

WPG Holdco B.V.
Amsterdam, Netherlands

Consolidated and Company financial statements for the financial year ended December 31, 2020

Table of Contents

	Page
Group Management Report	2
Consolidated statement of financial position	15
Consolidated income statement	16
Consolidated statement of comprehensive income	17
Consolidated statement of changes in equity	18
Consolidated statement of cash flows	19
Notes to consolidated financial statements	21
Company balance sheet	80
Company profit and loss account	81
Notes to Company financial statements	82
Other Information	88

WPG Holdco B.V.
Amsterdam, Netherlands

Group Management Report
for the financial year ended December 31, 2020

Walterscheid Powertrain Group (WPG) is a global industry leader for highly engineered, mission critical powertrain systems and services for demanding off-highway and industrial applications. Together with a global network of owned service centres and 130 distribution partners, WPG ensures expertise, innovative technological solutions and customer-oriented services worldwide.

The Walterscheid Powertrain Group includes market leading brands like Walterscheid, Mechanics Driveshafts, Rockford Fan Clutch and Uni-Cardan and Powertrain Services. In 2019 the Walterscheid brand celebrated the 100th anniversary.

Our Vision is a reliable Off-Highway equipment that sustainably moves, feeds, constructs and protects our world.

Our Mission is to provide the highest quality of innovative, smart and connected powertrain solutions and services by being a customer centric and data driven agile organization.

Our Core Values are Strong customer focus - High performance business – Data driven agile organization – Providing a safe working environment – Employer of choice – Respect and protect the environment.

Governance

Walterscheid Powertrain Group has a two-tier governance structure, consisting of a Management Board and a Supervisory Board. In accordance with the governance arrangements, the Management Board is charged with the management of the Company while the Supervisory Board supervises the policies and the management of the Company's Management Board and the general affairs of the Company and its subsidiaries. The Supervisory Board approves restricted matters, as stipulated in the governance arrangements, and discusses and comments on the Annual Accounts and the Annual Group Report and the proposed auditor's opinion. The Supervisory Board also assists the Management Board by providing advice. The Supervisory Board has appointed an Audit Committee and a Compensation Committee, respectively consisting of three members of the Supervisory

Board. Committee meetings were held in conjunction with the formal board meetings. As of the date of this Annual Report, the Supervisory Board consists of six male members. The Company considers during each job search men and women equally and makes the decision based on skills, experience and the right fit for the Company. The Company continues to strive for a more balanced distribution of the seats in the board.

In 2020 four official Supervisory Board meetings took place - one in Chicago and three as Video Conferences. Additionally, the Supervisory Board was informed about the business, as well as the financial development of the Company, monthly by telephone. During these meetings, the topics discussed were financial and strategic results, financial budget, strategic projects and strategy development, M&A activities, risk and compliance.

Organization and Management

The Walterscheid Powertrain Group employed 1794 people globally in 2020. There is a clear Management system in place, starting at the Group Leadership Team and continues in the Management Teams of each site. Here it is ensured that on a daily / weekly or monthly basis the performance of the business is reviewed, variances identified and activities in place to close the gaps. The Chief Executive Officer (CEO) established his Leadership Team with the business activity leaders and functional leads. The team meets monthly to review the performance of the business and drives the strategic development of the business. There is a five-year plan in place illustrating the strategic growth plan of the business. The CEO established a Strategic Execution Team which focuses on the execution of the strategy and each individual project. The development will be reviewed quarterly with the whole team. Once a year there is a strategy review meeting and a budget meeting. The outcome will be reviewed and approved by the Supervisory Board. Once a year the Compensation Committee agrees and approves the bonus system and other compensations for the WPG Management in a Compensation committee meeting. In 2020 Walterscheid Powertrain Group reviewed its organizational structure and has started with the consolidation of internal processes and restructuring the Aftermarket and Service business:

a) Consolidation of internal processes:

The main purpose was to centralize corporate functions like Human Resources, Accounting, Purchasing and Marketing. All functions have now a global leader who has established regional teams for Europe, Americas and Asia and shared service functions to support the individual sites.

b) Restructuring of Aftermarket and Service business:

We started to centralize all administrative functions in the headquarter of Germany, using the shared service functions or established centres of competence, like international customer service. We are in process to turn the local legal entities into a branch system of the German headquarters. The local service centre activities in the local workshops and the local sales teams remain in the branches, but all order to cash processes as well as material and workshop order processes will be handled centrally.

In addition to this we sold our local business in Switzerland and started a liquidation process for our service site in Italy. In both countries we signed a partnership contract with a local company who is representing us in these countries.

All these changes led to consolidation of fixed employees in 2020 that will continue in the first half of 2021. In total 123 fixed employees will leave/ have left the Company. Approximately 35 new employees have/will join WPG to strengthen the centralized functions and shared services.

Products and market

Walterscheid Powertrain Group (WPG) is working within the Off-Highway market. The focus areas are the OEM business, including Agriculture, Construction & Mining and Utility Vehicles. WPG is manufacturing and supplying Axle shafts, PTO Driveshafts & Clutches, Gears, Cardan shafts and Tractor Attachment Systems to Original Equipment Manufacturer (OEM) products globally.

In the Aftermarket & Services business activity WPG offers a full-service package for the life time of all vehicles and machines in the field. This service covers: Spare parts distribution, parts shipped from a central warehouse either in Europe or US to the OES organization of the machine manufacturers or to independent Distributors.

Furthermore, WPG offers "Value Added Services", meaning repair, overhaul and specific customized products for the operators of a vehicle or machine. This service is performed in one of the 20 Powertrain Service centres.

As a third leg WPG developed a field service & digital solution offering. This service is currently mainly for the stationary industry and covers preventative and predictive maintenance of customers powertrain systems. WPG is offering a condition monitoring system, making sure there is no unplanned shutdown on customers site. A group of highly qualified technicians is supporting this field service activity.

All variances with regards to the figures of the Management Report are based upon not audited full year numbers for 2019. The Group was operating before acquisition date on June 25, 2019, for the former shareholder, Melrose Industries (UK) (see Note 31).

In 2020, WPG achieved revenue of EUR 396 million. OEM Business represents around 65 % and Aftermarket Business 35 % of the total revenue. Agriculture Business is the strongest sales

market segment with EUR 266 million, followed by Industrial Business with EUR 34 million, Construction EUR 29 million, Mining EUR 25 million, Commercial Vehicle EUR 17 million, Military EUR 15 million and EUR 10 million of other market segments like Rail and Marine.

Settlement of disputes

There were no major settlements in 2020.

Research and Development

R&D activities are guided by our mission is to provide the highest quality of innovative, smart and connected powertrain solutions.

To achieve that vision, close to one-hundred of our people work in R&D across the globe. R&D spend was above EUR 9 million and capital investment approximately EUR 0.5 million for test centre equipment, enhanced IT tools for advanced calculation and virtual testing as well as technology for smart and digital solutions.

A core focus of the R&D activities is to deploy our products in powertrain solutions for new or improved customer vehicles or implements. For that we combine and customize the products from our large product portfolio. In 2020 we won customer projects worth EUR 17 million (peak annual sales).

R&D work has also resulted in the expansion and improvement of the general product offering of the Walterscheid Powertrain group. For example further features added to the Ultra.Plus product line for agricultural implement powertrains, a generation of universal joints and introduction of multi bend lower links for three-point tractor attachment systems.

The John Deere supplier innovation award received in 2020 shows how the R&D strength of the Walterscheid Powertrain Groups is recognised by our customers.

Our core theme for future technology R&D is "smart and digital solutions". This is about making powertrain data available for our customers and providing information as well as services to improve overall performance and productivity of the powertrain over the complete lifecycle. Different functional prototypes have been developed and are being discussed with leading OEMs in the agricultural and CMU industries.

Other significant events

The corona virus pandemic (Covid-19) resulted in a negative growth rate of 3.5 % for the global economy in 2020. According to estimates by Eurostat the euro zone dropped by about 6.8 % as a whole. The economic slump in Europe was thus more severe than in the USA, where the

economy contracted by 3.5 percent. The only major economy to achieve growth in 2020 was China. Chinese gross domestic product (GDP) increased by 2.3 % compared to the previous year.

Covid-19 impacted the Walterscheid Powertrain Group resulting in lower Revenue and Profit. Primarily due to production stoppages at suppliers and subcontractors, but also due to government-imposed lockdowns, some WPG production sites had to shut down production for a few days or weeks.

The crisis was closely managed within the WPG organization. In close coordination of all areas, the situation was constantly reviewed. Communication concepts were defined, Hygiene measures and protection concepts installed.

When the infection figures rose, all employees were provided with sufficient protective masks and disinfectants. In production, teams and shifts were separated where possible. In addition, contact points with indirect areas, with visitors and employees of forwarding companies were drastically reduced and regulated.

As a further measure, WPG enabled the indirect areas to use more home office.

As customer visits and larger face-to-face meetings were not possible anymore the fast and targeted work of the IT department allowed the organisation to work more effectively. With the help of digital tools and video conference calls the group was in the position to continue the necessary dialog with customers, suppliers and partners around the globe.

The use of different government subsidy programs around the globe were used to minimize the financial impact for the Group.

As a result of the measures described above WPG Group has succeeded in minimizing the negative impact of the Covid-19 crisis on earnings.

Subsequent events

The Group has evaluated events from December 31, 2020 through the date the financial statements were signed and authorized for issue by the Management Board and Supervisory Board and approved by the shareholders. Expected implications arising from the worldwide Covid-19 pandemic are reported in the outlook below.

Group financial

Revenue in the financial year 2020 amounted to EUR 396.1 million, representing a decrease of -7 % compared to the similar period for the last year. The decrease was strongly driven by Covid-19. In addition to the overall decline in markets, the full plant shutdown in Welsberg (Italy) during Q2, reduced demand for Value Added Services within the Aftermarket Business Workshops and the market weakness within the US impacted the Walterscheid Group most. Only the Agriculture Revenue achieved an overall growth of 3 % compared to last year.

In consolidated income statement of WPG Holdco B.V. gross profit is representing EUR 116.1 million. After adding back 16.3 million depreciation and amortisation (excluding depreciation and amortisation based on purchase price allocation EUR 9.4 million) shown as non-trading item **adjusted gross profit** was EUR 132.4 million.

The gross margin of 29.3 % represents a stable level for the Group even as the Covid-19 volume decline dropped the overall margin in 2020. The Group flexed headcount with the usage of short time work and other instruments offered by the governments around the globe. A low level of inflation supported by special tariff agreements as well as the strong focus on productivity and cost control stabilized WPG`s margins.

The Group measures its financial performance for management purposes on **adjusted EBITDA** (Earnings Before Interest, Tax, Depreciation and Amortisation, adjusted for non-trading items) which amounted to EUR 42.9 million in the financial year 2020. This result represents a year on year increase. Although gross profit declined in total compared to the previous year by Covid-19 volume decline, the Group strongly focused to lower its administrative expenses supported by the WPG 2.0 strategic initiative . This initiative focused on centralizing corporate functions of the Group and administrative functions in the Service Centers.

To bridge from **adjusted EBITDA of EUR 42.9 million to the net loss of EUR -9.2 million for the financial year 2020**, finance costs of EUR 17 million, depreciation and amortisation of EUR 9.3 million, non-trading cost of sales of EUR 16.3 million, and non-trading administration expenses of EUR 14.1 million were deducted and an income tax credit of EUR 4.6 million was added. Non-trading administration expenses of EUR 14.1 million represent restructuring costs of EUR 8.5 million, foreign exchange revaluation on monetary assets of EUR 3.6 million, and other expenses of EUR 2.0 million, such as Covid-19 related costs of EUR 0.4 million.

Net loss for the financial year 2020 amounted to EUR -9.2 million. This result was strongly driven by non-trading items.

Total assets amounted to EUR 489.2 million at December 31, 2020. Property, plant and equipment totals EUR 124.7 million. Other non-current assets value of EUR 211.9 million, is mainly represented by Goodwill EUR 105.9 million and intangible assets values EUR 70.2 million. Total current assets amounted to EUR 151.3 million.

Total liabilities amounted to EUR 434.1 million at December 31, 2020. Employee benefits from a closed Pension fund represent EUR 155.8 million. Lowered interest rates increased the pension liability by EUR 3.0 million in 2020. Loans used to finance the WPG acquisition represent EUR 149.0 million of the total liabilities. IFRS 16 lease liabilities total EUR 33.8 million.

Equity totalled EUR 55.1 million at December 31, 2020.

The Group measures its cash flow performance for management purposes on **net operating cash flow**, **net cash flow from investing activities** and **net cash flow from financing activities**.

Net cash flow from operating activities based on consolidated statement of cash flows of WPG Holdco B.V. ends with EUR +32.6 million (2019: EUR -5.6 million).

Based on Management Reporting, **net operating cash flow** in the fiscal year 2020 was EUR 45.5 million (2019: EUR 9 million) positive.

Depreciation and amortisation of EUR -9.4 million (2019: EUR -4.6 million) based on purchase price allocation, non-trading administration expenses of EUR 12.1 million mainly for restructuring costs and effects of foreign currency revaluation as well as tax and pension payments of EUR 10.8 million, all qualified as non-trading items in management reporting did not affect net operating cash flow. Lease payments with an amount of EUR -6.5 million (2019: EUR -3.1 million) are classified as operating cash flow in the management reporting, whereas they affect the cash flow from finance activities based on consolidated statements. The main contributor beside the cash from operating results was the debtor reduction and as well the reduction of stocks, which led to a positive development of the Working Capital within the Group.

Net cash flow from investing activities based on consolidated statement of cash flows of WPG Holdco B.V. ends with EUR -6.3 million (2019: EUR -195.5 million). **Net cash flow from investing activities** was EUR -10.1 million in 2020 (2019: EUR -7.2 million) based on Management Reporting.

The investment cash flow based on Management Reporting was mainly spent for productivity improvements, maintenance and IT infrastructure. This investment cash flow is based on budget rates for Management Reporting, means without any currency translation effects.

Net cash flow from financing activities based on consolidated statement of cash flows of WPG Holdco B.V. ends with EUR -16.8 million (2019: EUR 220.9 million), mainly resulting from the interest payment of EUR -13,5 million on external loans, which were received to finance the WPG acquisition. The subsidiaries and branches of the Group are generally funded via intercompany loans. As per December 31, WPG had two credit facilities (B1 and B2 Facility) resulting from the syndicated loan agreement arranged by OEP in the amount of EUR 71.6 million (B1 Facility) and USD 100.7 million (B2 Facility) with a maturity of 25.06.2025. These loans are stated in the balance sheet with a carrying amount of EUR 149,0 million. This credit facilities were used to finance the carve-out from Melrose, the former shareholder of WPG. The additional credit facility from ABN AMRO (RCF Facility) of the syndicated loan agreement with total available amount of EUR 28.0 million was used in the amount of KEUR 717 by issued bank guarantees and Letter of Credit as per December 31, 2020.

Net cash flow from financing activities based on Management Reporting totalled EUR -25.5 million (2019: EUR -7.2 million) for the period ending December 31, 2020, and was beside the

the interest payment also driven by non-trading items as disclosed above (Net operating cash flow).

Corona-Crises and Outlook

In 2021 the Covid-19 pandemic continues to negatively impact on the global economy, but the International Monetary Fund (IMF) is now somewhat more confident about 2021. For the German economy and the USA, experts expect GDP growth of just under four percent in 2021, while the euro zone looks even better, with economic growth estimated at around five percent.

WPG wants to grow the business in 2021 and estimates a revenue growth of +8 %. However, prognosted numbers cannot be ensured, only estimates strong market recovery especially in the agriculture segment and continuous growth through the Groups strategic product initiatives will support the expected growth. The geographical expansion in China (+18 %) and in the Aftermarket North America (+20 %) will outperform the overall growth expected in Europe and US.

The remaining focus on Gross Margin and the new Organization structure are expected to result in further profit growth within 2021.

With our initiative to become a more digital and agile organization we kicked of a Digital Roadmap. Our just started project HARMONY will align our ERP Systems to S/4 HANA within the next years.

Risk Report

Walterscheid Powertrain Group is acting in a global environment and therefore is exposed to several risks. The variety of the business requires WPG to identify, measure, and manage its risks, and to allocate our capital among our businesses appropriately. WPG understands risk to be any event that could negatively impact the achievement of our short-term operational or long-term strategic goals. Our target of pursuing sustainable growth and creating economic value requires entrepreneurial activities, while avoiding and managing inappropriate risks.

In 2020, WPG analysed and discussed the risks, as well as necessary activities to reduce and manage these risks on a regular basis and in different panels. The Management Board has currently identified and clustered the risks described below, which could have a considerably negative impact on the assets, earnings and liquidity situation of WPG. The risk overview may, however, not include all the risks that may ultimately affect WPG. Some risks are not yet known to WPG. Also, risks currently believed not to be material, could later turn out to have a material impact on WPG's business activities, objectives, revenues, income, assets, and liquidity. WPG's risk appetite, i.e. the willingness to bear or to mitigate risk to a greater or lesser extent, depends on the respective risk category and is further elaborated below.

Generally, WPG is convinced that it has adequate measures in place to manage risks to the extent possible. Internal control mechanisms as well as risk management strategies are stipulated in several guidelines and applications. Control mechanisms are implemented in WPG's main software applications, such as its ERP software, requiring a four-eye principle for key processes. Also, WPG has insurance coverage including, property damage, business interruption, product liability, transportation and D&O (Directors and Officers Liability) to cover the financial impacts of certain risks. These insurance coverages are maintained and managed at a corporate level with global reach subject to country-specific limitations.

Overall risk situation

Currently the main risk that WPG faces is related to market development due to unexpected influences like the Covid-19 pandemic. This can be both, unexpected breakdown of supply chain and/ or customer demand due to additional measures to contain the pandemic, but also sudden overwhelming demand increases after the pandemic is under control.

However, WPG management is confident that the established risk management processes and structures will provide sufficient risk resilience to all kind of reasonable risk scenarios.

STRATEGIC RISKS

WPG has a growth strategy for the next five years. To some extent this growth strategy is building on general market growth and hence there is a risk that markets do not develop as planned. Unforeseeable events like e.g. political crisis, trade wars or a pandemic can influence WPG's growth plan.

In order to improve the resilience of the WPG strategy against unforeseen market downturns WPG has added significant flexibility to its fixed cost structure with the implementation of consolidation of corporate processes and restructuring of the Aftermarket and Service business. In addition, there is also a program in place to improve flexibility of working capital, mainly inventories, in order to ensure robust cash generation during market downturns.

MARKET RISKS

There is an **economic risk** which we see more as a short-term effect. The Agriculture and Construction market trend in general is still showing a positive trend based on the macroeconomics like growing population and growing infrastructure spend.

Commodity prices can have an impact on the demand in the agriculture, construction and mining industries.

It is even more important that WPG continues to differentiate through technology and be on the forefront of the development the next generation of powertrain.

FINANCIAL RISKS

With its operating and financing activities, the Walterscheid Powertrain Group is by nature of the business exposed to liquidity risks as well as currency and interest risks which may lead to undesirable and unforeseeable volatility in terms of results and cash flows. The Group's senior management oversees the management of these risks.

Through the continuous market observation and strategy development processes it is ensured that WPG can find the right positioning in the market and can adequately evaluate opportunities and risks. Current market developments are discussed, and strategic and operational guidelines are developed in regular meetings of the management and other committees.

Regarding other risks, WPG has established an institutionalized financial and reporting system. This includes a monthly reporting system with various analyses and evaluations (budget/forecast/actual comparisons). At the beginning of each subsequent month, the results of the previous month are analysed and discussed, short-term options for action are derived and concrete packages of measures with implementation tasks are defined for those responsible. Price change, default and liquidity risks as well as risks from cash flow fluctuations are recorded.

With cash management, the financial objective of WPG is to ensure that the Group is always solvent. Liquidity reserves or free credit lines are permanently managed based on a short- and medium-term forecast of future cash flows and the usage of credit lines.

Credit risk is the risk of financial loss to WPG if a counterparty fails to meet some or all its contractual obligations. Default risks in relation to contract parties are systematically assessed when the contract is concluded and are constantly monitored. In its assessment of risk, the Company focuses on the credit standing of the customer and evaluates the risk by setting a customer credit limit. WPG does not operate anonymous mass business; instead, it tends to have a small number of international business partners. Accordingly, the default risk is significantly limited by customer credit limit and overdue monitoring right from the very beginning.

Liquidity risk is defined as the risk that the WPG does not have sufficient funds to be able to meet its payment obligations. The liquidity risk is countered by means of systematic liquidity management and has very high priority in the Group. Within 2020 the Group installed a cash pool in Germany which will be extended as an European cash pool in 2021.

At the end of the fiscal year 2020, WPG has an unused overdraft facility in the amount of EUR 27.3 million respectively to cover its liquidity requirements. The liquidity reserves are supplemented by existing bank balances of EUR 29.2 million.

Due to the available liquidity of 56.5 million the financing of the loans is actually not a risk for the Group.

The Group is exposed to **interest risk** arising from changes in interest rates for floating-rate term loans in EUR and USD received from GSO Capital Partners LP to finance the acquisition. Additionally, affected is the floating-rate Revolving Credit Facility from ABN AMRO in the total amount of EUR 28 million, which can be drawn to finance general corporate purposes. At present, we consider the interest rate risk to be very limited, given the overall global macroeconomic situation in a low interest rate environment. The situation and developments are subject to regular reviews, so that a rapid response to interest rate increases is always possible. Also, the extent of risk arising from the IBOR reform, which the WPG is exposed to, is very limited. The current loans affected by IBOR are either terminated until 2021 or consist of additional regulations to limit the risk of bigger changes resulted by the IBOR reform. Finally, all loans are being changed from IBOR as a benchmark into a fixed interest rate during 2021.

Because of its international focus, WPG is exposed to general **currency risks** within the framework of its operating activities. Foreign currency risks exist particularly wherever there are receivables, liabilities and planned transactions in a currency other than the local currency. Most of the business transactions on the customer and vendor side occur within local currency. Nevertheless, there are exceptions, which can have an impact on the business. For subsidiaries within the Euro zone this risk is very limited as purchase agreements, including those with suppliers in India, are negotiated to be in Euro and therefore a natural hedge exists. In the Group, the currency risk may arise in regard to intercompany deliveries from a Euro country to a subsidiary outside the Euro zone or in the subsidiary outside the Euro zone itself. Occasionally forward exchange contracts are used in order to hedge the currency risk. At the Group companies, hedging is based on the net risk of currency-specific planning of inflows and outflows. These transactions relate to the hedging of foreign currency cash flows.

Financial Market Risks which are relevant for WPG comprise the currency risk and, to a minor extent, the interest rate risk. These risks may result in fluctuations of results, equity and cash flow.

WPG is subject to a risk management system. Guidelines, responsibilities and controls are mandatorily established. According to these, derivative financial instruments are in principle not to be used for speculation purposes; instead, they are used exclusively for hedging risks in connection with operating activities. The Group had no forward exchange contracts in place at December 31, 2020.

COMPLIANCE RISKS

WPG has established a robust compliance program. All relevant policies are in place and all employees are trained regularly.

The CEO has established a Compliance Team including a Chief Compliance Officer, Governance Manager, Legal Counsel and an expert of Export Control.

This team meets regularly, reviews any kind of incidents and reports to the shareholders monthly.

SPECIAL RISKS

Human Resources Risks

WPG has a continuous need for highly qualified specialists and managers. WPG does not currently see any risks that could arise from a shortage of various groups of workers on the job market and the resulting delayed refilling of critical positions.

With its HR Strategy, WPG focuses on improved Recruitment and Retention programs, Talent Management, strengthening Employer branding to become Employer of Choice. We will upskill resources to adequately manage the risk that could arise from a potential shortage of various positions on the job market.

IT-Risks

To mitigate IT risks WPG developed a clear strategy for IS/IT going forward. Our vision is a fully digital company where digitization is present in all business areas like production, collaboration, back office, products, and processes. Based on this, our strategy is to replace the landscape of three different ERP Systems (Fourth Shift, LN, SAP) and use one SAP S/4 HANA cloud solution going forward. Having one consolidated ERP System will reduce today's complexity significantly (interfaces, Data Centre infrastructure, Disaster Recovery Backup, Resources). The project preparation phase (proposal development and approval, implementation partner selection and contract, project management setup, service provider contract) has all been completed in 2020. The conceptional phase with the global Core Business Model development will start in January 2021 and later in the year the implementation rollout will be started in Germany.

In 2020 WPG also implemented an IT Disaster Recovery environment for the global Data Centre so that the global WPG business critical applications are now covered by a solution hosted in the Microsoft Azure cloud and herewith the former risk is a closed.

Legal Risk

WPG has its own legal department and is working with external law firms globally.

There is a monthly review of all legal incidents, reported to the shareholders on monthly basis.

Climate Risks

WPG has reviewed potential risks resulting from climate change. We are aware that climate change has a potential impact on our end customers (e.g. crop shortfalls because of extreme weather or legislation to minimize climate change) and also on our assets (e.g. risk of damage because of extreme weather). With the risk mitigation and monitoring systems we have in place we consider this risk as immaterial in the foreseeable future.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements (with the other information as meant in Article 2:392 of the Dutch Civil Code) give a true and fair view of the assets, liabilities, financial position and profit of the Company and the subsidiaries included in the consolidation, and the Management Board Report gives a true and fair view of the development and performance of the business and the position of the Group as of December 31, 2020, together with a description of the principal risks that the Group is confronted with.

Amsterdam, April 29, 2021

Robert Harmzen

Wolfgang Lemser

**Consolidated statement of financial position
of WPG Holdco B.V. as of December 31, 2020**

	Note	31.12.2020 KEUR	31.12.2019 KEUR
Assets			
Property, plant and equipment	12	124,703	133,030
Goodwill	14	105,875	107,193
Intangible assets	14	70,176	79,572
Investment in a joint venture	15	420	104
Other receivables	16	1,011	895
Other interest-bearing receivables	13	0	151
Deferred tax assets	17	34,377	43,176
Non-current assets		336,562	364,121
Inventories	18	68,932	78,334
Trade and other receivables	19	53,192	59,485
Cash and cash equivalents	20	29,201	19,664
Current assets		151,325	157,483
Assets qualified as held for sale	21	1,315	0
Total assets		489,202	521,604
Equity and liabilities			
Equity			
Issued capital	22	0.1	0.1
Share premium	22	77,309	77,309
Accumulated deficit		-27,707	-15,471
Foreign currency translation differences		5,456	-1,194
Total equity		55,058	60,644
Interest bearing loans and borrowings	23	148,974	155,444
Lease liabilities	29	28,620	31,348
Employee benefits	24	152,563	149,847
Provisions	25	1,545	2,495
Deferred tax liabilities	17	23,977	42,441
Non-current liabilities		355,679	381,575
Trade and other payables	26	43,891	47,839
Lease liabilities	29	5,153	4,516
Employee benefits	24	20,672	18,962
Income tax payable	11	1,581	3,168
Provisions	25	7,168	4,900
Current liabilities		78,465	79,385
Total liabilities		434,144	460,960
Total equity and liabilities		489,202	521,604

**Consolidated income statement
of WPG Holdco B.V. for the year ended December 31, 2020**

	Note	01.01. - 31.12.2020 KEUR	27.02. - 31.12.2019 KEUR
Revenues		396,064	198,182
Cost of sales		-280,008	-155,521
Gross profit	6	116,056	42,661
Other operating income	7	2,835	1,822
Research and development expenses	8	-9,828	-4,447
Administrative expenses	9	-102,620	-62,070
Operating loss (loss before interest)		6,443	-22,034
Finance costs		-21,258	-9,760
Finance income		644	917
Net finance costs	10	-20,614	-8,843
Share of profit of a joint venture	15	433	0
Loss before tax		-13,738	-30,877
Income tax benefit	11	4,566	6,376
Loss after tax for the period		-9,172	-24,501

**Consolidated statement of comprehensive income
of WPG Holdco B.V. for the year ended December 31, 2020**

	Note	01.01. – 31.12.2020 KEUR	27.02. – 31.12.2019 KEUR
Loss for the period		-9,172	-24,501
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Recognition of actuarial gains / (losses)	23	-4,621	11,521
Tax in equity	16	<u>1,557</u>	<u>-2,491</u>
Sum		-3,064	9,030
<u>Items that will be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences		6,650	-1,194
Other comprehensive income for the period		3,586	7,836
Total comprehensive loss for the period		-5,586	-16,665

**Consolidated statement of changes in equity
of WPG Holdco B.V. for the year ended December 31, 2020**

KEUR	Note	Issued capital	Share premium	Accumulated deficit	Foreign currency translation differences	
Issue of share premium	22	0.1	77,309		-	77,309
Loss for the period				-24,501		-24,501
Other comprehensive income				9,030	-1,194	7,836
Total comprehensive loss for the period				-15,471	-1,194	-16,665
At December 31, 2019		0.1	77,309	-15,471	-1,194	60,644
Loss for the period				-9,172		-9,172
Other comprehensive income				-3,064	6,650	3,586
Total comprehensive income for the year				-12,236	6,650	-5,586
At December 31, 2020		0.1	77,309	-27,707	5,456	55,058

**Consolidated statement of cash flows
of WPG Holdco B.V. for the period ended December 31, 2020**

	Note	01.01. - 31.12.2020 KEUR	27.02. - 31.12.2019 KEUR
Cash flows from operating activities			
Loss for the period		-9,172	-24,501
Adjustments for:			
– Depreciation and amortization	6, 9	24,556	11,923
– Foreign currency revaluation	9	426	0
– Impairment	21	900	0
– Share of the result of Joint Venture	15	-433	0
– Net finance cost	10	17,404	8,843
– Income tax	11	-4,566	-6,376
– Loss on sale of property, plant and equipment	12	-52	27
– Loss allowance on trade receivables	19	406	2,348
– Loss on foreign exchange differences	7, 9	-84	438
– Current service cost	23	2,028	1,355
– Pension Payments	23	-5,487	-2,080
– Adjustments other		899	0
Changes in:			
– Inventories	12	9,402	19,554
– Trade and other receivables	19	6,293	4,246
– Employee benefits	24	1,448	-2,631
– Provisions	25	1,318	-6,222
– Trade and other payables	26	-3,948	-13,419
– Income tax payable	11	-1,587	1,245
– Interest received		0	406
– Income taxes paid		-5,366	-748
Net cash from operating activities		32,587	-5,592
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	31	0	-188,463
Dividends received from joint venture	15	117	0
Deposit		-116	0
Repayment (Grant) of non-current term bridge loans	13	151	-151
Purchase of property, plant and equipment		-14,392	-8,633
Purchase of intangible assets		-865	-868
Proceeds from sale of property, plant and equipment		7,603	2,617
Proceeds from sale of intangible assets		1,239	26
Net cash used in investing activities		-6,263	-195,472

**Consolidated statement of cash flows
of WPG Holdco B.V. for the period ended December 31, 2020**

	Note	01.01. – 31.12.2020 KEUR	27.02. – 31.12.2019 KEUR
Cash flows from financing activities			
Adjustment for foreign currency revaluation	10	3,210	0
Lease payments	29	-6,495	-3,129
Interest paid		-13,502	-7,213
Proceeds from loans and borrowings	23	0	155,684
Transaction costs relating to loans and borrowings	23		-1,798
Proceeds from share premium contribution	22		77,309
Net cash from financing activities		-16,787	220,853
Net increase in cash and cash equivalents		9,537	19,789
Cash and cash equivalents beginning of the year 2020		19,664	0
Effect of movements in exchange rates on cash held			-125
Cash and cash equivalents at December 31, 2020	20	29,201	19,664

Notes to the consolidated financial statements

Table of Contents (Notes)

1.	Reporting entity	23
2.	Basis of accounting	23
3.	Functional and presentation currency	24
4.	Use of judgements and estimates	25
5.	Significant accounting policies	26
5.1.	Basis of consolidation	26
5.2.	Foreign currency translation	27
5.3.	Revenue from contracts with customers	28
5.4.	Research and development	29
5.5.	Restructuring costs	29
5.6.	Intangible assets	29
5.7.	Property, plant and equipment	30
5.8.	Inventories	31
5.9.	Income tax	31
5.10.	Non-derivative financial assets and financial liabilities	32
5.11.	Cash and short-term deposits	33
5.12.	Employee benefits	33
5.13.	Provisions	33
5.14.	Leases	34
5.15.	Basis of measurement	36
5.16.	Standards issued but not yet effective	36
6.	Gross profit	37
7.	Other operating income	39
8.	Research and Development expenses	39
9.	Administrative expenses	40
10.	Net finance costs	42
11.	Income tax benefit	43
12.	Property, plant and equipment	45
13.	Other interest-bearing receivables	47
14.	Intangible Assets	48
15.	Investment in a joint venture	51
16.	Deferred tax assets and liabilities and current income tax	52
17.	Inventories	54
18.	Trade and other receivables	55
18.1.	Trade receivables	55
18.2.	Other receivables	56
19.	Cash and cash equivalents	56
20.	Assets qualified as held for sale	56
21.	Issued Capital	57
22.	Interest-bearing loans and borrowings	57
23.	Employee benefits	59
24.	Provisions	62

25.	Trade and other payables	63
26.	Financial instruments	63
27.	Financial risk management	65
27.1.	Credit risk	65
27.2.	Market risk	65
27.3.	Currency risk	66
27.4.	Interest rate risk	67
27.5.	Liquidity risk	67
27.6.	Capital Management	68
28.	Leases	69
29.	List of subsidiaries	71
30.	Acquisition of subsidiaries	72
31.	Related parties	76
32.	Contingencies and other commitments	77
33.	Auditor's fees	78
34.	Subsequent events	78

1. Reporting entity

WPG Holdco B.V. (the Company) is a private limited liability company domiciled in the Netherlands. The Company's registered office is at Herengracht 466, 1017 CA Amsterdam. The chamber of commerce number is 74130234. The Company was incorporated on February 27, 2019 to facilitate the acquisition of the Walterscheid Powertrain Group from Melrose Industries (UK), which took place on June 25, 2019. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The Company is wholly owned by WPG Parent B.V., Amsterdam and the ultimate parent entity is OEP 7 C.V., Amsterdam. Regarding the acquisition of subsidiaries, we refer to note 31. The Group is primarily involved in manufacturing connected and smart powertrain solutions and complete in-service support for the world's leading off-highway and industrial equipment manufacturers. The Company continuously develops new technologies and customer solutions which deliver efficiency in the agriculture, construction, mining, utility vehicle and industrial markets and offers throughout life services for all powertrain products and systems between power source and power applied.

In compliance with German Commercial Code section 264 (3) the German subsidiaries (see Note 31) have not prepared individual sets of financial statements, as these companies are consolidated in the consolidated financial statements of WPG Holdco B.V.

The three UK subsidiaries WPG UK Holdco Ltd. (Registration number: 11855945), Powertrain Services UK Limited (Registration number: 00171839), and Powertrain Services (UK Newco) Ltd. (Registration number: 11618668) (also see Note 30) are all exempt from the UK requirements relating to the audit of financial statements under section 479A of the Companies Act 2006. These companies are consolidated in the consolidated financial statements of WPG Holdco B.V.

2. Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS Standards as adopted by the European Union (hereinafter referred to as IFRS) and with Section 2:362(9) of the Dutch Civil Code. They were authorized for issue by the Company's Board of Directors on April 29, 2021 (2019: September 30, 2020). In the current stressed economic environment arising from the Covid-19 pandemic, WPG does not see a significant downturn in its profitability and hence its liquidity. Management has a reasonable expectation, that the Group has adequate resources to continue in operational existence for the foreseeable future and has reflected this in the strategic approach of the Group. Thus, the financial statements are prepared on a going concern basis.

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Dutch Civil Code, the separate statement of profit and loss of the Company exclusively states the share of the result of participating interests after tax and the other income and expenses after tax.

Comparative amounts for 2019 presented in the consolidated financial statements are considered in the short financial period. The short financial period covers the period from February 27, 2019 (the date of the incorporation of the Company) to December 31, 2019. Operating companies have been acquired June 25, 2019 and results have been consolidated per that day. Details of the Group's significant accounting policies are included in note 5.

Changes in presentation

In the consolidated financial statements for the year ended December 31, 2019, certain changes have been made to comparative information to comply with the current year presentation format. Following is a summarized comparison of the audited annual consolidated statement of financial position and for the year with re-presented figures.

	Note	Audited 31.12.2019 KEUR	Adjustment KEUR	Re-presented 31.12.2019 KEUR
Other receivables ¹	16	0	895	895
Cash and cash equivalents ¹	20	20,559	-895	19,664
Trade and other payables ²	26	59,455	-11,616	47,839
Employee benefits (current) ²	24	7,346	11,616	18,962

¹ Part-time employment plans have been reallocated from cash and cash equivalents to other receivables with the amount of KEUR 895.

² Short-term paid absences have been reallocated from trade and other payables to current employee benefits with the amount of KEUR 11,616.

3. Functional and presentation currency

These consolidated financial statements are presented in Euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

WPG assessed the impact of Covid-19 on its financial estimates and judgements. The impact of Covid-19 on WPG's financial estimates and judgements is mainly reflected in more uncertainty. All significant estimates and judgements are disclosed in the notes to the consolidated financial statements (if applicable).

Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values, in particular goodwill and other intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

Information about assumptions and estimation uncertainties at December 31, 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial period is included in the following notes:

- Note 14 – impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the determination and analysis of cash generating units;
- Note 17 – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized;
- Note 24 – measurement of defined pension benefit obligations: key actuarial assumptions;
- Note 25 – recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 29 – measurement right of use asset: key assumptions about probability of extension options;
- Note 31 – acquisition of subsidiaries: fair value of the assets acquired, and liabilities assumed.

5. Significant accounting policies

The Group and all Group entities have applied the following significant accounting policies set out below to the period presented in the consolidated financial statements.

5.1. Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. With the acquisition method, the acquisition is depicted in the consolidated financial statements as if no shares had been acquired in the subsidiary, but the individual assets and liabilities. Applying the acquisition method demands the requirements in accordance to IFRS 3.4.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees are interests in a joint venture. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

5.2. Foreign currency translation

These consolidated financial statements are presented in Euro, which is the Company's functional currency. Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

The following exchange rates were used to convert transactions and balances denominated in other currencies to Euro (rates per February 27, 2019 are not shown, as no currency had to be converted at that date):

Currency		December 31, 2020 closing rate	2020 period average rate
Brazilian Real	BRL	6,3735	5,8943
Yuan Renminbi	CNY	8,0225	7,8747
Czech Koruna	CZK	26,2420	26,4551
Danish Krone	DKK	7,4409	7,4542
Pound Sterling	GBP	0,8990	0,8897
Yen	JPY	126,4900	121,846
Norwegian Krone	NOK	10,4703	10,7228
Russian Ruble	RUB	91,4671	82,7248
Swedish Krona	SEK	10,0343	10,48448
US Dollar	USD	1,2271	1,1422

Currency		December 31, 2019 closing rate	2019 period average rate	June 25, 2019 closing rate
Brazilian Real	BRL	4,5157	4,4134	4,3511
Yuan Renminbi	CNY	7,8205	7,7355	7,8185
Czech Koruna	CZK	25,4080	25,6705	25,4470
Danish Krone	DKK	7,4715	7,4661	7,4636
Pound Sterling	GBP	0,8508	0,8778	0,8966
Yen	JPY	121,940	122,006	122,6000
Norwegian Krone	NOK	9,8638	9,8511	9,6938
Russian Ruble	RUB	69,9563	72,4553	71,5975
Swedish Krona	SEK	10,4468	10,5891	10,5633
US Dollar	USD	1,1234	1,1195	1,1380

5.3. Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenues are generated at a point in time depending on the terms of delivery. Invoices are usually payable within 30 to 90 days. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The consideration promised in a contract includes a variable amount, such as discounts, rebates or other similar items. WPG estimates the amount of consideration. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of goods. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables and the right to recover returned goods is included in inventory. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

5.4. Research and development

Research activities are being carried out to find alternatives for innovative, intelligent and digital technologies.

Development costs are incurred mainly for the development of powertrain solutions for new customer vehicles or work equipment. These are activities for product improvement. This does not give rise to an intangible asset as it is not separable.

Research costs, amortization and non-capitalizable development costs are generally recognized as an expense for the period under research and development expenses.

5.5. Restructuring costs

A provision for restructuring costs is only recognised in accordance with IAS 37.71 if the general recognition criteria set out in IAS 37.14 are met. How these general criteria apply to restructuring is regulated in IAS 37.72-79. A de facto restructuring obligation exists in accordance with IAS 37.72 when an entity has drawn up a detailed, formal restructuring plan and has aroused the legitimate expectation among the employees concerned that it will be implemented. Such a restructuring plan contains information about which locations and business units are affected, about the function and number of employees affected, the time of implementation, i.e. the time-determined sequence of measures. We arise a justified expectation among the affected employees if the implementation of the measures has already begun or if it has been communicated to the affected employees. The communication to the employees can take place, for example, in the context of a company meeting or the works council passes on relevant information to the affected employees.

5.6. Intangible assets

Intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. The cost of intangible assets arising on the acquisition of subsidiaries, is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Goodwill occurs from business combinations according to IFRS 3 and represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities, and contingent liabilities of the acquirer existing at the time of the acquisition. Goodwill is not amortized but is reviewed for impairment at least annually. As corporate planning is made on Group level, goodwill has been allocated to the Group as a single cash generating unit. The recoverable amount of the single cash generating unit is determined based on value-in-use calculations.

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. The estimated useful lives for the current period are as follows:

- trade names: 9 years
- developed technology: 8 years
- customer relationships: 12 years
- computer licenses: 5 years
- computer software: 3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

5.7. Property, plant and equipment

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

The following estimated useful lives are taken as basis: buildings 20 - 33 years, real estate equipment 5 – 20 years, operating facilities 10 – 25 years, technical equipment and machines 4 – 15 years, other facilities 3 - 25 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

5.8. Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. For the measurement of the cost of inventories, the actual cost method is used. The cost of inventories is based on the weighted-average cost formula and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity and direct labour as part of cost of conversion.

5.9. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting

date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. Deferred tax assets and liabilities are offset only if certain criteria are met.

5.10. Non-derivative financial assets and financial liabilities

The Group's financial assets and financial liabilities are measured at amortized cost. Financial assets are only held within a business model whose objective is to hold assets to collect contractual cash flows and where the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. No financial liabilities are held-for-trading or are derivatives or designated as such. Financial assets include trade and other receivables, lease receivables, and cash and short-term deposits. Financial liabilities include interest-bearing loans and borrowings, lease liabilities, and trade and other payables.

Interest-bearing loans and borrowings are presented using the effective interest method. Therefore, original issue discounts and transaction costs are included in the effective interest rate calculation.

For trade receivables the Group applies the simplified approach in estimating credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance over the lifetime of the financial assets at each reporting date. The Group uses a simplified approach to its expected credit loss model for trade receivables, as the payment terms usually allow and anticipate payments within 90 days or less.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

5.11. Cash and short-term deposits

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

5.12. Employee benefits

The Group is providing post-employment defined benefit pension plans and other long-term benefits to employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Remeasurements, comprising of actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the date of the plan amendment or curtailment. Interest is calculated by applying the discount rate to the defined benefit liability.

The Group's obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

5.13. Provisions

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

amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

A provision for warranties is recognised when the underlying goods or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities. Provisions for warranties are underlying the legal regulations.

Provisions for surplus property arise from legal obligations for removal and restoration of fixed assets at the time of the event and are recognised immediately in the amount of expected costs.

5.14. Leases

The Group applies IFRS 16 and recognises right-of-use assets and lease liabilities on-balance sheet.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee, the Group leases many assets including property, production equipment and IT equipment.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Lease liabilities are measured at the present value of the remaining lease payments. Lease liabilities that are not paid at the commencement date, are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Right-of-use assets is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. Right-of-use assets are presented under property, plant and equipment. Depreciation of right-of-use assets is recognised in cost of sales and administrative expenses and expenses for low-value and short-term leases are recognised under administrative expenses, lease interest costs are recognised under finance costs.

The Group has tested its right-of-use assets for impairment and has concluded that there is no indication that the right-of-use assets are impaired.

In case of existing extension and termination options, the assessment of their exercise is made on a case-by-case basis, considering factors such as location strategies and the degree of specificity.

When determining the term of a lease, the probabilities of such options being exercised must be assessed in the case of existing extension and termination options.

Such parameters may be subject to judgment. If the available information does not permit a reliable assessment, WPG draws on past experience for comparable circumstances.

The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group used a number of practical expedients when applying IFRS 16. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application

- did not recognise right-of-use assets and liabilities for leases of low value assets (below KEUR 5; e.g. IT equipment)

The Group leases out owned property. The objective of these leases is primarily to lease space not utilized by the Group, such as parking places, halls and offices. The Group has classified these leases as operating leases. Lease income is recognised under other operating income.

5.15. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, unless otherwise indicated.

5.16. Standards issued but not yet effective

The new and amended standards IFRS standards which are effective in 2020 are displayed below:

- Amendments to IFRS 3: Definition of a Business.
- Amendments to IAS 1 and IAS 8: Definition of Material.
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Phase 1.
- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendment to IFRS 16: Covid 19-Related Rent Concessions.

The Group has assessed the impact of these amendments and concluded that they are either not applicable to the Group or have no material effect on the Group's financial statements.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2: EU effective date 1 January 2021.
- Amendments to IFRS 4 Insurance Contracts: Deferral of IFRS 9: EU effective date 1 January 2021.

The Group has not early adopted the amended standards in preparing these consolidated financial statements. None of the amendments are expected to have a material impact on the financial position or performance of the Group.

At December 31, 2020, the Group has EURIBOR and LIBOR secured bank loans that will be subject to IBOR reform. The Group expects that the interest rate benchmark for these loans will be changed to fixed interest rates in 2021 and that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

6. Gross profit

The Group generates revenue from contracts with customers from the sale of products and provision of aftermarket services to its customers.

in KEUR	01.01. - 31.12.2020	27.02. - 31.12.2019
Revenue from product sale	256,491	117,557
Revenue from aftermarket & services	139,573	80,625
Total revenue from contracts with customers	396,064	198,182
Cost of sales	-280,008	-155,521
Gross profit	116,056	42,661

Revenue is measured based on the consideration specified in a contract with a customer. No single customer is contributing 10 % or more to the Group's revenue. The Group recognises revenue when it transfers control over a good or service to a customer. All revenue is therefore transferred at that point in time. No information is provided about remaining performance obligations at December 31, 2020 that have an original expected duration of one year or less, as allowed by IFRS 15.

Revenues disaggregated by markets in KEUR	01.01. - 31.12.2020	27.02. - 31.12.2019
Agricultural	265,727	115,169
Industry	34,309	22,652
Construction	29,201	14,635
Mining	24,857	17,339
Commercial vehicles	16,982	10,871
Military	15,297	11,082
Rail	6,161	3,624
Marine	3,259	2,638
Other	271	172
Total revenue from contracts with customers	396,064	198,182

In the following table, revenue from contracts with customers of KEUR 396,064 (2019: KEUR 198,182) is broken down by geographical markets:

in KEUR	01.01. - 31.12.2020	27.02. - 31.12.2019
Europe	269,098	128,491
United States	82,490	49,996
Asia / Pacific	25,980	14,231
Rest of World	18,496	5,464
Total Revenues	396,064	198,182

Cost of sales includes expenses directly or indirectly attributable to the production process:

in KEUR	01.01. - 31.12.2020	27.02. - 31.12.2019
Cost of inventories	169,970	86,918
Employee cost variable	65,093	31,234
Depreciation and amortization	16,364	8,261
Cost of sale consumables	6,058	2,899
Cost of freight outwards	4,984	2,982
Purchased tooling	4,964	2,399
Maintenance	4,738	2,833
Utilities	4,354	2,022
Reversal Step up inventories	0	14,388
Cost of sale other	3,483	1,585
Total cost of sales	280,008	155,521

Reversal Step up inventories

Inventories have been evaluated at fair value at June 25, 2019. As of the valuation date, the Company owned inventories consisting of finished goods, work-in-process and raw materials.

The value of the raw materials inventory is a function of current replacement cost, plus cost of preparation, less cost of obsolete goods. The current replacement cost of the raw materials was reasonably represented by net book value as of the valuation date.

Fair value of work in progress was calculated based on sales prices less the sum of any cost to complete, costs of disposal, holding costs and a reasonable profit allowance. For this reason, a step up of work in progress was carried out with an amount of KEUR 3,569 at June 25, 2019.

The evaluation of finished goods was also calculated based on sales prices less any cost to complete as well as a reasonable profit allowance. For this reason, a step up of finished goods was carried out with an amount of KEUR 10,819 at June 25, 2019.

During the period February 27, 2019 until December 31, 2019, work in progress was completed and sold to customers as well as finished goods in relation to the evaluated inventories at June 25, 2019. Based on this fact the fair value of work in progress and finished goods was realised by selling. Therefore, the additional booking with an amount of KEUR 14,388 for the step up was reversed at the end of the year.

7. Other operating income

in KEUR	01.01. - 31.12.2020	27.02. - 31.12.2019
Operating lease income	702	433
Project related reimbursement of development costs	650	683
Foreign currency gains	615	0
Gain on land disposal	190	0
Other	678	706
Total other operation income	2,835	1,822

8. Research and Development expenses

The total research and development expenses of KEUR 9,828 (2019: KEUR 4,447) comprise mainly fixed employee cost of KEUR 7,452 (2019: KEUR 3,761).

9. Administrative expenses

Administrative expenses comprise the following:

in KEUR	01.01. - 31.12.2020	27.02. - 31.12.2019
Personnel expenses	59,391	31,026
Depreciation and amortization	8,193	3,662
Restructuring (Project 2052)	8,490	0
Information Systems	4,265	1,815
External Warehouse	2,805	1,039
Other professional fees, consultants	2,467	794
External services (cleaning, security)	2,292	1,176
Plant refurbishment & building maintenance	2,227	1,239
Insurance	1,441	728
Travel and entertainment	1,259	2,102
Expenses on short term and low value asset leases	1,115	939
Indirect material (office material)	1,019	347
Impairment	900	0
Personnel training	850	865
Audit fees / legal costs	744	594
Telephone and communications	821	475
Energy fix (electricity, gas, water)	681	408
Taxes non-profit related	628	258
Foreign currency revaluation	426	0
Marketing expenses	376	610
Loss on foreign exchange differences	531	438
Loss allowance on trade receivables	406	2,348
Corona related costs	363	0
Transaction cost	0	7,055
Real estate tax land transfer	0	1,980
Restructuring (Project Panda)	0	774
Other administrative expenses	930	1,398
Total	102,620	62,070

Restructuring (Project 2052)

The addition of the KEUR 8,490 to the provision for restructuring relates to Project 2052 and contains mainly severance payments, employee benefits as part-time employment plans prior to retirement and other restructuring costs such as garden leave.

As part of project 2052, Walterscheid Powertrain Group reviewed its organizational Structure and created the WPG 2.0 Organization in 2020. The main purpose was to centralize corporate functions like Human Resources, Accounting, Purchasing and Marketing. All functions have a global leader who has established regional teams /Europe, Americas, Asia and shared service functions to support the individual sites. Another restructuring area was the change in the Aftermarket & Service business model. Here we started to centralize all administrative functions in the headquarters of Germany, using the functional shared service centre or established centres of competence, like an international customer service (more than 10 languages). Furthermore, we are in process to turn the local legal entities into a branch system of the German headquarter. In addition to this we sold our local business in Switzerland and started a liquidation process for our service site in Italy.

All these changes led to a severance of fixed employees in 2020 and continue in the first half of 2021.

Personnel expenses

Personnel expenses comprise the following:

in KEUR	01.01. - 31.12.2020	27.02. - 31.12.2019
Wages and salaries	49,162	24,684
Social security contributions	8,201	4,987
Pension costs	2,028	1,355
Total	59,391	31,026

The average number of employees developed as follows in the period:

	01.01. - 31.12.2020	27.02. - 31.12.2019
Production and indirect variable employees	1,081	1,145
Administration	713	733
Total	1,794	1,878

At December 31, 2020 the Group employed a total of 1,776 (2019: 1,857) employees outside the Netherlands.

10. Net finance costs

Finance income and finance costs comprised the following during the period under review:

in KEUR	01.01. – 31.12.2020	27.02. – 31.12.2019
Finance income	644	917
Finance costs	-21,258	-9,760
Net finance costs	-20,614	-8,843

Finance income includes interest income from plan assets KEUR 644 (2019: KEUR 406).

Finance costs comprise the following:

in KEUR	01.01. – 31.12.2020	27.02. – 31.12.2019
Interest expense under the effective interest method	-13,058	-7,100
Interest expense leases	-940	-641
Total finance costs for financial liabilities	-13,998	-7,741
Retirement benefit finance costs	-2,742	-1,469
Foreign currency revaluation	3,210	0
Unwinding of discount	-864	-482
Guarantee commission	-443	0
Other	-1	-68
Total finance costs	-21,258	-9,760

Foreign currency revaluation

The foreign currency revaluation relates to exchange losses from the translation of an intercompany loan in the United Kingdom into euros (see Note 5.2). The intercompany loan was fully repaid at December 31, 2020 as part of the restructuring measures.

11. Income tax benefit

The table below shows the components of loss before taxes and income tax benefit:

Income tax benefit in KEUR	01.01. - 31.12.2020	27.02. - 31.12.2019
Netherlands	3	-910
Foreign	-13,741	-29,967
Loss before taxes of the Group	-13,738	-30,877
<u>Netherlands:</u>		
Current tax expense	-906	0
Deferred tax benefit	1,380	78
Total tax benefit of the Group (Netherlands)	474	78
<u>Foreign:</u>		
Current tax expense	-2,917	-1,988
Deferred tax benefit	7,009	8,286
Total tax benefit of the Group (foreign)	4,092	6,298
Income tax benefit of the Group	4,566	6,376

The components of income tax expense of the Group are as follows:

Current income tax expense in KEUR	01.01. - 31.12.2020	27.02. - 31.12.2019
Current year tax expense	-3,522	-1,988
Prior year tax expense	-301	0
Current tax expense of the Group	-3,823	-1,988

Deferred income tax expense in KEUR	01.01. - 31.12.2020	27.02. - 31.12.2019
Changes to recognition of tax loss and credit carry forwards	-657	-852
Changes to recognition of temporary differences	245	242
Tax true up	1,855	0
Tax rate changes	75	237
Origination and reversal of temporary differences, tax losses and credits	6,871	8,737
Deferred tax benefit of the Group	8,389	8,364

The Group companies are subject to income taxes in various foreign jurisdictions. The statutory income tax rate varies per country, which results in a difference between the weighted average statutory Income tax rate and the Netherland's statutory income tax rate of 25 %.

The table below provides a reconciliation of the weighted average statutory income tax rate to the effective income tax rate.

Effective income tax rate in %	01.01. - 31.12.2020	27.02. - 31.12.2019
Weighted average statutory income tax rate	-37.27 %	-30.34 %
Unrecognised tax loss and credit carryforwards	4.63 %	1.69 %
Changes to recognition of temporary differences	-1.73 %	0.77 %
Non-deductible expenses/Permanent differences	12.82 %	6.90 %
Withholding taxes and other tax	0.42 %	0.23 %
Tax rate changes	-0.53 %	0.77 %
Tax True up	-10.96 %	0.00 %
Others net	0.42 %	-0.67 %
Effective Income tax rate	-32.2 %	-20.65 %

12. Property, plant and equipment

Reconciliation of carrying amount:

in KEUR	Land and buildings	Operating facilities/ technical equipment	Assets under construction	Total
Acquisition cost				
Balance at January 1, 2020	69,215	60,974	7,675	137,864
Additions	7,689	9,991	1,399	19,079
Disposals	-10,225	-5,726	-557	-16,508
Reclassification	5,567	-784	-4,783	0
Effect of exchange rate movements	-1,259	-3,322	-106	-4,687
Balance at December 31, 2020	70,987	61,133	3,628	135,748
Depreciation and impairment losses				
Balance at January 1, 2020	-2,559	-2,275	0	-4,834
Depreciation for the year	-6,587	-8,529	0	-15,116
Disposals	2,079	4,783	0	6,862
Reclassification	-557	557	0	0
Effect of exchange rate movements	148	1,895	0	2,043
Balance at December 31, 2020	-7,476	-3,569	0	-11,045
Carrying amount				
Balance at December 31, 2020	63,511	57,564	3,628	124,703

in KEUR	Land and buildings	Operating facilities/ technical equipment	Assets under construction	Total
Acquisition cost				
Balance at February 27, 2019	0	0	0	0
Additions by acquisition	68,990	56,709	7,787	133,486
Additions	474	6,292	2,529	9,295
Disposals	-392	-3,059	-1,944	-5,395
Reclassification	3	721	-724	0
Effect of exchange rate movements	140	311	27	478
Balance at December 31, 2019	69,215	60,974	7,675	137,864
Depreciation and impairment losses				
Balance at February 27, 2019	0	0	0	0
Depreciation for the year	-2,747	-4,838	0	-7,585
Disposals	257	2,690	0	2,947
Reclassification	2	-2	0	0
Effect of exchange rate movements	-71	-125	0	-196
Balance at December 31, 2019	-2,559	-2,275	0	-4,834
Carrying amount				
Balance at December 31, 2019	66,656	58,699	7,675	133,030

Property, plant and equipment include right-of-use assets arising from leases (see Note 29).

The values for additions by acquisition are based on acquisition by One Equity Partners VII LP (see Note 31).

In 2020, the Group sold equipment with a total net carrying amount of KEUR 599 out of KEUR 943 (net book value) for a cash consideration of KEUR 547. The net loss on these disposals were recognised as part of administrative expenses in the consolidated income statement.

Disposals of land and building (KEUR 8,146 net book value) relates in category own land and building mainly to reclassification in assets qualified as held for sale with an amount of KEUR 1,315 (see Note 21) and KEUR 679 relates to sale in Brazil. Disposals of leased land and building relates to rented areas accounted for corresponding to IFRS 16 with an amount of KEUR -5,970 (see Note 29 derecognition and adjustment) .

Additions of KEUR 7,689 mainly relates to leased land and building based on extension of contracts for rented areas with an amount of KEUR 7,402.

Depreciation for the year with an amount of KEUR 15,116 (2019: KEUR 7,585) for tangible assets are shown in the consolidated income statement as cost of sales (see Note 6) and depreciation and amortization (see Note 9).

In accordance with IAS 36 impairment tests for property, plant and equipment were conducted on December 31, 2020, where an indication of impairment occurred. An impairment of land and building with an amount of KEUR 900 was identified and relates to assets qualified as held for sale (see Notes 9, 21).

Due to security agreements in conjunction with the syndicated loan agreement (see Note 23) at least 85 % of the gross assets – including property, plant and equipment – of the material companies of the Group are granted as security for the loans.

13. Other interest-bearing receivables

Non-current assets owed by external parties can be presented as follows:

in KEUR	Interest rate (%)	Maturity	31.12.2020	31.12.2019
Other loans	3M-EURIBOR (min. 0.5) + 2.25	Dec. 31, 2020	0	151
Total			0	151

As per December 2020 the Company has shown three short-term bridge loans in the amount of KEUR 50 each which were granted to its direct holding company WPG Parent B.V. as well as their holding company WPG B.V. and additionally the next level holding company WPG Cooperatief U.A. to cover their operating costs in 2019. The underlying Credit Facility Agreements had a maturity of December 31, 2020 and an interest rate of 3-months EURIBOR + 2.25 p.a., which is equal to the Revolving Credit Facility in place and therefore at the arm's length principle. All three instalments have been fully repaid to WPG Holdco B.V. at February 7, 2020 including accrued interest.

14. Intangible Assets

in KEUR	Trade name	Developed technology	Customer relationships	Goodwill	Software and other	Total
Acquisition cost						
Balance at January 1, 2020	13,718	23,868	39,371	107,193	6,936	191,086
Additions	0	0	0	0	963	963
Disposals	0	0	0	0	-114	-114
Adjustment	0	0	0	-1,318	0	-1,318
Effect of exchange rate movements	0	0	0	0	-98	-98
Balance at December 31, 2020	13,718	23,868	39,371	105,875	7,687	190,519
Amortization and impairment losses						
Balance at January 1, 2020	-762	-1,492	-1,640	0	-427	-4,321
Amortization for the year	-1,524	-2,983	-3,281	0	-2,552	-10,340
Disposals	0	0	0	0	113	113
Effect of exchange rate movements	0	0	0	0	80	80
Balance at December 31, 2020	-2,286	-4,475	-4,921	0	-2,786	-14,468
Carrying amount						
Balance at December 31, 2020	11,432	19,393	34,450	105,875	4,901	176,051

in KEUR	Trade name	Developed technology	Customer relationships	Goodwill	Software and other	Total
Acquisition cost						
Balance at February 27, 2019	0	0	0	0	0	0
Additions by acquisition	13,718	23,868	39,371	107,193	6,111	190,261
Additions	0	0	0	0	855	855
Disposals	0	0	0	0	-43	-43
Effect of exchange rate movements	0	0	0	0	13	13
Balance at December 31, 2019	13,718	23,868	39,371	107,193	6,936	191,086
Amortization and impairment losses						
Balance at February 27, 2019	0	0	0	0	0	0
Amortization for the year	-762	-1,492	-1,640	0	-444	-4,338
Disposals	0	0	0	0	31	31
Effect of exchange rate movements	0	0	0	0	-14	-14
Balance at December 31, 2019	-762	-1,492	-1,640	0	-427	-4,321
Carrying amount						
Balance at December 31, 2019	12,956	22,376	37,731	107,193	6,509	186,765

The values for additions by acquisition in 2019 are based on acquisition by One Equity Partners VII LP (see Note 31).

Trade name, developed technology, customer relationships as well as Software and other have finite useful lives. Intangible assets with a finite useful life are amortized on a straight-line-basis. Amortization for the year with an amount of KEUR 10,340 (2019: KEUR 4,338) for intangible assets are shown in the consolidated income statement as depreciation and amortization (see Note 9). The Goodwill has an indefinite useful life.

The notes for intangible assets do not include any internally generated intangible assets.

The annually required impairment test in accordance with IAS 36 for intangible assets was performed for the end of the reporting period as of December 31, 2020. No impairment was identified.

Trade Name

The Company's name and portfolio of brands are recognised within the industry and carry a reputation for quality and product development experience. The Company intends to continue to use the trade names going forward. As such, the Company's reputation and positive brand recognition are embodied in its trade names and was considered as a potentially valuable intangible asset. Useful life was estimated for 9 years by management.

Developed Technology

The Company's existing technology is an intangible asset separable from goodwill. The developed technology provides competitive advantages and product differentiation. Useful life was estimated for 8 years by management.

Customer Relationships

Management identified established customer relationships with pre-existing customers that are expected to continue in the future. As such, the customer relationships were deemed to represent a potentially valuable intangible asset. Useful life was estimated for 12 years by management.

Goodwill

Goodwill occurs from business combinations according to IFRS 3 and represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities, and contingent liabilities of the acquirer existing at the time of the acquisition (see Note 31).

In order to measure the amount of the goodwill, the purchase price is allocated to the individual assets and liabilities based on their fair values. The amount of the goodwill is the positive amount remaining after the allocation. Adjustment of Goodwill in current financial year 2020 reflects repayment from Melrose Industries (UK) based on final purchase price agreement.

The impairment test made for year-end December 31, 2020 was based on the projection of cash flows expected to accrue to the Group, in accordance with the business plans adopted by the Management Board covering a five-year period. In our DCF-calculation we are using forecasts for the years 2021 to 2025 and discounting them. Cash flows beyond the five-year period are assumed using a growth rate of 1.5 % on the 2025 forecast for the calculation of the terminal value. Corporate planning is made at Group level. The recoverable amount of the single cash generating unit has been determined based on value-in-use calculations which require the use of assumptions. The impairment model used is the discounted cash flow method using a weighted average cost of capital (WACC).

The following table sets out the key assumptions:

Annual growth rates (%) expected for 2021 to 2025 forecasts	
Net revenue	7.7
Gross margin	9.3
Fixed costs	2.9
Discount rate (WACC)	7.1

Annual growth rates (%) expected for 2020 to 2024 forecasts	
Net revenue	5.7
Gross margin	7.0
Fixed costs	2.8
Discount rate (WACC)	7.0

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Net revenue	Average annual growth rate of sales (revenue) minus discounts and returns over the five-year forecast period, based on past performance and management's expectations of market development.
Gross margin	Average annual growth rate determined by a percentage of net revenue based on past performance and management's expectations over the five-year forecast period
Fixed costs	Average annual growth rate of fixed costs, which do not vary significantly with revenue volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases over the five-year forecast period.

On the basis of information currently available and expectations with respect to the market and competitive environment, the figures fall within the general range of reasonable values.

It is inherent in the method of computation used that a change in the assumptions may lead to a different conclusion on the impairment required. An increase of the WACC by 1.5 % and decrease in gross margin growth rate by 1.5 % would not lead to an impairment of the goodwill.

The discount rate was determined based on equity costs of comparable companies (peer group) and depending on the region, using expected tax rates of 21 % to 30 %.

Software and other

This position contains computer software and licenses. The useful life of computer software is 3 years and 5 years for licenses.

15. Investment in a joint venture

Matsui Walterscheid Ltd. (Matsui) is a joint venture in which the Group has a 40 % ownership interest. The Group's interest in Matsui is accounted for using the equity method in the consolidated financial statements.

in KEUR	31.12.2020	31.12.2019
Carrying amount of interest in joint venture 01.01.2020	104	104
Group's share of total comprehensive income	433	0
Dividends received by the Group during the period	-117	0
Carrying amount of interest in joint venture 31.12.2020	420	104

The fiscal year of the joint venture partner Matsui is from April 1 until March 31. In May 2020 Matsui paid a dividend to Walterscheid GmbH Lohmar. For the fiscal year 2020 the Group's share of total comprehensive income on the basis of 40 % ownership was KEUR 433. In the previous year, the carrying amount was not updated, as the dividend was already paid to Walterscheid GmbH before the beginning of the short financial year of WPG.

The joint venture had no contingent liabilities or commitments as at December 31, 2020.

16. Other receivables

in KEUR	31.12.2020	31.12.2019
Part-time employment plans	780	895
Landlords of rented service sites	231	0
Other receivables	1,011	895

At the end of the reporting period, the Group had other receivables in the amount of KEUR 780 to CommerzTrust GmbH (2019: KEUR 895) to comply with legal requirements due to part-time employment plans prior to retirement and KEUR 231 to the landlords of our rented services sites in Scandinavia and Germany. In view of their restricted availability, they are shown in a separate account.

17. Deferred tax assets and liabilities and current income tax

Deferred tax assets are recognised for temporary differences and unused tax losses to the extent that the realization of the related tax benefits is probable. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the countries where the deferred tax assets originated and during the periods when the deferred tax assets become deductible. In making this assessment management considers scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies.

The net deferred tax assets of KEUR 10,400 (2019: KEUR 735) consist deferred tax assets of KEUR 34,377 (2019: KEUR 43,176) and of deferred tax liabilities of KEUR -23,977 (2019: KEUR -42,441). KEUR 5,736 (2019 KEUR 3,505) is recognised in respect of entities in various countries where there have been tax losses in the current or preceding period. Deferred tax assets on tax loss carryforwards expiring within the next three years and 46,5 % of the unlimited expiring tax losses have not been recognised. The deferred tax assets on tax loss carryforwards of KEUR 5,736 therefore represent 53,5 % of the total unlimited expiring tax loss carryforwards of the Group. Management's projection support the assumptions that it is probable that the result of future operations will generate sufficient taxable income to utilize these deferred tax assets.

The table below shows the underlying assets, liabilities and tax losses:

Deferred tax assets and liabilities in KEUR	Balance as of January 1, 2020	Recognised in Income Statement FX	Recognised in Income Statement	Recognised in comprehensive income	Balance as of Dec 31, 2020	Def. Tax Assets Dec 31, 2020	Def. Tax Liabilities Dec 31, 2020
Intangible assets	-20,899	0	5,348	0	-15,551	2,798	-18,349
Property, plant and equipment	-15,926	83	696	0	-15,147	5,863	-21,010
Inventories	3,538	-442	535	0	3,631	3,631	0
Defined benefit obligations	27,083	-24	550	1,557	29,165	29,165	0
Other provisions	3,435	214	-1,083	0	2,566	2,806	-240
Deferred tax assets on tax loss carryforward	3,504	-111	2,343	0	5,736	5,736	0
Set-off deferred tax positions	0	0		0	0	-15,622	15,622
Net deferred tax assets/(liabilities)	735	-280	8,389	1,557	10,400	34,377	-23,977

Deferred tax assets and liabilities in KEUR	Balance as of December 31, 2019	Def. Tax Assets December 31, 2019	Def. Tax Liabilities December 31, 2019
Intangible assets	-20,899	1,230	-22,129
Property, plant and equipment	-15,926	5,801	-21,727
Inventories	3,538	4,737	-1,199
Other assets	0	0	0
Pension benefits	27,083	27,083	0
Other liabilities	3,435	3,733	-298
Deferred tax assets on tax loss carryforward	3,504	3,504	0
Set-off deferred tax positions		-2,912	2,912
Net deferred tax assets/(liabilities)	735	43,176	-42,441

The Group entities have available tax losses and credit carryforwards, which expire as follows:

Expiry years of net operating tax loss and credit carryforwards in KEUR	Total balance as of Dec 31, 2020	Unrecognised balance as of Dec 31, 2020	Total balance as of December 31, 2019	Unrecognised balance as of December 31, 2019
Within 1 year	764	764	0	0
1 to 3 years	0	0	2,871	2,871
Later	2,350	2,350	4,927	4,927
Unlimited	35,779	16,654	23,331	10,636
Total	38,893	19,768	31,129	18,434

Expiry years of net operating tax loss and credit carryforwards in KEUR	Total balance as of Dec 31, 2019	Unrecognised balance as of Dec 31, 2019	Total balance as of June 25, 2019	Unrecognised balance as of June 25, 2019
Within 1 year	0	0	0	0
1 to 3 years	2,871	2,871	2,871	2,871
Later	4,927	4,927	2,178	2,178
Unlimited	23,331	10,636	12,746	9,693
Total	31,129	18,434	17,795	14,742

At December 31, 2020 the amount of deductible differences for which no deferred tax asset has been recognised in the balance sheet was KEUR 279 (2019: KEUR 937) and the amount of deductible differences for which no deferred liability has been recognised in the balance sheet was KEUR 285 (2019: KEUR 0).

18. Inventories

in KEUR	Total carrying amount 31.12.2020	Total carrying amount 31.12.2019
Raw materials	21,184	26,039
Work in progress	18,190	20,184
Finished goods	29,558	32,111
Total	68,932	78,334

In the financial year, inventories of KEUR 169,970 (2019: KEUR 86,918) were recognised as an expense during the period and included in cost of sales; thereof an amount of KEUR 12,920 (2019: KEUR 14,515) for write-downs of inventories.

Due to security agreements in conjunction with the syndicated loan agreement (see Note 23) at least 85 % of the gross assets – including inventories – of the material companies of the Group are granted as security for the loans.

19. Trade and other receivables

Trade and other receivables comprise the following:

in KEUR	31.12.2020	31.12.2019
Trade receivables	46,914	53,458
Other receivables	6,278	6,027
Total	53,192	59,485

19.1. Trade receivables

in KEUR	31.12.2020	31.12.2019
Trade receivables, gross	49,516	55,752
Loss allowance on trade receivables	-2,602	-2,294
Total	46,914	53,458

The aging structure of the trade receivables of the Group was as follows as at December 31, 2020:

in KEUR	Loss allowance rate %	31.12.2020	31.12.2019
not due	0.5	40,105	43,489
1-30 days overdue	3.0	5,685	8,218
31-60 days overdue	10.0	774	1,193
61-90 days overdue	20.0	626	944
more than 90 days overdue	80.0	2,326	1,908
Total		49,516	55,752

The loss allowance recognised in relation to trade receivables have developed as follows:

in KEUR	31.12.2020	31.12.2019
01. January	-2,294	0
Increase to provision via profit and loss account	-406	-2,348
Provision utilized	101	60
Currency variations	-3	-6
at December 31, 2020	-2,602	-2,294

Concentration of credit risk is limited due to the large customer base. Loss allowance charges are recognised under administrative expenses.

19.2. Other receivables

in KEUR	31.12.2020	31.12.2019
Indirect taxes recoverable	2,989	3,018
Prepayments	1,117	671
Other receivables	2,172	2,338
Total	6,278	6,027

20. Cash and cash equivalents

in KEUR	31.12.2020	31.12.2019
Cash at banks and on hand	29,201	19,664
Total	29,201	19,664

Cash at banks earns either no interest or costs negative interest of up to -0.5 % p.a. at some banks.

At December 31, 2020 the total available amount of KEUR 28,000 of the Revolving Credit Facility with ABN AMRO was used in the amount of KEUR 717 (2019: KEUR 1,566) during 2020 by issued bank guarantees and Letter of Credit. The amount was payed back in the financial year 2020. In addition, an undrawn bank overdraft facility of KEUR 1,500 (2019: KEUR 1,204) with Südtiroler Sparkasse was available at December 31, 2020.

21. Assets qualified as held for sale

On 22 July 2020 the Supervisory Board was informed about the intended sale of land and building in Vestby, owned by the Walterscheid A/S, Denmark. Accordingly, these assets are presented as assets held for sale. Efforts to sell the assets have started and a sale is expected in the third quarter of 2021.

Impairment losses of KEUR 900 for write-downs of the assets to the lower of its carrying amount and its fair value and KEUR 13 for depreciation of 2020 before reclassification have been included in the administrative expenses.

At December 31, 2020, land and building was stated at fair value less costs to sell and comprised following assets.

in KEUR	31.12.2020	31.12.2019
Land and buildings	1,315	0
Total	1,315	0

22. Issued Capital

WPG Parent B.V., Amsterdam, holds the entire issued capital of WPG Holdco B.V. The Group's share capital consists of one fully paid ordinary share with a nominal value of EUR 100. The fully paid ordinary share carries voting rights and the right to estimation. No dividend was paid during the period from January 1, 2020 to December 31, 2020.

For the acquisition of the Walterscheid Powertrain Group a share premium in the amount of KEUR 77,309 was contributed to WPG Holdco B.V.

23. Interest-bearing loans and borrowings

Non-current interest-bearing liabilities owed to external parties can be presented as follows:

in KEUR	Interest rate (%)	Maturity	31.12.2020	31.12.2019
USD 100,708,300; GSO – B2 Term loan	LIBOR (min. 1.0) + 7.0	25.06.2025	79,540	86,399
EUR 71,635,721; GSO – B1 Term loan	EURIBOR (min. 0.5) + 7.0	25.06.2025	69,434	69,045
Total			148,974	155,444

Reconciliation interest bearing loans and borrowings from gross to net amount:

in KEUR	31.12.2020	31.12.2019
Payout nominal	160,086	160,086
Original issue discount	-4,402	-4,402
Fees	-1,798	-1,798
Accumulation effective interest	1,275	411
Foreign exchange movement	-6,159	1,146
Other adjustments	-28	1
Book value	148,974	155,444

Resulting from the syndicated loan agreement with GSO Capital Partners LP arranged by OEP, the borrower WPG German Holdco GmbH received on June 25, 2019 a credit facility in the amount of EUR 71.6 million (B1 Facility) and the borrower WPG US Holdco LLC a credit facility in the amount of USD 100.7 million (B2 Facility) to finance the carve-out from GKN Enterprise Ltd. (UK), the former shareholder of the Group. Furthermore, the EURIBOR and LIBOR are applicable to the duration of the interest period, which can be chosen between three and six months latest on the last day of its preceding interest period. The Group decided to start with an interest period of six months in 2020. Starting from December 27, 2019 the first interest

period ended June 29, 2020. Following the first interest period the group decided to change the duration of the second and third interest period to three months, which ended September 29, 2020 and December 29, 2020.

The interest expenses due at June 29, 2020 amounted to KEUR 2,761 for the B1 Facility plus KUSD 4,617 for the B2 Facility, September 29, 2020 to KEUR 1,373 for the B1 Facility plus KUSD 2,059 for the B2 Facility and at December 29, 2020 to KEUR 1,358 for the B1 Facility plus KUSD 2,037 for the B2 Facility. The following interest period was chosen to be again three months with a due date of March 29, 2021.

The interest-bearing loans and borrowings are presented using the effective interest method. Therefore, original issue discounts of KEUR 4,402 and transaction costs of KEUR 1,798 are included in the effective interest rate calculation.

The loans are repayable on June 25, 2025. However, the syndicated loan agreement contains a covenant stating that at the end of each quarter period the Group's Drawn Super Net Debt Ratio (as defined in the loan agreements) shall not exceed 1.5 times the adjusted Group's earnings before interest, taxes, depreciation, and amortization adjustments for the past 12-months period, otherwise the conditions of the loans will be reconsidered. WPG always complied with the set covenant on each quarterly reporting date. The Drawn Super Senior Leverage Ratio was between -0.54 and -0.69 during the financial year 2020.

According to the syndicated loan agreement each member of the Group which is a "material company" shall also be a party to the loan agreement as a guarantor and grant transaction security over its material assets in favour of the Security Agent Wilmington Trust (London) Limited. After the closing date of 25 June, 2019, the material companies were determined based on balance sheet values as at 30 June, 2019 and consolidated EBITDA. The material companies identified are Walterscheid GmbH, Walterscheid Getriebe GmbH, Off-Highway Powertrain Services Germany GmbH, Walterscheid Inc. Woodridge, Powertrain Rockford Inc., Powertrain Services UK Limited and Powertrain Services Benelux B.V. Together, these material companies represent a consolidated EBITDA of 90 % and consolidated gross assets of 91 % of the Group. Additional security agreements have been signed by these material companies to grant at least 85 % of their gross assets as security for the loans.

24. Employee benefits

Employee benefits comprise the following:

in KEUR	31.12.2020	31.12.2019
Defined benefit obligations	155,775	152,797
Short-term paid absences	11,901	11,616
Other long-term employee benefits	4,768	4,396
Termination benefits	791	0
Total	173,235	168,809
Non-current	152,563	149,847
Current	20,672	18,962
	173,235	168,809

The Group maintains post-employment final salary defined benefit plans for qualifying employees of its EU and US subsidiaries. Employees generally receive fixed pension payments for each year of service. Benefits vary according to entry date, duration of employment and remuneration of the employee. Expenses and obligations are valued according to the projected unit credit method. The corresponding calculations are carried out by independent qualified actuaries. The Group holds plan assets in connection with the defined benefit plans for employees of its US subsidiaries; these plans are substantially fully funded.

Short-term paid absences comprise accruals for employee holidays, annual leave carried forward, overtime and social security liabilities.

Other long-term employee benefits relate to jubilee benefits KEUR 2,485 (2019: KEUR 2,355) and part-time employment plans prior to retirement KEUR 2,283 (2019: KEUR 2,041).

The following table shows the development of defined benefit obligation:

in KEUR	31.12.2020	31.12.2019
Defined benefit obligation at beginning of the year	152,797	163,906
Current service cost	2,028	1,355
Interest cost	2,742	1,469
Interest income on plan assets	-644	-406
Total administration expenses recognised in profit and loss	-197	0
Actuarial (loss)/gain	4,621	-11,521
Benefit paid	-5,487	-2,080
FX-effects	-85	74
Net defined benefit obligation at end of year	155,775	152,797

in KEUR	31.12.2020	31.12.2019
Non-current	148,473	147,527
Current	7,302	5,270
Net defined benefit obligation at end of year	155,775	152,797
Represented by:		
Defined benefit assets	22,505	23,949
Defined benefit liabilities	178,280	176,746

Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. All re-measurement gains and losses on the net defined benefit liability are charged or credited in other comprehensive income in the period in which they occur.

When the benefits of a plan are changed or when a plan is curtailed, the resulting past service cost is generally recognised in profit or loss when the plan amendment or curtailment occurs. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The defined benefit plans maintained by a subsidiary in the United States are funded, all other plans are unfunded.

Plan assets comprise the following.

in KEUR	31.12.2020	31.12.2019
Equities	12,381	13,194
Debt securities	8,846	9,225
Property	1,085	1,165
Other	218	365
Total fair value of plan assets	22,530	23,949

All equity securities and bonds have quoted prices in active markets. The net obligation from the funded defined benefit plans amounts to KEUR 881 (2019: KEUR1,208).

The Group expects to pay KEUR 7.302 (2019: KEUR 6,249) to its defined benefit plans in 2021.

The defined benefit plans typically expose the Group to actuarial risks such as: interest rate risk, longevity risk, salary risk and investment risk.

Interest risk	A decrease in the interest rate will increase the plan liability. This can be only partially offset by an increase in the return on plan assets of the US subsidiaries.
Longevity risk	The present value of the defined benefit plan liability is calculated by

	reference to the best estimate of the mortality of plan participants after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.
Investment risk (US subsidiaries)	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit.

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	31.12.2020	31.12.2019
Discount rate	1.0 %	1.4 %
Future salary growth	2.0 %	2.5 %
Future pension growth	1.5 %	1.5 %

The basis for the level of the interest rate is a yield curve that is uniformly defined for the euro zone. This is based on the yields of high-grade corporate bonds with an average rating of AA and led to a reduction in the interest rate of 0.4 % year-on-year as of the balance sheet date December 31, 2020.

Assumptions regarding future longevity have been based on published statistics and mortality tables. At December 31, 2020 the weighted-average duration of the defined benefit obligation was 15.2 years (2019: 15.8 years).

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and future salary growth. The sensitivity analysis has been determined based on reasonable possible changes of the respective assumptions occurring on the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 0.5 % higher (lower), the defined benefit obligation would decrease by EUR 12.8 million (2019: EUR 11.6 million) (increase by EUR 12.6 million; 2019: increase by EUR 13.1 million).
- If the expected future salary growth (decreases) by 0.5 %, the defined benefit obligation would increase by EUR 1.9 million (2019: increase by EUR 2.9 million (decrease by EUR 3.8 million; 2019: decrease by EUR 2.6 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as assumptions may be correlated.

Furthermore, in presenting above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as the applied in calculating the defined benefit obligation liability recognised in the balance sheet.

25. Provisions

in KEUR	Warranty	Environmental	Restructuring	Onerous contracts	Total
Balance at Jan. 1, 2020	2,168	2,064	1,951	1,212	7,395
Profit & loss account charge	795	-45	8,668	363	9,781
Provisions utilized	-265	-125	-5,400	0	-5,790
Profit & loss account release	-1,235	-481	-627	-92	-2,435
Reclassification	791	-673	-219	0	-101
FX differences	-40	2	-1	-98	-137
Balance at Dec. 31, 2020	2,214	742	4,372	1,385	8,713
Non-current	1,015	132	398	0	1,545
Current	1,199	610	3,974	1,385	7,168
	2,214	742	4,372	1,385	8,713

in KEUR	Warranty	Environmental	Restructuring	Onerous contracts	Total
Opening balance	0	0	0	0	0
Acquired in business combination	2,229	2,703	2,600	1,435	8,967
Profit & loss account charge	485	3	702	24	1,214
Provisions utilized	-219	-562	-1,240	-263	-2,284
Profit & loss account release	-342	-40	-98	0	-480
Reclassification	0	-62	0	0	-62
FX differences	15	22	-13	16	40
Balance at Dec. 31, 2019	2,168	2,064	1,951	1,212	7,395
Non-current	1,320	0	1,175	0	2,495
Current	848	2,064	776	1,212	4,900
	2,168	2,064	1,951	1,212	7,395

The provision for warranties relates mainly to products and services sold during 2019 and 2020. The provision has been estimated based on historical warranty data associated with similar products and services.

Environmental provisions were mainly made for deconstruction obligations relating to a former metal plant and for reconstruction commitments due to flood damages.

The provision for restructuring relates mainly to project 2052 (see Note 9).

Provisions for onerous contracts are made to cover unavoidable charges from terminated projects to meet contractual obligations over the remaining term of related contracts.

26. Trade and other payables

in KEUR	31.12.2020	31.12.2019
Trade payables	34,099	33,471
Other payables	9,792	14,368
Total	43,891	47,839

The carrying amounts of trade payables are equivalent to their fair values. As per December 31, 2020 all trade payables are classified as current payables.

Other payables in KEUR	31.12.2020	31.12.2019
Indirect taxes	4,072	5,086
Customer advances	509	270
Other payables	5,211	9,012
Total	9,792	14,368

Indirect taxes contain mainly VAT.

27. Financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and liabilities measured at amortized cost if the carrying amount is a reasonable approximation of fair value:

December 31, 2020 in KEUR	Note	Carrying Amount	Fair Value
Financial assets measured at amortized cost			
Trade and other receivables	19	53,192	
Cash and short-term deposits	20	30,212	
		83,404	
Financial liabilities measured at amortized cost			
Interest bearing loans and borrowings	23	148,974	141,004
Lease liabilities	29	33,773	
Trade and other payables	26	55,792	
		238,539	

December 31, 2019 in KEUR	Note	Carrying Amount	Fair Value
Financial assets measured at amortized cost			
Other interest-bearing receivables	13	151	
Trade and other receivables	19	59,485	
Cash and short-term deposits	20	20,559	
		80,195	
Financial liabilities measured at amortized cost			
Interest bearing loans and borrowings	23	155,444	153,438
Lease liabilities	29	35,864	
Trade and other payables	26	59,455	
		250,763	

The valuation model for measuring fair values of financial liabilities considers the present value of expected payments, discounted using a risk-adjusted discount rate. Considering the discount rate the interest rates agreed in the syndicated loan agreement are assumed to be the best estimate. Fair value hierarchy is based on level 2 inputs.

Due to security agreements in conjunction with the syndicated loan agreement (see Note 23) at least 85 % of the gross assets of the material companies of the Group are granted as security for the loans.

Changes in financial liabilities arising from financing activities:

in KEUR	Jan. 1, 2020	Cashflows	Foreign exchange movement	New leases	Discharges	Other	Dec. 31, 2020
Interest bearing loans and borrowings (non-current liabilities)	155,444	0	-7,305	0	0	835	148,974
Lease liabilities (non-current liabilities)	31,348	-5,504	-936	9,956	-5,785	-160	28,620
Lease liabilities (current liabilities)	4,516	-991	-168	1,739	-1,041	1,099	5,153
	191,308	-6,495	-8,409	11,395	-6,826	1,774	182,747

in KEUR	Feb. 27, 2019	June 25, 2019	Cashflows	Foreign exchange movement	New leases	Other	Dec. 31, 2019
Interest bearing loans and borrowings (non-current liabilities)	0	153,886	0	1,558	0	0	155,444
Lease liabilities (non-current liabilities)	0	33,087	-2,735	102	515	379	31,348
Lease liabilities (current liabilities)	0	4,766	-394	15	74	55	4,516
	0	191,739	-3,129	1,675	589	434	191,308

28. Financial risk management

With its operating and financing activities, the Walterscheid Powertrain Group is by nature of the business exposed to liquidity risks as well as currency and interest risks which may lead to undesirable and unforeseeable volatility in terms of results and cash flows. The Group's senior management oversees the management of these risks.

Through the continuous market observation and strategy development processes it is ensured that the Group can find the right positioning in the market and can adequately weigh up opportunities and risks. Current market developments are discussed, and strategic and operational guidelines are developed in regular meetings of the management and other committees.

Regarding other risks, the Group has established an institutionalized financial and reporting system. This includes a monthly reporting system with various analyses and evaluations (budget/forecast/actual comparisons). At the beginning of each subsequent month, the results of the previous month are analysed and discussed, short-term options for action are derived and concrete packages of measures with implementation tasks are defined for those responsible. Price change, default and liquidity risks as well as risks from cash flow fluctuations are recorded.

28.1. Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet some or all of its contractual obligations.

Default risks in relation to contract parties are systematically assessed when the contract is concluded and are constantly monitored. In its assessment of risk, the Company focuses on the credit standing of the customer and evaluates the risk by setting a customer credit limit. The Group does not operate anonymous mass business; instead, it tends to have a small number of international business partners. Accordingly, the default risk is significantly limited by customer credit limit and overdue monitoring right from the very beginning.

28.2. Market risk

The market risks which are relevant for the Group comprise the currency risk and, to a minor extent, the interest rate risk. These risks may result in fluctuations of results, equity and cash flow.

The Group is subject to a risk management system. Guidelines, responsibilities and controls are mandatorily established. According to these, derivative financial instruments are in principle not to be used for speculation purposes; instead, they are used exclusively for

hedging risks in connection with operating activities. The Group had no forward exchange contracts in place at December 31, 2020.

28.3. Currency risk

As a result of its international focus, the Group is exposed to general currency risks within the framework of its operating activities.

Foreign currency risks exist particularly wherever there are receivables, liabilities and planned transactions in a currency other than the local currency. Most of the business transactions with customer and vendor side are operated within local currency. Nevertheless, there are exceptions, which can have an impact on the business. For subsidiaries within the Euro zone this risk is very limited due to purchase agreements, including suppliers in India being negotiated to be in Euro and therefore a natural hedge exists. In the Group, the currency risk may arise regarding intercompany deliveries from a Euro country to a subsidiary outside the Euro zone or in the subsidiary outside the Euro zone itself.

The Group's exposure to currencies at December 31, 2020 were as follows:

in KEUR	USD	CNY	SEK	GBP	BRL	RUB
Trade and other receivables	10,570	12,380	2,652	1,093	1,287	170
Cash and cash equivalents	13,430	719	821	810	1,256	1,706
Trade and other payables	5,662	2,400	1,420	1,185	353	188
Lease liabilities	10,776	1,598	999	99	428	208
Interest bearing loans and borrowings	79,540	-	-	-	-	-

The sensitivity analysis below shows the impact that a reasonably possible change in foreign exchange rates of plus/minus 10 % over a financial year would have on profit before tax, based solely on the Group's foreign exchange risk exposure at the balance sheet date:

in KEUR	USD	CNY	SEK	GBP	BRL	RUB
Trade and other receivables	1,174/-961	1,376/-1,1	295/-241	121/-99	143/-117	19/-15
Cash and cash equivalents	1,492/-1,221	80/-65	91/-75	90/-74	140/-114	190/-155
Trade and other payables	-629/515	-267/218	-158/129	-132/108	-39/32	-21/17
Lease liabilities	-1,197/980	-178/145	-111/91	-11/9	-48/39	-23/19
Interest bearing loans and borrowings	-8,838/7,231		-	-	-	-
Net impact	7,997/-6,543	1,011/-827	117/-96	69/-56	196/-160	165/-135

The Group's large exposure in USD on interest bearing loans and borrowings is expected to be offset by USD-cash flows of business operations until the maturity of the USD-loan.

Occasionally forward exchange contracts are used to hedge the currency risk but at December 31, 2020 the Group had no forward exchange contracts in place. At the Group companies, hedging is based on the net risk of currency-specific planning of inflows and outflows. These transactions relate to the hedging of foreign currency cash flows.

28.4. Interest rate risk

The Group is exposed to interest rate risk arising from changes in the floating rate portion of the loans agreed at EURIBOR (min. 0.5 %) + 7 % and at LIBOR (min. 1.0 %) + 7 % received from GSO Capital Partners LP to finance the carve-out, both maturing on June 25, 2025 (see Note 23). Additional interest risk exposure can arise from the floating-rate Revolving Credit Facility from ABN AMRO in the total amount of EUR 28 million, which can be drawn to finance general corporate purposes, and which was used in the amount of KEUR 717 by issued bank guarantees and Letter of Credit at December 31, 2020.

At present, we consider the interest rate risk to be very limited, given the material borrowings are practically provided at fixed rates, as the current rates for EURIBOR and LIBOR are below the agreed floors and the overall global macroeconomic situation in a low interest rate environment. The extent of risk arising from the IBOR reform is limited as the affected loans are either terminated until 2021 or consist of additional regulations to limit the risk of bigger changes resulted by the IBOR reform.

The situation and developments are subject to regular reviews, so that a rapid response to possible interest rate increases is always possible.

28.5. Liquidity risk

Liquidity risk is defined as the risk that the Group does not have enough funds to be able to meet its payment obligations. The liquidity risk is countered by means of systematic liquidity management and has very high priority. Thus, being a key reporting tool, cash is monitored on a weekly basis by reviewing and analysing the current cash balances and updating the rolling cash forecast (direct method) based on 13 weeks planning horizon. Complemented by a liquidity forecast based on 12 months fixed planning horizon (indirect method), reviewed and analysed by the management on a monthly basis, assures the supply of liquidity if the situation develops as planned.

The subsidiaries and branches of the Group are generally funded via intercompany loans.

The Company's main payment obligations are towards suppliers and service providers for the purchase of goods and services. At the end of 2020, current liabilities of EUR 78.5 million

(2019: EUR 79.4 million) are covered by current assets of EUR 152.3 million (2019: EUR 158.4 million).

On October 30, 2019 the RCF was changed to an overdraft facility and linked to the EUR bank account of WPG German Holdco GmbH, which enables the Company to take out and repay loans at short notice and in freely selectable tranches, depending on the existing liquidity situation.

The diversification within the financing strategy is extended with the nationwide cash pool in Germany implemented in April 2020, which is based on the overdraft facility of EUR 28.0 million at ABN AMRO and is going to be extended by further European entities/branches in 2021.

At the end of 2020 the Group has an unused overdraft facility from ABN AMRO in the amount of EUR 27.3 million respectively at its disposal for future investments and to cover its liquidity requirements during the period. The aforementioned liquidity reserves are supplemented by existing cash and cash equivalents in the cash flow statement of EUR 29.2 million at December 31, 2020.

28.6. Capital Management

The Group's policy is to maintain a strong capital base in order to maintain investor, creditor, and market confidence and to sustain future development of the business. This policy is supported by a centralized financing approach.

The capital structure of the Group consists of net debt (interest-bearing loans and borrowings, see Note 23, after deducting cash and bank balances, see Note 20) and equity of the Group (comprising of issued capital and share premium (see Note 22) and retained earnings (currently accumulated deficit)).

With capital management, the financial objective of the Group is to ensure that the Group is solvent at all times. Liquidity reserves or free credit lines are permanently managed on the basis of a short- and medium-term forecast of future cash flows and the usage of credit lines.

The Management Board also permanently monitors the adjusted EBITDA, which the Group defines as Earnings Before Interest, Tax, Depreciation and Amortization, adjusted for non-trading items, which the Management Board considers to be one off items not reflecting the normal course of business. These key figure (adjusted EBITDA) shall describe the efficient use of equity within the Group.

29. Leases

A. Leases as lessee

The Group leases land and buildings as factory facilities. The leases typically run for a period of one to five years, with an option to renew the lease after that period. The Group leases production equipment under a variety of lease terms. The Group leases IT equipment with contract terms of one to three years.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

in KEUR	Land and buildings	Production and IT equipment	Total
Balance at January 1, 2020	29,716	7,284	37,000
Additions to right-of-use assets	7,402	2,645	10,047
Depreciation charge for the year	-4,202	-1,580	-5,782
Derecognition of right-of-use assets	-2,011	-81	-2,092
Adjustment	-3,959	-1,306	-5,265
Reclassification	2,163	-2,163	0
Effect of movements in exchange rate	-586	-32	-618
Balance at December 31, 2020	28,523	4,767	33,290

The additions to right-of-use assets land and buildings mainly relate to lease extensions for leased space at the locations in Rockford (USA), Taicang (China), Germany and Benelux. For existing extension options, the probability of exercise was reassessed. A change in estimate was made for two sites, which is shown in the adjustment line.

Amounts recognised in profit or loss

in KEUR	1.1. - 31.12.2020	27.2. - 31.12.2019
Short-term leases	753	721
Interest on lease liabilities	940	641
Leases of low-value assets	362	218

Amounts recognised in statement of cash flows

in KEUR	1.1. - 31.12.2020	27.2. - 31.12.2019
Interests paid	940	641
Lease payments	6,495	3,129

The lease liabilities mature as follows

in KEUR	31.12.2020	31.12.2019
Up to 1 year	5,153	4,516
More than 1 year up to 5 years	16,180	16,467
More than 5 years	12,440	14,881
Total	33,773	35,864

B. Leases as lessor

The Group leases out parts of its commercial properties. All leases are classified as operating leases from a lessor perspective.

Rental income recognised by the Group during the period was KEUR 702 (2019: KEUR 433).

The lease term for these agreements is one year. Therefore, the lease payments to be received after the reporting date from these lease agreements amount to KEUR 702 (2019: KEUR 433), with a maturity of less than one year.

30. List of subsidiaries

Set out below is a list of subsidiaries of the Group.

Registered name/office of the company		Equity interest held by	%
Consolidated entities:			
1	WPG German Holdco GmbH	Lohmar, Germany	100
2	WPG UK Holdco Ltd.	Leek, United Kingdom	100
3	WPG US Holdco LLC.	Rockford, IL, USA	100
4	Off-Highway Powertrain Services Germany GmbH	Lohmar, Germany	1, 5 100
5	Walterscheid GmbH	Lohmar, Germany	1 100
6	Walterscheid Getriebe GmbH	Sohland, Germany	1, 5 100
7	Powertrain Services Austria GmbH	Wien, Austria	4 100
8	Walterscheid Brasil Industria de Equipamentos Agrícolas Ltda.	Cachoeirinha, Brazil	20, 21 100
9	Powertrain Brasil Serviços para Equipamentos Ltda.	Cachoeirinha, Brazil	20,21 100
10	Walterscheid Powertrain (China) Co. Ltd.	Jiangsu, China	2 100
11	Walterscheid A/S	Ishøj, Denmark	20 100
12	Powertrain Services France SAS	Chanteloup-les-Vignes, France	4 100
13*	Powertrain Services Italy S.p.A i. L.	Bollate, Italy	20 100
14	Walterscheid Monguelfo S.p.A.	Monguelfo-Tesido, Italy	20 100
15	Powertrain Services Benelux B.V.	Halfweg, Netherlands	4 100
16	Walterscheid Russia LLC	Moscow, Russian Federation	20, 21 100
17	Off-Highway Powertrain Service Spain Sl.	Madrid, Spain	4 100
18	Powertrain Services Scandinavia AB	Tullinge, Sweden	4 100
19	WS shafts and Services AB	Tullinge, Sweden	18 100
20	Powertrain Services UK Limited	Leek, United Kingdom	2 100
21	Powertrain Services (UK Newco) Ltd.	Leek, United Kingdom	20 100
22	Walterscheid Inc. Woodridge	Woodridge, IL, USA	3 100
23	Powertrain Rockford Inc.	Rockford, IL, USA	3 100
24	GKN Ohio Inc.	Woodridge, IL, USA	22 100
Ownership interest consolidated at equity:			
25	Matsui Walterscheid Ltd.	Koga, Japan	5 40

* On 21.9.2020 liquidation was opened.

As part of the 2020 restructuring (share deal), the shares in the companies with serial numbers 7, 12, 15, 17, 18 were transferred from Powertrain Services UK Limited (No 20), United Kingdom, to Off-Highway Powertrain Services Germany GmbH (No 4), Germany.

On September 21, 2020, the liquidation of Powertrain Services Italy S.p.A i. L, (No 13), Italy was opened.

31. Acquisition of subsidiaries

On June 25, 2019 the companies comprising the subsidiaries Nr. 4 to 25 as listed in note 30 were transferred in a transaction between One Equity Partners VII LP and Melrose Industries (UK) and together with the new holding companies Nr. 1 to 3 as listed in note 30, the WPG Holdco B.V. constitutes the “Walterscheid Powertrain Group”. The acquisition concerns 100 % of the transferred subsidiaries and control was acquired through a stock purchase agreement. Melrose took over the former GKN Group in 2018 where Walterscheid Powertrain Group Companies were part of the Division GKN Off Highway for many years.

A full carve out from the Group structure was proceeded before the acquisition took place.

As to OEP’s press release, OEP is partner with the management team to establish the Company as an independent business, ensure continuity for customers, suppliers and employees, and to invest in the Company’s continued growth.

The transaction was financed by equity provided by OEP Funds VII and new external debt from lending parties in the United States and Luxembourg.

The Group is a global industry leader for highly engineered, mission critical powertrain systems and services for demanding off-highway and industrial applications. Together with a global network of owned service centres and 130 distribution partners, the Group ensures expertise, innovative technological solutions and customer-oriented services worldwide.

The following table summarizes the final purchase price allocation with recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

in KEUR	Fair value recognised on acquisition
Assets	
Property, plant and equipment	133,486
Intangible assets	83,068
Inventories	97,888
Trade and other receivables	66,974
Deferred tax assets	44,065
Cash and cash equivalents	17,797
	443,278

in KEUR	Fair value recognised on acquisition
Liabilities	
Employee benefits	-163,906
Trade and other payables	-57,722
Lease liabilities	-37,853
Other Provision	-33,603
Deferred tax liability	-49,204
Income Tax payable	-1,923
	-344,211
Total identifiable net assets at fair value	99,067
Goodwill arising on acquisition	107,193
Purchase consideration transferred	206,260
Cash outflow on acquisition, net of cash acquired	-188,463

In accounting for business combinations, judgment is required in determining whether an intangible asset is identifiable and should be recorded separately from goodwill. Additionally, estimating the acquisition-date fair values of the identifiable assets acquired and liabilities assumed involves considerable judgment. The necessary measurements are based on information available on the acquisition date and are based on expectations and assumptions that have been deemed reasonable by management. These judgments, estimates, and assumptions can materially affect our financial position and profit for several reasons, including the following:

- Fair values assigned to assets subject to depreciation and amortization affect the amounts of depreciation and amortization to be recorded in operating profit in the periods following the acquisition
- Subsequent negative changes in the estimated fair values of assets may result in additional expense from impairment charges.
- Subsequent changes in the estimated fair values of liabilities and provisions may result in additional expense (if increasing the estimated fair value) or additional income (if decreasing the estimated fair value).

The fair values of the identifiable assets and liabilities as at acquisition date for the acquisition are based on the purchase price allocation.

Intangible assets

The identified intangible assets have a finite useful life, except for goodwill.

Trade Name

The Company's trade name (the Company has a portfolio of brands which were valued as one asset) is recognised in the industry and carries a strong reputation for high quality, technical expertise, and premium pricing. Therefore, the Group's reputation and positive brand recognition are embodied in its trade name portfolio provide an asset to a market participant buyer.

Trade Name was evaluated at June 25, 2019 with a fair value of KEUR 13,718 by applying the relief-from-royalty method under the income approach. The estimated useful life is 9 years.

Developed Technology

The Company's developed technology has the potential to provide significant competitive advantages and product differentiation to a market participant buyer. The Group's developed technology touches all aspects of the business, including clutches, gear boxes, drive shafts, and attachment systems. The Company's technical expertise and quality engineering provide the Company with a competitive advantage.

Developed Technology was evaluated at June 25, 2019 with a fair value of KEUR 23,868 by applying the relief-from-royalty method under the income approach. The estimated useful life is 8 years.

Customer Relationship

The customer relationships represent a separable intangible asset. Management indicated that the Company has maintained strong and continuing relationships with many of its customers for over 25 years, which translates into an expected source of cash flows for the acquirer. The Group has maintained high customer retention patterns historically.

Customer Relationship was evaluated at June 25, 2019 with a fair value of KEUR 39,371 by using the multi-period excess earnings method under the income approach. The estimated useful life is 12 years.

Assembled Workforce

The assembled workforce was identified and valued for the purposes of determining appropriate contributory asset charges.

Assembled Workforce was evaluated at June 25, 2019 with fair value of KEUR 4,350, which is recognised within goodwill.

Goodwill

In general, the goodwill arising from our acquisitions consists largely of the anticipated synergies, know-how and technical skills, as well as future market development. The Group plans to further increase global footprint, share of wallet and technical leadership within the next years.

Tangible assets

Property, Plant and Equipment

The business operations are supported by various PP&E assets located at facilities throughout Europe, Asia, and the Americas. The PP&E assets include real and personal property used in the normal course of the daily operations. The personal property includes, but is not limited to, assets such as machinery and equipment, computer hardware, computer software, furniture and fixtures, leasehold improvements, mobile equipment, and office equipment. Also included is construction in progress (CIP).

Inventory

As of the Valuation Date, the Company owned inventory consisting of finished goods, work-in-process (WIP) and raw materials.

Raw materials: The value of the raw materials inventory is a function of current replacement cost, plus cost of preparation, less cost of obsolete goods. The current replacement cost of the raw materials was reasonably represented by net book value as of the Valuation Date.

Fair value: KEUR 35,802

Work in Progress: The value of the WIP inventory under the comparative sales method is a function of the estimated selling price less the sum of (a) any cost to complete (b) costs of disposal, (c) holding costs, and (d) a reasonable profit allowance for the acquiring entity.

Fair Value: KEUR 14,053

Finished Goods: The value of the finished goods inventory under the comparative sales method is a function of the estimated selling price less the sum of (a) any cost to complete (b) costs of disposal, (c) holding costs, and (d) a reasonable profit allowance for the acquiring entity.

Fair Value: KEUR 48,033

Trade receivables

The fair value of trade receivables at acquisition date accounts for KEUR 63,476. The gross amount is KEUR 66,219. At acquisition date, the fair value of the contracted amounts is expected to be collected.

Lease liabilities

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

Impact on income statement

From date of acquisition, WPG Holdco B.V. contributed KEUR 198,182 of revenue and KEUR -30,877 loss before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been KEUR 429,894 and profit before tax from continuing operations for the Group would have been KEUR 13,368.

32. Related parties

Identification of related parties

The Group has a related party relationship with its Management Board and Supervisory Board, entities controlled by its directors and executive officers, a joint venture and its (indirect) shareholders. In the ordinary course of business, the Group has transactions with various organizations with which certain members of the Supervisory Board or Management Board are associated but no transactions responsive to this item were conducted in the periods reported. Only the members of the Management Board are considered to be key management personnel as defined in IAS 24 "Related parties".

Related party transactions

The balances of other interest-bearing receivables with related parties are shown below:

in KEUR	31.12.2020	31.12.2019
Short-term loan WPG Parent B.V. (immediate parent)	0	50,4
Short-term loan WPG B.V. (immediate parent to WPG Parent B.V.)	0	50,4
Short-term loan WPG Coöperatief U.A. (immediate parent to WPG B.V.)	0	50,4
Total	0	151

The short-term loans with these related parties are priced on an arm's length basis. None of the loans is secured.

These interest-bearing receivables generated KEUR 0.4 (2019: KEUR 1.0) of interest income.

The Group paid KEUR 2 (2019: KEUR 33) to OEP Master B.V. which are included in operating expenses.

Remuneration of members of the Management Board

The salaries, performance-related bonuses and other compensations (presented on accrual basis and all short-term benefits) received by members of the Management Board during the period from January 1, 2020 to December 31, 2020 amount to KEUR 436 (2019: KEUR 142) including amounts charged to subsidiaries included in the consolidated accounts.

Remuneration of members of the Supervisory Board

During the period from January 1, 2020 to December 31, 2020 the compensation for members of Supervisory Board amounted to KEUR 200 (2019: KEUR 75). Compensation has only been paid to the independent Supervisory Board members.

Loans, advance payments and guarantees to directors and supervisory directors

At the end of the period there are no loans, advance payments or guarantees granted to directors and supervisory directors, issued by WPG Holdco B.V. or its subsidiaries.

33. Contingencies and other commitments

Guarantees, Customs Bonds and Letter of Credit

The Group has provided in the ordinary course of business the following guarantees at December 31, 2020:

- Rental Guarantees in the total amount of KEUR 106 to unrelated parties for rental of office and workshop space of service sites to secure the rental payment to the landlords. Basically, the rental guarantees have a duration equal to the underlying rental contract. No liability is expected to arise.
- Performance Guarantees in the amount of KEUR 2 to third party customers to secure the ordered delivery of goods and/or services. The guarantees have various terms. At the latest, the performance guarantees expire upon completion of the project. No liability is expected to arise.

- Customs Bonds in the total equivalent amount of KEUR 280 in favour of customs offices in Germany and USA having an open-ended term. No liability is expected to arise.
- Letter of Credit in the total equivalent amount of KEUR 437 in favour of Zurich American Insurance Company to cover cases related to the workers' compensation program in USA for the period before the carve-out. The Letter of Credit has an open-ended term and no liability is expected to arise.

34. Auditor's fees

The following fees were recognised as an expense for the services provided by the auditor of the consolidated financial statements, Deloitte Accountants B.V., Netherlands, and affiliated member firms of the Deloitte network, in accordance with section 2:382 a (1) and (2) of the Dutch Civil code:

in KEUR	Deloitte Netherlands	Other firms in Deloitte Network	1.1. -	27.2. -
			31.12.2020	31.12.2019
			Total	Total
Audit of the financial statements	155	413	568	429
Total	155	413	568	429

The fees for audit of the financial statements include the consolidated financial statements of WPG Holdco B.V. as well as the financial statements of the subsidiaries.

35. Subsequent events

The Group has evaluated events from January 1, 2021 through the date the financial statements were signed and authorized for issue by the Management Board and Supervisory Board.

WS shafts and Services AB was merged with Powertrain Services Scandinavia AB with effective date of registration with the Swedish Companies Register on February 16, 2021. As a result, WS shafts and Services AB is dissolved and all of its assets and liabilities have been transferred to Powertrain Services Scandinavia AB. The companies have Swedish kronor as accounting currency.



WPG Holdco B.V.
Amsterdam, Netherlands

**Company financial statements
for the financial year ended December 31, 2020**

WALTERSCHEID

Mechanics[®]Driveshafts

Rockford[®]Clutch

Uni-Cardan[®]
Service

OFF-HIGHWAY
POWERTRAIN SERVICES

Ogmaster

aquadrive[®]

Company balance sheet of WPG Holdco B.V. as of December 31, 2020
before Profit appropriation

	Note	31.12.2020 KEUR	31.12.2019 KEUR
Financial fixed assets			
1. Participations in group companies	4	47,944	52,007
2. Receivables from group companies	5	11,170	10,738
3. Receivables from shareholders	6	0	151
Total Financial fixed assets		59,114	62,896
1. Other receivables		162	80
2. Cash	7	977	170
Total Current assets		60,253	63,146
Short-term liabilities			
1. Amounts due to group companies	9	0	395
2. Other liabilities	9	298	286
Short-term liabilities		298	681
Total assets less short-term liabilities		59,955	62,465
Shareholder's equity			
1. Share capital paid up and called up	8	0.1	0.1
2. Share premium (paid-in surplus)	8	77,309	77,309
3. Legal reserve	8	5,456	-1,194
4. Other reserves	8	5,966	9,030
5. Accumulated deficit	8	-22,680	0
6. Unappropriated result	8	-6,096	-22,680
Shareholder's equity		59,955	62,465

**Company profit and loss account for the year
of WPG Holdco B.V. for the period January 1, 2020 to December 31, 2020**

	01.01.- 31.12.2020 KEUR	27.02.- 31.12.2019 KEUR
Loss after tax from investments in subsidiaries	-6,249	-21,848
Other gain (loss) after tax	153	-832
Loss for the period	-6,096	-22,680

Notes to the Company's financial statements

1. General

Where the financial statements reflect the same information as the consolidated financial statements, the note numbers refer to these notes. The principal activity of the Company is to act as a holding and finance company and its place of business is Herengracht 466, 1017 CA Amsterdam, The Netherlands.

With reference to the income statement of the Company, use has been made of the exemption pursuant to section 402 of Book 2 of the Netherlands Civil code.

2. Basis of preparation

The significant accounting policies set out in note 3 to the consolidated financial statements, have been applied consistently in these Company financial statements. The Company financial statements form part of the consolidated financial statements.

WPG Holdco B.V. has made use of the option provided for in Article 2:362 part 8 of the Dutch Civil Code. This means that the accounting policies regarding the valuation of assets and liabilities and determination of the result (hereafter: 'accounting policies') of the Company financial statements are the same as those applied for the consolidated financial statements, which are prepared in conformity with IFRS as adopted by the European Union (EU-IFRS).

Participations over which a significant influence is exercised are valued according to the equity method on the basis of net asset value, whereby the net asset value is determined on the basis of the significant accounting policies applied in the consolidated financial statements.

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves are eliminated to the extent that they can be considered as not realised. The Company makes use of the option under the Dutch Accounting Standard 100.107A to eliminate intra-group expected credit losses against the book value of loans and receivables from the Company to participating interests, instead of elimination against the equity value / net asset value of the participating interests.

If no further explanation is provided to the items in the balance sheet and the income statement, reference is made to the notes to the consolidated financial statements for the financial year ended December 31, 2020.

3. Functional and presentation currency

These consolidated financial statements are presented in Euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Investments in subsidiaries

in KEUR	WPG Germany Holdco GmbH	WPG UK Holdco Ltd	WPG US Holdco LLC	Total
Balance at January 1, 2020	8,511	0	43,496	52,007
Repayment from prior shareholder	-228	-76	-1,096	-1,400
Result for the period	-4,579	-2,862	1,192	-6,249
Other comprehensive income	-3,509	216	229	-3,064
Foreign currency translation differences	-195	3,768	3,077	6,650
Balance at December 31, 2020	0	1,046	46,898	47,944

The repayment (KEUR 1,400) from Melrose Industries (UK) is based on final purchase price agreement.

Other comprehensive income; reference is made to notes 17 and 24 of the consolidated financial statements.

	Note	31.12.2020 KEUR	31.12.2019 KEUR
Items that will not be reclassified subsequently to profit or loss			
Recognition of actuarial gains / (losses)	23	-4,621	11,521
Tax in Equity	16	1,557	-2,491
Sum		-3,064	9,030

5. Current loans to subsidiary companies

in KEUR		31.12.2020 KEUR	31.12.2019 KEUR
1. WPG German Holdco GmbH	Lohmar, Germany	1,450	8,553
2. WPG UK Holdco Ltd.	Leek, UK	9,720	2,185
Balance at December 31		11,170	10,738

The loans to the WPG German Holdco GmbH and WPG UK Holdco Ltd. were granted in 2019 and extended in the financial year 2020 until December 31, 2021. The interest is based on EURIBOR rates plus a mark-up of 2.25%.

6. Receivables from related parties

Reference is made to note 13 of the consolidated financial statements.

7. Cash and cash equivalents

Cash at banks is at free disposal.

8. Equity of WPG Holdco B.V.

For the financial year ended December 31, 2020

KEUR	Issued capital	Share premium	Other Reserves	Accumulated deficit	Unappropriated result	Legal reserve	Total
At January 1, 2020	0.1	77,309	9,030	-22,680	0	-1,194	62,465
Loss for the period					-6,096		-6,096
Other comprehensive income			-3,064				-3,064
Foreign currency translation reserve						6,650	6,650
At December 31, 2020	0.1	77,309	5,966	-22,680	-6,096	5,456	59,955

For the period February 27 to December 31, 2019

KEUR	Issued capital	Share premium	Other Reserves	Unappropriated result	Legal reserve	Total
Issue of share premium	0.1	77,309		-	-	77,309
Loss for the period				-22,680		-22,680
Other comprehensive income			9,030			9,030
Foreign currency translation reserve					-1,194	-1,194
At December 31, 2019	0.1	77,309	9,030	-22,680	-1,194	62,465

WPG Parent B.V., Amsterdam, holds the entire issued capital of WPG Holdco B.V. The Group's share capital consists of one fully paid ordinary share with a nominal value of EUR 100. The fully paid ordinary share carries voting rights and the right to dividends. No dividends were paid in the financial year ended December 31, 2020.

For the acquisition of the Walterscheid Powertrain Group a share premium in the amount of KEUR 77,309 was contributed to WPG Holdco B.V. at February 27, 2019.

At the shareholders meeting the decision will be taken regarding the appropriation of the Company's annual net result. The proposal is to add the loss to the retained earnings.

Reconciliation consolidated net result versus stand alone:

in KEUR	31.12.2020	31.12.2019
Consolidated loss after tax for the financial year	-9,172	-24,501
Result of entity with a negative equity balance (WPG German Holdco GmbH)	4,897	0
Result of entity with a negative equity balance (UK Holdco Ltd.)	-1,821	1,821
Loss for the period	-6,096	-22,680

As the Company did not issue guarantees towards group companies, the investment in WPG German Holdco GmbH cannot be valued below zero. An adjustment has been recognized for the negative equity value in the amount of KEUR 4,897 within the result for the financial year. The negative equity of prior year's investment in WPG UK Holdco Ltd. (KEUR 1,821) is adjusted in 2020 in the opposite direction.

Reconciliation consolidated equity versus stand alone:

in KEUR	31.12.2020	31.12.2019
Consolidated shareholders' equity	55,058	60,644
Adjustment for negative equity (WPG German Holdco GmbH)	4,897	0
Adjustment for negative equity (UK Holdco Ltd.)	0	1,821
Total	59,955	62,465

9. Other current liabilities

in KEUR	31.12.2020	31.12.2019
Due to related companies	0	395
Accruals for auditors	180	241
Other accruals and payables	118	45
Total	298	681

The amount due to related companies in 2019 is related to One Equity Partners, Chicago, USA for an amount of KEUR 395 and bears no interest. In 2020 this amount was settled.

10. Auditors' fees and Services

We refer to note 34 to the consolidated financial statements.

11. Employees

The number of employees employed outside the Netherlands is one. The number of employees employed in the Netherlands is one. Both employees started to work for WPG Holdco B.V. in December 2019.

12. Compensation of statutory board members

With respect to the remuneration of the members of the Supervisory Board and of the Management Board, reference is made to note 32 to the consolidated financial statements.

13. Subsequent events

We refer to note 35 to the consolidated financial statements.

Amsterdam, April 29, 2021

The Management Board

Robert Harmzen

Wolfgang Lemser

The Supervisory Board

Lee Gardner (chair)

Hans Georg Härter

Joseph Patrick Huffsmith

Steven Charles Lunau

Harold Lawrence Nidetz

Thomas Joseph Riordan



Other Information

[independent auditor's report]

