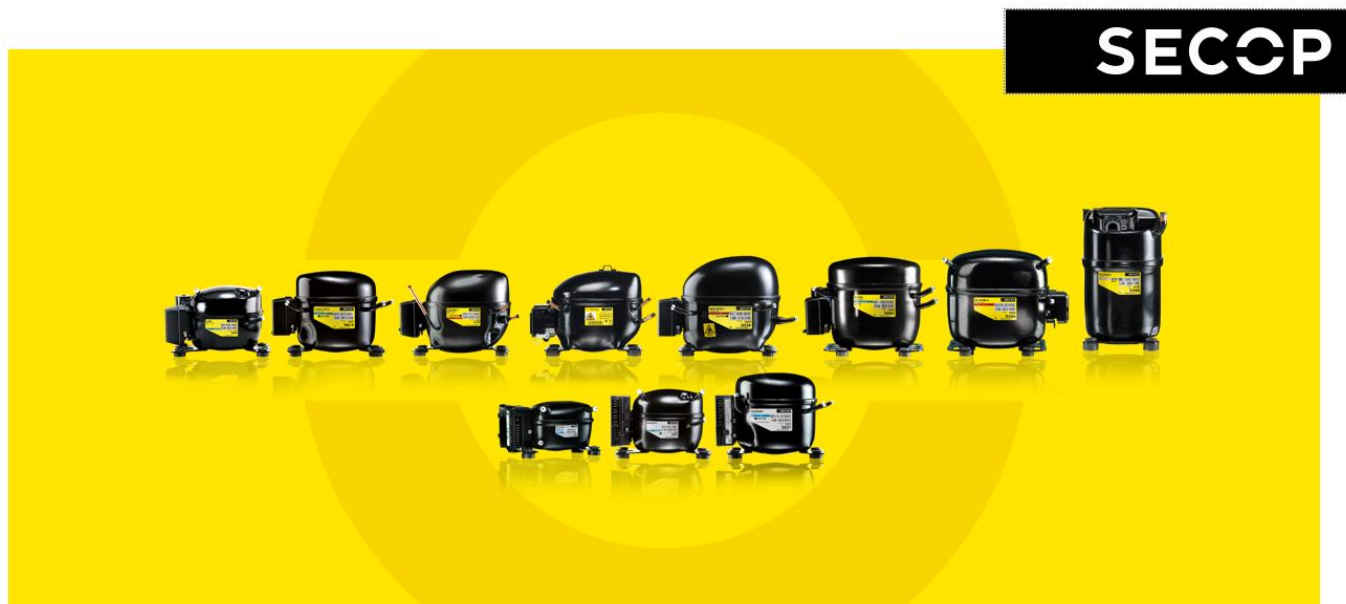


# Secop Group Holding GmbH

FINANCIAL STATEMENT  
Q1 2021



# MANAGEMENT COMMENTARY

## The Secop Group

Secop Group has belonged to the ESSVP IV fund since September 2019, advised by Orlando Management AG, a leading investor in industrial businesses. Since the acquisition the company re-focused the strategic plan to the core business: design and manufacture of hermetic compressors and electronic controls for refrigeration solutions used in Stationary and Mobile Cooling applications.

In 2020 a transformation process shaped the structure of the group, as part of the strategic plan to relocate valuable resources and development funds to Light Commercial and Mobile Cooling developments, limiting the household segment only to niche applications where Secop's experience and technology can differentiate with premium solutions. Final steps of the transformation process executed in year 2020 have been the closure of the plant in Austria, operation facility focused on domestic appliances segment, the consolidation of operations in Slovakia and China, and the establishment of a new R&D center in Austria.

Secop is committed to deliver advanced refrigeration compressors and controls, providing customers tailored sustainable solutions for light commercial, battery driven and special cooling applications.

Secop's "Stationary Cooling" business segment (AC-supply compressors for static applications) provides compressors for light commercial applications in food retail, food service, merchandisers, medical, and special applications and also for selected residential applications.

Secop's "Mobile Cooling" business segment (Battery-Driven DC-supply for mobile applications) is the global leader in high-performance hermetic DC compressors, for automotive, trucks, recreation vehicles, portable boxes, solar vaccine fridges, and other mobile applications.

Secop has a long track record of successful projects for energy efficient and green refrigerants adoption projects, using innovative solutions for both compressors and control electronics. Secop can count on solid knowhow and reliable solutions to support refrigeration applications in core refrigeration segments like medical refrigeration, solar vaccine coolers, medical mobile solutions.

## Business Highlights Q1 2021

### Q1 Sales summary by region

Q1 2021 showed a solid business trend confirming the positive recovery started already at the end of 2020. The positive trend has been evidenced by all core markets: Food Retail, Food Service, Medical, Automotive, Leisure. Even Food Service market, a segment that suffered heavy demand drops in 2020 due to COVID-19 pandemic effects on Hotels, Restaurants, Catering segments worldwide, have re-started with a good recovery path. The Medical segment confirmed the high demand expectations, boosted by the vaccine storage and distribution demand. The Food Retail segment demand kept a positive trend, even if this segment's demand did not suffer a big drop during the critical 2020 phases. For stationary cooling business the refrigeration market recovery in Q1 2021 evidenced a much better trend compared to end of 2020 forecasts and the demand increase was much faster than expected. Regionally we could see a consistent and good demand from China, a good recovery from Europe and a positive re-start in America.

For the mobile cooling industry the Automotive segment evidenced an order level much higher than market forecasts for both cars and trucks applications. Same trends for the leisure industry, due to an increased demand for mobility solutions.

Furthermore we could assist to positive market trends for the adoption of low GWP green refrigerants and low energy consumptions solutions, with activities boosted by new projects and growing interest thanks to regulations re-boost in USA and China for environmental friendly technologies, applications where Secop is leading with core solutions for both hydrocarbons refrigerants and variable speed low energy consumption solutions. The launch of the bigger hermetic compressor for R290 energy efficient systems, the new SLVE18CN for food retails, food service and medical, is just one example of the new solutions under development to sustain market needs.

But despite of the positive Q1 2021 trends in sales and the overdemand the company had to face various roadblocks coming from component's shortages and supply chain constrains.

Net Sales by Region:	Q1 2020	Q1 2021	Deviation in %
AMERICAS	5.241	6.538	24,7%
SEA (incl. CHINA)	14.881	31.688	112,9%
EUROPE, SAMEO	35.871	37.139	3,5%
<b>Total result:</b>	<b>55.993</b>	<b>75.365</b>	<b>34,6%</b>

## CONSOLIDATED INCOME STATEMENT

EUR M	Note	Q1 2020 *	Q1 2021 *
<b>Net Sales</b>		<b>56,0</b>	<b>75,4</b>
Raw materials & consumables		-36,4	-50,9
Labor production		-4,1	-3,9
Sales variable costs (incl. royalty fees)		-0,9	-1,6
All other direct costs		-0,3	-0,4
<b>Contribution margin</b>		<b>14,3</b>	<b>18,5</b>
As percent of Net Sales		25,6%	24,6%
Fixed costs		-11,7	-10,0
As percent of Net Sales		-21,0%	-13,3%
Currency impact	G1	0,2	-0,9
All extraordinary	G2	7,0	-0,7
Depreciation & Amortization **	G1	-2,3	-2,5
<b>EBIT</b>		<b>7,4</b>	<b>4,4</b>
As percent of Net Sales		13,3%	5,9%
Interest expense		-2,5	-2,4
<b>Profit before Tax</b>		<b>4,9</b>	<b>2,0</b>
Tax		-0,7	-0,6
<b>Profit / loss for the period</b>		<b>4,2</b>	<b>1,5</b>
<b>Memo:</b>			
Leases according to IFRS 16		-0,3	-0,3
<b>EBITDA Reported ***</b>		<b>9,4</b>	<b>6,6</b>
As percent of total turnover		16,9%	8,8%
Adjustments		-3,5	2,9
<b>EBITDA Adjusted (R&amp;D capitalized)</b>		<b>6,0</b>	<b>9,5</b>
As percent of total turnover		10,6%	12,6%

\* Note: Secop CORE Business

\*\* Note: D&A for the complete business

\*\*\* As defined in T's & C's

## **G1 Secop restructuring efforts after acquisition**

In 2020 / Q1 2021 Secop has successfully concluded several key changes to simplify and rationalize its operations in response to the fast-changing market and increasing consolidation and competition. The newly created Secop Group has two major production plants in Slovakia and China. Research and Development continues to be based in Austria and Germany. Some group functions are based in Flensburg, Germany. Since late 2020 Secop focuses on its Light Commercial and Mobile Cooling business as well as selected Household niches. We closed the Austrian production plant and shifted a major production line to Slovakia. This project is largely completed as the finished goods productions restarted successfully.

These restructuring related changes in 2019-2021 are our foundation for the new set up and more agile and focused Secop business going forward.

## **G2 Close of the acquisition process of Secop Group**

In this process Escrow receivables were impaired and hence associated receivables were waived.

In addition to external sale of assets, assets have been shifted from one Secop entity to another as described in G1.

This process has been concluded in 2020.

Positive effect (one-time income from extended capacity availability) from discontinuation of business in Q1 2020 was limited to one quarter.

## **G3 Refinancing the business**

Outstanding Bonds on 31.03.2021 was at a value of 50.0m EUR. Bonds held by the company on 31.03.2021 have a nominal value of 8.9m EUR.

## **G4 Vendor loan Nidec**

At the end of December 2020 there was a vendor loan to Nidec (former shareholder of the Secop business) in place with non-cash interest being accrued.

In 2021, Nidec has started an arbitration procedure and both contract parties have open claims to each other. This arbitration is ongoing and a solution is expected for 2022.

## **G5 Equity**

Including all shareholder loans of the Group, the equity of the group amounts to 97.3m EUR.

## CONSOLIDATED BALANCE SHEET (IFRS)

EUR M	Note	Q1 2020 *	Q1 2021 *
<b>ASSETS:</b>			
Intangible assets		53,5	55,6
Tangible assets	G1	104,6	84,0
<b>Total fixed assets</b>		<b>158,1</b>	<b>139,6</b>
Deferred tax assets		3,9	0,9
<b>Total non-current financial assets</b>		<b>161,9</b>	<b>140,5</b>
Inventories	G1	41,2	35,9
Trade receivables		57,0	54,2
Current financial assets	G2	35,5	6,3
Cash and bank balance	G3	35,5	27,7
Current non-financial assets		14,9	11,5
<b>Total current assets</b>		<b>184,1</b>	<b>135,5</b>
<b>Total assets</b>		<b>346,1</b>	<b>276,0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	G1, G2, G5	<b>77,8</b>	<b>35,9</b>
Non-current provisions for pensions & similar		4,4	4,6
Other provisions		2,0	2,3
<b>Non-current provisions</b>		<b>6,4</b>	<b>6,9</b>
Non-current financial liabilities	G3	4,7	46,2
Non-current payables	G5	60,4	61,4
Deferred tax liabilities		30,1	20,9
<b>Non current liabilities</b>		<b>95,2</b>	<b>128,4</b>
<b>Non-current non-financial liabilities</b>		<b>0,7</b>	<b>-</b>
Current payables from income taxes		0,7	0,3
Current payables from VAT		1,4	0,1
Current payables HR		6,4	6,3
All other current payables		2,2	3,4
<b>Current non-financial liabilities</b>		<b>10,7</b>	<b>10,1</b>
Current financial liabilities	G4	20,3	21,2
Short-term loan payables	G5	64,9	-
Accounts payables		57,6	64,2
Current provisions		11,0	9,2
Other current liabilities		1,4	-
<b>Current liabilities</b>		<b>155,2</b>	<b>94,6</b>
<b>Total equity and liabilities</b>		<b>346,1</b>	<b>276,0</b>

\* Note: Entire Secop Group Business

## CONSOLIDATED CASH FLOW STATEMENT

EUR M	Note	Q1 2020 *	Q1 2021 *
<b>EBIT</b>		<b>10,3</b>	<b>4,2</b>
Correction for non-cash Items		2,9	0,1
<b>Subtotal cash flow from Operations excluding WC</b>		<b>13,2</b>	<b>4,3</b>
Change in Working Capital		- 3,2	- 3,3
<b>Subtotal Cash generated from Operating activities</b>		<b>10,0</b>	<b>1,0</b>
Net cash used for investment activities		- 4,3	- 4,5
Net cash from financing activities	G3	3,8	2,4
Net cash from tax		- 0,8	- 0,5
<b>Net increase / decrease in Cash</b>		<b>8,7</b>	<b>- 1,6</b>

\* Note: Entire Secop Group Business

## NOTES TO THE FINANCIAL STATEMENT

### GENERAL INFORMATION

Secop Group Holding, HRB 14025, District Court Flensburg, is a limited liability company registered in Germany with its registered office in Flensburg. The address of the head office is Mads-Claussen-Strasse 7, 24939 Flensburg, Germany. The operations of the Secop Group Holding GmbH (the "Parent Company") and its subsidiaries (the "Group") comprise of development, manufacturing and sale of compressor products and related activities. ties. Unless stated otherwise, all amounts are presented in millions of EUR (m EUR).

### G5: KEY RISKS AND UNCERTAINTIES

The Group's key risks and uncertainties relate to fluctuations in demand and prices of steel, copper and semiconductor products as well as other commodity material prices. For a more detailed description of key risks and uncertainties, please refer to Secop Group's latest Annual Report 2020.

In Q1 the global shortage of semiconductor components as well as the impact of the surge in copper and steel price does impose a risk to the year 2021. All measures to secure semiconductor supplies and limit the impact of surging commodity pricing have been started and partly taken already.

The impact from COVID-19 on the Group has been limited until the date of the publishing of this report. Given the uncertainty related to the spread of the virus and its associated effects, it is difficult for the Group to estimate future impact from the outbreak. Key operational risks are for example associated to plant, property and staff and our availability and access to raw materials and components as well as to logistics services.

### G6: DEFINITION OF KEY INDICATORS

#### EBITDA Reported

EBITDA is calculated as the profit of the Group before interest, tax, depreciation and amortization for the relevant period, including IFRS 16 lease costs and after adding back any amount attributable to the amortization, depreciation, depletion or non-cash write-down of assets of members of the Group, according to T's and C's.

#### EBITDA Adjusted (R&D capitalized)

EBITDA Adjusted (R&D capitalized) is calculated as the profit of the Group before interest, tax, depreciation and amortization including R&D capitalization improving the cost base for relevant items that are capitalized according to IFRS for the relevant period excluding all adjustments

that are non-recurring, restructuring and / or acquisition related (enabling a like for like comparison of the real business performance excluding other items), including IFRS 16 lease costs and after adding back any amount attributable to the amortization, depreciation, depletion or non-cash write-down of assets of members of the Group.

#### Pro-forma adjustments as part of reflected EBITDA Adjusted (R&D capitalized)

Pro-forma adjustments reflected are mainly the anticipated fixed costs reduction of the Austrian business restructuring. The adjustment is calculated for the relevant period on a proforma basis (as if the Group in its state of the end of the relevant period had been in existence for the full relevant period of the executed cost reductions).

## COMPANY INFORMATION

Name: Secop Group Holding GmbH

Address: Mads-Claussen-Strasse 7, 24939  
Flensburg, Germany

Registration: HRB 14025

Financial year: January 1 – December 31

Website: <https://www.secop.com>

### Executive Management:

Andreas Schmid

Frank Elsen

Philipp Stietencron

Auditor: Grant Thornton