

Secop Group Holding GmbH

FINANCIAL STATEMENT
Q1 2022

SECOP



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.

Along year 2020 a planned 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 and medical mobile solutions.

Business Highlights Q1 2022

Q1 2022 has been a good quarter in terms of market demand and order level, even if not homogeneous for

segments, regions and not constantly distributed along the quarter.

In Stationary Cooling segment demand was good from major segments, Food Service and Food Retail, especially at the beginning of the year. Unfortunately, two major events affected the positive trend with impacts on the demand in Europe and China, while the other regions continued with a positive trend in Q1. The crises in Ukraine created in Europe a new uncertainty after Covid cases, impacting a delicate equilibrium for investments in food and beverage. Furthermore, the end user demand have been affected by a growing inflation rate with increasing lack of confidence for consumption and investments. In parallel the demand in Russia, and surrounding countries, suffered a significative drop. On the other side a new lockdown in China generated a severe reduction of demand in China, coming from all segments and creating problems to export of parts manufactured in China too.

Regarding the Medical segment we could see confirmation of a solid and growing demand. Secop continued to grow in volume winning new projects in this segment, as a result of the specific focus and efforts tailored to support Medical market demand.

In Mobile Cooling segment during Q1 Secop could register again a strong demand level. Automotive segment kept the high order level, since the effects of Ukraine crises and China slow-down have longer chain to hit demand level. Leisure also evidenced a good demand level for recreation vehicles and portable cooling solutions. But on the other side the Mobile Cooling segment suffered again constrains in supply chain for electronic components. In fact in Q1 we had to face again severe constrains for electronic components supply, and Q1 was closed with a high level of order backlog for electronic driven compressors.

The crises in Ukraine generated a boost in costs for production in Europe. Different elements contributed to rising costs: raw materials, components, utilities and energy. In Q1 commodities' cost confirmed the high level achieved in previous quarters, with further increase evidenced by electrical steel used for electrical motors.

The additional cost increase for products made in Europe required another price adjustment, executed in Q1, to compensate cost effects.

Net Sales by Region:	Q1 2021 (in k EUR)	Q1 2022 (in k EUR)	Deviation in %
AMERICAS	6.534	7.129	9,1%
SEA (incl. CHINA)	34.820	30.003	-13,8%
EUROPE, SAMEO	34.046	43.068	26,5%
Total result:	75.400	80.200	6,4%

CONSOLIDATED INCOME STATEMENT

EUR M	Note	Q1 2021	Q1 2022
Net Sales		75,4	80,2
Raw materials & consumables		-50,9	-58,4
Labor production		-3,9	-4,6
Sales variable costs (incl. royalty fees)		-1,6	-2,4
All other direct costs		-0,4	-0,4
Contribution margin		18,5	14,4
As percent of Net Sales		24,6%	18,0%
Fixed costs		-10,0	-9,4
As percent of Net Sales		-13,3%	-11,7%
Currency impact		-0,9	-0,4
All extraordinary		-0,7	0,3
Depreciation & Amortization		-2,5	-3,1
EBIT		4,4	1,8
As percent of Net Sales		5,9%	2,2%
Interest expense		-2,4	-2,2
Profit before Tax		2,0	-0,4
Tax		-0,6	-
Profit / loss for the period		1,5	-0,4
Memo:			
Leases according to IFRS 16		-0,3	-0,4
EBITDA Reported *		6,6	4,5
As percent of total turnover		8,8%	5,6%
Adjustments		2,9	0,5
EBITDA Adjusted (R&D capitalized)		9,5	5,0
As percent of total turnover		12,6%	6,2%

* As defined in T's & C's

G1 Refinancing the business

Outstanding Bonds on 31.03.2022 were at a nominal value of 50.0m EUR. Bonds held by the company on 31.03.2022 have a nominal value of 12,5m EUR.

G2 Increase in inventory

Global supply chain situation / shortages plus inflation driving inventory.

G3 Vendor loan Nidec

At the end of December 2021 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 by management only in 2023.

G4 Equity

Including all shareholder loans of the Group, the equity of the group amounts to 105,8m EUR.

CONSOLIDATED BALANCE SHEET (IFRS)

EUR M	Note	Q1 2021	Q1 2022
ASSETS:			
Intangible assets		55,6	62,3
Tangible assets		84,0	90,1
Total fixed assets		139,6	152,4
Deferred tax assets		1,4	1,1
Total non-current financial assets		141,0	153,5
Inventories	G2	35,9	50,0
Trade receivables		54,3	59,2
Current financial assets		6,3	5,3
Cash and bank balance	G1	27,7	12,4
Current non-financial assets		11,2	10,6
Total current assets		135,4	137,5
Total assets		276,4	291,0
EQUITY AND LIABILITIES			
Equity	G4	36,4	39,9
Non-current provisions for pensions & similar		4,6	4,1
Other provisions		2,3	2,6
Non-current provisions		6,9	6,6
Non-current financial liabilities	G1	46,2	44,8
Non-current payables	G4	61,4	65,9
Deferred tax liabilities		20,2	16,9
Non current liabilities		127,8	127,6
Non-current non-financial liabilities		0,7	0,5
Current payables from income taxes		0,3	-
Current payables from VAT		-	-
Current payables HR		6,4	7,0
All other current payables		3,4	2,8
Current non-financial liabilities		10,1	9,7
Current financial liabilities	G3	21,1	21,3
Short-term loan payables	G4	-	-
Accounts payables	G2	64,2	72,3
Current provisions		9,2	8,4
Other current liabilities		-	-
Current liabilities		94,5	106,7
Total equity and liabilities		276,4	291,0

CONSOLIDATED CASH FLOW STATEMENT

EUR M	Note	Q1 2021	Q1 2022
EBIT		4,2	1,8
Correction for non-cash Items		0,1	2,0
Subtotal cash flow from Operations excluding WC		4,3	3,8
Change in Working Capital	G2	- 3,3	- 7,1
Subtotal Cash generated from Operating activities		1,0	- 3,3
Net cash used for investment activities		- 4,5	- 3,0
Net cash from financing activities		2,4	5,7
Net cash from tax		- 0,5	-
Net increase / decrease in Cash		- 1,6	- 0,7

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 Lise-Meitner-Straße 29, 24941 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).

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 2021.

All measures to secure semiconductor supplies and limit the impact of surging commodity pricing are ongoing and are effective already. However, certain shortages which may affect the ability to produce and sell cannot be predicted easily given the current status of the world economies.

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 – particularly in China with the executed "0" COVID strategy, 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.

As indicated prior, the crises in Ukraine generated a boost in costs for production globally. Different elements contributed to rising costs: raw materials, components, utilities and energy.

OUTLOOK 2022

Our Slovakian entity owns several buildings used for production, offices, storages, maintenance, labs etc. as well as owning some areas, which are rented to long-terms tenants. Since 2020, the Slovakian entity has improved the layout of the factory in terms of production footprint and flow significantly. Recently, one of our tenants has risen a request to enlarge its rented area. Due to the effective operational re-organizations, the Slovakian entity can offer to the respective tenant a suitable space in a different

isolated building, thus Secop could rather sell the building complex then rent it to the tenant. This solution would free up more space currently rented to the tenant and generate further strong improvements in Secop's material flow within this site. The value of the land and building for sale is 1,5% of total Secop Group fixed assets.

As the disposal of real estate is prohibited in the terms and conditions of the bond, the Company may in the near future engage in a dialogue with its bondholders to agree on a waiver, ultimately by way of a written procedure. No decisions have been made or agreements signed yet, however, this could materialize in the near future.

Secop may consider in the near future to sell some or all of the bonds it currently holds on its balance sheet.

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.

COMPANY INFORMATION

Name: Secop Group Holding GmbH

Address: Lise-Meitner-Straße 29,
24941 Flensburg,
Germany

Registration: HRB 14025

Financial year: January 1 – December 31

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

Executive Management:

Jan Ehlers

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