,978	0%
Other operating income	2,903	10,795	-7,892	-73%
Cost of materials	-120,935	-123,221	2,286	-2%
Personnel expenses	-4,217	-4,304	87	-2%
Other operating expenses	-12,881	-32,756	19,875	-61%
EBITDA	**10,450**	**-656**	**11,107**	**>100%**
Depreciation & amortisation	-3,749	-4,293	543	-13%
EBIT	**6,701**	**-4,949**	**11,650**	**>100%**
Net interest income	-373	-925	552	-60%
Earnings before taxes (EBT)	**6,328**	**-5,874**	**12,202**	**>100%**
Income taxes	-948	-2,748	1,800	-65%
Other taxes	-40	-4	-36	>100%
Net profit for the year (previous year: net loss)	**5,340**	**-8,626**	**13,966**	**>100%**

With reference to the explanations regarding sales revenue provided in section b) “Business results”, the increase in net profit for the year by a total of EUR 13,966 thousand versus the previous year was due to the following developments:

- Other operating income declined by a total of EUR 7,892 thousand versus the previous year. Other operating income for 2020 showed a one-time effect of EUR 8,057 thousand from a customer in the Household business segment. This was offset by other operating expenses in the same amount in 2020.

- Otherwise, other operating income consisted principally of EUR 1,137 thousand from the sale of Motor Competence Center Holding Flensburg GmbH to Secop Group Holding GmbH, exchange rate gains of EUR 905 thousand and income from the reversal of provisions.

- Cost of materials declined by EUR 2,286 thousand EUR 120,935 thousand in 2021, 2% lower than the previous-year figure of EUR 123,221 thousand. This figure consists primarily of EUR 114,118 thousand in expenses from purchased merchandise from the supplying plants (previous year: EUR 117,632 thousand), representing a 3% decline. This was offset by a 3% decline in sales revenue from sales of merchandise.

- Personnel expenses declined by EUR 87 thousand from EUR 4,304 thousand in 2020 to EUR 4,217 thousand for 2021. The average number of employees changed from 34 in the previous year to 35 for the year under review.

- Other operating expenses fell by EUR 19,875 thousand year-on-year to EUR 12,881 thousand. Other operating expenses primarily comprise allocated corporate pass-on items, travel, IT, sales & marketing, license, consulting and insurance expenses. In financial year 2020 this total mainly reflected a waiver of receivables in the amount of EUR 11,500 thousand and a one-off extraordinary charge of EUR 8,057 thousand (see explanations on other operating income above).

- Depreciation/amortisation declined from EUR 4,293 thousand for 2020 to EUR 3,739 thousand. An impairment (unscheduled amortisation) of intangible assets in the amount of EUR 3,264 thousand was recorded in financial year 2020. In financial year 2021 following, an impairment of EUR 2,362 thousand was recorded on the XV technology as well.

- Net interest income improved by EUR 552 thousand year-on-year to EUR -373 thousand in 2021, due primarily to loan repayments to Secop Holding GmbH and the associated loss of interest income, which partially offset loan liability expenses to SGH in the previous year. Loan liabilities to SGH increased to EUR 1,539 thousand in 2021 (previous year: EUR 1,337 thousand).

- Income taxes consist primarily of withholding tax paid (EUR 481 thousand) and corporation and trade tax provisions (EUR 464 thousand).

Assets

The table below provides an overview of the significant changes in assets versus the previous year.

in kEUR	31/12/2021	31/12/2020	Diff.	in %
Non-current assets	34,606	32,132	2,473	8%
Current assets	38,854	30,296	8,557	28%
Total assets	**73,460**	**62,429**	**11,031**	**18%**

Fixed assets of EUR 33,606 thousand (previous year: EUR 31,132 thousand) and a rental deposit of EUR 1,000 thousand (previous year: EUR 1,000 thousand) are recognised as non-current assets. Non-current assets include internally produced or self-created intangible assets as well as financial assets.

The increase in non-current assets by EUR 2,473 thousand was due in particular to capitalised research and development expenses (see notes on Research & Development).

Current assets increased as well year-on-year in 2021. Trade receivables increased by EUR 8,200 thousand and receivables from corporate affiliates increased by EUR 2,092 thousand. Cash and cash equivalents declined by EUR 2,366 thousand.

Increased trade accounts receivable were mainly due to a change in the product mix after exiting the Household business in 2020 and to longer payment due horizons in the significantly expanding Stationary Cooling business segment. Receivables from the factoring provider totalled EUR 1,962 thousand as at 31 December 2021, reported under ‘other assets’.

The change in receivables from corporate affiliates and in cash and cash equivalents must be seen in context with the decrease in liabilities due to corporate affiliates.

Capital structure

The table below provides an overview of the primary changes in the capital structure versus the previous year.

in kEUR	31/12/2021	31/12/2020	Diff.	in %
Shareholders' equity	35,556	30,215	5,340	18%
Provisions	7,132	4,968	2,163	44%
Non-current liabilities	1,538	1,337	201	15%
Current liabilities	29,234	25,908	3,326	13%
Total assets	**73,460**	**62,429**	**11,031**	**18%**

Non-current and current liabilities totalled EUR 30,772 thousand, up 13% year-on-year by the amount of EUR 3,527. This increase is mainly due to liabilities to corporate affiliates, which rose by EUR 5,321 thousand after offsetting against trade receivables.

The equity ratio remained unchanged versus 2020 at 48.4%.

Financial position

As of the reporting date the Company held EUR 2,300 thousand in cash and cash equivalents (previous year: EUR 4,666 thousand).

Current receivables and other assets plus cash and cash equivalents totalled EUR 38,854 thousand (previous year EUR 30,215 thousand), offset by current liabilities of EUR 29,234 thousand (previous year EUR 25,908 thousand) and provisions of EUR 7,132 thousand (previous year EUR 4,968 thousand). Thus as of the balance sheet date all short-term obligations can be met, leaving excess coverage of EUR 2,488 thousand.

Furthermore, DES was able to meet its payment obligations at all times in 2021. Please refer to the explanations in the Risk Report regarding the guarantee assumed for the bond issue floated by SGH during the financial year under review.

Investments

Investments were made in intangible assets and property, plant and equipment in 2021 with a total volume of EUR 6,126 thousand (previous year: EUR 7,030 thousand), primarily in connection with the capitalisation of paid development work carried out by the subsidiary Secop Austria and the group companies Secop Slovakia and MCCH. These items principally involve capitalised development costs for future electronics products of the future variable speed generation (SLV, DLV, NLV) and for the Kappa product generations.

3.4. Overall assessment

In view of the great challenges faced in 2021, management remains satisfied all in all with the business results for 2021, given that Secop GmbH had undergone a complete realignment by the end of the year.

4. Post-reporting date disclosures

The events of 2022 in Russia and Ukraine have had no material impact on the business activities of Secop GmbH, as the Secop Group only had sales revenue of EUR 13 million in Russia in 2021. The Company continues to monitor the situation in order to minimise the risk for the Secop Group.

5. Opportunities report

The Secop Group has decided to take steps to exit the significantly more competitive and lower-margin Household business in order to focus on the Stationary Cooling (formerly Light Commercial) and Mobile Cooling (formerly DC Power Compressors) business segments, with two modern production plants. This refocusing is to enable a more concentrated use of DES' existing resources for investment purposes and for research & development in its two profitable business segments, affording greater opportunity for growth.

Shifting some production capacity in Austria to Slovakia, thus concentrating production at a single European location, makes possible substantially lower fixed personnel expenses. This creates an opportunity to further optimise the fixed cost structure of the Secop Group, with a corresponding optimising effect for DES and on profit margins.

Since 2021 the restructured Secop Group has been much more open to potentially attractive M&A deals as opportunities for supplementing the Company's products or services, positively affecting DES accordingly.

6. Outlook

Incoming orders rose slightly for the subsidiaries in the first quarter of 2022 versus last year's Q1. Purchasing prices for the materials required for products sold by the Secop Group (copper, steel, aluminium, etc.) rose further in the first quarter of 2022 on a year-on-year basis, and are likely to trend further upward. These cost increases are passed on to our customers via price increases where possible.

Increasing demand in the Mobile Cooling and Medical segments is forecast for 2022, and more stable market demand in the Stationary Cooling segment. Secop is planning to launch new products in 2022 to increase market penetration in the Mobile Cooling and Stationary Cooling segments, position the Company as a provider of green and highly efficient solutions and respond to market demand and new regulations. The market is confirming the trends of migrating over to green hydrocarbons and to refrigeration units with low energy consumption; both these trends will influence demand for the new generation of compressors. Unfortunately, electronics components will remain scarce in 2022 as the supply chain will continue to suffer from delays and limited availability of electronically powered compressors. At the same time, upside pressure on raw material prices is expected to remain in place, exacerbated by the tremendous rise in energy costs.

The medium to long-term outlook remains positive, as the underlying market drivers remain in place (e.g. increasing demand for cooling in emerging markets and switching to climate-neutral refrigerants and efficient refrigerators).

Based on our market assessment and in view of the market developments known to us at the time of statement preparation, the Secop Group estimates sales revenue of EUR 325 million for the upcoming financial year 2022. This increase versus financial year 2021 (EUR 300.5 million) should mainly be driven by stable compressor sales volume remaining combined with rising sale prices.

DES estimates EBITDA of EUR 8.4 million for 2022, as compared to EBITDA of EUR 10.5 million for 2021. This expected decrease will be chiefly due to rising materials costs which the Company does not have sufficient time to offset by raising prices on the market accordingly.

For 2022 Secop GmbH projects increased compressor sales (EUR 130,981 thousand) versus the previous year (EUR 120,984 thousand) with a slight simultaneous rise in materials prices, leading to a similar net profit for 2022 as for 2021 (EUR 5,340 thousand).

7. Risk Report

Risk management

The risk management system in place supports the early identification and minimisation of potential risks that could jeopardise the fulfilment of our targets and/or threaten the existence of the Company as a going concern. This system enables us to rapidly identify and assess risks so as to take adequate countermeasures.

The Company is exposed to entrepreneurial risk in its processes and through external factors, including major market competition.

The early identification and assessment of opportunities and risks is an integral part of the planning, controlling and reporting process. Identified risks are analysed and appropriate countermeasures initiated as appropriate.

Cash management is of especial importance within the Secop Group. Active cash management involves weekly rolling cash planning and controlling and rolling short-term liquidity planning combined with stringent controlling. DES is included in the cash controlling processes in place group-wide at the Secop Group, and thus is affected accordingly.

The list of risks outlined below may prove to be non-exhaustive, as it may emerge that DES is exposed to other risks as well. Other risks, factors and uncertainties may exist of which the Secop Group is currently unaware or considers immaterial.

Market and competition-related risks

- Commodity prices (especially copper, steel and aluminium) relevant for the production of the compressors sold by DES could increase, meaning higher production cost for DES with negative impact on gross profit (sales revenue less cost of materials from compressor sales) unless the increases can be passed on to our customers, wholly or in part. Some commodities trades in foreign currency on the global market (mostly in USD), so exchange rate movements can increase raw materials costs. In our present assessment of the market situation, we will not be able to immediately pass on the observable rises in commodity prices to our customers in 2022. Risk is therefore assessed as moderate.

- The progressive concentration in the market for cooling applications could lead to the loss of customers, to reduced market share for existing customers and/or give other customers greater market power, creating additional price pressure. Management views this risk as low.

- Due to the ongoing Covid-19 pandemic, there continues to be a risk of an unforeseen declines in revenue. Delivery shortages due to temporary closures of supplier production facilities are possible, which would affect production and thus DES sales of Secop compressors. Investment projects and new product launches at major customers could be suspended or delayed, there being a degree of uncertainty regarding future economic developments. This risk is assessed as low.

Company-specific risks

- DES is exposed to risks due to high research and development costs. These research and development expenditures are crucial for the future growth of DES and the Secop Group, as the market requires constant technological development and innovation, thus being key for business success going forward. It cannot be ruled out however that existing or future research and development costs may not be fully recoupable through subsequent sales of the developed products. It is furthermore possible that, despite significant research and development expenditure, it proves ultimately impossible to successfully launch a product on the market, for example if competitors release a similar, superior product shortly before market launch or the technical specifications necessary for a successful market launch are not realisable at competitive prices. To counter this risk, market analyses and studies are carried out in parallel to the research and development process in order to avoid wasted investment. Management considers this risk to be moderate.

- DES is a subsidiary of the Secop Group, whose IT functions are centrally organised and managed in Flensburg. Disruptions to and failures of IT systems could negatively impact business. The Secop Group uses IT systems that are necessary for proper administration, reporting, controlling and stock management. For these functions the Secop Group procures IT services and uses IT systems supplied by external providers. Data centres and IT infrastructure are outsourced to third parties. The Secop Group counters the risk of disruptions affecting the proper operation of the IT systems by third parties by concluding appropriate service level agreements (SLAs) in contracts governing availability/processing times. Management considers such risk to be low.

- The bond contract concluded by SGH in the financial year under review obliges SGH to adhere to financial covenants and other contractual obligations. DES is a guarantor and has posted collateral, including patents and intellectual property (capitalised development costs for intangible assets), shares in corporate affiliates and trade receivables not subject to factoring. Given a breach of financial covenants or other contractual obligations which cannot be remedied, or alternative financing sources found in the short term, the Secop Group and thus DES would be jeopardised as a going concern. The probability of a claim being asserted against the guarantor or the provided collateral being claimed is considered to be low at this time because SGH has to date fulfilled its contractual obligations for the bond issue and there are no indications and no information has been provided by management that these contractual obligations may not be met.

- Existing control and monitoring systems could potentially prove inadequate for preventing legal violations by employees, representatives or partners, especially during contract initiation, or fail to uncover violations after they have occurred. An Ethics Guide has been introduced for all employees to reinforce the applicable compliance principles and implement additional measures to prevent compliance violations and ensure their early detection. In particular, employees have been educated and sensitised regarding price fixing issues that have occurred in the industry in the past. The Company is fundamentally unable however to comprehensively monitor the activities of employees, representatives and partners during contract initiation activities with customers. Management views the risk of legal violations as low.

Risk reporting on use of financial instruments

In addition to the risks addressed above of inability to offset rising purchasing price with corresponding sale prices, the Company is exposed to the following risks from the use of financial instruments:

Currency risk
DES is exposed to exchange rate risks in its business operations. In addition to the targeted expansion of group purchasing in USD (instead of EUR), DES also utilises targeted hedging managed by the Finance department. Scheduled DES customer payments in USD over the next few months are taken as the systematic basis. Management currently views such currency risk as moderate.

Default risk
Default risk on trade receivables not subject to factoring is contained via established internal receivables management practices. These include credit checks, applying credit limits, a dunning procedure and periodic review of receivables by maturity. Management views this risk as moderate.

Liquidity risk
Liquidity risk is the risk that the cash and cash equivalents required to settle payments due is unavailable or only at excessive financing cost. This includes the risk of early repayment of financial liabilities and claims against DES as guarantor of the bond issue floated by SGH, which could considerably impact liquidity for DES. In view of the Company’s equity base and liquidity as at the balance sheet date and of projections, it is believed that the Company will remain able to fulfil its contractual obligations going forward. Management views the probability of claims being asserted against DES as guarantor as low.

Management does not see any single risk factor for DES that could threaten the existence of the larger corporation as a going concern.

Summary presentation of the risk position

Following a detailed audit, the outlined risk exposure of DES is deemed manageable, so that the aggregate risk position does not represent a going-concern threat to the Company. Risks not currently deemed significant are monitored by Management in order to identify any adverse possibilities that cannot be entirely ruled out and allow appropriate measures to be taken in good time.

Flensburg, 21 April 2022

Jan Ehlers
Managing Director

INDEPENDENT AUDITOR'S CERTIFIED OPINION

Issued to Secop GmbH, Flensburg

AUDIT OPINIONS

We have audited the annual financial statements of Secop GmbH, Flensburg – consisting of balance sheet dated 31 December 2021, profit & loss account for the financial year 1 January 2021 to 31 December 2021 and notes to the financial statements – including the presentation of accounting and measurement methods.

We additionally audited the management report of Secop GmbH for the financial year 1 January 2021 to 31 December 2021.

In our opinion, which is based on the findings of the audit we conducted,

— the attached annual financial statements conform with German commercial code accounting rules applicable for stock corporations in all material respects and convey a true and fair view, in accordance with German generally accepted accounting principles, of the company's assets and financial position as at December 31, 2021 and its earnings for the financial year 1 January 2021 to 31 December 2021; and
— that the attached management report provides an overall true and fair view of the company's business situation. This management report is consistent with the financial statements in all material respects, conforms with German legal requirements and accurately presents the opportunities and risks relevant for the company's business going forward.

In accordance with § 322 (3) 1 of German Commercial Code (HGB), we declare that no exceptions were noted regarding the financial statements or management report on the basis of the audit we conducted.

BASIS FOR THE AUDIT OPINIONS

We audited the annual financial statements and management report in accordance with § 317 HGB and with German generally accepted standards for financial statement auditing as issued by the German Institute of Independent Auditors (IDW). Our responsibilities under these regulations and standards are further specified in the section of our certified opinion report entitled "AUDITOR RESPONSIBILITIES IN AUDITING FINANCIAL STATEMENTS AND MANAGEMENT REPORTS". We are independent of the company, in conformance with German commercial code and with standards for the accounting profession, and have fulfilled the other obligations incumbent upon members of the profession in Germany, in accordance with the requirements established thereunder.

We believe that the accounting documentation we obtained is sufficient and suitable as a basis for our audit opinions on the financial statements and management report.

RESPONSIBILITY OF THE COMPANY'S STATUTORY REPRESENTATIVES FOR THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT

The company's statutory representatives are responsible for preparation of the annual financial statements, which comply in all material respects with the German commercial code accounting provisions applicable to stock corporations, and for ensuring that the annual financial statements provide a true and fair view of the assets, financial position and earnings of the company in accordance with German generally accepted accounting principles. Furthermore, the statutory representatives are responsible for the internal controls that they have determined to be necessary in accordance with the German generally accepted accounting principles, in order to enable the preparation of financial statements that are free of material misstatements, whether due to fraud or error.

In preparing the annual financial statements, the statutory representatives are responsible for assessing the company's prospects for continuing business as a going concern. They furthermore bear responsibility for providing disclosures regarding pertinent going concern-related matters. Additionally they are responsible for conducting accounting on the basis of the going-concern principle of accounting, barring any de facto or de jure circumstances to the contrary.

The company’s statutory representatives are responsible for preparing a management report which affords a true and fair view of the company’s business situation, is consistent with the financial statements in all material respects, meets German legal requirements and accurately portrays business opportunities and risks for the company’s business going forward.
In addition, the company’s statutory representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

AUDITOR’S RESPONSIBILITIES IN AUDITING THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Our objectives are to gain reasonable assurance that the financial statements as a whole contain no material misstatements, intentional or unintentional, and that the management report affords a true and fair view of the company’s business situation, is in all material respects consistent with the financial statements, reflects the audit findings, conforms with German legal requirements and accurately outlines business opportunities and risks relevant for the company going forward; also to issue a certified auditor’s opinion on the financial statements and management report.

Reasonable assurance means a high degree of certainty—not a guarantee—that an audit conducted in accordance with § 317 of German Commercial Code (HGB) which conforms with the German generally accepted standards for financial statement auditing outlined by the Institute of Public Auditors in Germany (IDW) will in all cases suffice to identify material misstatements. A misstatement may be a breach of code, regulation, standards etc. or any kind of inaccuracy, and such are considered material if they could reasonably be expected to influence business decisions based on these financial statements and the management report made by the individuals or groups who read these documents.

In conducting audits we exercise due discretion and maintain fundamental objectivity. We also:

— identify and evaluate the risk of intentional or unintentional material misstatements appearing in the financial statements and management report, plan and implement auditing measures to address those risks and obtain audit sufficient documentation to form an appropriate basis for our opinion. The risk of not identifying a material misstatement resulting from fraud is greater than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
— study the internal control system relevant for auditing of the financial statements and relevant the precautions and measures for auditing of the management report in order to plan auditing activities which are appropriate for the given circumstances — not for the purpose of issuing an auditor’s opinion on the effectiveness of these systems
— assess the appropriateness of the accounting principles applied by the statutory company representatives and the reasonableness of estimated values and related statements made by the statutory company representatives.
— draw conclusions regarding the appropriateness of the going-concern accounting principles applied by the statutory company representatives and whether on the basis of the audit documentation obtained there is material uncertainty regarding events or circumstances which could create significant doubt as to the company's prospects as a going concern. Should we conclude that there is such material uncertainty, we are required to point out the statements or information/data concerned in the financial statements and management report in the auditor's opinion and revise a certified auditor’s opinion issued if the statements or information/data concerned are inadequate. Our conclusions are based on the audit documentation obtained up to the date of our auditor’s report. However, future events or circumstances may render the company unable to continue business as a going concern.

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the financial statements afford a true and fair view of the assets, financial position and earnings of the company in conformity with German GAAP.
— assess the consistency of the management report with the financial statements, their conformity with applicable laws and the accuracy of the view the report affords of the company’s business situation.
— conduct auditing measures to assess forward-looking statements made by the statutory company representatives in the management report. In doing so, we evaluate in particular the plausibility of significant assumptions made forming the basis for forward-looking statements made by the statutory company representatives on the basis of sufficient and suitable audit documentation, as well as the propriety of basing such forward-looking statements on those assumptions. We do not issue a separate auditor’s opinion on forward-looking statements and the underlying assumptions made. There is a considerable, unavoidable risk that future events may materially differ from forward-looking statements made.

We discuss with the individuals charged with oversight the planned scope and scheduling of the audit and any significant audit findings, including any identified deficiencies affecting the internal system of controls identified during our audit.

Lübeck, 9 May 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

Heesch
Wirtschaftsprüfer (German Public Auditor)

Dr. Wißmann
Wirtschaftsprüfer (German Public Auditor)