Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	886 486 812
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	CHG-MERIDIAN NORWAY AS
Forretningsadresse:	Prinsens gate 22 0157 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Lena Gausen
Dato for fastsettelse av årsregnskapet:	03.03.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert

År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 30.06.2022

Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3	35 425 248	21 209 647
Sum inntekter		**35 425 248**	**21 209 647**
Kostnader			
Lønnskostnad	4	14 562 695	13 149 674
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	319 769	399 023
Annen driftskostnad	4	7 630 765	5 906 062
Sum kostnader		**22 513 229**	**19 454 759**
Driftsresultat		**12 912 019**	**1 754 888**
Finansinntekter og finanskostnader			
Annen renteinntekt		139 575	74 981
Annen finansinntekt		1 190	2 730
Sum finansinntekter		**140 765**	**77 711**
Nedskrivning av finansielle eiendeler			253 139
Annen rentekostnad		7 488	71 870
Annen finanskostnad		127 701	8 643
Sum finanskostnader		**135 189**	**333 652**
Netto finans		**5 576**	**-255 941**
Ordinært resultat før skattekostnad		**12 917 595**	**1 498 947**
Skattekostnad på ordinært resultat	14	2 849 657	423 614
Ordinært resultat etter skattekostnad		**10 067 938**	**1 075 333**
Årsresultat		**10 067 938**	**1 075 333**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		10 067 938	1 075 333
Sum overføringer og disponeringer		**10 067 938**	**1 075 333**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	14	61 112	32 325
Sum immaterielle eiendeler		**61 112**	**32 325**
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	5	163 030	482 799
Sum varige driftsmidler		**163 030**	**482 799**
Finansielle anleggsmidler			
Investering i datterselskap	10	12 785 896	7 106 696
Andre fordringer		151 188 938	86 780 387
Sum finansielle anleggsmidler		**163 974 834**	**93 887 083**
Sum anleggsmidler		**164 198 976**	**94 402 207**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	7	54 656 590	57 655 417
Andre fordringer	13	118 070 581	11 025 509
Konsernfordringer	7	10 655 110	6 411 470
Sum fordringer		**183 382 281**	**75 092 396**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	2	36 992 627	25 680 438
Sum bankinnskudd, kontanter og lignende		**36 992 627**	**25 680 438**
Sum omløpsmidler		**220 374 908**	**100 772 834**
SUM EIENDELER		**384 573 884**	**195 175 041**

BALANSE - EGENKAPITAL OG GJELD

Balanse

Beløp i: NOK	Note	2020	2019
Egenkapital			
Innskutt egenkapital			
Selskapskapital	8,9	499 500	499 500
Overkurs	8	24 665 188	24 665 188
Annen innskutt egenkapital	8	2 298 953	2 298 953
Sum innskutt egenkapital		**27 463 641**	**27 463 641**
Opptjent egenkapital			
Annen egenkapital	8	27 768 047	17 700 110
Sum opptjent egenkapital		**27 768 047**	**17 700 110**
Sum egenkapital		**55 231 688**	**45 163 751**
Sum langsiktig gjeld		**0**	**0**
Kortsiktig gjeld			
Leverandørgjeld	7	59 670 712	16 723 354
Betalbar skatt	14	2 878 444	590 782
Skyldige offentlige avgifter		22 894 743	8 717 950
Kortsiktig konserngjeld	7	38 112 093	28 920 644
Annen kortsiktig gjeld	13	205 786 204	95 058 561
Sum kortsiktig gjeld		**329 342 196**	**150 011 291**
Sum gjeld		**329 342 196**	**150 011 291**
SUM EGENKAPITAL OG GJELD		**384 573 884**	**195 175 042**
POSTER UTENOM BALANSEN			
Garantistillelser	6	23 302 810	19 643 186

CHG

CHG-MERIDIAN Norway AS

ÅRSBERETNING 2020

CHG-MERIDIAN Norway AS holder til i Oslo hvor selskapet tilbyr leieløsninger av teknologisk utstyr for kunder og leverandører i det norske markedet. CHG-MERIDIAN Norway AS er et datterselskap av CHG-MERIDIAN AG fra Tyskland og morselskap for 4 datterselskap; CHG-MERIDIAN Skien AS, CHG-MERIDIAN Sweden AB, CHG-MERIDIAN Denmark A/S og CHG-MERIDIAN Finland Oy.

CHG-MERIDIAN Norway AS benytter eksterne finansierings- og forsikringsselskaper, mot sine samarbeidspartnere og deres sluttkunder. Selskapet opptrer som tilrettelegger av finansielle leasingavtaler og operasjonelle leieavtaler, hvor verdiøkende tjenester og kompetanse spiller en viktig rolle.

De verdiøkende tjenestene er selskapets hovedfokus, herunder; produktutvikling og strukturering av gode løsninger sammen med leverandører, miljø konsepter, administrasjonsløsninger, forsikringshåndtering, og løsninger for håndtering av brukt utstyr.

CHG-MERIDIAN Norway AS er ikke eksponert for endringer i valutakurser, kun for konserninterne transaksjoner. Selskapet er heller ikke eksponert for endringer i rentenivået, da leieavtalene med kundene baseres på markedsrenten til enhver tid.

Risikoen for tap på fordringer er vurdert som lav, og selskapets har historisk sett ikke hatt vesentlige tap på fordringer. Dette kan forklares ved at avtalene overdras til eksterne finansieringspartnere som har kredittrisikoen på kundene.

Selskapet vurderer likviditeten i selskapet som god, men vi vil fortsatt ha fokus på forfalte fordringer.

Forutsetningen for fortsatt drift er etter styrets oppfatning til stede, og årsregnskapet for 2020 er satt opp under den forutsetningen. Selskapet forventer for kommende år å fortsette driften etter samme lest som tidligere.

Selskapet har for tiden ingen pågående forsknings- eller utviklingsaktiviteter.

I henhold til gjeldende lover og forskrifter fører selskapet oversikt over totalt sykefravær blant selskapets ansatte. I 2020 hadde vi 18 dager fravær (0,79 % av totale arbeidsdager), fordelt på 0,14 % for menn og 1,48 % for kvinner). Vi anser sykefraværet til å være på et lavt nivå. Det er vår oppfatning at arbeidsmiljøet og den generelle trivsel på arbeidsplassen er god. Det har vært en egen oppsigelse og utskiftning i løpet av året, men uten ny ansettelse i løpet av året som gikk. Det har ikke vært personskader i forbindelse med selskapets virksomhet i 2020. Ved utgangen av 2020 er det 12 ansatte hvorav 6 er kvinner.

Styret har gjort en vurdering av antall ansatte og stillingskategorier ikke funnet det nødvendig og iverksette tiltak for å fremme likestillingen. Styret består av 2 menn og 1 kvinne.

CHG

I et svært spesielt år i form av en pandemi gående i verden, har selskapet opprettholdt stabil drift stort sett fra diverse hjem utenfor kontorplassen. Selv i denne spesielle perioden har selskapet hatt økning i både omsetning og resultat.

Selskapet forurenser ikke det ytre miljø, og det er følgelig ikke iverksatt tiltak på dette området i 2020.

Selskapets styre og ledelse ser positivt på utviklingen i form av type kunder og grunnlag for videre fremtidig vekst. Selskapet opplever fortsatt stabil funding, grunnet tett samarbeid med et utvalg av fundingpartnere igjennom flere år.

Det er styrets oppfatning at det fremlagte årsregnskap gir tilfredsstillende informasjon for å bedømme selskapets stilling og resultat. Det er heller ikke inntrådt forhold etter regnskapsårets slutt som påvirker dette.

Styret foreslår følgende anvendelse av årets overskudd:

Avsatt til annen egenkapital	NOK	10 068 827,-
Overført fra annen egenkapital	NOK	0,-
Sum overføringer	NOK	10 068 827,-

Oslo, 03.03.2021

DocuSigned by:
Mathias Wagner
E6A851B48279467...

Dr. Mathias Wagner
Styrets leder

DocuSigned by:
Christian Vold
12E0E378A5E6495...

Christian Vold
Daglig leder/styremedlem

DocuSigned by:
Lena Gausen
268B43EA032943B...

Lena Gausen
Styremedlem

BDO AS
Wilbergjordet 2
Postboks 812
1609 Fredrikstad

Uavhengig revisors beretning

Til generalforsamlingen i Chg-Meridian Norway AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert årsregnskapet til Chg-Meridian Norway AS.

Årsregnskapet består av:

- Balanse per 31. desember 2020
- Resultatregnskap for 2020
- Kontantstrømoppstilling for regnskapsåret avsluttet per 31. desember 2020
- Noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening:

Er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2020, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Annen informasjon

Ledelsen er ansvarlig for annen informasjon. Annen informasjon består av årsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke annen informasjon, og vi attesterer ikke den andre informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese annen informasjon identifisert ovenfor med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom annen informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi, på bakgrunn av arbeidet vi har utført, konkluderer med at disse andre opplysningene inneholder vesentlig feilinformasjon, er vi pålagt å uttale oss om dette. Vi har ingenting å rapportere i så henseende.

Styret og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig

BDO

for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til:
https://revisorforeningen.no/revisjonsberetninger

Uttalelse om andre lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til anvendelse av overskuddet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Fredrikstad, 9. mars 2021
BDO AS

Vidar Hermansen
statsautorisert revisor

Årsregnskap 2020
CHG-Meridian Norway AS

Organisasjonsnr: 886 486 812

Resultatregnskap

CHG-Meridian Norway AS

Driftsinntekter og driftskostnader	Note	2020	2019
Salgsinntekt	3	35 425 248	21 209 647
Sum driftsinntekter		**35 425 248**	**21 209 647**
Lønnskostnad	4	14 562 695	13 149 674
Avskrivning av driftsmidler og immaterielle eiendeler	5	319 769	399 023
Annen driftskostnad	4	7 630 765	5 906 062
Sum driftskostnader		**22 513 230**	**19 454 759**
Driftsresultat		**12 912 018**	**1 754 888**
Finansinntekter og finanskostnader			
Annen renteinntekt		139 575	74 981
Annen finansinntekt		1 190	2 730
Nedskrivning av andre finansielle anleggsmidler		0	253 139
Annen rentekostnad		7 488	71 870
Annen finanskostnad		127 701	8 643
Resultat av finansposter		**5 576**	**-255 941**
Ordinært resultat før skattekostnad		**12 917 595**	**1 498 947**
Skattekostnad på ordinært resultat	14	2 849 657	423 614
Årsresultat		**10 067 938**	**1 075 333**
Overføringer			
Overført fra annen egenkapital		-10 067 938	-1 075 333
Sum overføringer		**10 067 938**	**1 075 333**

Balanse

CHG-Meridian Norway AS

Eiendeler	Note	2020	2019
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	14	61 112	32 325
Sum immaterielle eiendeler		**61 112**	**32 325**
Varige driftsmidler			
Driftsløsøre, inventar o.a. utstyr	5	163 030	482 799
Sum varige driftsmidler		**163 030**	**482 799**
Finansielle anleggsmidler			
Investeringer i datterselskap	10	12 785 896	7 106 696
Andre langsiktige fordringer	11	151 188 938	86 780 387
Sum finansielle anleggsmidler		**163 974 834**	**93 887 083**
Sum anleggsmidler		**164 198 976**	**94 402 207**
Omløpsmidler			
Fordringer			
Kundefordringer	7	54 656 590	57 655 417
Andre kortsiktige fordringer	13	118 070 581	11 025 509
Konsernfordringer	7	10 655 110	6 411 470
Sum fordringer		**183 382 281**	**75 092 396**
Bankinnskudd, kontanter o.l			
Bankinnskudd, kontanter o.l.	2	36 992 627	25 680 438
Sum bankinnskudd, kontanter o.l		**36 992 627**	**25 680 438**
Sum omløpsmidler		**220 374 908**	**100 772 834**
Sum eiendeler		**384 573 884**	**195 175 042**

Balanse

CHG-Meridian Norway AS

Egenkapital og gjeld	**Note**	**2020**	**2019**
Egenkapital			
Innskutt egenkapital			
Aksjekapital	8, 9	499 500	499 500
Overkurs	8	24 665 188	24 665 188
Annen innskutt egenkapital	8	2 298 953	2 298 953
Sum innskutt egenkapital		**27 463 641**	**27 463 641**
Opptjent egenkapital			
Annen egenkapital	8	27 768 047	17 700 110
Sum opptjent egenkapital		**27 768 047**	**17 700 110**
Sum egenkapital	**8**	**55 231 688**	**45 163 751**
Gjeld			
Kortsiktig gjeld			
Leverandørgjeld	7	59 670 712	16 723 354
Betalbar skatt	14	2 878 444	590 782
Skyldig offentlige avgifter		22 894 743	8 717 950
Kortsiktig konserngjeld	7	38 112 093	28 920 644
Annen kortsiktig gjeld	13	205 786 204	95 058 561
Sum kortsiktig gjeld		**329 342 196**	**150 011 291**
Sum gjeld		**329 342 196**	**150 011 291**
Sum egenkapital og gjeld		**384 573 884**	**195 175 042**
Gjenkjøpsforpliktelser	6	23 302 810	19 643 186

Oslo, 03.03.2021
Styret i CHG-Meridian Norway AS

DocuSigned by: Mathias Wagner	DocuSigned by: Christian Vold	DocuSigned by: Lena Gausen
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Dr. Mathias Wagner	Christian Vold	Lena Gausen
styreleder	styremedlem/daglig leder	styremedlem

CHG-MERIDIAN Norway AS

KONTANTSTRØMSANALYSE	**Note**	**2020**	**2019**
LIKVIDER TILFØRT/BRUKT PÅ VIRKSOMHETEN:			
Ordinært resultat før skatt		12 917 595	1 498 947
+/- Tap/gevinst ved salg av aksjer		0	0
+ Ordinære avskrivninger	5	319 769	399 023
+ Nedskrivning anleggsmidler		0	253 139
Tilført fra årets virksomhet		12 646 582	2 151 109
+/- Endring i lager, debitorer og kreditorer		45 946 185	-43 696 068
+/- Endring i andre tidsavgrensningsposter		-46 549 186	16 947 706
A = Netto likviditetsendring fra virksomheten		**12 043 581**	**-24 597 253**
LIKVIDER TILFØRT/BRUKT PÅ INVESTERINGER:			
- lån til datterselskap	7	-9 922 840	-6 411 470
B = Netto likviditetsendring fra investering		**-9 922 840**	**-6 411 470**
LIKVIDER TILFØRT/BRUKT PÅ FINANSIERING:			
+ Opptak av ny gjeld/nedbetaling av gammel gjeld	7	9 191 449	526 007
+ Endring i egenkapital		0	24 997 200
C = Netto likviditetsendring fra finansiering		**9 191 449**	**25 523 207**
+ Likviditetsbeholdning 1.1.		**25 680 438**	**31 165 954**
A+B+C Netto endring i likvider gjennom året		**11 312 190**	**-5 485 516**
= Likviditetsbeholdning 31.12.		**36 992 628**	**25 680 438**

Note 1 – Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk.

Salgsinntekter
Innteksføring ved salg av varer og tjenester skjer på leveringstidspunktet.
Salgsinntekter er presentert med nettotall i regnskapet.

Selskapet byttet i 2017 systemer for registrering av avtaler, og tilpasset seg i den forbindelse konsernets metode for inntektsføring av avtaler. Dette er tilpasning til IFRS-logikk som er grunnlaget for CHG-MERIDIANs rapportering og er samtidig i tråd med god regnskapsskikk i Norge. Avtaler som inngås har i hovedsak løpetid på mellom 3 og 5 år. Restverdi på avtalene tilsvarer som oftest leie for en termin.

Solgte leasingavtaler defineres som finansielle eller operasjonelle ut fra inntektskriterier. Avtaler som inngås av CHG-Meridian Norway AS er overveiende definert som finansielle leasingavtaler ihht disse kriteriene. Avtalene blir balanseført til beregnet nåverdi av fremtidige leieinntekter inkludert restverdi. Restverdi ved salg av kontraktene inntektføres over kontraktenes levetid.

Vurdering og klassifisering av balanseposter
Anleggsmidler er eiendeler ment til varig eie og bruk i virksomheten. Anleggsmidler vurderes til anskaffelseskost, men nedskrives til virkelig verdi ved verdifall som ikke forventes å være forbigående. Omløpsmidler og kortsiktig gjeld omfatter normalt poster som forfaller til betaling innen ett år etter anskaffelsestidspunkt, samt poster som knytter seg til varekretsløpet. Øvrige poster er klassifisert som anleggsmiddel/langsiktig gjeld. Omløpsmidler vurderes til laveste verdi av anskaffelseskost og antatt virkelig verdi.

Fordringer
Kundefordringer og andre fordringer oppføres til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringene. I tillegg gjøres det for øvrige kundefordringer en uspesifisert avsetning for å dekke antatt tap.

Varige driftsmidler
Varige driftsmidler balanseføres og avskrives over driftsmidlets forventede levetid dersom de har levetid over 3 år. Vedlikehold av driftsmidler kostnadsføres løpende, mens påkostninger eller forbedringer tillegges driftsmidlets kostpris og avskrives over resterende økonomisk levetid.

Leieavtaler
Leieavtaler er ikke balanseført. Selskapet har kun operasjonelle leieavtaler der de selv er leietaker.

Valuta
Pengeposter i utenlandsk valuta omregnes til balansedagens kurs. Løpende agio og disagio er ført som en del av netto salgsinntekter (inngår i varekost ved varekjøp).

Skatt
Skattekostnaden i resultatregnskapet omfatter periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 22 % på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reversere i samme periode er utlignet og nettoført. Andre skattereduserende forskjeller er ikke utlignet, men balanseført dersom det er sannsynlig at foretaket kan utnytte dem, og eventuelt nettoført.

CHG-Meridian Norway AS (org.nr.886 486 812)

Note 2 - Bundne midler

	2020	2019
I posten inngår bundne bankinnskudd på skattetrekkskonto med NOK	338 532	351 461

Note 3 - Salgsinntekter

Selskapets virksomhet er basert på provisjon på oppnådd salg. Provisjonen mottas enten direkte fra avtalepartner eller fremkommer som en differanse mellom finansiert beløp og mottatte fakturaer for de objekt som finansieres. I selskapets årsregnskap er alle inntekter vist netto.

Totalt finansiert beløp tilsvarer en omsetning på kr 227 352 198 for 2020 mot kr 157 055 929 i fjor.

Nettosalg fordelt per virksomhetsområde og geografisk fordeling:

Virksomhetsområder:	**2020**	**2019**
Salg av finanseringsløsninger inkl forsikring	30 461 717	17 852 430
Interne fellestjenester konsern	4 963 531	3 757 217
Sum	**35 425 248**	**21 609 647**

Geografisk fordeling:	**2020**	**2019**
Norge	32 278 598	17 664 295
Europa (Skandinavia og Tyskland)	3 146 650	3 945 352
Sum	**35 425 248**	**21 609 647**

Note 4 - Lønn, godtgjørelser m.v.

Lønnskostnader

	2020	**2019**
Lønninger	11 706 360	9 608 986
Arbeidsgiveravgift	1 561 116	1 580 014
Pensjonskostnader	967 073	1 023 211
Andre ytelser	328 146	937 463
Sum	**14 562 695**	**13 149 674**
Gjennomsnittlig antall årsverk	12,5	13
Godtgjørelser	**Lønn**	**Andre godtgjørelser**
Daglig leder CHG-MERIDIAN Norway AS	1 387 109	
Styreleder CHG-MERIDIAN Norway AS	0	0

Inkludert i lønn for daglig leder er provisjon på kr 367 483.

CHG-Meridian Norway AS (org.nr.886 486 812)

Honorar til revisor:

	2020	2019
Revisjonstjenester	136 203	143 945
Bistand årsregnskap og lign.p.	31 000	36 050
Skatte- og avgiftsrådgivning		1 040
Annen bistand	97 107	31 701
Alle beløp er ekskl. mva	**264 310**	**212 736**

Selskapet er pliktig til å ha tjenestepensjonsordning etter lov om obligatorisk tjenestepensjon. Selskapets pensjonsordninger tilfredsstiller kravene i denne lov.

Note 5 Anleggsmidler

	Driftsløsøre, inventar ol.	Sum
Anskaffelseskost pr. 01.01.20	7 512 265	7 512 265
= **Anskaffelseskost 31.12.20**	**7 512 265**	**7 512 265**
Akkumulerte avskrivninger 31.12.20	7 345 712	7 345 712
+ Akkumulerte nedskrivninger 31.12.20	3 522	3 522
= Av- og nedskrivninger pr. 31.12.20	7 349 235	7 349 235
= **Bokført verdi 31.12.20**	**163 030**	**163 030**
Årets ordinære avskrivninger	319 769	319 769
Økonomisk levetid	0-5 år	

Note 6 - Forpliktelser

Selskapet har forpliktet seg til gjenkjøp av utleiegjenstander etter leieperiodens utløp for til sammen kr 23 302 810. Av dette gjelder 21 612 010 ny portefølje som inntektsføres over leiepeiroden for avtalene og kr 1 690 800 vedr eldre portefølje, hvor hele beløpet er inntektsført ved salg av avtalen.
Summene er fordelt på mange avtaler over tid. Gjenkjøpsavtalene gir som oftest en fortjeneste for selskapet ved utløp av kontraktene.

Note 7 - Mellomværende med selskap i samme konsern m.v.

	2020 Kundefordringer	2019 Kundefordringer
CHG-MERIDIAN Sweden AB	NOK 0	NOK 28 978

	2020 Leverandørgjeld	2019 Leverandørgjeld
CHG-MERIDIAN AG	NOK 672	NOK 2 134 375
CHG-MERIDIAN Skien AS	NOK 85 720	NOK 0

	2020 Kortsiktig fordring	2019 Kortsiktig fordring
CHG-MERIDIAN Finland OY	NOK 10 655 110	NOK 6 411 470

	2020 Kortsiktig gjeld	2019 Kortsiktig gjeld
CHG-MERIDIAN Finland OY	NOK 6 102 280	NOK 11 855 660
CHG-MERIDIAN AG	NOK 32 009 813	NOK 17 064 985

Kortsiktig konsrngjeld til CHG-Meridian Finland OY består av rest av ytet egenkapitalinnskudd som ikke er innbetalt per 31.12.20. Tilsammen utgjør dette kr 6 102 280. I tillegg er det gitt et lån fra Tyskland med en saldo per 31.12.20 på kr 32 009 813. Dette lånet er tilbakebetalt i januar 2021.

Note 8 - Egenkapital

	Aksjekapital	Overkurs	Annen inskutt EK	Annen Egenkapital	Sum
Egenkapital 01.01.2020	499 500	24 665 188	2 298 953	17 700 110	45 163 751
Årets resultat				10 067 938	10 067 938
Egenkapital 31.12.2020	**499 500**	**24 665 188**	**2 298 953**	**27 768 047**	**55 231 688**

Note 9 - Aksjekapital og aksjonærinformasjon

Aksjekapitalen i CHG-Meridian Norway AS pr. 31.12.2020 består av følgende aksjeklasser:

	Antall	Pålydende	Balanseført
Ordinære - aksjer	1 110	100	499 500

Eierstruktur

Aksjonæren i CHG-Meridian Norway AS pr. 31.12.2020 var:

	Ordinære - aksjer	Eierandel	Stemmeandel
CHG-Meridian AG, Germany	1 110	100 %	100 %

Konsernregnskap utarbeides av CHG-MERIDIAN AG ved selskapets kontor i Tyskland,
Franz-Beer-Strasse 111, 88250 Weingarten.
Det utarbeides ikke konsernregnskap i Norge.

Note 10 – Datterselskap

Datterselskap er vurdert etter kost-metoden.

Selskapsnavn	Forretnings-kontor	Eierandel i %	Stemmeandel i %
Datterselskap			
CHG-MERIDIAN Sweden AB	Stockholm	100 %	100 %
CHG-MERIDIAN Denmark A/S	København	100 %	100 %
CHG-MERIDIAN Finland OY	Helsinki	100 %	100 %
CHG-MERIDIAN Skien AS	Skien	100 %	100 %

Konsernregnskap utarbeides i morselskapet.

Selskapsnavn	Anskaffelses-kost	Balanseført verdi	Resultat 2020	Egenkapital 31.12.2020
Datterselskap				
CHG-MERIDIAN Sweden AB	3 765 427	3 765 427	7 371 222	9 490 087
CHG-MERIDIAN Denmark A/S	6 657 256	6 657 256	- 1 500 449	4 394 534
CHG-MERIDIAN Finland OY	15 494 238	1	- 4 386 788	97 657
CHG-MERIDIAN Skien AS	2 363 212	2 363 212	1 596 118	7 094 747

Det er ytet egenkapitalinnskudd til CHG-MERIDIAN Finland OY på kr 15 394 636 som per 31.12.2020 inngår i kostprisen på aksjene. Det er tilsvarende ytet et egenkapitalinnskudd til CHG-Meridian Danmark A/S på kr 5 679 200 per 31.12.20.

Note 11 - Langsiktige fordringer

Fordringer med forfall over ett år utgjør kr 91 954 104.

Langsiktige fordringer relatert til den ordinære leasingporteføljen har per 31.12.20 en saldo på kr 150 836 986. I 2019 var beløpet kr 86 780 387.

Note 12 – Transaksjoner med nærstående parter

Ytelser til ledende ansatte er omtalt i note 4, og mellomværende med konsernselskaper er omtalt i note 7.

Selskapets transaksjoner med nærstående parter	2020	2019
Salg av varer og tjenester:		
Salg av forsikring:		
Datterselskaper	325 021	1 407 364
Interne fellestjenester:		
Datterselskaper	5 007 481	3 757 217

CHG-Meridian Norway AS (org.nr.886 486 812)

Kjøp av varer og tjenester:

Kjøp av fellestjenester av administrativ art samt IT:		
Morselskap	4 151 900	2 193 943

Note 13 – **Kortsiktige fordringer og kortsiktig gjeld**

	2020	**2019**
Forskuddsbetalt leverandørgjeld	33 901 770	0
Kortsiktige fordringer relatert til leasingportefølje	83 794 929	10 441 809
Andre kortsiktige fordringer	375 022	583 700
Sum andre kortsiktige fordringer i regnskapet	**118 071 721**	**11 025 509**

	2020	**2019**
Kortsiktig gjeld relatert til leasingportefølje	196 670 457	87 822 400
Annen kortsiktig gjeld	9 115 747	7 236 161
Sum annen kortsiktig gjeld i regnskapet	**205 786 204**	**95 058 561**

Note 14 Skatt

Årets skattekostnad	**2020**	**2019**
Resultatført skatt på ordinært resultat:		
Betalbar skatt	2 878 444	452 025
Endring i utsatt skattefordel	-28 787	-28 411
Skattekostnad ordinært resultat	**2 849 657**	**423 614**
Skattepliktig inntekt:		
Ordinært resultat før skatt	12 917 595	1 498 947
Permanente forskjeller	35 391	426 572
Endring i midlertidige forskjeller	130 851	129 139
Skattepliktig inntekt	**13 083 837**	**2 054 658**
Betalbar skatt i balansen:		
Betalbar skatt på årets resultat	2 878 444	590 782
Sum betalbar skatt i balansen	**2 878 444**	**590 782**

Skatteeffekten av midlertidige forskjeller som har gitt opphav til utsatt skatt og utsatte skattefordeler, spesifisert på typer av midlertidige forskjeller

	2020	**2019**	**Endring**
Varige driftsmidler	-277 780	-146 930	130 851
Sum	**-277 780**	**-146 930**	**130 851**
Grunnlag for utsatt skattefordel	**-277 780**	**-146 930**	**130 851**
Utsatt skattefordel (22 %)	**-61 112**	**-32 325**	**28 787**

Consolidated financial statements as at 31 December 2020 and Group management report

TRANSLATION – AUDIT REPORT

CHG-MERIDIAN AG
Weingarten, Germany

KPMG AG Wirtschaftsprüfungsgesellschaft

The English language text below is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may arise from the translation.

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Please note that for computational reasons, rounding differences to the exact mathematical figures (monetary units, percentages, etc.) may occur.

Appendices

Consolidated financial statements as at 31 December 2020 and Group management report 1

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List of abbreviations

AG	German corporation limited by shares [Aktiengesellschaft]
CHG AG	CHG-MERIDIAN AG, Weingarten (parent company)
EU	European Union
EUR	Euro
GmbH	German limited liability company [Gesellschaft mit beschränkter Haftung]
HGB	German Commercial Code [Handelsgesetzbuch]
IAS	International Accounting Standard
IDW	German Institute of Public Auditors [Institut der Wirtschaftsprüfer in Deutschland e.V.], Düsseldorf
IFRS	International Financial Reporting Standards
IT	Information technology
KWG	German Banking Act [Kreditwesengesetz]
OECD	Organisation for Economic Co-operation and Development
PY	Prior year

To CHG-MERIDIAN AG, Weingarten, Germany

1 Audit engagement

At the annual general meeting held on 17 July 2020, of

CHG-MERIDIAN AG, Weingarten,
– hereinafter also referred to as "CHG AG" or the "Parent Company" –

we were elected as Group auditor for financial year 2020. Accordingly, the Supervisory Board has engaged us to audit the consolidated financial statements as at 31 December 2020, and the Group management report for financial year 2020.

The terms governing this engagement are set out in the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on 1 January 2017, which are attached to this report as Appendix 4. Our liability is governed by Clause 9 of the General Engagement Terms. Our liability towards third parties is defined under Clauses 1 (2) and 9 of the General Engagement Terms.

2 Reproduction of the independent auditor's report

Based on the results of our audit, we have issued the following unqualified audit opinion:

Independent Auditor's Report

To CHG-MERIDIAN AG, Weingarten

Opinions

We have audited the consolidated financial statements of CHG-MERIDIAN AG, Weingarten, and its subsidiaries (the Group), which comprise the consolidated income statement, the consolidated balance sheet as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of CHG-MERIDIAN AG for the financial year from 1 January to 31 December 2020.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

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

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

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Munich, 19 April 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

[*signature*] Peter Wirtschaftsprüfer [German Public Auditor]	[*signature*] Niedermayer Wirtschaftsprüfer [German Public Auditor]

3 Evaluation of management's assessment of the Group's position

In our opinion, the following key statements in the Group management report are noteworthy:

- "The lease origination volume – which is the sum of purchase invoices received for equipment leased or sold to refinancing partners – amounted to EUR 1,757.7 million in the reporting year, representing a year-on-year decrease of 11.9 % (PY: EUR 1,995.1 million). Under consideration of the coronavirus situation, the target set in March 2020 for the lease origination volume in 2020 in the range of EUR 1.6 billion to EUR 1.7 billion was thus nevertheless exceeded."
- "In the Germany region, which combines the companies CHG-MERIDIAN AG and CHG-MERIDIAN Industrial Solutions GmbH, lease origination declined by 5.7 % in financial year 2020 to EUR 752.9 million (PY: EUR 798.8 million). The lease origination volume at an international level decreased by 16.0 % to EUR 1,004.8 million (PY: EUR 1,196.3 million)."
- "In October 2020, CHG-MERIDIAN AG sold its ownership interest of 19.9 % in MobiChord Inc., Sandy, USA. In addition, a minority interest of 5.0 % in CHG-MERIDIAN Leasing-Beteiligungs-Holding GmbH was acquired in November 2020. With this acquisition means that the company is now a wholly owned subsidiary of CHG-MERIDIAN AG."
- "The CHG-MERIDIAN Group generated a profit of EUR 122.7 million from ordinary activities in 2020 (PY: EUR 91.1 million), significantly outperforming the prior-year figure. The continued very positive trend in profitability in the case of operating leases and the significant increase in income from remarketing are offset by a slight decline in net interest income."
- "The CHG-MERIDIAN Group was able to mobilise a fresh financing volume of EUR 1,612.2 million in 2020 (PY: EUR 1,884.0 million). As in the previous year, the CHG-MERIDIAN Group thus funded the majority of its lease origination using external funding partners. The funding volume of EUR 1,612.2 million represents 91.7 % of the lease origination volume in the reporting year."

- "The CHG-MERIDIAN Group also always maintained a very good, robust level of financial resources in 2020. In addition to a very strong free cash flow of EUR 296.4 million as at 31 December 2020 (PY: EUR 269.4 million), the CHG-MERIDIAN Group also has substantial undrawn short-term credit lines of EUR 177.2 million available (PY: EUR 194.0 million)."
- "The CHG-MERIDIAN Group's total assets amounted to EUR 3,618.9 million as at 31 December 2020 (PY: EUR 3,316.1 million), which represents a year-on-year increase of EUR 302.8 million or 9.1 %."
- "The profile of future opportunities for the CHG-MERIDIAN Group stems from a growing international demand for complexity reduction as well as the trends that are projected to result through digitalisation of the economy. In this regard, significant potential is identified due to the impact of the coronavirus pandemic, particularly in the workforce and in education system. Moreover, flexible and customised solution concepts based on a fully integrated approach enable customers to stay focused on their own core business. The systematic expansion of the product and service portfolio thus provides the foundation for the CHG-MERIDIAN Group's continuing success."
- "The restrictions on overall economic activity as a result of the coronavirus pandemic in the course of 2020 have significantly increased uncertainties compared to previous years, which is especially true for counterparty risks. This does not give rise to any risks affecting the Company's ability to continue as a going concern."
- "By pursuing a rigorous risk management policy, the Board of Management and Supervisory Board of the Parent Company was kept abreast of the developments in its risk exposures at all times. The CHG-MERIDIAN Group believes that it is well prepared for an increased counterparty credit risk or market price risk that might arise from the continuation of the coronavirus pandemic thanks to the high level of cash and cash equivalents it has established as a precautionary measure."
- "As in the prior year, the lease origination volume in financial year 2021 remains dependent on the further course of the coronavirus pandemic and the associated economic restrictions. Taking into account the current coronavirus situation, we expect the economic environment to recover in the second half of 2021 and are confident of generating growth in the lease origination volume. We thus expect the CHG-MERIDIAN Group to achieve a lease origination volume ranging from EUR 1.8 billion to EUR 2.0 billion."
- "We are optimistic about the gross margin as well and once again anticipate solid results in a range of EUR 270 million to EUR 280 million. Furthermore, we expect consolidated net income to remain unchanged as well as a slight increase in staffing levels."

As a result of our audit, we found that the Group management report, as a whole, provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

4 Performance of the audit

4.1 Scope of the audit

We have audited the consolidated financial statements of CHG AG, which comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements, including the Group management report, for the year ended 31 December 2020.

Our responsibility is to express an opinion on these consolidated financial statements and the Group management report based on our audit.

An audit of the consolidated financial statements only covers compliance with other legal regulations to the extent that these other regulations can be expected to have an impact on the consolidated financial statements or the Group management report.

Pursuant to Section 317 (4a) HGB, an audit is not intended to extend to whether the Group's ability to continue as a going concern or the effectiveness and efficiency of management can be ensured.

4.2 Nature and scope of audit procedures

The general principles of our audit approach are already presented in the independent auditor's report (see Section 2 of this report). In addition, we provide the following information on our audit approach and audit performance:

Phase I: Development of an audit strategy focused on business risks
Obtaining an understanding of the Group and its consolidated entities as well as knowledge of the accounting systems and the internal control system
Assessing risks and establishing audit focus areas: – Process of preparing consolidated financial statements – Definition of the scope of consolidation – Compliance of the annual financial statements included in the consolidated financial statements – Currency translation – Appropriate classification of leases – Identification of deferred tax assets and liabilities in the consolidated financial statements – Appropriateness of the consolidated statement of cash flows, the consolidated statement of changes in equity and the consolidated statement of comprehensive income

Identifying significant Group entities
Establishing the audit scope, audit strategy and timeline for the audit
Selecting the Group engagement team and planning the deployment of specialists
Coordination with local auditors

Phase II: Selection and implementation of control-based audit procedures
Selection of control-based audit procedures based on risk assessments and knowledge of business processes and systems
Assessment of the design and effectiveness of selected accounting-related controls
Assessment of the consolidation process and Group-wide controls

Phase III: Tests of details and analytical review of items in the consolidated financial statements
Performance of analytical reviews of items in the consolidated financial statements
Tests of details on a sample basis and assessment of individual items with a view to the accounting options and judgements exercised, including, among other things, use of the activities and audit findings of local auditors
Review of disclosures in the notes and assessment of the Group management report

Phase IV: Overall assessment of audit results and reporting
Formation of the audit opinion on the basis of the overall assessment of audit results
Reporting in the audit report and the independent auditor's report
Detailed oral presentation of audit results to management and the Supervisory Board

We performed our audit (with interruptions) in the months of March to April 2021, until 19 April 2021. We carried out a preliminary audit in November 2020.

All explanations and evidence requested by us were provided. The management of the Parent Company and its subsidiaries as well as the auditors of these companies complied with their obligation to provide information and to permit examination pursuant to Section 320 (3) HGB. The Parent Company's management confirmed in writing that the consolidated financial statements and the Group management report are complete.

5 Findings on consolidated financial reporting

5.1 Scope of consolidation and Group reporting date

The Group of consolidated entities has been determined in accordance with IFRS 10 and is presented in the notes to the consolidated financial statements. The regulations on classification of joint arrangements (IFRS 11) and equity accounting (IAS 28) have been observed. The materiality principles for the consolidation of entities have remained unchanged from the prior year.

The reporting dates for the annual financial statements of all consolidated subsidiaries correspond to the Group reporting date.

5.2 Consolidated financial statements

The consolidated financial statements as at 31 December 2020 presented to us for audit were properly derived from the annual financial statements and subgroup financial statements or reporting packages of the consolidated entities. The Group's entire consolidation records (Group accounting records) have been properly kept and maintained and all consolidation entries were properly carried forward.

Based on our audit, we found that the organisational and technical measures taken by the Parent Company are appropriate to ensure the security of IT systems and accounting-related data processed.

The consolidation methods applied are consistent, in all material respects, with the IFRS accounting principles as adopted by the EU. These are presented completely and accurately in the notes to the consolidated financial statements.

The consolidated statement of financial position and consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity have been prepared, in all material respects, in accordance with IFRSs, as adopted by the EU.

In all material respects, the disclosures in the notes to the consolidated financial statements are complete and accurate in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e HGB.

5.3 Group management report

The Group management report prepared by management complies in all material respects with German legal requirements.

6 Opinion on the overall presentation of the consolidated financial statements

6.1 Comments on overall presentation

The accounting policies applied to the items of the consolidated financial statements, in all material respects, comply with the IFRSs as adopted by the EU. These are described in the notes to the consolidated financial statements (see Appendix 1.6 Section 3).

The exercise of accounting and valuation options as well as accounting judgements with regard to the following consolidated financial statement items has a material effect on the Group's assets, liabilities, financial position and financial performance:

Receivables from finance leases and leased assets from operating leases

Various criteria are defined in IFRS 16.63 et seqq. for categorising leases as finance leases or operating leases. For the classification of leases in accordance with IFRS, CHG AG orients itself primarily around the present value criterion in accordance with IFRS 16.63 (d), as the other examples and indicators under IFRS 16.63 and IFRS 16.64 have almost no relevance in the contractual arrangements of CHG AG, or would not lead to any changes in classification. According to this criterion, finance leases are to be assumed if the present value of the minimum lease payments amounts to at least substantially all to of fair value of the leased asset. In all other cases, an operating lease is assumed. In cases in which CHG AG is the lessee, the previous distinction between operating leases and finance lease is no longer required. Instead, the lessee is required in future to recognise for all leases the right-of-use asset and the corresponding lease liability for the assumed payment obligations. The transition was carried out using the modified retrospective approach.

Derecognition of finance lease receivables

The lease payments financed without recourse, in which the financing party acquires the receivables rights and assumes full risk of default, comply with the derecognition requirements of IFRS 9 and have been derecognised accordingly. The profit from non-recourse financing (difference between the present value of the lease instalments sold at the internal interest rate and the disbursement amount of the financing party as well as the liability to be taken into account from the administrative and settlement obligation) totals to KEUR 23,168 (PY: KEUR 37,757) and was immediately recognised through profit or loss in interest income from finance leases.

CHG AG applies the simplified approach for trade receivables, contract assets and lease receivables in accordance with IFRS 9.5.5.15. The income from amortisation using the effective interest method is recognised in the income statement under "Other interest income". Impairment losses are largely allocated to the leasing business and are therefore shown by CHG AG under "Write-downs and value adjustments on lease receivables and leased assets" in the income statement.

Write-downs of and loss allowances on leased assets from operating leases

Judgement is applied with regard to the calculation of the useful life and thus the depreciation of leased assets. The assets under leased assets are written down to the notional residual value on a straight-line basis over the term of the lease. This synchronises the course of income and expenses from rental income and write-downs.

Pursuant to IAS 36 (Impairment of Assets), impairment losses are taken into account. If the recoverable amount is less than the carrying amount, the difference is recognised as an impairment loss. The recoverable amount is the net revenue from an immediate sale (fair value less costs of disposal). The fair value equals the market price of the asset or a price derived from market transactions. Impairment losses are reversed if the reasons for recognising them in previous years no longer apply.

The impairment losses and reversals are recognised through profit or loss under "Risk provisioning from the leasing business".

Consideration of unguaranteed residual values

Judgement is exercised with regard to the recognition and subsequent measurement of the unguaranteed residual values from finance leases. The unguaranteed residual values comprise estimated present value proceeds from lease extensions and remarketing. All proceeds from leases are included in the calculation of the present value. Outstanding proceeds from amortisation arise if the present value of the lessee's lease payments does not cover the cost of the leased asset. In the case of operating leases as well, the residual carrying amount of the leased assets after the end of the lease must be covered by further proceeds. Based on historical experience, CHG AG assumes that the outstanding amortisation proceeds will be realised through lease extensions and remarketing at the end of the lease term. Lease extension and remarketing proceeds are recognised based on the best possible estimate using a portfolio analysis. The estimated average lease extension and remarketing results for finance leases amount to 5.0 % to 7.5 % until 30 June 2015, 5.0 % to 10.0 % from 1 July 2015 to 30 June 2020 and 5.0 % to 15.0 % of the original cost since 1 July 2020. The recognition of unguaranteed residual values has a direct impact on revenue recognition in the Group.

Deferred taxes

Deferred taxes are determined using the balance-sheet-based method. Deferred tax liabilities and deferred tax assets were mainly measured using the tax rates that are in force or have been largely legally enacted at the reporting date and that are expected to be in force at the time the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets amounted to KEUR 13,913 as at 31 December 2020 and deferred tax liabilities totalled KEUR 206,910. Offsetting pursuant to IAS 12.71-76 is not carried out.

Impairment of receivables

Judgement is exercised in the determination of provisioning under the expected credit loss method, as certain estimates and assessments are made with regard to the creditworthiness of customers, the type of financing involved and experience with historical default rates. Given the favourable creditworthiness of customers, as well as the high rate of forfaiting, complete value adjustment of receivables takes place only if the customer defaults as part of a direct write-down.

Foreign currency translation differences (other comprehensive income)

The translation of foreign currency-denominated assets, equity and debt, as well as contingent liabilities and other financial liabilities, is according to the modified closing-rate method. The items in the income statement are translated based on the average annual exchange rate. The difference resulting from the translation of equity in a balance sheet denominated in foreign currency is shown in the "Other reserves" item under consolidated equity.

Intangible assets

Intangible assets with indefinite useful lives are not amortised. These assets are tested for impairment annually, and also if there are indications of impairment. As at 31 December 2020, there is KEUR 18,903 (PY: KEUR 18,903) in intangible assets with an indefinite useful life in the amount of the capitalised goodwill of equigroup Holdings Pty Limited, Sydney, Australia.

6.2 Conclusion on the overall presentation of the consolidated financial statements

Based on an overall consideration of the accounting policies described above, we are of the opinion that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the IFRSs as adopted by the EU.

7 Concluding remarks

This audit report has been prepared in accordance with the principles of Auditing Standard 450 (as amended), promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany] (IDW).

We hereby confirm pursuant to Section 321 (4a) HGB that we have conducted our audit in accordance with the applicable independence regulations.

The independent auditor's report is presented in Section 2.

Munich, 19 April 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Peter Wirtschaftsprüfer [German Public Auditor]	Niedermayer Wirtschaftsprüfer [German Public Auditor]

Appendices

Appendix 1 Consolidated financial statements as at 31 December 2020 and Group management report

1.1 Consolidated statement of financial position

1.2 Consolidated income statement

1.3 Consolidated statement of comprehensive income

1.4 Consolidated statement of cash flows

1.5 Consolidated statement of changes in equity

1.6 Notes to the consolidated financial statements

1.7 Group management report

Consolidated statement of financial position as at 31 December 2020 of CHG-MERIDIAN AG, Weingarten

Assets

	[redacted]	[redacted]	[redacted]
1. Cash reserve	7.1	51	73
2. Receivables from banks	7.2	296,321	269,419
3. Receivables from finance leases	7.3	771,903	844,468
4. Other receivables from customers	7.4	177,760	162,858
5. Derivative financial instruments	7.14	2,227	548
6. Equity investments		0	5,076
7. Leased assets under operating leases	7.5	1,917,003	1,645,821
8. Intangible assets	7.6	24,342	23,663
9. Property, plant and equipment	7.7	44,373	45,822
10. Right-of-use assets	7.8	14,615	17,241
11. Income tax assets	7.17	7,382	8,354
12. Deferred tax assets	5.15	13,913	12,481
13. Other assets	7.9	349,058	280,277
Total assets		**3,618,948**	**3,316,101**

Consolidated statement of financial position as at 31 December 2020 of CHG-MERIDIAN AG, Weingarten

Equity and liabilities

	[redacted]	[redacted]	[redacted]	[redacted]
1. Liabilities to banks	7.10		1,112,592	1,017,511
2. Deferred income from forfaiting transactions	7.11		1,221,849	1,095,264
3. Liabilities to customers	7.12		338,629	309,468
4. Lease liabilities	7.13		15,000	17,683
5. Derivative financial instruments	7.14		552	2,845
6. Other provisions	7.15		2,524	2,695
7. Income tax liabilities	7.17		16,762	10,233
8. Deferred tax liabilities	5.15		206,910	193,791
9. Other liabilities	7.16		119,574	119,000
10. Equity	7.18		584,556	547,611
a. Subscribed capital		100,000		100,000
Minus notional value of treasury shares		-1,328		-333
Issued capital			98,672	99,667
b. Capital reserve			18,100	17,612
c. Retained earnings			396,703	369,346
d. Other reserves			-16,241	-3,998
e. Profit for the period attributable to the Group			86,942	64,757
f. Non-controlling interests			380	227
Total equity and liabilities			**3,618,948**	**3,316,101**

Consolidated income statement
for financial year 2020
of CHG-MERIDIAN AG, Weingarten

	[redacted]	[redacted]	[redacted]
1. Interest income from finance leases	**5.1**	104,531	113,629
2. Other interest income	**5.2**	426	2,319
3. Interest expenses	**5.3**	-26,269	-33,106
4. Income from operating leases	**5.4**	839,448	706,695
5. Expenses from operating leases	**5.5**	-673,750	-567,964
6. Income from remarketing	**5.6**	181,360	127,298
7. Expenses from remarketing	**5.6**	-133,987	-90,556
8. Write-downs and value adjustments on lease receivables and leased assets	**5.7**	-24,900	-16,833
9. Income from services rendered	**5.8**	61,203	65,393
10. Expenses for services rendered	**5.9**	-40,948	-45,807
11. Gains and losses on the measurement of derivative financial instruments	**5.10**	3,976	-3,120
12. Staff expenses	**5.11**	-128,228	-119,945
13. Other administrative expenses	**5.12**	-30,269	-35,260
14. Amortisation, depreciation and impairment losses on intangible assets, property, plant and equipment and right-of-use assets	**5.13**	-13,142	-11,960
15. Other operating income	**5.14**	22,452	30,522
16. Other operating expenses	**5.14**	-19,159	-30,228
17. Profit from ordinary activities		**122,744**	**91,077**
18. Income taxes	**5.15**	-35,727	-26,469
19. Consolidated net income		**87,017**	**64,608**
20. Profit attributable to non-controlling interests		-75	149
21. Profit for the period attributable to the Group		**86,942**	**64,757**

Consolidated statement of comprehensive income for financial year 2020 of CHG-MERIDIAN AG, Weingarten

	[redacted]	[redacted]	[redacted]	[redacted]
Consolidated net income			**87,017**	**64,608**
Gains and losses to be reclassified				
Translation differences	**6.**		-12,243	6,747
Other comprehensive income			**-12,243**	**6,747**
Total comprehensive income for the period			**74,774**	**71,355**
Of which attributable to				
Non-controlling interests			75	-149
Shareholders of CHG-MERIDIAN AG			74,699	71,504

Consolidated statement of cash flows for financial year 2020 of CHG-MERIDIAN, Weingarten

	[redacted]	[redacted]
Result from ordinary operations*	122,744	91,077
Increase in deferred income from forfaiting transactions	-577,321	-564,785
Amortisation/depreciation and impairment losses on leased assets under operating leases	663,106	555,579
Amortisation/depreciation of intangible assets, property, plant and equipment and right-of-use assets	13,142	11,960
Increase in provisions and change in deferred taxes and income tax liabilities	18,045	11,674
Net increase in other receivables from customers, other assets and other assets not attributable to investing or financing activities	-103,824	-81,356
Net increase in liabilities to customers, other liabilities and other liabilities not attributable to investing or financing activities	24,761	80,337
Net cash from operating activities	**160,653**	**104,486**
Income taxes paid/received	-16,182	-23,569
Net cash from operating activities	**144,471**	**80,917**
Proceeds from sales of investments	5,075	0
Payments for the purchase of intangible assets, property, plant and equipment and right-of-use assets	-10,287	-28,711
Payments for the purchase of leased assets under operating leases	-1,156,677	-1,039,701
Decrease in receivables from finance leases	72,565	30,515
Sale of intangible assets and property, plant and equipment	541	-742
Leased assets under operating leases	222,388	118,214
Net cash used in investing activities	**-866,395**	**-920,425**
Dividends paid	-28,764	-28,714
Other changes in capital	0	21
Purchase/sale of treasury shares	-9,066	3,497
Net cash from forfaiting proceeds	703,906	726,594
Net increase in liabilities to customers	95,082	206,133
Net cash from financing activities	**761,158**	**907,531**
Net increase/decrease in cash and cash equivalents	39,234	68,023
Changes due to currency translation	-12,243	6,747
Cash and cash equivalents** at the beginning of the period	269,381	194,611
Cash and cash equivalents at the end of the period**	**296,372**	**269,381**

* including interest paid in the amount of KEUR 1,800 and interest received in the amount of KEUR 357 in 2020.
** defined as the sum of the cash reserve and receivables from banks (due at short notice)

Consolidated statement of changes in equity of CHG-MERIDIAN AG, Weingarten

Consolidated statement of changes in equity as at 31 December 2020

	[redacted]				[redacted]				
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Equity as at 1 January 2019 (pursuant to IFRS 16 effect of initial application)	**100,000**	**-851**	**16,282**	**330,556**	**-10,745**	**65,855**	**501,097**	**126**	**501,223**
Net income for the year	-	-	-	-	-	64,757	64,757	-149	64,608
Other comprehensive income/loss	-	-	-	-	6,747	-	6,747	-	6,747
Total comprehensive income/loss	-	-	-	-	**6,747**	**64,757**	**71,504**	**-149**	**71,355**
Changes in treasury shares held	-	518	1,330	-	-	-	1,848	-	1,848
Dividend distribution	-	-	-	-28,714	-	-	-28,714	-	-28,714
Other changes	-	-	-	67,504	-	-65,855	1,649	250	1,899
Equity as at 31 December 2019	**100,000**	**-333**	**17,612**	**369,346**	**-3,998**	**64,757**	**547,384**	**227**	**547,611**
Equity as at 1 January 2020	**100,000**	**-333**	**17,612**	**369,346**	**-3,998**	**64,757**	**547,384**	**227**	**547,611**
Net income for the year	-	-	-	-	-	86,942	86,942	75	87,017
Other comprehensive income/loss	-	-	-	-	-12,243	-	-12,243	-	-12,243
Total comprehensive income/loss	-	-	-	-	**-12,243**	**86,942**	**74,699**	**75**	**74,774**
Changes in treasury shares held	-	-995	488	-	-	-	-507	-	-507
Dividend distribution	-	-	-	-28,764	-	-	-28,764	-	-28,764
Other changes	-	-	-	56,121	-	-64,757	-8,636	78	-8,558
Equity as at 31 December 2020	**100,000**	**-1,328**	**18,100**	**396,703**	**-16,241**	**86,942**	**584,176**	**380**	**584,556**

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1. General information

CHG-MERIDIAN AG takes the form of a German corporation [Aktiengesellschaft] and has its registered office at Franz-Beer-Strasse 111, 88250 Weingarten, Germany. The Company is entered in the commercial register of the Ulm District Court, department B (HRB 551857), and is the parent company of the CHG-MERIDIAN Group (hereinafter referred to as 'CHG-MERIDIAN').

As the parent company, CHG-MERIDIAN AG prepares the consolidated financial statements at the end of each financial year, taking account of all of the separate financial statements of the Group's subsidiaries.

2. Basis of preparation

Pursuant to Section 315e (3) of the German Commercial Code [HGB], CHG-MERIDIAN AG prepared its consolidated financial statements for the year ended 31 December 2020, according to the International Financial Reporting Standards (IFRS). The consolidated financial statements of CHG-MERIDIAN AG comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) as at 31 December 2020, and the supplementary commercial law provisions stipulated in Section 315e HGB.

All IFRSs and International Accounting Standards (IAS) that are required to be applied for financial year 2020 and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) were taken into account in these financial statements.

These consolidated financial statements have been prepared in euro (EUR). All amounts have been rounded to the nearest thousand euro (KEUR).

a) Changes in accounting policies and disclosures

New financial reporting standards and amendments applicable in 2020

The following amendments to standards that must be applied in the EU starting in the reporting year had no or only an immaterial impact on the consolidated financial statements of CHG-MERIDIAN AG:

- Amendments to IAS 1 and IAS 8 Definition of Material (to be applied from 1 January 2020)
- Amendments to IFRS 3 Business Combinations (to be applied from 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" (to be applied from 1 January 2020)
- Amendments to references to the conceptual framework for accounting (to be applied from 1 January 2020)

- Amendments to IFRS 16: COVID-19-Related Rent Concessions (to be applied from 1 July 2020)

Issued financial reporting standards that have not yet been applied

When it prepared its 2020 consolidated financial statements, CHG-MERIDIAN AG decided against the early application of the financial reporting standards, interpretations and amendments below, which have been adopted by the IASB but are not yet mandatory. The Company does not plan to implement individual standards before their initial application becomes mandatory:

- IFRS 17 Insurance Contracts (to be applied from 1 January 2021)

b) Consolidation

Basis of preparation of consolidated financial statements

The consolidated financial statements of CHG-MERIDIAN AG cover the Parent Company, plus all subsidiaries over which CHG-MERIDIAN AG can exercise control. Control exists if CHG-MERIDIAN AG holds voting rights or other rights that give it direct or indirect power over the potential subsidiary, it is exposed to positive or negative variable returns from the potential subsidiary, and it can affect those returns through its power.

Group entities are consolidated from the day on which control passes to the Parent Company. They are deconsolidated from the time at which the Parent Company ceases to have control.

The separate financial statements of the consolidated entities have essentially been prepared using the same accounting policies and with the same reporting date as the consolidated financial statements. Income and expenses as well as receivables and liabilities between the consolidated companies are eliminated as part of the consolidation process. Equity is consolidated by netting the carrying amounts of the investments in subsidiaries against the Group’s share of their equity.

Changes in investments in subsidiaries that cause the Group’s shareholding to increase or decrease without loss of control are recognised in other comprehensive income as an equity transaction.

Scope of consolidation

The following table shows the changes in the consolidated Group of the CHG-MERIDIAN Group:

[redacted]	[redacted]	[redacted]
Consolidated subsidiaries	**53**	**53**
of which Germany	4	4
of which foreign	49	49

In addition to CHG-MERIDIAN AG (the parent company), the following subsidiaries were consolidated as at 31 December 2020:

[redacted]	[redacted]	[redacted]	[redacted]
German subsidiaries			
CHG-MERIDIAN Leasing-Beteiligungs-Holding GmbH	Weingarten, Germany	100	A
CHG-MERIDIAN Industrial Solutions GmbH	Weingarten, Germany	95	A
abakus Consulting GmbH	Ravensburg, Germany	100	A
Foreign subsidiaries			
CHG-MERIDIAN Austria GmbH	Vienna, Austria	100	A
CHG-MERIDIAN Belgium NV	Grimbergen, Belgium	100	A
CHG-MERIDIAN Czech Republic s.r.o.	Prague, Czech Republic	100	A
CHG-MERIDIAN France SAS	Paris, France	100	A
CHG-MERIDIAN Ireland Limited	Dublin, Republic of Ireland	100	A
CHG-MERIDIAN Italia S.p.A.	Vimercate, Italy	100	A
CHG-MERIDIAN Nederland BV	Rotterdam, Netherlands	100	A
CHG-MERIDIAN Polska sp. z o.o.	Warsaw, Poland	100	A
CHG-MERIDIAN Schweiz AG	Baden, Switzerland	100	A
CHG-MERIDIAN Slovakia s.r.o.	Bratislava, Slovakia	100	A
CHG-MERIDIAN Spain S.L.	Barcelona, Spain	100	A
CHG-MERIDIAN (Holdings) UK Limited	Egham, Surrey, United Kingdom	100	A
CHG-MERIDIAN Limited	Egham, Surrey, United Kingdom	100	A
CHG-MERIDIAN UK Limited	Egham, Surrey, United Kingdom	100	A
CHG-MERIDIAN Capital Limited	Egham, Surrey, United Kingdom	100	A

[redacted]	[redacted]	[redacted]	[redacted]
Lease Support Desk Limited	Egham, Surrey, United Kingdom	100	I
Wyse Finance Limited	Egham, Surrey, United Kingdom	100	I
Flameace Limited	Egham, Surrey, United Kingdom	100	I
Wyse Leasing (Midlands) Limited	Egham, Surrey, United Kingdom	100	I
Wyse Capital Limited	Egham, Surrey, United Kingdom	100	I
UK Lease IT Limited	Egham, Surrey, United Kingdom	100	I
Wyse Leasing (South East) Limited	Egham, Surrey, United Kingdom	100	I
Wyse Leasing Limited	Egham, Surrey, United Kingdom	100	I
CSL Finance NV	Grimbergen, Belgium	100	A
CHG-MERIDIAN Belux NV	Grimbergen, Belgium	100	A
LLC "CHG-MERIDIAN"	Moscow, Russia	100	A
CHG-MERIDIAN tehnološki menedžment d.o.o.	Ljubljana, Slovenia	100	A
CHG-MERIDIAN Canada Limited	Windsor, Canada	100	A
CHG-MERIDIAN U.S. Holding Inc.	Los Angeles, USA	100	A
CHG-MERIDIAN USA Corp.	Los Angeles, USA	100	A
CHG-MERIDIAN México S.A.P.I. de C.V.	Mexico City, Mexico	100	A
CHG Locare S.A. de C.V.	Mexico City, Mexico	100	A

[redacted]	[redacted]	[redacted]	[redacted]
Leasing Consulting S.A. de C.V.	Mexico City, Mexico	100	I
ECR Leasing Services S.A. de C.V.	Mexico City, Mexico	49	A
CHG-MERIDIAN do Brasil Locação de Equipamentos Ltda.	São Paulo, Brazil	100	A
CHG-MERIDIAN do Brasil Arrendamento Mercantil S.A.	São Paulo, Brazil	100	A
CHG-MERIDIAN Norway AS	Oslo, Norway	100	A
CHG-MERIDIAN Sweden AB	Stockholm, Sweden	100	A
CHG-MERIDIAN Denmark A/S	Copenhagen, Denmark	100	A
CHG-MERIDIAN Finland Oy	Helsinki, Finland	100	A
CHG-MERIDIAN Skien AS	Skien, Norway	100	A
equigroup Holdings Pty Limited	Sydney, Australia	100	A
equigroup Pty Limited	Sydney, Australia	100	A
equigroup Limited	Auckland, New Zealand	100	A
equigroup Limited	London, United Kingdom	100	A
NF Techfleet AB	Stockholm, Sweden	100	A
NF Techfleet (UK) Limited	London, United Kingdom	100	I
NF Techfleet (Denmark) ApS	Vanløse, Denmark	100	A
CHG-MERIDIAN Australia Pty Limited	Sydney, Australia	100	A

Changes in the scope of consolidation

There were no changes in the consolidated Group in the reporting year.

c) Currency translation

Functional and presentation currency

The consolidated financial statements of CHG-MERIDIAN AG have been prepared in euros, which is the Parent Company's functional currency. The functional currency of the companies in the CHG-MERIDIAN Group is the currency of the primary economic environment in which they operate. The items included in the financial statements of the Group entities are measured using the entity's defined functional currency.

Foreign-currency transactions

The Group companies translate foreign-currency transactions into their functional currency using the spot rate prevailing on the date of initial recognition of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate on the reporting date. Non-monetary items measured at historical cost are translated using the historical rate. Non-monetary items measured at fair value are translated using the rate valid on the date of fair value measurement. Exchange differences resulting from the translation of monetary items are recognised in profit or loss. If gains or losses from the remeasurement of non-monetary items are recognised in other comprehensive income, the exchange differences are also recognised in other comprehensive income.

Group entities

As part of consolidation, the assets and liabilities of the foreign companies in the CHG-MERIDIAN Group are translated into euros using the average spot rate of exchange as at the reporting date. With the exception of net income, equity is translated at historical rates. Income and expenses are translated at the average rate for the financial year. The exchange differences resulting from translation are recognised within equity under “Other reserves”. In the event of a foreign operation's disposal, the pro-rata cumulative exchange differences contained in equity are recognised in profit or loss.

The changes in the main euro exchange rates used in the consolidated financial statements were as follows:

[redacted]	[redacted]		[redacted]	
USD	0.81493	0.87215	0.89015	0.89326
CHF	0.92575	0.93437	0.92132	0.89896
MXN	0.04096	0.04105	0.04712	0.04639
RUB	0.01093	0.01220	0.01429	0.01380
GBP	1.11231	1.12528	1.17536	1.13925
CAD	0.63967	0.65425	0.68503	0.67317
CZK	0.03811	0.03783	0.03936	0.03896
PLN	0.21931	0.22516	0.23492	0.23269
BRL	0.15690	0.17203	0.22145	0.22658
NOK	0.09551	0.09337	0.10138	0.10151
SEK	0.09966	0.09539	0.09572	0.09444
DKK	0.13439	0.13415	0.13384	0.13394
AUD	0.62909	0.60593	0.62520	0.62077
NZD	0.58879	0.56967	0.60049	0.58830

3. Significant Accounting Policies

Receivables from banks

Receivables from banks are recognised at their nominal amount.

Receivables from finance leases

The CHG-MERIDIAN Group's finance lease business predominantly relates to IT equipment, industrial equipment, and healthcare equipment.

The CHG-MERIDIAN Group also enters into sale-and-leaseback transactions in which the leased equipment is acquired from the lessee and then leased back to the lessee. Depending on the contractual leaseback arrangements, these contracts are classified and presented as either finance leases or operating leases.

In the case of finance leases, beneficial ownership passes to the lessee. Receivables from finance leases are therefore recognised in the consolidated statement of financial position.

The CHG-MERIDIAN Group mainly classifies leases using the present value criterion. According to this criterion, a leasing arrangement qualifies as a finance lease if, at the inception of the lease, the present value of the guaranteed minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Receivables from finance leases are initially recognised at the net investment value, which essentially equates to the leased equipment's acquisition cost. The net investment value essentially corresponds to the acquisition cost of the leased asset plus initial direct costs. First-time recognition is made at the point of confirmation on the part of the lessee that the leased asset is installed and ready for use.

The interest income from these transactions is shown under interest income from finance leases in the income statement. In accordance with IFRS 16, interest on the receivables is calculated at the lease's underlying interest rate. This produces a constant, periodic rate of interest on the remaining balance of the receivable.

Derecognition of finance lease receivables

The refinancing of leases at CHG-MERIDIAN takes place, among others, in the form of non-recourse funding. CHG-MERIDIAN sells future cash flows from the lease to the funding provider. For non-recourse funding of lease instalments, the counterparty risk (in particular) is assumed by the funding provider.

Finance lease receivables are subject to the derecognition requirements for financial instruments. CHG-MERIDIAN's non-recourse funding contracts comply with the derecognition requirements in IFRS 9:

- transfer of the contractual rights to cash flows from the financial asset and
- transfer of essentially all of the opportunities and risks associated with ownership.

Accordingly, the (partial) receivables are derecognised upon sale and the profit from non-recourse financing (difference between the present value of the lease instalments sold at the internal interest rate and the disbursement amount of the financing party as well as the liability to be taken into account from the administrative and settlement obligation) is recognised immediately through profit or loss. Profit is recognised under the Interest income from financial leases.

Impairment of lease receivables

Default risk arising on lease receivables is accounted for through constitution of a risk provision.

A simplified approach to the expected credit loss method is applied to existing credit risks. For this purpose, a three-year average is used based on information on defaults of self-financed or credit-financed rental certificates in the event of insolvency; this forms the basis for the risk provision. Income actually received in past cases of insolvency is also factored into the consideration. Based on the percentage distribution of the risky lease payments into finance leases and operating leases, the risk provision identified is broken down into finance leases and operating leases as at the reporting date.

Financial instruments

<u>Financial assets</u>

Financial assets within the meaning of IFRS 9 are classified in the following categories (IFRS 9.4.1):

- At amortised cost (AC)
- At fair value in other comprehensive income (FVOCI with or without recycling)
- At fair value through profit or loss (FVTPL)

Financial assets are initially recognised at fair value. The transaction costs are also added, except in the case of assets designated “as at fair value through profit or loss”. Spot transactions are recognised on the settlement date.

Measurement subsequent to initial recognition depends on the financial asset's underlying classification:

At amortised cost (AC)
In the CHG-MERIDIAN Group, financial instruments measured at amortised cost take the form of loans and receivables the payment characteristics of which consist exclusively of interest and repayment payments on the outstanding principal amount and which, under the business model, are held in order to collect contractual cash flows. Following initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. The income from amortisation using the effective interest method is recognised in the income statement under "Other interest income". Impairment losses are largely allocated to the leasing business and are therefore shown under "Write-downs and value adjustments on lease receivables and leased assets" in the income statement.

At fair value through profit or loss in other comprehensive income (FVOCI)
Financial instruments classified at fair value through profit or loss in other comprehensive income (FVOCI) with recycling also have the payment characteristic that consists only of interest and redemption payments on the outstanding principal amount, but business model of which is aimed at 'holding and selling'. As at the reporting date, CHG-MERIDIAN does not have any FVOCI-category financial instruments with recycling.

For equity instruments within the meaning of IAS 32 that, due to their lack of payment characteristics, would have to be allocated to interest and redemption payments on the outstanding amount of capital in the FVTPL category, there is an option (OCI option) of classifying them in the 'FVOCI' category without recycling if there is no intention to trade these instruments. As at 31 December 2019, FVOCI financial instruments without recycling are not recognised in the Group.

Measured at fair value through profit or loss (FVTPL)
In principle, all financial instruments are to be classified to the FVTPL category if their business model is not such that they fall under the above AC or FVOCI categories (with or without recycling), or if their cash flow condition does not consist solely of interest and redemption payments on the outstanding principal amount. At CHG-MERIDIAN, only derivatives are included in the Group of financial assets measured at fair value through profit or loss.

Financial assets (derivatives) designated as at fair value through profit or loss are recognised at fair value under "Derivatives" in the statement of financial position, with changes in fair value shown under "Gains and losses on the measurement of derivatives" in the income statement.

Financial assets are designated as at fair value through profit or loss upon initial recognition.

Financial liabilities

According to IFRS 9, financial liabilities are classified either as financial liabilities designated as "at fair value through profit or loss", or as liabilities measured at amortised cost. The Group determines the classification (measurement category) of its financial liabilities at initial recognition.

All financial liabilities are measured at fair value upon initial recognition, with directly attributable transaction costs included.

The Group's financial liabilities consist of liabilities to banks, liabilities to customers, and derivatives.

Measurement subsequent to initial recognition depends on the financial liability's classification:

At fair value through profit or loss (FVTPL)

Financial liabilities designated as "at fair value through profit or loss" comprise derivatives with a negative market value that were classified "as at fair value through profit or loss" upon initial recognition. Gains and losses from the derivatives are subsequently recognised in profit or loss.

Financial liabilities are designated as "at fair value through profit or loss" upon initial recognition, provided the criteria in IFRS 9 are met.

In the consolidated financial statements of CHG-MERIDIAN AG, only derivatives are assigned to the FVTPL category.

At amortised cost (AC)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised or as a result of amortisation under the effective interest method. Amortisation charges under the effective interest method are recognised in the income statement under "Interest expense".

Impairment of financial assets

Default risk arising on financial assets is accounted for by recognising impairment losses.

Specific valuation allowances in the amount of the incurred loss have been recognised for credit risk within the "Other receivables from customers" item. The basis for this is a maturity analysis of the receivables portfolio for the 'not due', 'due < 30 days', 'due between 30 and 90 days' and 'overdue > 90 days' categories. In addition, the expected loss is used for a 12-month period based on the respective credit risk of the individual customer, resulting in a weighted average of the default risk. For receivables 'overdue > 90 days', an increased loss allowance is constituted based on past experience with insolvencies and default.

Receivables are shown in the statement of financial position at the net carrying amount. The carrying amount of the financial asset is reduced using a valuation-allowance account. Disclosures relating to loss allowances can be found in Section 5, 'Notes to the income statement – write-downs and value adjustments on lease receivables and leased assets'.

Uncollectible receivables in liquidation for which all of the security furnished has been realised and all other options for recovery have been exhausted are written off in full. Previously recognised specific valuation allowances are utilised. Any subsequent receipts against receivables that have been written off are recognised in profit or loss.

Hedge accounting

The CHG-MERIDIAN Group uses derivatives as hedging instruments to a small extent at the level of CHG-MERIDIAN AG in order to manage interest-rate risk and currency risk and because they help to reduce earnings volatility. These derivatives are instruments that are traded directly between market participants rather than being traded on an exchange.

If the derivatives satisfy the recognition criteria in IFRS 9, they are recognised at their fair value, both on the acquisition date and subsequently, in accordance with the requirements in IFRS 13 Fair Value Measurement. In this case, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. Measurement of individual assets, liabilities and equity instruments is based on observable and unobservable parameters. These are assigned to one of the three levels of the fair value hierarchy:

- quoted prices in active markets to which the Group has access
- quoted market prices that are observable either directly or indirectly
- unobservable inputs

The derivatives used in the CHG-MERIDIAN Group are recognised in accordance with the requirements of IFRS 13 using Level 2 inputs corresponding to quoted prices for identical assets that can be observed directly.

CHG-MERIDIAN generally assigns derivatives used for hedging to the FVTPL category. Hedge accounting pursuant to IFRS 9.4.3 et seqq. is not applied in the consolidated financial statements.

Leased assets under operating leases

The CHG-MERIDIAN Group's operating lease business predominantly relates to IT equipment, industrial equipment, and healthcare equipment.

In the case of operating leases, beneficial ownership of the assets remains with CHG-MERIDIAN. They are therefore recognised under “Leased assets under operating leases” in the consolidated statement of financial position.

The assets are measured at cost less straight-line depreciation or amortisation over the term of the lease to the notional residual value. The leasing income is recognised over the term of the lease using the straight-line method.

Initial recognition takes place when the lessee confirms that the leased equipment is installed and in a state of operational readiness.

Impairment losses from leased assets under operating leases are recognised for impairment pursuant to IFRS 9 5.5.15 (b) which provides for constitution of a risk provision for all lease receivables. The simplified approach of the expected credit loss method is thus applied analogously to risk provisions for finance leases.

Impairment losses are reversed if the reasons for recognising them in previous years no longer apply.

The impairment losses and their reversal are recognised in profit or loss under “Write-downs and value adjustments on lease receivables and leased assets”.

Intangible assets

Purchased intangible assets with a finite useful life, which mainly include software and licenses, are recognised at cost plus acquisition-related costs in accordance with the requirements of IAS 38. They are amortised on a straight-line basis assuming a useful life of between one and ten years.

Intangible assets with indefinite useful lives are not amortised. These assets are tested for impairment annually, and also if there are indications of impairment. There were KEUR 18,903 in intangible assets with an indefinite useful life in the CHG-MERIDIAN Group as at 31 December 2020 (PY: KEUR 18,903).

Impairment losses pursuant to IAS 36 are taken into account using write-downs. If the book value exceeds an asset’s recoverable amount, the difference is recognised as an impairment. The recoverable amount is the net revenue from an immediate sale (fair value less selling expenses). The fair value equals the market price of the asset or a price derived from market transactions.

Impairment losses are reversed if the reasons for recognising them in previous years no longer apply.

Impairment losses and reversal of impairment losses are recognised under “Amortisation/depreciation and impairment losses of intangible assets and property, plant and equipment”.

Property, plant and equipment

Property, plant and equipment is measured at cost plus directly attributable costs less straight-line depreciation and, if applicable, impairment losses. The depreciation period is based on the expected useful life. Residual values, useful lives, and the method of depreciation are reviewed periodically. If there are variations from previous estimates, the changes are recognised in accordance with the requirements of IAS 8. Maintenance and minor repairs are recognised in profit or loss immediately.

In the event of disposal of property, plant or equipment, the asset’s cost and the cumulative depreciation are derecognised. The gain or loss on disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount and recognised at the point of derecognition under Other operating income or Other operating expenses in the income statement.

The leased component of administration buildings is recognised together with the internally used property under "Property, plant and equipment".

Impairment losses pursuant to IAS 36 are taken into account using write-downs. If the book value exceeds an asset’s recoverable amount, the difference is recognised as an impairment. The recoverable amount is the net revenue from an immediate sale (fair value less selling expenses). The fair value equals the market price of the asset or a price derived from market transactions.

Impairment losses are reversed if the reasons for recognising them in previous years no longer apply.

Impairment losses and reversals of impairment losses are recognised under “Amortisation/depreciation and impairment losses of intangible assets and property, plant and equipment”.

Right-of-use assets and lease liabilities

With the beginning of use, a right-of-use asset and a lease liability are recognised in the statement of financial position for all leases in which the CHG-MERIDIAN Group is the lessee at the present value of the future lease payments. This does not apply to leases for which the underlying asset is of low value or the term is twelve months or less.

The lease liability is recognised in the amount of the present value of the future lease payments over the reasonably certain useful life. Lease payments are discounted using the incremental borrowing rate to be determined.

The cost of the right-of-use asset is generally determined by the amount of the lease liability at the inception of the lease, adjusted for lease prepayments received or lease incentives offered. In the course of subsequent measurements, right-of-use assets are amortised on a straight-line basis over the lease term.

The lease term is the non-cancelable period of a lease plus periods covered by an option to renew the lease if it is reasonably certain at the time of assessment that the option will be exercised.

Other assets

The “Other assets” item predominantly comprises inventories. In the CHG-MERIDIAN Group, inventories consist of:

- assets that are intended to be leased

- assets that have been returned to CHG-MERIDIAN after the end of the lease term

- brokerage.

Assets that are intended to be leased are items of leased equipment the installation and operational readiness of which have not yet been confirmed by the customer. These assets are recognised at cost.

Assets that have been returned to CHG-MERIDIAN after the end of the lease term are shown under “Inventories” with their residual values, which correspond to their amortised cost at the end of the lease.

Brokerage is recognised at cost.

After initial recognition, inventories are subsequently measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated necessary selling expenses.

Impairment losses on inventories, and their reversal, are recognised in profit or loss under “Income from remarketing” and “Expenses from remarketing”. On average, inventories remain in the CHG-MERIDIAN Group for significantly less than one year. Net realisable values are reviewed on an ad-hoc basis.

Revenue recognition in connection with inventories complies with the requirements of IFRS 15. Accordingly, revenue is recognised when the transfer of the good sold to the customer fulfils a performance obligation. An asset is considered transferred at the time when the customer obtains control of that asset.

Provisions

According to IAS 37, provisions are recognised if a past event has created a legal or constructive obligation vis-à-vis third parties that is likely to lead to an outflow of resources in an amount that can be reliably estimated. Provisions with terms of more than one year are discounted at a rate adequate for their term and risk on the reporting date and recognised at their settlement amount.

Tax

The tax expense for the period comprises current and deferred taxes. Tax is recognised in the income statement unless it relates to items recognised directly in equity.

Current income taxes

The current tax expense is calculated using the tax laws of the countries in which the Company and the subsidiaries of the CHG-MERIDIAN Group operate and generate taxable income. It is measured as the amount expected to be reimbursed by, or paid to, the tax authorities. Management periodically evaluates positions taken in tax returns with respect to matters in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes

Deferred taxes are recognised on all temporary differences between the tax bases of assets/liabilities and their carrying amounts in the IFRS financial statements (known as the liability method). However, if a deferred tax arises from the initial recognition of an asset or liability within the scope of a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit, the tax deferral is not recognised at the time of initial recognition nor later. Deferred taxes are measured using the tax rates that are in force or have essentially been enacted at the reporting date and that are expected to be in force at the time the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that there will be future taxable profit against which the tax assets can be utilised.

Deferred tax liabilities arising from temporary differences associated with investments are recognised, unless the Group can control the timing of the reversal of the temporary difference and it is probable that, due to this control, the reversal will not occur in the foreseeable future. No deferred taxes were recognised for these outside basis differences in the reporting year.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and where there is the intention to settle the balances on a net basis.

Other liabilities

Share-based payment

Share-based payments comprise share option programmes that, in accordance with Company practice, are settled in cash.

In accordance with IFRS 2, the issued share options are measured at the fair value of the liability taking account of the contractual terms. The fair value is determined using a binomial model. The liabilities arising from the share-based payment are reported under “Other liabilities” in the statement of financial position.

The fair value is recalculated at each reporting date and on the payout date, with any resulting change recognised in profit or loss. Expenses resulting from an increase in the liability from share-based payments are included in “Staff expenses”.

Liabilities from the servicing obligation

Liabilities to banks from the servicing obligation for lease receivables funded on a non-recourse basis and derecognised pursuant to IFRS 9.3.2.10 are shown under “Other liabilities”.

Upon derecognition of finance lease receivables due to non-recourse funding, the gain from the sale of the receivables is recognised upon disposal. CHG-MERIDIAN continues to provide services in connection with the sold lease arrangement after the receivables have been derecognised. These services are settled by the gain realised from the sale. Upon disposal of the receivable, a liability is recognised that is released to profit or loss over the basic term of the lease using the straight-line method to ensure that the income and expenses from the lease are apportioned to the relevant periods.

The liability is recognised for each lease using a defined flat-rate amount for each remaining month of the basic term. The liability is recognised in profit or loss.

The income and expenses arising on the liability from the servicing obligation are shown under "Interest income from finance leases".

4. Material judgements, estimates and assumptions

In preparing the consolidated financial statements, the parent company's management makes judgements, estimates and assumptions that have an impact on the amounts of reported income, expenses, assets and liabilities, on the related disclosures and on the disclosures of contingent liabilities.

The uncertainty associated with these assumptions and estimates could produce results that lead to significant adjustments to the carrying amounts of the affected assets or liabilities in future periods.

The assumptions and estimates used by the Company in the financial year mainly relate to the following matters:

- assessment of the impairment of goodwill,

- assessment of the impairment of receivables,

- assessment of the useful life/depreciation period of the leased asset

- consideration of unguaranteed residual values in the measurement of receivables from finance leases and operating leases,

- recognition and measurement of deferred taxes.

Goodwill is not subject to amortisation and is subject to impairment testing at least once a year after initial recognition.

The impairment losses on receivables is based, to a certain extent, on estimates and assessments of individual receivables with regard to customers' credit standing, the type of financing and experience of historical default rates.

The assets under leased assets are written down to the notional residual value on a straight-line basis over the term of the lease. This synchronises the course of income and expenses from rental income and write-downs.

The unguaranteed residual values consist of outstanding proceeds from amortisation and remarketing proceeds. Outstanding proceeds from amortisation arise if the present value of the lessee's minimum lease payments does not cover the acquisition cost of the leased asset. The calculation of the lease takes into account the fact that the outstanding proceeds from amortisation will be realised at the end of the basic term. Remarketing proceeds are recognised on the basis of portfolio analysis with estimated average net remarketing proceeds of 5.0 to 15.0 percent of the original acquisition cost. This percentage is based on a best estimate using historical empirical values. The calculation of the lease account takes account of the remarketing proceeds that will be recognised at the end of the minimum term of the lease. The recognition of unguaranteed residual values has a direct impact on revenue recognition in the CHG-MERIDIAN Group. If it emerges that the average remarketing proceeds or the outstanding proceeds from amortisation can no longer be realised, the assets are written down accordingly.

The estimated, unguaranteed residual values were reviewed as at 31 December 2020 in accordance with IFRS 16.77. This review (back testing) is conducted at Group company level on a portfolio basis. CHG-MERIDIAN uses an analysis of the net remarketing proceeds in the financial year for the purpose of back testing and is consolidated as at 31 December 2020 as follows:

[redacted]	[redacted]	[redacted]
Income from lease instalments during extensions	165,066	143,366
Depreciation and write-downs of leased assets during extensions	-74,922	-61,142
Income from the sale of leased assets	161,181	112,177
Expenses from the sale of leased assets	-122,070	-82,891
Net remarketing proceeds	**129,255**	**111,510**

The positive level of net remarketing proceeds in 2019 and 2020 confirms that the estimates of remarketing potential applied at the inception of a lease were appropriate/conservative.

The measurement of deferred tax assets and liabilities requires material assessments to be made. In the case of deferred tax assets on tax losses carried forward, this involves estimating the amount and timing of future taxable income. There is also uncertainty resulting from potential changes to tax law in the future.

5. Notes to the income statement

5.1 Interest income from finance leases

Interest income from finance leases comprises the items listed below.

- Interest income during the basic term;

  An underlying interest rate is determined for each lease on the basis of the agreed lease instalments and the expected additional payments and is used to calculate the interest on the finance lease receivables.

- Interest income from the unwinding of the discount on unguaranteed residual values;

  The residual values expected at the end of the basic term accrue interest at the underlying interest rate during the basic term.

- Proceeds in connection with the derecognition of finance lease receivables;

  In the case of the non-recourse sale of receivables to a funding partner, the difference between the present value of the sold lease instalments and the amount paid by the funding partner is recognised in profit or loss in accordance with the requirements of IFRS 9.

Interest income from finance leases declined over the prior year by KEUR 9,098 to KEUR 104,531 (PY: KEUR 113,629).

The decrease is mainly attributable to lower interest income related to the derecognition of finance lease receivables on non-recourse funding (KEUR -14,590).

5.2. Other interest income

Other interest income decreased from KEUR 2,319 in 2019 to KEUR 426 in the reporting year. This item contains all interest income that cannot be allocated to finance leases. It mainly consists of income from short-term investments of cash and cash equivalents.

Interest income from the unwinding of the discount on impaired receivables is only recognised if the financial asset was discounted for the recognition of the impairment. Based on the assumption that most remarketing proceeds will be realised within one year, discounting is not carried out when the impairment loss is measured for reasons of materiality.

Total interest income for financial assets which are not measured as FVTPL amounted to KEUR 104,889 in the financial year (PY: KEUR 115,800).

5.3 Interest expenses

The “Interest expense” line item mainly contains interest expense on loans for the funding of leases. Interest expenses decreased from KEUR 33,106 in 2019 to KEUR 26,269 in 2020.

Interest expense for financial liabilities that are not measured at fair value through profit or loss totalled KEUR 25,031 in 2020 (PY: KEUR 31,064).

Interest expenses for the recognised lease liabilities for the Group as lessee amounted to KEUR 113 (PY: KEUR 115).

5.4 Income from operating leases

The following table shows the breakdown of income from operating leases in the reporting period:

[redacted]	[redacted]	[redacted]
Income from lease instalments during the minimum lease term	674,382	563,329
Income from lease instalments during extensions	165,066	143,366
Income from operating leases	**839,448**	**706,695**

During the minimum lease term of the lease, the lease instalments are deferred and recognised on an accrual basis using the straight-line method.

5.5 Expenses from operating leases

The following table shows the breakdown of expenses from operating leases:

[redacted]	[redacted]	[redacted]
Depreciation and write-downs of leased assets during the minimum lease term	583,736	494,129
Depreciation and write-downs of leased assets during extensions	74,922	61,142
Interest expense on deferred income from forfaiting transactions	15,092	12,693
Expenses from operating leases	**673,750**	**567,964**

The leased assets are depreciated or amortised to their unguaranteed residual value using the straight-line method over the minimum term of the lease. In the case of an extension, the residual value is generally depreciated or amortised using the straight-line method over one year.

Interest expense on deferred income from forfaiting transactions is allocated to expenses from operating leases because the finance leases funded on a non-recourse basis, and the associated deferred forfaiting income, are normally derecognised, which means only the interest expense that can be allocated to operating leases remains.

5.6 Income and expenses from remarketing

The following table shows the breakdown of income and expenses from remarketing:

[redacted]	[redacted]	[redacted]
Income from the sale of leased assets	161,181	112,177
Expenses from the sale of leased assets	-122,070	-82,891
Income from brokerage activities	20,179	15,121
Expenses from brokerage activities	-11,917	-7,665
Net income from remarketing	**47,373**	**36,742**

Leased assets are remarketed directly either by the respective foreign subsidiary or via the Technology and Service Centres located near to Frankfurt am Main, Germany and in Skien, Norway.

In addition to the remarketing of leased assets, the Technology and Service Centres are responsible for the worldwide purchasing and remarketing of IT equipment (brokerage).

Impairment losses recognised on inventories are also shown under "Expenses from the sale of leased assets" and totalled to KEUR 3 in 2020 (PY: KEUR 13).

5.7 Write-downs and value adjustments on lease receivables and leased assets

Write-downs and value adjustments on lease receivables and leased assets consist of impairment losses, reversals of impairment losses, and direct write-offs of receivables from finance leases and other receivables from customers. Impairment losses and reversals of impairment losses on leased assets pursuant to IAS 36 are also subsumed under this item:

[redacted]	[redacted]	[redacted]
Impairment losses on and write-offs of other receivables from customers	21,755	16,226
Impairment losses/reversals on receivables from finance leases	3,266	355
Impairment losses/reversals of impairment losses – leased assets	4,449	309
Income from the derecognition of deferred income from forfaiting transactions under operating leases	-4,570	-57
Write-downs and value adjustments on lease receivables and leased assets	**24,900**	**16,833**

The increase in value adjustments of other receivables from customers was mainly the result of the impairment of capitalised hidden reserves in conjunction with the acquisition during financial year 2018 of equigroup Holdings Pty Limited (EUR 19.2 million; PY: EUR 14.2 million).

Movements in impairment accounts for finance lease receivables and other receivables from customers were as follows:

[redacted]	[redacted]	[redacted]	[redacted]
As at 1 Jan. 2019	**2,205**	**13,783**	**15,988**
Addition recognised as an expense	355	3,786	4,141
Utilisation	0	7,196	7,196
Reversal /currency differences	-48	2,038	1,990
As at 31 Dec. 2019	**2,608**	**8,335**	**10,943**
As at 1 Jan. 2020	**2,608**	**8,335**	**10,943**
Addition recognised as an expense	3,266	5,222	8,488
Utilisation	0	3,144	3,144
Reversal /currency differences	46	2,702	2,748
As at 31 Dec. 2020	**5,828**	**7,711**	**13,539**

The impairment for the "At Cost" category amounted to KEUR 5,222 in financial year 2020 (PY: KEUR 4,023). The impairment loss for finance lease receivables amounted to KEUR 3,266 (PY: KEUR 355).

In respect of the notes on write-downs and value adjustments on lease receivables and leased assets, please refer to the table on the development of leased assets under 7. Notes on the statement of financial position.

If an impaired receivable or impaired leased asset under an operating lease was funded without recourse, derecognition of the deferred income from the forfaiting transaction results in a reduction in the impairment losses recognised.

5.8 Income from services rendered

The following table shows the breakdown of income from services rendered:

[redacted]	[redacted]	[redacted]
Income from charging for consumables and brokerage	23,155	30,459
Income from TESMA®	16,256	15,287
Income from data erasure	3,856	2,818
Insurance income	3,104	3,572
GarantiePlus income	2,702	2,189
Other service income	12,130	11,068
Total	**61,203**	**65,393**

Income from services rendered decreased in total by KEUR 4,190, or 6.4% year on year. This development is mainly due to lower income from the recharging of consumables, which is in turn offset by lower expenses from the recharging of consumables.

5.9 Expenses from services rendered

Expenses for services rendered decreased from KEUR 45,807 in 2019 to KEUR 40,948 in 2020. Expenses primarily relate to the purchase of consumables (printer paper, toner, etc.) and brokerage.

5.10 Gains and losses on the measurement of derivative financial instruments

The gain/loss from the measurement of derivative financial instruments in the reporting period breaks down as follows:

[redacted]	[redacted]	[redacted]
Income from derivatives	4,087	2,118
Expenses from derivatives	-111	-5,238
Result from the valuation of derivative financial instruments	**3,976**	**-3,120**

All derivatives are recognised at fair value in the statement of financial position. Changes in fair value are recognised in profit or loss. As hedge accounting is not applied, all derivatives are categorised as “at fair value through profit or loss” in accordance with IFRS 9.

5.11 Staff expenses

Personnel expenses are broken down as follows:

[redacted]	[redacted]	[redacted]
Wages and salaries	111,629	103,765
Social security, pension and other benefits	16,599	16,180
Total	**128,228**	**119,945**

The addition to liabilities from share-based payment in the amount of KEUR 6,533 (PY: KEUR 7,360) was recognised under "Staff expenses" in the reporting period.

5.12 Other administrative expenses

The following table shows the breakdown of other administrative expenses:

[redacted]	[redacted]	[redacted]
Audit and advisory costs	5,332	5,756
Other staff expenses	4,952	4,873
Maintenance costs	3,316	3,358
Customer-related events and entertainment expenses	2,688	2,832
Vehicle costs	1,993	2,217
Rent and other office space costs	1,945	1,786
Travel expenses	1,515	4,371
Telecommunications costs and postage	1,411	1,179
Bank charges	839	856
Contributions and fees	760	1,351
Business insurance	511	450
Costs for office supplies	453	758
Information costs	351	673
Other expenses	4,203	3,878
Total	**30,269**	**35,260**

Auditing and consultancy costs include the following services rendered by the auditors KPMG AG Wirtschaftsprüfungsgesellschaft, which were used by CHG-MERIDIAN companies:

[redacted]	[redacted]	[redacted]
Expenses for year-end auditing	320	289
Expenses for other attestation services	13	13
Expenses for other services	53	73
Total	**386**	**375**

The expenses for audit services relate to the expenses for the audit of the consolidated financial statements of CHG-MERIDIAN AG as well as the statutory audits of the annual financial statements of CHG-MERIDIAN AG and CHG-MERIDIAN Industrial Solutions GmbH.

5.13 Amortisation/depreciation and impairment losses on intangible assets, property, plant and equipment and right-of-use assets

[redacted]	[redacted]	[redacted]
Land and buildings	2,143	2,110
Operating and office equipment	3,798	3,572
Intangible assets	1,682	1,339
Right-of-use assets	5,519	4,939
Total	**13,142**	**11,960**

Please also refer to the table on the movements in intangible assets, property, plant and equipment and right-of-use assets under 7. Notes to the statement of financial position – intangible assets, property, plant and equipment and right-of-use assets.

5.14 Other operating income/expenses

The “Other operating income” and “Other operating expenses” items predominantly contain gains and losses from currency translation. Income from currency translation amounted to KEUR 12,510 in the financial year (PY: KEUR 24,861). Losses from currency translation recognised in profit or loss amounted to KEUR 11,900 in the financial year (PY: KEUR 27,684).

5.15 Tax

The following table shows the breakdown of the main components of the income tax expense for 2017 and 2018:

[redacted]	[redacted]	[redacted]
Current income taxes		
Current tax expense	24,592	12,222
Current income taxes from other accounting periods	-429	-754
Use of loss carryforwards	0	-432
Deferred income taxes		
Deferred tax expense	11,564	15,433
Tax expense shown in the consolidated income statement	**35,727**	**26,469**

The tax on consolidated profit before tax deviates from the expected tax expense as follows:

[redacted]	[redacted]	[redacted]
Earnings before income taxes	122,744	91,077
Expected tax rate	**30.24%**	**30.02%**
Expected tax expense	**37,118**	**27,344**
Change in the expected tax expense due to:		
permanent differences	32	123
use of unrecognised loss carryforwards	-417	-2
taxes from other accounting periods	341	-7
tax-related discrepancies	-630	-499
other effects	-717	-490
Current tax expense	**35,727**	**26,469**
Current tax rate	**29.1%**	**29.1%**

The weighted average tax rate amounted to 29.1% in the financial year (PY: 29.1%). The difference to the expected tax rate in the financial year was -1.1% (PY: -0.9%). The expected tax rate corresponds to the average income tax rate of CHG-MERIDIAN AG in Germany in the respective financial year.

The deferred tax liabilities mainly result from the different measurement of receivables from finance leases and leased assets under operating leases. For tax purposes, leased assets are generally depreciated in accordance with tax principles; depreciation thus often does not correspond with the income development from lease income.

The following table shows the allocation of existing deferred tax assets on tax loss carryforwards to the Group companies and country Groups:

[redacted]	[redacted]	[redacted]
CHG-MERIDIAN (Holdings) UK Limited	881	806
CHG-MERIDIAN Industrial Solutions GmbH	728	1,023
CHG-MERIDIAN Norway AS	11	146
CHG-MERIDIAN U.S. Holding Inc.	0	1,192
LLC "CHG-MERIDIAN"	0	1
Deferred tax assets on tax loss carryforwards	**1,620**	**3,168**

6. Notes to the statement of comprehensive income

The cumulative exchange differences recognised directly in equity were KEUR -3,998 lower during the financial year under report and went from KEUR -12,243 (as at 31 December 2019) to KEUR -16,241 as at 31 December 2020. This change primarily concerns the translation of CHG-MERIDIAN's Mexican and American financial statements.

7. Notes on the statement of financial position

7.1 Cash reserve

The cash reserve consists entirely of cash in the form of cash on hand.

7.2 Receivables from banks

Receivables from banks grew by KEUR 26,902 year on year and stood at KEUR 296,321 as at the reporting date.

Receivables from banks consist mainly of credit balances in current accounts.

No receivables from banks were past due or impaired as at the reporting date. There are no indications of default in connection with receivables from banks that are neither impaired nor past due.

Of the receivables from banks, KEUR 0 were classified as non-current (PY: KEUR 111).

7.3 Receivables from finance leases

The following tables of receivables from finance leases do not take account of impairment losses.

[redacted]	[redacted]	[redacted]
Outstanding minimum lease payments	618,651	692,814
+ unguaranteed residual values	256,891	261,713
Gross investment	**875,542**	**954,527**
- unrealised (outstanding) finance income	-97,811	-107,452
Net investment	**777,731**	**847,075**
- present value of unguaranteed residual values	-226,602	-231,263
Present value of outstanding minimum lease payments	**551,129**	**615,812**

For the reconciliation of net investment to presentation in the statement of financial position, write-downs and value adjustments on outstanding minimum lease payments need to be taken into account.

Total breakdown of receivables from finance leases (before provision for risks) by maturity is as follows:

[redacted]	[redacted]	[redacted]
Up to one year	351,339	374,385
One to two years	213,113	257,935
Two to three years	144,110	162,642
Three to four years	101,967	93,455
Four to five years	50,424	54,223
More than five years	14,589	11,887
Gross investment	**875,542**	**954,527**
Unrealised (outstanding) finance income	-97,811	-107,452
Net investment	**777,731**	**847,075**

Of the receivables from finance leases, KEUR 546,559 were classified as non-current (PY: KEUR 582,137).

Loss allowances for outstanding minimum lease payments amounted to KEUR 5,828 (PY: KEUR 2,607).

There are no indications of default in connection with receivables from finance leases that are neither impaired nor past due.

7.4 Other receivables from customers

Other receivables from customers include mainly receivables from lease instalments, services and sales of leased assets of KEUR 164,253 (PY: KEUR 153,397). This line item also includes deferred lease income of KEUR 13,507 (PY: KEUR 9,461). As at the reporting date, this item contains contract assets from services totalling KEUR 9,755 (PY: KEUR 12,961) and contract assets from sales of leased assets totalling KEUR 26,380 (PY: KEUR 19,985).

Other receivables from customers were impaired by a total of KEUR 7,711 (PY: KEUR 8,335). Please also refer to the information provided in Section 5 "Notes to the income statement – write-downs and value adjustments on lease receivables and leased assets".

There are no indications of default in connection with other receivables from customers that are neither impaired nor past due.

Of the Other receivables from customers, KEUR 334 were classified as non-current (PY: KEUR 442).

7.5 Leased assets under operating leases

The following table shows the changes to leased assets under operating leases:

[redacted]	[redacted]
Acquisition cost as at 1 Jan. 2020	**2,587,711**
Foreign currency translation differences	-63,661
Additions	1,206,371
Reclassification	316
Disposals	-664,197
Acquisition cost as at 31 Dec. 2020	**3,066,540**
Accumulated depreciation and amortisation as at 1 Jan. 2020	**940,822**
Foreign currency translation differences	-30,721
Additions to depreciation and amortisation	658,658
Reclassification	143
Depreciation and amortisation relating to disposals	-425,759
Accumulated depreciation and amortisation as at 31 Dec. 2020	**1,143,143**
Accumulated impairment losses as at 1 Jan. 2020	**1,067**
Foreign currency translation differences	-84
Additions to impairment losses	4,449
Reclassification	962
Use of impairment losses	0
Disposals of impairment losses	0
Accumulated impairment losses as at 31 Dec. 2020	**6,394**
Net carrying amounts as at 31 Dec. 2020	**1,917,003**

[redacted]	[redacted]
Acquisition cost as at 1 Jan. 2019	**2,003,840**
Foreign currency translation differences	16,085
Additions	1,039,701
Disposals	-471,915
Acquisition cost as at 31 Dec. 2019	**2,587,711**
Accumulated depreciation and amortisation as at 1 Jan. 2019	**723,168**
Foreign currency translation differences	7,570
Additions to depreciation and amortisation	555,271
Depreciation and amortisation relating to disposals	-345,187
Accumulated depreciation and amortisation as at 31 Dec. 2019	**940,822**
Accumulated impairment losses as at 1 Jan. 2019	**759**
Foreign currency translation differences	0
Additions to impairment losses	308
Use of impairment losses	0
Disposals of impairment losses	0
Accumulated impairment losses as at 31 Dec. 2019	**1,067**
Net carrying amounts as at 31 Dec. 2019	**1,645,821**

As at 31 December 2020, leased assets with a carrying amount of KEUR 1,036,949 (PY: KEUR 976,393) were pledged as security for the refinancing of the leasing business.

We anticipate total payments of KEUR 1,740,449 from operating leases (PY: KEUR 1,496,916). The following table shows the breakdown of the total amount by maturity:

[redacted]	[redacted]	[redacted]
Up to one year	747,911	644,884
One to two years	501,967	435,047
Two to three years	300,740	245,424
Three to four years	134,979	114,624
Four to five years	45,963	42,796
More than five years	8,889	14,140

Of the total leased assets under operating leases, an amount of KEUR 1,376,661 (PY: KEUR 1,068,856) was classified as non-current.

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7.6 Intangible assets

Intangible assets consist of goodwill as well as software and licences in the amount of KEUR 24,342 as at the reporting date of 31 December 2020 (PY: KEUR 23,663). The following table shows the changes by category for the financial year under report:

[redacted]	[redacted]
Acquisition cost as at 1 Jan. 2020[1]	**18,903**
Foreign currency translation differences	0
Acquisitions and adjustments to initial consolidation	0
Acquisition cost as at 31 Dec. 2020	**18,903**
Accumulated amortisation due to impairment losses as at 1 Jan. 2020[1]	**0**
Foreign currency translation differences	0
Impairment expense for the financial year	0
Accumulated amortisation due to impairment losses as at 31 Dec. 2020	**0**
Net carrying amounts as at 31 Dec. 2020	**18,903**
Net carrying amounts as at 1 Jan. 2020	**18,903**

[redacted]	[redacted]
Acquisition cost as at 1 Jan. 2019	**20,298**
Foreign currency translation differences	0
Acquisitions and adjustments to initial consolidation	0
Acquisition cost as at 31 Dec. 2019	**20,298**
Accumulated amortisation due to impairment losses as at 1 Jan. 2019	1,395
Foreign currency translation differences	0
Impairment expense for the financial year	0
Accumulated amortisation due to impairment losses as at 31 Dec. 2019	**1,395**
Net carrying amounts as at 31 Dec. 2019	**18,903**
Net carrying amounts as at 1 Jan. 2019	**18,903**

[1] taking into account the disposal of the goodwill from the 2018 acquisition of abakus Consulting GmbH, Ravensburg, Germany, in the 2019 financial year.

Acquisition cost as at 1 Jan. 2020	**11,051**
Foreign currency translation differences	-10
Additions	2,364
Disposals	0
Reclassifications	0
Acquisition cost as at 31 Dec. 2020	**13,405**
Accumulated depreciation and amortisation as at 1 Jan. 2020	**6,291**
Foreign currency translation differences	-7
Additions to depreciation and amortisation	1,682
Depreciation and amortisation relating to disposals	0
Reclassifications	0
Accumulated depreciation and amortisation as at 31 Dec. 2020	**7,966**
Impairment losses pursuant to IAS 36	0
Net carrying amounts as at 31 Dec. 2020	**5,439**
Net carrying amounts as at 1 Jan. 2020	**4,760**

Acquisition cost as at 1 Jan. 2019	**6,811**
Foreign currency translation differences	4
Additions	2,615
Disposals	0
Reclassifications	1,621
Acquisition cost as at 31 Dec. 2019	**11,051**
Accumulated depreciation and amortisation as at 1 Jan. 2019	**4,949**
Foreign currency translation differences	3
Additions to depreciation and amortisation	1,339
Depreciation and amortisation relating to disposals	0
Reclassifications	0
Accumulated depreciation and amortisation as at 31 Dec. 2019	**6,291**
Impairment losses pursuant to IAS 36	0
Net carrying amounts as at 31 Dec. 2019	**4,760**
Net carrying amounts as at 1 Jan. 2019	**1,862**

Additions during financial year 2020 for the "Intangible assets with limited useful lives" category are attributable to the acquisition of software and licences.

Of the Intangible assets, KEUR 22,318 (PY: KEUR 22,315) is classified as non-current.

7.7 Property, plant and equipment

The following table shows the changes in property, plant and equipment in the Group:

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Acquisition cost as at 1 Jan. 2020	**58,874**	**187**	**24,656**	**83,717**
Foreign currency translation differences	-147	0	-354	-501
Additions	373	442	4,216	5,031
Disposals	-3	-93	-2,415	-2,511
Reclassifications	67	-54	386	399
Acquisition cost as at 31 Dec. 2020	**59,164**	**482**	**26,489**	**86,135**
Accumulated depreciation and amortisation as at 1 Jan. 2020	**24,078**	**0**	**13,817**	**37,895**
Foreign currency translation differences	-54	0	-238	-292
Additions to depreciation and amortisation	2,143	0	3,798	5,941
Depreciation and amortisation relating to disposals	-2	0	-1,781	-1,783
Reclassifications	2	0	0	2
Accumulated depreciation and amortisation as at 31 Dec. 2020	**26,167**	**0**	**15,596**	**41,763**
Impairment losses pursuant to IAS 36	0	0	0	0
Net carrying amounts as at 31 Dec. 2020	**32,997**	**482**	**10,893**	**44,372**
Net carrying amounts as at 1 Jan. 2020	**34,796**	**187**	**10,839**	**45,822**

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Acquisition cost as at 1 Jan. 2019	**59,000**	**1,657**	**23,129**	**83,786**
Foreign currency translation differences	39	0	84	123
Additions	276	186	3,454	3,916
Disposals	-391	0	-2,096	-2,487
Reclassifications	-50	-1,656	85	-1,621
Acquisition cost as at 31 Dec. 2019	**58,874**	**187**	**24,656**	**83,717**
Accumulated depreciation and amortisation as at 1 Jan. 2019	**22,266**	**0**	**13,052**	**35,318**
Foreign currency translation differences	25	0	68	93
Additions to depreciation and amortisation	2,110	0	3,572	5,682
Depreciation and amortisation relating to disposals	-274		-2,910	-3,184
Reclassifications	-49	0	35	-14
Accumulated depreciation and amortisation as at 31 Dec. 2019	**24,078**	**0**	**13,818**	**37,895**
Impairment losses pursuant to IAS 36	0	0	0	0
Net carrying amounts as at 31 Dec. 2019	**34,796**	**187**	**10,839**	**45,822**
Net carrying amounts as at 1 Jan. 2019	**36,734**	**1,657**	**10,077**	**48,468**

Of the total property, plant and equipment, an amount of KEUR 39,617 (PY: KEUR 38,192) was classified as non-current.

7.8 Right-of-use assets

As a result of initial application of IFRS 16 as at 1 January 2019, the right-of-use assets from the underlying leases were recognised under assets. The following provides an overview of the development and breakdown of right-of-use assets:

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Initial application of IFRS 16 as at 1 Jan. 2019	**31,002**	**1,511**	**357**	**32,870**
Additions	5,267	647	0	5,914
Accumulated depreciation and amortisation as at 31 Dec. 2019	-20,276	-1,079	-188	-21,543
Impairment losses pursuant to IAS 36	0	0	0	0
Net carrying amounts as at 31 Dec. 2019	**15,993**	**1,079**	**169**	**17,241**
Additions	1,936	957	0	2,892
Amortisation, depreciation and write-downs	-4,728	-672	-119	-5,519
Impairment losses pursuant to IAS 36	0	0	0	0
Net carrying amounts as at 31 Dec. 2020	**13,201**	**1,364**	**50**	**14,615**

KEUR 10,139 of the right-of-use assets item is classified as non-current (PY: KEUR 12,271).

Additional disclosures and effects

Other effects of IFRS 16 for the Company as lessee are summarised in the following table:

[redacted]	[redacted]	[redacted]
Expenses for short-term leases	20	118
Expenses for leases of low-value assets	19	24

In 2020, there were no material expenses relating to variable lease payments not included in the measurement of lease liabilities. Total cash flows from leases amounted to KEUR 5,688 in 2020 (PY: KEUR 5,159).

7.9 Other assets

The development of other assets results mainly from the change in inventory items. Inventories are broken down as follows:

[redacted]	[redacted]	[redacted]
Assets that are intended to be leased	269,991	205,982
Assets that returned to CHG-MERIDIAN after the end of the lease schedule	39,551	33,629
Brokerage	1,099	2,094
Total	**310,641**	**241,705**

Assets that are intended to be leased are – depending on their classification pursuant to IFRS 16 – reclassified to “Receivables from finance leases” or “Leased assets under operating leases” when the lessee confirms that the leased equipment is installed and in a state of operational readiness.

Assets returned to CHG-MERIDIAN after the end of the lease term are lease returns that are then remarketed by either the relevant subsidiary or the Technology and Service Centres. Ordinarily, these assets only remain part of CHG-MERIDIAN’s inventories for a short period.

Other key items in Other assets include VAT receivables of KEUR 23,134 (PY: KEUR 23,901) and prepaid expenses of KEUR 7,174 (PY: KEUR 5,447).

Of Other assets, KEUR 1,389 (PY: KEUR 4,767) is classified as non-current.

7.10 Liabilities to banks

The item liabilities to banks of KEUR 1,112,592 (PY: KEUR 1,017,511) largely contains loans to finance leases. They included bonded loans with a volume of KEUR 300,000 (PY: KEUR 275,000).

In addition, the item liabilities to banks also includes the loans for the Company's premises in Weingarten in the amount of KEUR 8,125 (PY: KEUR 10,625). The Company's business premises in Weingarten and the buildings located thereon serve as security, specifically in respect of its liabilities to banks. Of these liabilities, KEUR 8,125 (PY: KEUR 10,625) are secured through mortgages.

To collateralise the liabilities to banks, lease receivables of CHG-MERIDIAN México S.A.P.I. de C.V amounting to KEUR 34,769 (PY: KEUR 33,679) were assigned to the institutions providing the refinancing. Each individual item of collateral is assigned until the outstanding receivable under the lease has been settled.

Of the total liabilities to banks, an amount of KEUR 708,309 (PY: KEUR 622,459) was classified as non-current.

7.11 Deferred income from forfaiting transactions

The item deferred income from forfaiting transactions increased in the 2020 financial year from KEUR 1,095,264 to KEUR 1,221,849.

Under “Deferred income from forfaiting transactions”, CHG-MERIDIAN recognises the purchase consideration (present value of the lease instalments) from the non-recourse sale of lease receivables that are not subject to the derecognition requirements of IFRS 9.

The deferred income from forfaiting transactions is released over the term of the sold lease instalments using the effective-interest method.

Of the total deferred income from forfaiting transactions, an amount of KEUR 693,661 was classified as non-current (PY: KEUR 622,122).

7.12 Liabilities to customers

Alongside trade payables of KEUR 247,115 (PY: KEUR 227,849), the item liabilities to customers also contains advance payments from customers and deferred leasing income of KEUR 91,514 (PY: KEUR 81,620). As at the reporting date, this item contains contract liabilities from services totalling KEUR 4,672 (PY: KEUR 12,963).

Trade payables predominantly consist of liabilities to suppliers of leased assets.

Of the Liabilities to customers, KEUR 3,598 (PY: KEUR 2,247) is classified as non-current.

7.13 Lease liabilities

The carrying amount of short and medium-term lease liabilities decreased by KEUR 2,683 year on year to KEUR 15,000 (PY: KEUR 17,683). KEUR 10,025 of the lease liability item is classified as non-current.

As at 31 December 2020, there are no future payment obligations for leases that have not yet begun and are not included in the valuation of lease liabilities.

7.14 Derivative financial instruments

Derivatives are used exclusively to hedge currency risk and interest-rate risk. The derivatives of the IFRS 9 category are assigned to at fair value through profit or loss. Hedge accounting pursuant to IFRS 9.4.3 et seqq. is not applied in the CHG-MERIDIAN Group.

Depending on whether their fair value is positive or negative, the derivatives are shown either on the assets side or the liabilities and equity side of the statement of financial position.

They are measured at fair value. Changes in fair value are recognised in profit or loss under “Gains and losses on the measurement of derivatives”.

Of the derivative financial instruments, KEUR 368 (PY: KEUR 1,897) is classified as non-current.

7.15 Other provisions

Other provisions mainly comprise provisions for risks in connection with the leasing business of KEUR 1,922 (PY: KEUR 2,319).

Of the Other provisions, KEUR 1,033 (PY: KEUR 1,109) is classified as non-current.

During the financial year under review a total of KEUR 295 (PY: KEUR 1,565) was added. The addition is contrasted by an utilisation of KEUR 403 (PY: KEUR 283) and a reversal of KEUR 0 (PY: KEUR 97). The unwinding of discounts and exchange rate effects resulted in a decrease of KEUR -63 (PY: KEUR +29) in other provisions.

There is uncertainty as to the amount and due date of the expected outflows, which is why they were recognised under “Other provisions”.

7.16 Other liabilities

The Other liabilities line item was KEUR 574 higher as at 31 December 2020 and stood at KEUR 119,574.

The following table shows the breakdown of other liabilities:

[redacted]	[redacted]	[redacted]
Accruals for outstanding invoices	29,751	42,588
Liabilities to employees arising from sales commissions, bonus payments and unused annual leave	33,142	31,423
Servicing obligations	12,575	13,935
Liabilities from the share option programme	16,334	9,801
VAT liabilities	15,171	6,870
Accruals for year-end costs	538	481
Misc.	12,063	13,902
Total	**119,574**	**119,000**

<u>Liabilities from the share option programme</u>

The Company grants share options to selected employees in the CHG-MERIDIAN Group as part of share option programmes. Share options were granted for the first time following a resolution adopted by the Annual General Meeting that came into effect on 1 January 2010.

On the basis of a resolution of the Annual General Meeting dated 17 July 2015, the Board of Management is authorised, subject to the consent of the Supervisory Board, to grant up to 10% of the no-par-value shares until 31 December 2021.

The share options cannot be exercised until at least 24 months have passed since they were granted ('lock-up period'). If beneficiaries leave the Company, their options expire. The options have a term of 72 months, although once the lock-up period has ended, there is an opportunity to exercise them once a year in the month following the Annual General Meeting.

When beneficiaries exercise the share options, they must pay the subscription price defined at the time of granting for each share that they acquire.

As at 31 December 2020 a total of 3,936,000 share options had been granted. No share options were exercised in the reporting period.

The following table shows the changes in the share options:

	Commitments in 2020	**2020 Weighted average of the exercise prices**	**Commitments in 2019**	**2019 Weighted average of the exercise prices**
Number at start of reporting period	3,936,000	6.51	3,936,000	6.45
Granted during reporting period	0	0	0	0
Exercised during reporting period	0	0	0	0
Number at end of reporting period	3,936,000	6.51	3,936,000	6.51

The range of exercise prices for the options outstanding at the end of the reporting period is EUR 6.51 (PY: EUR 6.51). The weighted average remaining term of the options as at 31 December 2020 was 3 years (PY: 4 years).

The fair value of the share options was determined using a binomial model with the following parameters:

[redacted]	[redacted]	[redacted]
Risk-free interest rate	0.00%	0.00%
Expected volatility	5.33%	5.21%
Expected term of the options (in years)	3.0	4.0
Weighted average exercise price per share (in EUR)	6.51	6.51
Notional value per share (in EUR)	9.26	8.14

Volatility was determined on the basis of the performance of the CHG-MERIDIAN AG share price over the past ten years. It was decided not to use the volatility of comparable listed companies as a basis because their volatility does not reflect CHG-MERIDIAN AG's actual circumstances.

The weighted average of the fair values of the options stood at EUR 4.15 as at 31 December 2020 (PY: EUR 2.49) per option.

The liabilities arising from the share-based payment as at 31 December 2020 amounted to KEUR 16,334 (PY: KEUR 9,801).

Servicing obligations

Liabilities from the administrative and completion obligation to banks for non-recourse funded and derecognised lease receivables are recognised under Other liabilities.

Of the Other liabilities, KEUR 10,183 (PY: KEUR 20,923) is classified as non-current.

7.17 Taxes

Tax assets and liabilities are all classified as current.

7.18 Equity

Details of the changes in the Group's equity can be found in the consolidated statement of changes in equity, which is in a separate section preceding the notes to the consolidated financial statements.

Subscribed capital

The Company's subscribed capital was divided into 96,000,000 (PY: 96,000,000) fully paid-up, no-par-value bearer shares with a notional value of EUR 100,000,000.

The following table shows the changes in the number of shares outstanding:

[redacted]		
Number of shares outstanding as at 1 Jan.	95,680,469	95,183,367
Acquisition of treasury shares	-2,037,602	-74,008
Treasury Shares Sale	1,082,536	571,110
Capital increase	0	0
Number of shares outstanding as at 31 Dec.	**94,725,403**	**95,680,469**

The Company acquired 2,037,602 treasury shares in the financial year. On 31 December 2020, the Company held 1,274,597 treasury shares with a notional value of KEUR 1,327,705 (PY: KEUR 332,845) which are shown separately in equity as deductions. They represent 1.3% of the Company's share capital. In addition, the Company sold 1,082,536 treasury shares. They represent 1.1% of the Company's share capital.

Capital reserve

Capital reserves comprise the share premium from the issue of shares and the difference resulting from the purchase and sale of treasury shares. The sale of treasury shares to old and new shareholders added KEUR 488 to the capital reserves, which therefore stood at KEUR 18,100 as at 31 December 2020 (PY: KEUR 17,612).

Retained earnings

The "Retained earnings" line item consists of profits from previous years that have not been distributed and the effect resulting from first-time adoption of IFRS with effect from 1 January 2013. Retained earnings amount to KEUR 396,703 as at 31 December 2020 (PY: KEUR 369,346).

In financial year 2020, a dividend of EUR 0.30 per no-par-value share was paid in respect of a total of 95,878,339 dividend-bearing shares. The dividend distribution thus amounted to KEUR 28,764 (PY: KEUR 28,714).

Other reserves

Other reserves includes items that, under the rules of IFRS, must be recognised directly in equity. In the financial year under report, these items related to differences resulting from currency translation in connection with consolidated subsidiaries:

[redacted]	[redacted]	[redacted]
Cumulative losses from currency translation	-16,241	-3,998

Capital risk management

The Company's priority in its management of capital risk is to ensure a strong and healthy funding structure that provides a basis for financial flexibility and enables the Company to remain largely independent of banks and other lenders. The Company aims to enhance and deepen its stable and long-standing business relationships with its funding partners in order to retain the confidence of investors, lenders, and the market and to pave the way for future organic growth and growth by acquisition.

The Group treasury department manages and monitors the liquidity situation at Group level as an integral part of the risk management process.

8. Disclosures on financial instruments

a) Categories of financial instruments

Carrying amounts of financial instruments by IFRS 9 measurement category

[redacted]	[redacted]		[redacted]		[redacted]		[redacted]	
Assets								
Receivables from banks	296,321	269,419						
Other receivables from customers	177,760	162,858						
Derivative financial instruments					2,227	548		
Investments							0	5,076
Other assets	6,868	7,110						
Equity and liabilities								
Liabilities to banks			1,112,592	1,017,511				
Liabilities to customers			338,629	309,468				
Derivative financial instruments					552	2,845		
Other liabilities			10,960	14,302				

As at the reporting dates of 31 December 2019/2020, no financial instruments were assigned to the “At fair value through other comprehensive income (FVOCI) with or without recycling measurement” category.

Only derivatives pursuant to IFRS 9.6.1 et seqq. are assigned to the FVTPL category.

Net gains (+) and losses (-) on financial instruments

[redacted]	[redacted]	[redacted]
Measurement at amortised cost (AC)	-21,755	-16,226
Fair value through profit and loss (FVTPL)	3,976	-3,120

Net gains and losses in the "At Cost" category include impairment losses, reversals of impairment losses and subsequent receipts against financial instruments that have been written off. They do not include current interest income and expense.

Net gains and losses in the FVTPL category include changes in fair value.

b) Transfer of financial assets

CHG-MERIDIAN transfers the contractual right to cash flows from finance lease receivables in the context of non-recourse funding agreements.

The non-recourse funded and transferred cash flows represent only part of the total cash flows from the lease and only part of the finance lease receivables. In non-recourse funding arrangements, the material opportunities and risks are transferred to the funding partner. CHG-MERIDIAN only has a small volume of transferred lease receivables that have not been derecognised. Corresponding liability items have been recognised for these transferred lease receivables.

The requirements for partial derecognition of the finance lease receivables have been satisfied. Residual value claims under the finance lease that have not been funded on a non-recourse basis are not derecognised and are therefore shown under “Receivables from finance leases”.

Most of the (residual) receivables shown are unguaranteed residual values. CHG-MERIDIAN does not have any continuing involvement in connection with lease payments that have been funded on a non-recourse basis.

c) Levels of the fair value hierarchy for financial instruments measured at fair value

Financial and non-financial assets and liabilities as well as equity instruments are measured at fair value in accordance with the requirements of IFRS 13 Fair Value Measurement. In this case, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between independent market participants under normal market conditions at the measurement date. Measurement of the individual assets, liabilities, and equity instruments must be based on observable or unobservable parameters.

These are assigned to one of the three levels of the fair value hierarchy:

Level 1 – Active market – quoted price

At Level 1, measurement is based on prices quoted in active markets to which the Company has access as at the measurement date (stock exchanges and dealer markets) for identical assets or liabilities. The transaction costs are not eliminated from the price that has been determined.

Level 2 – Directly or indirectly observable market price
If a quoted price cannot be determined in accordance with the Level 1 criteria, it must be determined using Level 2 inputs where available. These inputs include:

- quoted prices for similar assets or liabilities in active markets,
- quoted prices for identical assets or liabilities in markets that are not active,
- interest rates and yield curves observable at commonly quoted intervals,
- implied volatilities, or
- other market-corroborated inputs.

A price determined in this way is corrected only on the basis of the condition/location of the asset or the volume/level of activity in the observable markets.

Level 3 – Unobservable inputs
If there is little or no market activity for the asset or liability at the measurement date, the Company uses unobservable inputs that can be determined for the affected asset or liability. The unobservable inputs reflect the best information available about market participants' assumptions regarding price formation for the asset or liability, including assumptions about risks.

The derivatives used in the CHG-MERIDIAN Group are measured in accordance with the requirements of IFRS 13 using Level 2 inputs corresponding to quoted prices for identical assets that can be observed directly.

d) Fair value of financial instruments

Fair value of categories of financial instruments pursuant to IFRS 9

The fair values of financial instruments are shown in the following table. The fair value is the price at which the financial instrument can be sold or purchased in an orderly transaction at the reporting date.

If a market price was not available, the fair value was determined by discounting the financial instrument to present value using a market interest rate appropriate to the term of the financial instrument. The fair value of receivables from finance leases was determined by discounting them to present value using a notional interest rate. The notional interest rate represents an average refinancing funding rate for lease receivables that would be payable for a term equivalent to the end date of the respective lease.

[redacted]	[redacted]		[redacted]	
Assets				
Receivables from banks	296,321	269,419	296,321	269,419
Receivables from finance leases	771,903	844,468	771,903	844,468
Other receivables from customers	177,760	162,858	177,760	162,858
Derivative financial instruments	2,227	548	2,227	548
Investments	0	5,076	0	5,076
Other assets	6,868	7,110	6,868	7,110
Equity and liabilities				
Liabilities to banks	1,112,592	1,017,511	1,112,592	1,017,511
Liabilities to customers	338,629	309,468	338,629	309,468
Derivative financial instruments	552	2,845	552	2,845
Other liabilities	10,960	14,302	10,960	14,302

e) Risks in connection with financial instruments

Counterparty risks

For qualitative information on the management of counterparty risk, please refer to the risk report within the Group management report.

Credit risk and default risk on financial assets are the risk that a counterparty will default and are therefore limited to the amount of the claims in respect of the recognised carrying amounts.

At CHG-MERIDIAN, the maximum default risk is primarily mitigated by the underlying leased equipment. In addition, the maximum default risk is mitigated by the additional securities held amounting to KEUR 65,156 (PY: KEUR 99,248).

The additional collateral comprises, among other things, shared liability, guarantees and sureties, pledging of credit balances with banks, and mortgages.

Due to the structure of its customer base and its business, the CHG-MERIDIAN Group has only insignificant concentrations of risk.

Liquidity risks

The follow table contains an analysis of the maturities of the earliest possible, undiscounted contractual cash flows of financial obligations as at the reporting date and as at the reporting date of the prior year.

Some amounts differ from the amounts reported in the statement of financial position because these are undiscounted cash flows:

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Liabilities to banks	84,424	94,541	225,319	715,287	0
Liabilities to customers	192,095	115,316	27,684	3,598	0
Lease liabilities	0	1,685	3,371	9,199	939
Derivative financial instruments	0	26	4	390	132
Other liabilities	0	984	8,572	394	1,011

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Liabilities to banks	89,021	92,923	200,786	647,598	2,542
Liabilities to customers	176,131	112,283	18,923	2,146	0
Lease liabilities	0	1,286	3,858	11,729	1,076
Derivative financial instruments	0	515	432	1,541	357
Other liabilities	2	2,013	691	10,578	839

The Group treasury department uses liquidity forecasts to manage liquidity risk. CHG-MERIDIAN was able to meet its payment obligations at all times in the financial year.

Market risks

For qualitative information on the management of market risk, please refer to the risk report within the Group management report.

Market risk primarily results from interest-rate risk, currency risk, and residual-value risk. In the vast majority of cases, the CHG-MERIDIAN Group excludes interest-rate risk during the term of a lease by funding a very high proportion of its leases on a fixed-rate basis for their entire term.

Currency risk constitutes the risk of receivables and liabilities lead to losses owing to sharp fluctuations in exchange rates. As an international company, CHG-MERIDIAN is exposed to a level of currency risk that is not insignificant. CHG-MERIDIAN aims to ensure that the foreign subsidiaries obtain funding in their local currency or in the currency of the underlying leasing agreement from their own funding partners. This policy helps minimise currency risk.

Residual value risk occurs when the forecast market value of a leased asset that is remarketed at the scheduled end of the lease is lower than the residual value calculated at the inception of the lease.

The residual value calculated at the inception of the lease consists of the shortfall and the remarketing opportunities. The shortfall is the deficit that arises if the present value of the lease

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payments made over the basic term of a lease does not fully cover the investment in the leased equipment and the calculated cost of refinancing. Remarketing opportunities are estimated on a portfolio basis using historical values.

Based on sensitivity analysis, a reduction in residual values by 1% of the original investment in the leased assets would result in an impairment requirement of KEUR 22,673 in the financial year (PY: KEUR 25,357). An increase in the remarketing opportunities by 1% of the original investment in the leased equipment would have resulted in a gain of KEUR 22,673 in the reporting year (PY: KEUR 25,357).

Because of CHG-MERIDIAN's cautious assumptions about remarketing opportunities, the probability of having to recognise impairment losses as a result of residual-value risk is considered to be low. Due to the structure of the customer base and business, there are no significant concentrations of risk.

9. Other disclosures

a) Statement of cash flows

CHG-MERIDIAN's consolidated statement of cash flows documents the changes in cash and cash equivalents resulting from the cash flows provided by and used for operating activities, investing activities and financing activities. The cash flows relating to operating activities reflect all inflows and outflows in connection with day-to-day business. Those cash flows relating to investing activities consist of payments from the acquisition of, and gains on the disposal of, subsidiaries of CHG-MERIDIAN AG, leased assets, and other types of assets. The cash flows relating to financing activities comprise all of the streams of payments in connection with equity transactions and other financing activities.

Cash and cash equivalents consist entirely of the cash reserve plus receivables from banks that are available on demand.

The principles underlying the presentation format and structure of the statement of cash flows are derived from IAS 7.

b) Contingent liabilities and other financial commitments

The pledging of leased assets to banks providing loans or non-recourse funding resulted in contingent liabilities of KEUR 774,378 (net) (PY: KEUR 859,147) for the legal existence of the receivables sold as well their not being subject to any condition (validity).

As at the reporting date, there are also repurchase obligations under leases amounting to KEUR 36,973 (PY: KEUR 36,701).

c) Transactions with related parties

A third party (an entity or individual) is deemed to be a related party if one of the parties has direct or indirect control or significant influence over the financial and operating policies of the other party. CHG-MERIDIAN AG and all of its subsidiaries are considered to be related parties. All of these are included in the consolidated financial statements. Other related parties of CHG-MERIDIAN AG include the members of the Board of Management and Supervisory Board and their close family members.

The members of the Board of Management and Supervisory Board only receive remuneration in connection with their role as persons in key positions. The total remuneration for the Board of Management in 2020 amounted to KEUR 9,099 (PY: KEUR 9,660).

In accordance with the exemption for unlisted companies provided in Section 314 (3) sentence 2 HGB in conjunction with Section 286 (4) HGB, it was decided not to disclose each individual's remuneration.

The remuneration of the Supervisory Board totalled KEUR 200 (PY: KEUR 200).

Neither in the reporting year nor in the prior year there were any significant transactions with related parties that were not conducted at arm's length.

d) Personnel

The average of employees during the financial year amounted to 1,148 (PY: 1,068). The following table shows the average number of employees broken down by function:

Administration	797	736
Sales and distribution	351	332
Total	**1,148**	**1,068**

e) Governing bodies of CHG-MERIDIAN AG

The members of the Board of Management of CHG-MERIDIAN AG are:

- Dr Mathias Wagner, Ravensburg, Diplom-Kaufmann/Dr. oec. [Graduate of business administration/Doctorate in business economics] (Chairman)
- Ulrich Bergmann, Munich, Diplom-Kaufmann (businessman) (since 1 March 2020)
- Frank Kottmann, Ravensburg, Kaufmann (businessman)
- Oliver Schorer, Wolfegg, Kaufmann (businessman)

The members of the Supervisory Board of CHG-MERIDIAN AG are:

- Jürgen Mossakowski, Ravensburg, Diplom-Kaufmann (Chairman)
- Peter Horne, Weingarten, Diplom-Betriebswirt (BA) (Deputy Chairman)
- Frank Gelf, Berg, Kaufmann (businessman)
- Luz Kling, Überlingen, Kaufmann (businessman)
- Meltem Onursal, Weingarten, legal counsel & attorney
- Jürgen Scheftschik, Wolfegg, Diplom-Kaufmann, auditor & tax advisor

f) Events after the reporting date and approval of the financial statements

There were no material events after the reporting date that could have an impact on assets, liabilities and financial performance and position. No material influences are expected, including any resulting from the coronavirus crisis.

With regard to future development, reference is made to the statements in the management report for the 2020 financial year in Section 4.2. There have been no other events significant to the assets, liabilities, financial position and financial performance of the Group after the reporting date.

The Board of Management prepared the consolidated financial statements on 25 March 2021. The consolidated financial statements will be published in the electronic German Federal Gazette [Bundesanzeiger] subsequent to their expected approval at the Supervisory Board meeting on 12 May 2021.

Weingarten, 25 March 2021

CHG-MERIDIAN AG

Dr. Mathias Wagner   Ulrich Bergmann   Frank Kottmann   Oliver Schorer

Group management report for financial year 2020 of CHG-MERIDIAN AG, Weingarten

1 Group profile

CHG-MERIDIAN AG, one of the world's leading non-captive providers of technology management, is the Parent Company of the CHG-MERIDIAN Group with registered office in Weingarten, Germany. With operations internationally, CHG-MERIDIAN AG maintains a presence at 45 locations in 27 countries, including 10 locations in Germany.

The legal structure of the operating companies in the CHG-MERIDIAN Group as at 31 December 2020 is shown in an appendix to the Group management report.

The CHG-MERIDIAN Group develops individual usage concepts for the needs of its customers and provides technology management for large corporations, SMEs and public-sector customers. In addition to the 'Information Technologies' product area, the range of solutions also covers the areas 'Healthcare Technologies' and 'Industrial Technologies'.

2 Business report

2.1 Macroeconomic conditions and sector-specific trends

The coronavirus pandemic profoundly affected most economies in 2020 and caused a slump in the global economy. Countries responded to the global spread of the virus with a variety of containment measures. In spite of extensive monetary and fiscal policy measures by governments and central banks, an economic slump could not be prevented in the first half of 2020. The subsequent gradual easing of the measures initially set in a dynamic recovery, which noticeably lost momentum towards the end of the year as a result of the renewed rise in infection rates and the associated restrictions in some regions. The International Monetary Fund (IMF) expects the global economic output to decline by 3.5% in 2020.

European economies were hit harder than average by the coronavirus pandemic. According to information from the European statistical office Eurostat, the coronavirus pandemic and the associated containment measures plunged the eurozone into a deep recession with a slump in gross domestic product of around 6.8% in 2020. According to an estimate by the ifo institute, Spain suffered the strongest decline in economic output of the four largest eurozone economies at -11.7%. Italy and France were somewhat less affected with -9.3% each. In Germany, the gross domestic product adjusted for calendar effects is likely to decline less strongly at -5.4%.

The leasing industry is also experiencing the consequences of the coronavirus pandemic. After a record year in 2019, with lease origination volume in Germany rising by 7.5%, according to preliminary figures, the Federal Association of German Leasing Companies ("BDL") expects lease origination volume to decline by around 10% in 2020 as a whole. The development of investments in equipment in the economy as a whole is similar to that of lease origination volume. The decrease of 12.5% is attributable to pandemic-related uncertainties and the associated reluctance to invest on the part of companies.

2.2 Market success

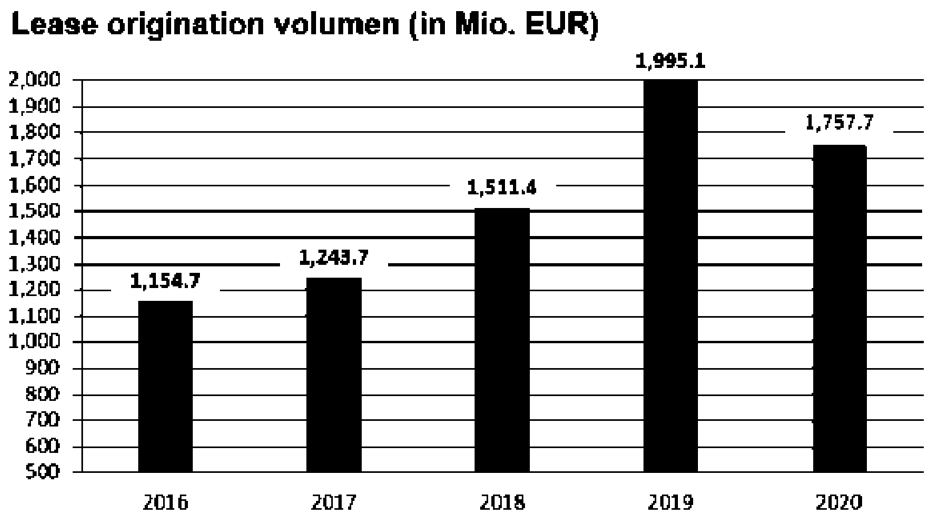
2.2.1 CHG-MERIDIAN Group's gross margin

The trend in the gross margin was again encouraging in the past financial year. The gross margin is defined as the present value of all new leases, lease extensions, and remarketed equipment less direct acquisition and funding costs. The generated gross margin must cover all of the costs in the Company. The gross margin increased by EUR 42.3 million to EUR 287.6 million in the reporting year (PY: EUR 245.3 million). The increased margin resulted mainly from the increase in renewal and sales revenues and was seen across all regions. The strongest margin improvements were achieved in Germany as well as in the Americas and Western Europe. Consequently, the target forecast by CHG-MERIDIAN Group for earnings within the range of EUR 250.0 million to EUR 260.0 million was significantly exceeded in 2020.

2.2.2 Lease origination

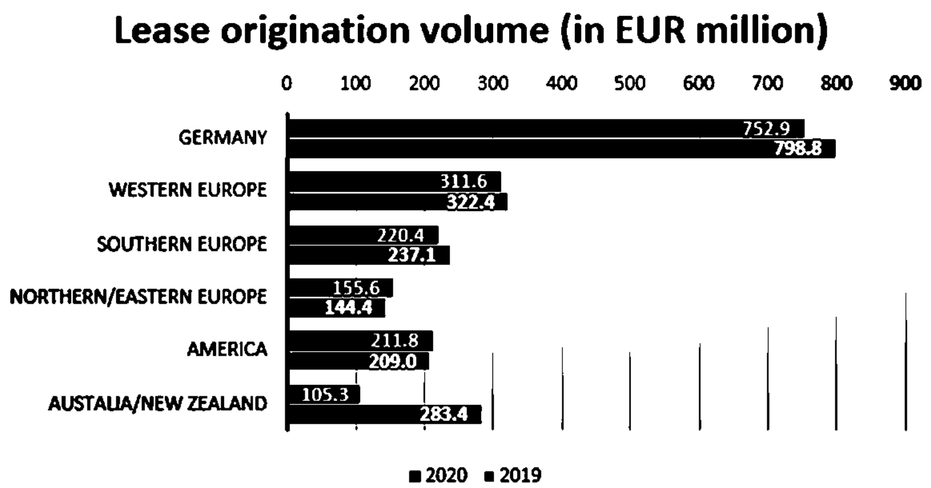
The lease origination volume - which is the sum of purchase invoices received for equipment leased or sold to refinancing partners - amounted to EUR 1,757.7 million in the reporting year, representing a year-on-year decrease of 11.9% (PY: EUR 1,995.1 million). Under consideration of the coronavirus situation, the target set in March 2020 for the lease origination volume in 2020 in the range of EUR 1.6 billion to EUR 1.7 billion was thus nevertheless exceeded.

The following shows the changes in the lease origination volume by the CHG-MERIDIAN Group over the past five years:



In the Germany region, which combines the companies CHG-MERIDIAN AG and CHG-MERIDIAN Industrial Solutions GmbH, lease origination declined by 5.7% in financial year 2020 to EUR 752.9 million (PY: EUR 798.8 million). The lease origination volume at an international level decreased by 16.0% to EUR 1,004.8 million (PY: EUR 1,196.3 million).

Lease origination volume by region is broken down as follows:



Western Europe: Great Britain, Ireland, the Netherlands, Belgium, Luxembourg, France

Southern Europe: Italy, Spain, Austria, Switzerland, Slovenia

Northern/Eastern Europe: Denmark, Finland, Norway, Sweden, Poland, Czech Republic, Slovakia

America: USA, Canada, Mexico, Brazil

At closer inspection and taking into account a special effect in 2019 generated by the equigroup Holdings Group of companies, the lease origination volume in the international area is roughly on a par with the prior year. Overall, it may be stated that development varied greatly from country to country and within regions. In Western Europe, lease origination volume declined to EUR 311.6 million. In France, the most important single market in the Western Europe region, the lease origination volume rose to EUR 172.9 million (+ 43.4%), whereas the British company reported a decline to EUR 49.6 million (- 45.7%). In Southern Europe, the lease origination volume fell by 7.0% to EUR 220.4 million, although lease origination volume in Italy, the region's most important market, declined by only 1.7%. In the Northern/Eastern Europe and Americas, the lease origination volume increased.

2.3 Changes to the legal structure

In October 2020, CHG-MERIDIAN AG sold its ownership interest of 19.9% in MobiChord Inc., Sandy, USA.

In addition, a minority interest of 5.0% in CHG-MERIDIAN Leasing-Beteiligungs-Holding GmbH was acquired in November 2020. With this acquisition means that the company is now a wholly owned subsidiary of CHG-MERIDIAN AG.

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2.4 Changes to the Company's governing bodies

Following the resignation of Joachim Schulz as Chief Financial Officer (CFO) as at 31 December 2019, the Chairman of the Board of Management, Dr Mathias Wagner has taken on the role of acting CFO. His successor, Ulrich Bergmann, was appointed to the Board of Management of CHG-MERIDIAN AG with effect from 1 March 2020.

2.5 Report on the business performance of CHG-MERIDIAN Group

2.5.1 Report on financial performance

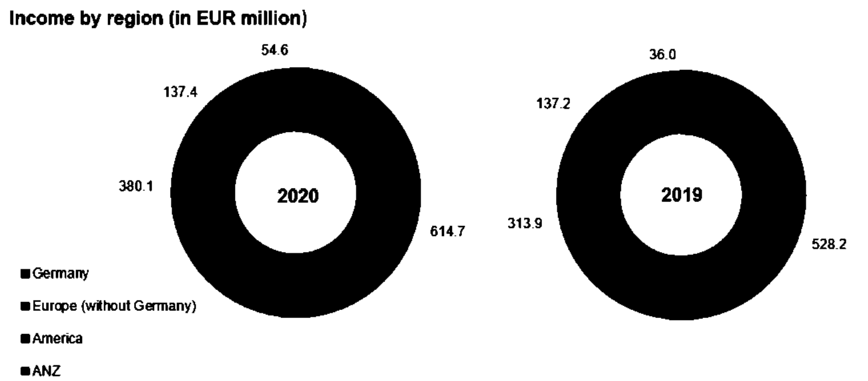
The table below shows the key figures from the consolidated income statement:

Net interest income	78,688	82,842	-5.0
Net income from operating leases	165,698	138,731	19.4
Net income from remarketing	47,373	36,742	28.9
Net income from services	20,255	19,586	3.4
Profit from ordinary activities	122,744	91,077	34.8
Consolidated net income	87,017	64,608	34.7

The CHG-MERIDIAN Group generated a profit of EUR 122.7 million from ordinary activities in 2020 (PY: EUR 91.1 million), significantly outperforming the prior-year figure. The continued very positive trend in profitability in the case of operating leases and the significant increase in income from remarketing are offset by a slight decline in net interest income. Calculated by dividing net income by the weighted average number of shares issued during the year, (basic) earnings per share amounted to EUR 0.90 in 2020 (PY: EUR 0.68).

Income

The following gives a geographical breakdown of income for the past two years:[1]

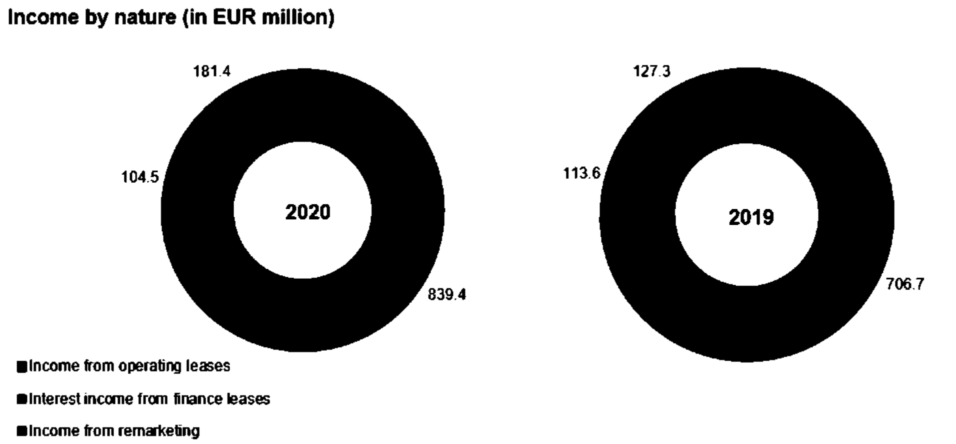


[1] Defined as the total of interest income from finance leases/other interest income, income from operating leases, income from remarketing and income from services rendered.

The improvement in earnings is attributable to revenue growth in all regions. The greatest earnings growth is in the Germany region, where there was a significant increase of EUR +86.5 million, followed by the Europe region (excluding Germany) with an increase of EUR +66.2 million and the ANZ region with an increase of EUR +18.6 million. Minimal growth of EUR +0.2 million was recorded for the Americas region.

Within Europe (excl. Germany), the main factors behind the improved earnings were the subsidiaries in France (EUR +13.3 million), in Northern Europe (EUR +8.8 million) and in Italy (EUR +7.5 million).

The following diagram shows how leasing and remarketing income of EUR 1,125.3 million (PY: EUR 947.6 million) was broken down into income from operating leases, interest income from finance leases and income from remarketing over the prior two years:



Income from operating leases increased considerably year on year by EUR 132.7 million to EUR 839.4 million, which is largely attributable to developments at CHG-MERIDIAN AG (EUR +45.2 million), the French subsidiary (EUR +17.6 million) and the Italian subsidiary (EUR +12.4 million).

Interest income from finance leases decreased by EUR 9.1 million. This was mainly driven by the declines at the Italian company (EUR -5.4 million), and at the Belgian companies (EUR -5.1 million).

Income from remarketing rose by EUR 54.1 million year on year to EUR 181.4 million. The increase in remarketing income was largely the result of positive development at CHG MERIDIAN AG (EUR +29.9 million) and the equigroup Holdings Group (EUR +12.5 million).

The number of devices sold in the financial year through our technology and service centres in Groß-Gerau and Skien, Norway, amounted to around 686,000 (PY: 581,000), resulting in proceeds from remarketing totalling EUR 65.9 million (PY: EUR 49.7 million). CHG-MERIDIAN's basic strategy here is to generate additional income through its reconditioning and remarketing expertise. The number of items of equipment remarketed and income per category of equipment continued to remain stable in 2020 due to the positive demand on the market.

The year under review also saw stronger demand for the IT-related services provided by the CHG-MERIDIAN Group. The number of hard disks from which data were erased via the technology and service centres in Groß-Gerau and Skien in a certified process is around

261,000 for financial year 2020, a significant increase over the previous year's figure of 189,000. These figures reflect the continued high demand for secure data erasure certified by TÜV Informationstechnik GmbH and DEKRA Certification GmbH.

Expenses

Expenses from operating leases result from amortisation and depreciation of EUR 658.7 million (PY: EUR 555.3 million) as well as interest expenses from non-recourse funding in the amount of EUR 15.1 million (EUR 12.7 million). The increase in depreciation and amortisation of leased assets under operating leases was largely due to the growth in lease origination over the past three years (see Section 2.2.2).

Expenses from remarketing rose at a slower rate than the development of income from remarketing and thus led to increased earnings from remarketing.

The **write-downs and value adjustments on lease receivables and leased assets** were EUR 8.1 million higher during the financial year under report and stood at EUR 24.9 million. This increase was mainly the result of the depreciation of capitalised hidden reserves in conjunction with the acquisition of equigroup Holdings in 2018 (effect in 2020: EUR 19.2 million; effect in 2019: EUR 14.2 million) as well as a higher need for write-downs at CHG MERIDIAN AG.

Within operating expenses, personnel expenses – the Group's largest expense item – recorded an increase of 6.9% to EUR 128.2 million (PY: EUR 119.9 million). Due to the rise in the average number of employees by 7.5% to 1,148 (PY: 1,068 employees) this development is within expectations. The other main expense item of other administrative expenses decreased by 14.2%, partly as a result of reduced travel activities and declining customer events in the wake of the coronavirus pandemic.

The 9.9% increase in **amortisation, depreciation and write-downs** to EUR 13.1 million in the reporting year (PY: EUR 12.0 million) was mainly attributable to higher depreciation and amortisation of rights of use for rental and lease agreements.

Consolidated tax expenses contain the tax expense from the current year of EUR 24.1 million (PY: EUR 15.5 million) as well as deferred tax expenses of EUR 11.6 million (PY: EUR 11.0 million).

Overall, the financial performance of the CHG-MERIDIAN Group operations remained positive.

2.5.2 Risk management and risk monitoring

Risks are managed and monitored within the scope of risk management on the basis of a risk strategy, organisational structures and processes for risk monitoring and measurement that are correspondingly designed for the size and nature, scope, complexity and riskiness of the transactions of the CHG-MERIDIAN AG.

The relevant members of the Board of Management and/or other decision-makers at the Company regularly analyse, evaluate, and monitor risks and also identify new risks (risk types) and risk categories. The level of risk that can be assumed by these decision makers is based on the net asset value. The management of the CHG-MERIDIAN AG has set appropriate limits and authorisation levels for the specific risks involved, and these have been approved by the Supervisory Board.

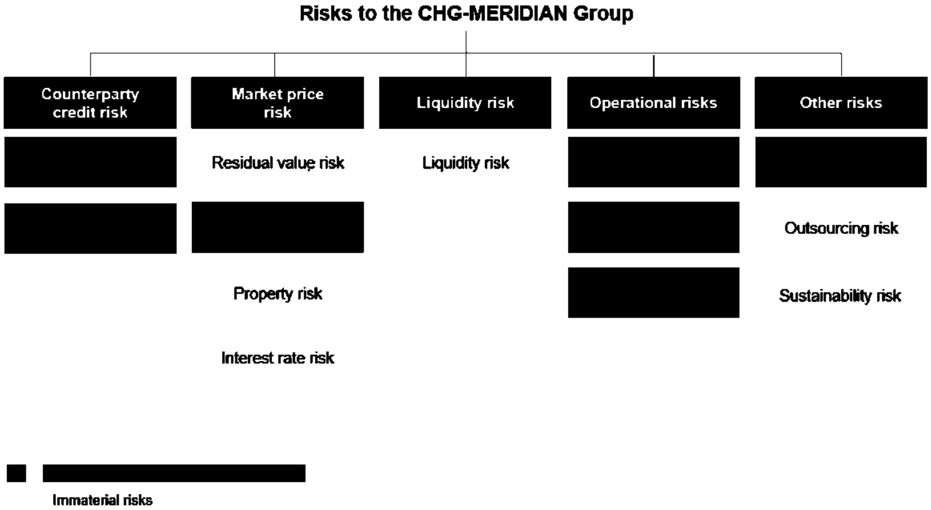
The internal control system is used to manage and monitor the Group's risks. The adequate flow of information is guaranteed by regular meetings between the Board of Management and certain specialist departments, as well as by a structured reporting system.

The Treasury department is generally responsible for risk reporting. However, the monthly management report, containing key figures for corporate management and risk monitoring, is supplied by the Group Accounting / Controlling departments. The management report is supplemented on a quarterly basis by the risk-bearing capacity report and the overall risk report, which are submitted to the parent company's decision-makers for analysis and approval.

The responsible risk management units are the Board of Management, as well as the Risk Controlling function, the Compliance function, the Group Accounting/Controlling department, the Contract Administration department, and the Treasury department. The risk control function is responsible for the independent monitoring and communication of risks, and is located outside the Sales (Market) department and is involved in all major risk policy decisions. The risk control function is performed by the CFO, a member of the Board of Management, and is therefore located at management level. The compliance function must seek to ensure the implementation of effective procedures for compliance with the legal regulations and requirements essential to the bank, and to institute appropriate controls for this purpose. They report directly to the Chairman of the Board of Management. All risk management units are therefore located in the back office area.

The Group also manages and monitors risk at the level of the Parent Company by preparing a quarterly calculation of the risk-bearing capacity of CHG-MERIDIAN AG that is submitted to the decision makers responsible at CHG-MERIDIAN AG for analysis and approval. This calculation of risk-bearing capacity involves determining and assessing the proportion of substantial risks identified as a percentage of aggregate risk cover for the respective quarter of the year. If the relevant limits are exceeded (20 percent of the aggregate risk cover at the level of CHG-MERIDIAN AG), this is also submitted to the Supervisory Board for approval. In addition, the decision makers receive an overall risk report each quarter that bundles the risk reporting from the areas of treasury, management reporting, risk bearing capacity and information security risk.

As an independent unit, the internal audit department tests the structures and processes and monitors the proper functioning and effectiveness of the Company’s risk monitoring system. As a company with a strong focus on products and services, the CHG-MERIDIAN AG is exposed to the following risks when conducting its business:



2.5.3 Report on the financial position

The CHG-MERIDIAN Group was able to mobilise a fresh financing volume of EUR 1,612.2 million in 2020 (PY: EUR 1,884.0 million). As in the previous year, the CHG-MERIDIAN Group thus funded the majority of its lease origination using external funding partners. The funding volume of EUR 1,612.2 million represents 91.7% of the lease origination volume in the reporting year. This is distributed into EUR 1,171.0 million (after deduction of break & rewrites of EUR 58.6 million) in non-recourse funding (PY: EUR 1,446.2 million), which corresponds to 66.6% of the lease origination volume (PY: 72.5%). EUR 337.1 million was attributable to corporate lending (PY: EUR 344.9 million) and EUR 45.4 million to secured lending (PY: EUR 45.9 million). The volume of secured lending is solely attributable to the Mexican subsidiary.

The majority of corporate lending, totalling more than EUR 337.1 million, was drawn down by CHG-MERIDIAN AG. EUR 75.0 million of this relates to the now eight promissory notes and EUR 101.0 million to two syndicated loans. There were also five bilateral corporate loans concluded that totalled EUR 104.0 million. Further corporate loans were arranged through seven of our subsidiaries and totalled EUR 57.1 million during the reporting year.

The CHG-MERIDIAN Group also always maintained a very good, robust level of financial resources in 2020. In addition to a very strong free cash flow of EUR 296.4 million as at 31 December 2020 (PY: EUR 269.4 million), the CHG-MERIDIAN Group also has substantial undrawn short-term credit lines of EUR 177.2 million available (PY: EUR 194.0 million). This means it has a solid financial basis for further growth. There were no restrictions that could have limited the availability of the Group's capital or liquidity at any time in financial year 2020.

8

2.5.4 Report on assets and liabilities

The CHG-MERIDIAN Group's total assets amounted to EUR 3,618.9 million as at 31 December 2020 (PY: EUR 3,316.1 million), which represents a year-on-year increase of EUR 302.8 million or 9.1%. The Group's assets and liabilities largely consist of receivables from finance leases, leased assets under operating leases on the asset side, deferred income from forfaiting transactions and liabilities to banks on the liabilities side.

Receivables from finance leases declined by EUR 72.6 million during the reporting year and stood at EUR 771.9 million. The decline is the result of the trend towards more operating leases already observed in previous years.

Leased assets under operating leases grew by EUR 271.2 million to EUR 1,917.0 million in the reporting year (PY: EUR 1,645.8 million), mainly due to favourable developments at CHG-MERIDIAN AG (EUR +93.3 million), the French subsidiary (EUR +73.8 million), the Italian subsidiary (EUR +28.3 million) and CHG-MERIDIAN Industrial Solutions GmbH (EUR +26.2 million).

Investments in finance leases and operating leases is largely matched on the liabilities side of the statement of financial position by **liabilities to banks** totalling EUR 1,112.6 million (PY: EUR 1,017.5 million) and **deferred income from forfaiting transactions** of EUR 1,221.8 million (PY: EUR 1,095.3 million). The increase in liabilities to banks results mainly from CHG-MERIDIAN AG (EUR +86.4 million) and the Mexican subsidiary (EUR +13.0 million). The increase in deferred income from forfaiting transactions mainly results from the French subsidiary (EUR +76.2 million) and CHG-MERIDIAN Industrial Solutions GmbH (EUR +60.7 million).

The **equity ratio**[2] of the CHG-MERIDIAN Group remained virtually unchanged, amounting to 16.2% (PY: 16.5%) as at the balance sheet date. However, as is the case for all leasing companies, the equity ratio is of limited informative use. As a lessor, CHG-MERIDIAN capitalises leased assets under operating leases in the case of non-recourse funding, even though only guarantees for the existence of legally valid claims are provided under this type of financing. At the same time, the liabilities side shows the present value of non-recourse-financed rental income for the period after the balance sheet date. According to these accounting principles, the result is a balance sheet extension that significantly reduces the share of equity as a percentage of total assets.

2.5.5 General comment on the Group's business situation

The CHG-MERIDIAN Group concluded the financial year 2020 again on a successful note. The trend in the Group's business situation underscores the success of the business model and in the sustainable growth sought by the CHG-MERIDIAN Group. Moreover, the Company exceeded the target for gross margin in 2020, which also had a positive impact on its net income in the financial year. At the time that these consolidated financial statements were prepared, the Company is thus well positioned and expects the CHG-MERIDIAN Group to continue to thrive in a constantly changing market environment over the coming years.

[2] Defined as the ratio of equity to total assets

2.6 Financial and non-financial performance indicators

2.6.1 Financial performance indicators

Two of the aims of the CHG-MERIDIAN Group's corporate strategy are to generate sustainable, profitable growth and to steadily increase its enterprise value. The Company uses the following financial KPIs to measure the medium and long-term financial success of this strategy of value-based management:

- Lease origination
- Gross margin

The lease origination volume as a financial indicator is defined as the sum total of all incoming invoices received in the financial year for leased equipment or equipment sold to refinancing institutions. The CHG-MERIDIAN Group aims for long-term growth in lease origination volume of five to ten percentage points per year. The target defined for the volume of lease originations in the range of EUR 1.6 billion to EUR 1.7 billion under consideration of the coronavirus, was exceeded in the 2020 financial year. However, the CHG-MERIDIAN Group's lease originations fell year on year and were therefore not within the target range. Now that the global coronavirus pandemic has subsided, the CHG-MERIDIAN Group is confident that it can resume the growth trajectory it has been pursuing for many years and remain within its target range.

Gross margin is another key factor. As already described in Section '2.2. Market success', gross margin is defined as the present value of all new leases, lease term extensions, and remarketed equipment minus direct funding and acquisition costs. The generated gross margin must cover all of the costs in the Company. The target for gross margin, which depends heavily on the volume of leases originated in previous years, has been 15–20% of the lease origination volume for many years. In the financial year, based on a contribution margin of EUR 287.6 million, the gross margin relative to lease origination ratio (previous periods) was 24.0% in the financial year (PY: 20.3%), thus exceeding the previous year's forecast of a consistently high gross margin (PY: EUR 245.3 million) and clearly exceeding the target range.

2.6.2 Non-financial performance indicators

Non-financial performance indicators are non-quantifiable indicators. During the financial year under report, these indicators moved in line with management expectations.

Employee structure

The CHG-MERIDIAN Group employed a total of 1,172 people as at 31 December 2020 (PY: 1,084). This equates to a year-on-year increase of 88 employees.

Recruiting and retaining staff are high priorities for the CHG-MERIDIAN Group. Measures include providing exciting career opportunities, financial incentives, benefits, flexible working hours and mobile working options, finding the right work/life balance and creating a corporate and managerial culture based on a sense of responsibility and trust. In addition, CHG-MERIDIAN AG has forged a partnership with the Weingarten-based Foundation for the Center for the Disabled in Upper Swabia (KBZO) and provides its employees with workplace childcare facilities. This enables Company employees to return to work after just one year's parental leave by taking advantage of flexible part-time arrangements. Particularly with regard to demographic changes and the associated shortage of qualified staff, the CHG-MERIDIAN Group hopes to continue to position itself adequately and is focused on encouraging women in leadership positions.

Our employees are one of the most important company resources, which is why the CHG-MERIDIAN Group places a strong focus on the appropriate training and qualification of our specialist and managerial staff. Our internal CHG Academy provides employees with support and training in this regard.

3 Opportunities and risks report

3.1 Opportunities report

3.1.1 Opportunities in the leasing market

We see opportunities for the leasing industry in the increasing digitalisation of the economy. For one, the CHG-MERIDIAN Group helps its customers to carry out investments in the digital transformation. For another, the basic idea of leasing – use in lieu of ownership – is strengthened through digitalisation. This permits the development of new customer groups and new market potentials for leasing.

The challenges include pooling information diversity, analysing big data, and developing a deep understanding of customer processes and organisation. We are predestined for this, because property experience, expertise and proximity to the real economy are characteristics that clearly set us apart from other funding providers.

Digitalisation serves as a driver for usage-based invoicing in leasing. Through the collection and exchange of usage-based data, new models for financing are possible: the leasing customer pays based on the actual use of the asset.

These growth potential can be found in all of the areas in which the CHG-MERIDIAN Group operates, as the digital transformation touches not only the ‘Information Technologies’ area but also the ‘Industrial Technologies’ and ‘Healthcare Technologies’ areas as well.

The CHG-MERIDIAN Group sees the key in an expansion of its service portfolio in order to achieve or exceed the target set for lease origination and gross margin. Identifying new trends early on is one way to identify future challenges for our customers. Generating added value for our customers will always play a key role in the development of new services and lead to the emergence of new solutions.

CHG-MERIDIAN is aware that only sustainable business models are successful in the long term and this mindset has been firmly embedded into the Company's business model for decades. Customers are supported along the entire lifecycle of their technology device, from roll-out and use to certified data erasure, processing, and remarketing. Resource consumption is reduced and the life cycle assessment is improved if devices are used multiple times rather than being purchased and disposed of individually.

In the major customer area in particular, in future it will become increasingly important to ensure synergy effects through international support by providing a single point of contact for all companies. This presents a major opportunity for the CHG-MERIDIAN Group, as there is coverage in all relevant markets through the existing subsidiaries. This gives CHG-MERIDIAN the opportunity to support its customers, at home and abroad, and to provide individual, flexible and integrated solutions. The close proximity to customers enables us to combine local solutions to meet the customers' quality requirements and thus ensure a high level of customer satisfaction.

3.1.2 Overall assessment of opportunities

The profile of future opportunities for the CHG-MERIDIAN Group stems from a growing international demand for complexity reduction as well as the trends that are projected to result through digitalisation of the economy. In this regard, significant potential is identified due to the impact of the coronavirus pandemic, particularly in the workforce and in education system. Moreover, flexible and customised solution concepts based on a fully integrated approach enable customers to stay focused on their own core business. The systematic expansion of the product and service portfolio thus provides the foundation for the CHG-MERIDIAN Group’s continuing success. Thanks to the CHG-MERIDIAN Group's international network, both local and international customers can receive support on site and have their needs addressed.

3.2 Risk report

3.2.1 Risk strategy

The objective of the risk strategy is to ensure the right balance between opportunities and risks. The risk strategy pursued by the CHG-MERIDIAN Group is derived from its business strategy and forms an integral part of the risk-management process. The Board of Management and Supervisory Board of CHG-MERIDIAN AG set out the principles of risk policy, the core message of which incorporates a code of conduct and encourages all staff members to take a sensible attitude toward risk. These principles form the basis for the specific structure of the risk management organisation and are intended to promote awareness of risk on the part of all stakeholders. In addition, the principles are communicated to all employees of the CHG-MERIDIAN Group. The aim of raising employee awareness of risk is to ensure that risks are identified and monitored early on, so that appropriate measures can be taken in the event of an imminent risk.

The risk strategy serves to ensure that competitive advantages and opportunities are seized while at the same time risks that exceed a defined limit can be avoided. Opportunities and risks are tracked in keeping with a risk-conscious management, evaluated in terms of their risk/reward profile and accepted or avoided based on the business's capacity to assume the risk involved.

3.2.2 Risk categories

The following presentation of the individual categories of risk is provided based on the gross method, i.e. before risk-compensating measures are taken into account.

3.2.2.1 Counterparty risk

Counterparty risk is defined as the potential loss that can arise as a result of a counterparty’s default, either because of its insolvency or because of its unwillingness to meet its contractual obligations.

The CHG-MERIDIAN Group defines credit risk and country risk as material counterparty risks.

Credit risk
Credit risk is the potential loss that may arise from the default or deterioration in the lessee's creditworthiness.

The CHG-MERIDIAN Group mitigates credit risk by pursuing a targeted risk transfer policy. In this context, the organisation aims to refinance the majority of leases through non-recourse funding with transfer of credit risk. The credit risk is thus predominantly transferred to third parties (e.g., credit institutions).

The CHG-MERIDIAN Group may be exposed to credit risk as a result of the credit deterioration or insolvency of customers that it has financed at its own risk. Such risk also exists during transactions' prefinancing stages and in cases where purchase participation declarations and loan commitments have been issued, whereby irrevocable loan commitments are generally only issued in the municipal environment.

CHG-MERIDIAN Group only finances transactions at its own risk with clients who have a sufficiently good credit rating pursuant to the respective current principles for internal financing.

The Group manages this risk by means of the risk-adjusted organisational structure, according to which the approval of at least one mutually independent vote from the front office and back office units is required for the conclusion of each lease agreement in the risk-relevant area in accordance with the defined division of powers. A prerequisite for approval is a creditworthiness analysis based on suitable credit documents and close cooperation with the Group's refinancing partners.

The Group's own credit exposure is monitored on a quarterly basis.

The CHG-MERIDIAN Group continued to use its risk-adjusted operational and organisational structures to manage its credit risk effectively during the reporting period.

Country risk

Country risk arises if political or economic circumstances in a particular country impact the value of a foreign exposure. It comprises transfer risk and other country risks. Transfer risk arises if a debtor who is otherwise solvent and willing to make payments is unable to meet payment obligations because the imposition of governmental or regulatory controls has prevented the debtor from obtaining foreign currency or from transferring assets to parties not domiciled in the country concerned. Other country risk comprises risks that jeopardise the enforceability of receivables from counterparties abroad, capital investments, or expected profits abroad, independently of the transfer risk. It depends on economic and political risk factors in a country, in particular country-specific liquidity risk, market risk, and correlation risk.

In order to minimise its country risk, the CHG-MERIDIAN Group therefore operates almost exclusively in countries that are members of the Organisation for Economic Co-operation and Development (OECD) and in economically and politically stable countries.

Country risk exposure is also monitored and controlled on a quarterly basis as part of the risk-bearing capacity calculation.

3.2.2.2 Market risk

Market risk arises when the value of a transaction depends on future movements in exchange rates, share prices or interest rates, and the transaction is not hedged by a corresponding offsetting transaction. The CHG-MERIDIAN Group has identified residual value risk, currency risk, property risk and interest-rate risk as types of market risk, but currency risk is the only one judged to be material for the Group.

Currency risk
Currency risk arises from fluctuations between foreign currencies and the functional currency of CHG-MERIDIAN AG (EUR). The Company is currently exposed to currency risks in connection with the refinancing of subsidiaries based outside the eurozone. In addition to loans issued to the subsidiaries, intrinsic values denominated in foreign currencies are exposed to the risk of currency fluctuations.

The CHG-MERIDIAN Group aims to ensure that funding is obtained in the local currency of the respective subsidiary from its own funding partners. If this is not possible, loans to foreign subsidiaries are generally only granted in their local currency. The Group may be exposed to currency risk arising from changes in interest and principal payments and from the translation of local currency into the functional currency. To minimise this risk, cross currency interest rate swaps are used in some cases.

In order to monitor currency risks, the effects of an appreciation or devaluation of the euro against all currencies other than the functional currency are determined at regular intervals. Where significant risk exposure is identified, hedging transactions in the form of micro-hedges are entered into for the purpose of risk mitigation; these form a hedging relationship with the corresponding hedged item within the scope of the option provided by Section 254 of the German Commercial Code (HGB). Further details on the individual hedging relationships can be found in the notes to the financial statements.

Intra-group funding transactions are hedged using commensurate derivatives to reduce currency risk. As the underlying transactions are consolidated, they are not recognised in the consolidated financial statements under hedge accounting, but at fair value through profit or loss. Please refer to sections 5.10, 7.14 and 8 in the notes to the consolidated financial statements for further information.

3.2.2.3 Operational risk

Operational risk constitutes the risk of losses caused by the inadequacy or failure of internal processes, people or systems or by external events, including legal risks.

CHG-MERIDIAN AG defines legal risk, human resources risk, and information security risk as its material operational risks.

The risk itself is quantified at the level of the Parent Company CHG-MERIDIAN AG. In order to quantify operational risk, CHG-MERIDIAN AG draws on the regulatory requirements specified in Article 315 of the Capital Requirements Regulation. This stipulates that quantification of operational risk must be based on 15% of the three-year average of the relevant indicator (gross earnings).

Legal risk
Legal risk arises when new types of lease are used, existing types of lease are amended or the contractual framework (and the resulting verity risks) is altered without the legal risks having been thoroughly assessed in advance.

The CHG-MERIDIAN Group mitigates this risk through the successive standardisation of the general terms and conditions and the various kinds of offers available to Sales. Before a lease is signed, the relevant sales management and contract management staff check to ensure compliance with the adopted standards. In order to meet the needs of the current market and its customers and to further expand the CHG-MERIDIAN Group's market position, the CHG Group also enters into individual agreements and participates in public procurement procedures as a bidder, although these are subject to a defined review and approval process.

Any deviations from these standards and any customised agreements made with individual customers must be approved beforehand by the Legal and Treasury departments and by the responsible member of the Board of Management or those responsible for the country concerned and, if necessary, with the consultation of external advisors. This prevents the occurrence of unmanageable legal risks and safeguards the funding of leases.

CHG-MERIDIAN has implemented a Compliance function to counter risks that may arise from non-compliance with legal regulations or from acts of fraud or embezzlement. The established whistleblowing system gives CHG-MERIDIAN Group employees and business partners the opportunity to report compliance violations anonymously.

Personnel risk
Personnel risks are risks that may arise as a result of human error, a lack of professional competency and qualifications, inadequate management or inadequate protection against fraudulent acts. Personnel risks can also result from insufficient human resources, staff turnover and legal disputes with employees.

Control and monitoring are carried out via the defined Code of Conduct, which defines corporate policy and values intended to guide employees in their daily work. Through the guidelines published in the employee handbook, the Group ensures that employees behave ethically and in compliance with the law. In addition, employees are informed on the intranet about all laws requiring posting and about the complaint point for violations (ombudsman). If employees have reasonable suspicion of a violation of the Code of Conduct, the Compliance Officer will examine the options for action.

Each new employee undergoes a six-month induction phase at the beginning in order to ensure that employees are professionally qualified in accordance with their internal area of deployment. Furthermore, substitution regulations as well as measures for permanent quality assurance are given by task and process documentation provided via the platform iKnow.

The CHG-MERIDIAN Group supports and organises employee training and development through the CHG Academy, which provides internal and external training opportunities.

The CHG-MERIDIAN Group counters staff turnover by implementing programs to enhance its attractiveness as an employer and increase employee loyalty, such as flexible working-time models and childcare support services.

Staff turnover is generally of minor significance in the CHG-MERIDIAN Group. Furthermore, the HR department is not aware of any legal disputes with employees that have a material impact on the CHG-MERIDIAN Group’s assets and liabilities or financial performance.

Information security risk
Information security risks are risks that can arise from the use of information technology in the course of a company's business activity.

Information processing plays a key role in the Group's business activities, as all essential strategic and operational functions are essentially supported by IT. The CHG-MERIDIAN Group specifically mitigates information security risks by means of defined information security policies. These are designed to ensure that the data and IT systems of all business areas are available at all times and that system downtime is avoided as far as possible.

The CHG-MERIDIAN Group has set up an information security organisation in order to achieve the security objectives defined in the information security policy. The Company has also established the function of data protection and information technology officer to ensure that data protection requirements are duly met. Security measures to protect data and IT systems include a restrictive access authorisation system, the use of anti-virus programs and comprehensive data backup. A separate IT disaster recovery plan ensures that critical business processes can be maintained even in the event of an IT system failure and that the availability of the failed systems can be restored promptly.

General information security instructions and guidelines are communicated to all employees via the CHG Group employee handbook or awareness measures.

There are redundant data centres in Frankfurt am Main and Rüsselsheim to further reduce risk. The Group also makes targeted use of standardised and centrally hosted systems and carries out contingency testing in individual areas.

3.2.2.4 Other risks

The CHG-MERIDIAN Group has identified strategic risk as a further material risk. This refers to the risk of losses arising from incorrect strategic business decisions, business-model risks, and risks to financial performance and margins.

The management of strategic risk is the primary responsibility of the Parent Company. In analysing and evaluating this risk, which is largely determined in a qualitative manner, management is supported by the respective specialist departments. Strategic risk is therefore identified and analysed on the basis of ongoing observations of macroeconomic conditions as well as regular analysis of competitive and sectoral trends.

3.2.3 Summary

The restrictions on overall economic activity as a result of the coronavirus pandemic in the course of 2020 have significantly increased uncertainties compared to previous years, which is especially true for counterparty risks. This does not give rise to any risks affecting the Company's ability to continue as a going concern.

The conservative corporate strategy has proven to be the right approach for the long term again this backdrop. By pursuing a rigorous risk management policy, the Board of Management and Supervisory Board of the Parent Company was kept abreast of the developments in its risk exposures at all times. The CHG-MERIDIAN Group believes that it is well prepared for an increased counterparty default risk or market price risk that might arise from the continuation of the coronavirus pandemic thanks to the high level of cash and cash equivalents it has established as a precautionary measure. This has provided the Group with the necessary flexibility to respond to the dynamic development in connection with the coronavirus, despite the volume of lease origination remaining subdued.

4 Forecast

4.1 Macroeconomic outlook

The magnitude of the coronavirus crisis combined with the continued lockdown, the emergence of mutations, and the continued progress of vaccine implementation present challenges for the 2021 economic forecast. The German federal government forecasts that the level of economic output before the outbreak of the crisis will not be reached again until mid-2022. This is supported by the extension of the measures to contain the coronavirus until March 2021, which is why exports and global trade volumes are not expected to increase until the second half of the year. Furthermore, the market research institute GfK expects a slump in private consumer spending which is offset by continued high government consumption. Due to the still uncertain course of the pandemic, a forecast of the economic situation in 2021 is possible only to a limited extent when this report was prepared.

4.2 Sector-specific development

The digital transformation will continue to affect the processes of leasing companies in the future. Not all customers make investments themselves; instead, they seek partners to provide them with customised digital offers. It is important to streamline, automate and digitalise companies' internal processes. This is an area in which there is increased growth potential for the 'Information Technologies' area.

In addition to this largest line of business at the CHG-MERIDIAN Group, the focus is also on the continuous expansion of activities in the 'Healthcare Technologies' area. Demand for additional services will continue to grow in this area as a result of the digital transformation and Industry 4.0.

Furthermore, in 2021 and beyond, we expect that the strategic focus of the CHG-MERIDIAN Group is also set to continue meeting the expectations and the needs of the market. Our customers will continue to demand individual and fully integrated concepts for the management of technology investments. The overall strategic direction therefore remains unchanged.

Outlook

As in the prior year, the lease origination volume in financial year 2021 remains dependent on the further course of the coronavirus pandemic and the associated economic restrictions. Taking into account the current coronavirus situation, we expect the economic environment to recover in the second half of 2021 and are confident of generating growth in lease origination volume. We thus expect the CHG-MERIDIAN Group to achieve a lease origination volume ranging from EUR 1.8 billion to EUR 2.0 billion.

We are optimistic about the gross margin as well and once again anticipate solid results in a range of EUR 270.0 million to EUR 280.0 million. Furthermore, we expect consolidated net income to remain unchanged as well as a slight increase in staffing levels.

The impact of the coronavirus pandemic on macroeconomic activity continues to be unforeseeable and characterised by uncertainty. CHG-MERIDIAN is monitoring the developments related to COVID-19 very closely and established a task force for this purpose at the beginning of 2020. We have already taken appropriate precautions to protect our employees, customers and partners. Thanks to the measures taken, we shall maintain our business operations during this challenging time as well as in the future. Our focus on digitalisation in recent years has allowed digital and mobile work from home for our employees, thus ensuring full working capacity. We have thus far not observed any impact on our business processes in the reporting year and we do not expect any restrictions in future.

Regarding our financial situation, we consider ourselves well prepared for 2021 and the coming years due to our very favourable and solid funding base, despite the ongoing coronavirus crisis and the resulting macroeconomic challenges. We still have extensive financial flexibility and sufficient liquidity. It has also been shown that - in spite of the fact that the financing partners continue to have longer examination periods - the refinancing demand for our fundamentally solid customer portfolio remains high. Nevertheless, the statements of the ifo Business Climate Index and the credit insurer Euler Hermes indicate a general increase in insolvencies and thus loan defaults in 2021, particularly due to the planned continued suspension of the obligation to file for insolvency. Due to this trend as well as the general challenges facing individual sectors and their intensification and expansion in the wake of the coronavirus crisis, we are already anticipating reluctance on the part of financing partners in individual sectors or customer segments in our current credit decisions. As a result of this assumption, a temporary approval committee was introduced at Board of Management level early on in the reporting year in order to decide separately on lease origination decisions with unclear refinancing prospects and to ensure that appropriate liquidity is maintained. The CHG-MERIDIAN Group continues to respond to the potentially moderate increase in defaults in its customer portfolio by performing a wide variety of scenario and sensitivity analyses of our exposure. However, no material impact on risk-bearing capacity is expected in view of the stress testing and the long-term stable known to us as well as proven recovery rates.

CHG-MERIDIAN is now in a very strong financial position and will continue to be on the lookout for strategically beneficial acquisitions – either in Germany or abroad – in 2021.

Weingarten, 25 March 2021

CHG-MERIDIAN AG

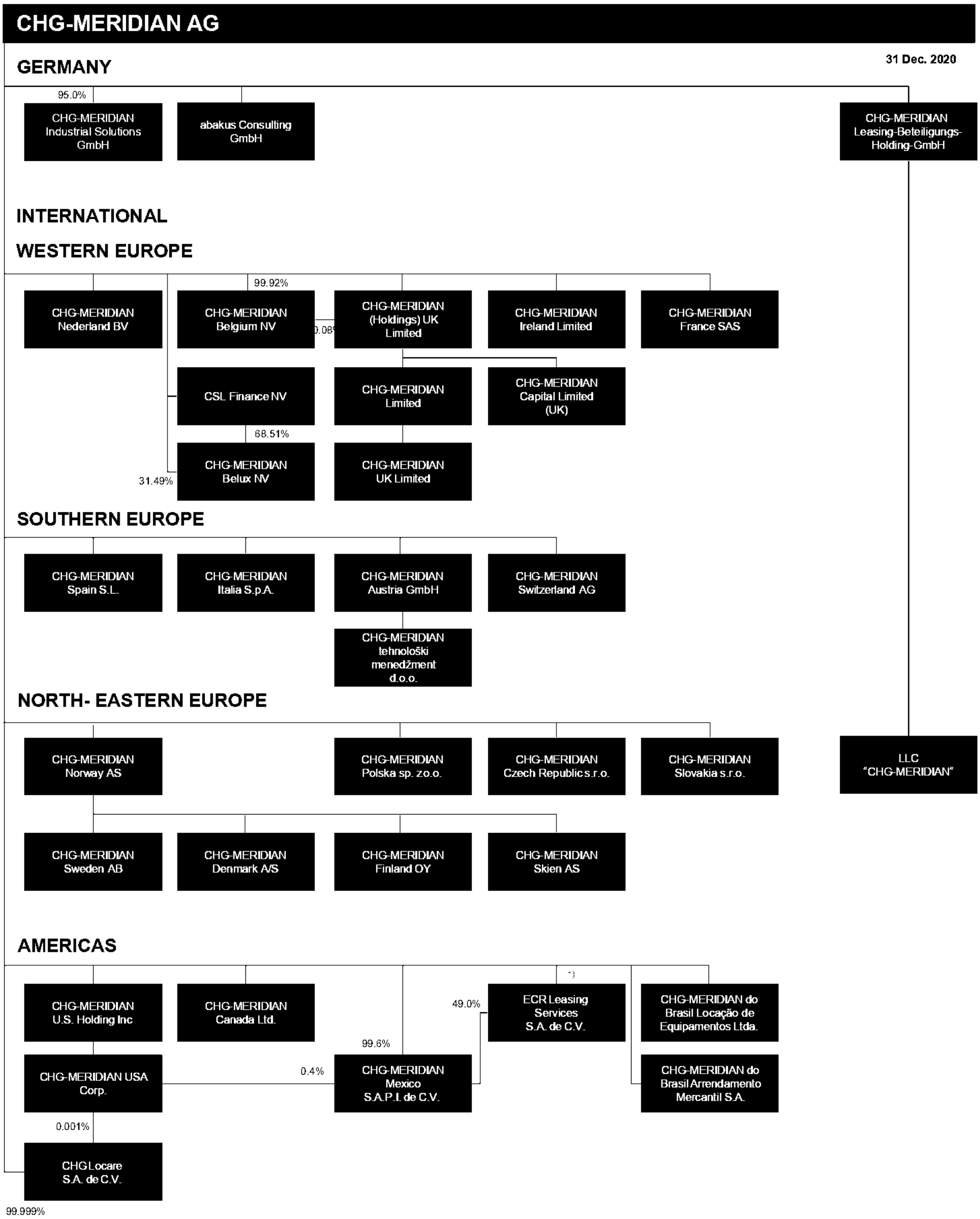
Dr Mathias Wagner	Ulrich Bergmann	Frank Kottmann	Oliver Schorer

Legal status of the Parent Company

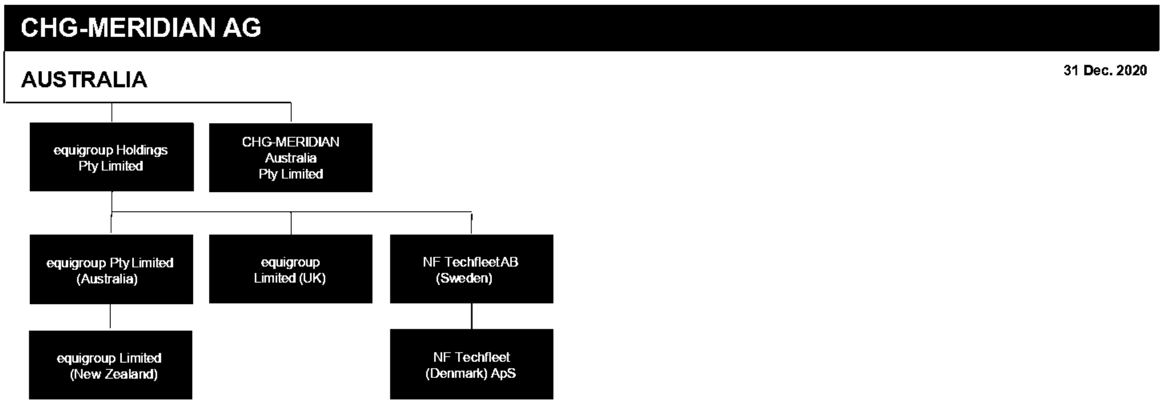
Date of formation	2 March 1979
Registered name	CHG-MERIDIAN AG
Registered office	Weingarten, Germany
Locations	The locations can be found in the Appendix (Appendix 1.6).
Articles of Incorporation	The current version of the Articles of Incorporation is dated 17 July 2001, most recently amended on 20 July 2018. The most recent amendment was adapted to resolutions potentially issuing from the Supervisory Board. Pro rata remuneration was also determined for Supervisory Board members whose membership began or ended during the reporting year.
Commercial register	The Company is registered with the Ulm District Court in Department B, under commercial register entry no. 551857. The most recent copy from the Commercial Register available to us dates from 27 January 2021.
Company's purpose	Pursuant to Section 2 of the Articles of Incorporation, the purpose of the Company is the purchase, sale and rental of industrial goods, in particular data processing systems and equipment.
Permission pursuant to Section 32 KWG [German Banking Act]	The Bundesanstalt für Finanzdienstleistungsaufsicht [German Federal Financial Supervisory Authority] granted permission to engage in the business designated in Section 1 (1a) sentence 2 no 10 KWG by letter dated 21 January 2009 and addressed to the Company's Board of Management. Accordingly, the activity comprises financial services within the meaning of finance leasing as set forth in Section 1 (1a) sentence 2 no 10 KWG.
Financial year	Calendar year
Share capital	The Company's share capital as at 31 December 2020 totals EUR 100,000,000.00 and consists of 96,000,000 no-par-value registered shares. All shares have the same rights.
Capital structure	The Company acquired 2,037,602 treasury shares and sold 1,082,536 treasury shares during the financial year under report. As at 31 December 2020, the Company held treasury shares with a notional value of EUR 1,327,705.21 (PY: EUR 332,844.79) and a portfolio of 1,274,597 treasury shares.

Prior year's financial statements	At the annual general meeting held on 17 July 2020, it was resolved as follows: (1) the net profit of EUR 75,505,504.41 as at 31 December 2019 will be distributed to the shareholders in the amount of EUR 28,763,501.70. The remaining amount of EUR 46,742,002.71, will be carried forward to new account. (2) The Supervisory Board and the Board of Management are formally discharged for financial year 2019; (3) KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, Germany, is elected as auditor for financial year 2020.
Supervisory Board Meeting	A Supervisory Board meeting was held on 12 May 2020 of the reporting year in which, among other things, the following were resolved: (1) Approval of the annual financial statements as at 31 December 2019 prepared by the Board of Management, audited by us and provided with an unqualified auditor's report, together with the management report; (2) Approval of the proposed appropriation of profits for 2019; (3) Approval of the consolidated financial statements as at 31 December 2019.
Size of the Company	The Company is a large corporation as defined in Section 267 (3) HGB [German Commercial Code] in conjunction with Section 340a (1) HGB.
Capital market orientation/ market listing	The Company is not listed or capital market-oriented.
Supervisory Board	The members of the Supervisory Board are listed in the Company's notes to the consolidated financial statements (Appendix 1.6). The notes to the consolidated financial statements contain the disclosures pursuant to Section 285 no. 9, 10 in paragraph 9e HGB [German Commercial Code].
Board of Management	Members of the Board of Management are listed in the notes to the Company’s consolidated financial statements (Appendix 1.6). The notes to the consolidated financial statements contain the disclosures made pursuant to Section 285 (9, 10) Subsection 9e HGB [German Commercial Code].
Tax status	The Company's tax status was audited by the tax authorities up to and including 2017 and concluded with no significant objections in a report dated 23 April 2020.

Appendix 3
Organisational chart of
CHG-MERIDIAN Group
as at 31 December 2020



1) CHG-MERIDIAN AG directly holds 51% of the shares in ECR Leasing Services S.A. de C.V. from an economic perspective.



■ 100% shares held ■ < 100% shares held

Appendix 4
General Engagement Terms

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.