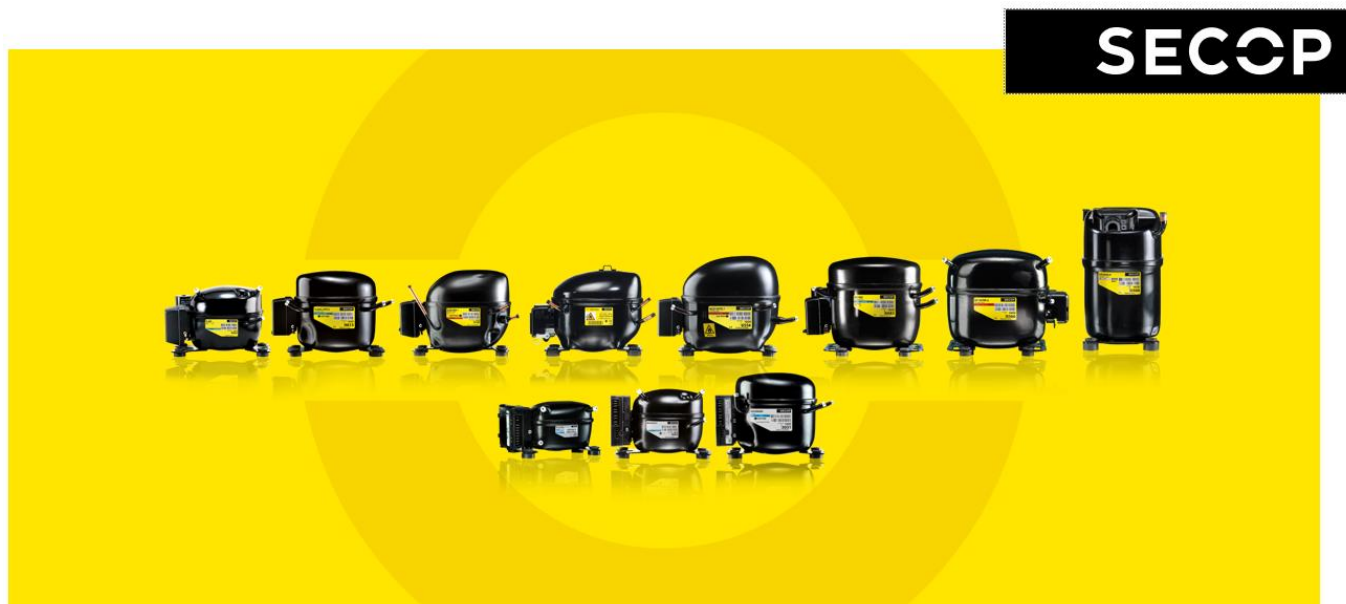


# Secop Group Holding GmbH

FINANCIAL STATEMENT  
Q2 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.

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, medical mobile solutions.

## Business Highlights Q2 2021

Q2 2021 confirmed the positive trend and outstanding demand level already evidenced during Q1. We have seen a solid demand progression and demand growth from Q1 to Q2. The good demand level has been evident in all core

segments: Food Retail, Food Service, Medical, Automotive, Leisure.

For the stationary cooling business segment, we experienced an overall commercial refrigeration market growth, better than forecasted. Food Service market confirmed a recovery in Ho.Re.Ca. segment demand; our Medical segment confirmed high demand level boosted by medical projects worldwide for both vaccine cold-chain and pharma-labs storage; Food Retail segment kept a positive demand level.

Regionally we could see an outstanding demand level in China, a good progression in Europe and a positive demand growth in America and MEA.

The mobile cooling segments faced an outstanding demand in Q2, even higher than the good demand level experienced in Q1. Automotive segment showed a very high order level, beyond any forecast, for both cars and trucks applications. Leisure industries have shown a good demand level for recreation vehicles, portable boxes and other applications, due to an increased request for portable cooling solutions. As for stationary cooling medical applications have seen a huge demand boost also in mobile applications used in the cold-chain distribution.

During Q2 we could see the confirmation of market trends toward the adoption of low GWP green refrigerants and low energy consumptions solutions, translated into new projects and RFQs for environmental friendly solutions where Secop is leading and we are also releasing new products to market.

On the other side we were facing supply chain constraints with increasing roadblocks that jeopardized the possibility to satisfy the growing demand not forecasted in advance. In fact, material supply constraints negatively impacted our manufacturing capacity, due to both component's shortages and not-reliable and longer than planned lead-times.

Due to such supply shortages and the longer lead-times we have not been able to satisfy all high customer demands in Q2.

Furthermore, during Q2 we experienced further commodity price increases with for various raw materials and components. The counter measures by Secop have been taken mainly by active customer price adjustments.

Net Sales by Region:	Q2 2020	Q2 2021	Deviation in %
AMERICAS	4.485	6.862	53,0%
SEA (incl. CHINA)	22.438	35.737	59,3%
EUROPE, SAMEO	25.644	38.720	51,0%
<b>Total result:</b>	<b>52.567</b>	<b>81.319</b>	<b>54,7%</b>

## CONSOLIDATED INCOME STATEMENT

EUR M	Note	Q2 2020 *	Q2 2021 *	Q1-Q2 2020 *	Q1-Q2 2021 *
<b>Net Sales</b>		<b>52,6</b>	<b>81,0</b>	<b>108,6</b>	<b>156,3</b>
Raw materials & consumables		-34,4	-57,4	-70,8	-108,3
Labor production		-3,3	-4,6	-7,4	-8,6
Sales variable costs (incl. royalty fees)		-0,8	-2,1	-1,7	-3,6
All other direct costs		-0,3	-0,8	-0,5	-1,2
<b>Contribution margin</b>		<b>13,8</b>	<b>16,1</b>	<b>28,2</b>	<b>34,6</b>
As percent of Net Sales		26,3%	19,9%	25,9%	22,2%
Fixed costs		-12,1	-9,5	-23,8	-19,5
As percent of Net Sales		-22,9%	-11,7%		-12,5%
Currency impact	G1	0,7	-0,4	0,8	-1,3
All extraordinary	G2	-19,6	0,0	-12,6	-0,8
Depreciation & Amortization **	G1	-2,7	-3,1	-5,0	-5,5
<b>EBIT</b>		<b>-19,8</b>	<b>3,1</b>	<b>-12,4</b>	<b>7,5</b>
As percent of Net Sales		-37,8%	3,8%	-11,4%	4,8%
Interest expense		-2,6	-2,1	-5,1	-4,4
<b>Profit before Tax</b>		<b>-22,4</b>	<b>1,0</b>	<b>-17,5</b>	<b>3,1</b>
					0,0
Tax		-0,3	-0,6	-1,0	-1,1
<b>Profit / loss for the period</b>		<b>-22,7</b>	<b>0,4</b>	<b>-18,5</b>	<b>1,9</b>
<b>Memo:</b>					
Leases according to IFRS 16		-0,3	-0,3	-0,5	-0,5
<b>EBITDA Reported ***</b>		<b>7,1</b>	<b>5,9</b>	<b>16,5</b>	<b>12,5</b>
As percent of total turnover		13,5%	7,3%	15,2%	8,0%
Adjustments		-1,5	1,8	-5,0	4,7
<b>EBITDA Adjusted (R&amp;D capitalized)</b>		<b>5,6</b>	<b>7,7</b>	<b>11,5</b>	<b>17,2</b>
As percent of total turnover		10,6%	9,5%	10,6%	0,4%

\* Note: Secop CORE Business

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

\*\*\* As defined in Ts & Cs

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

In 2020 / H1 2021 Secop has successfully concluded several key changes to simplify and rationalize its operations in response to the fast-changing market, accelerating inflation and increasing 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. Due to the streamlined and more agile operation, particularly impacting copper and steel inflationary tendencies could be offset by cost initiatives.

## **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.

## **G3 Refinancing the business**

Outstanding Bonds on 30.06.2021 was at a value of 50.0m EUR. Bonds held by the company on 30.06.2021 have a nominal value of 12,0m 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 99.8m EUR.

## CONSOLIDATED BALANCE SHEET (IFRS)

EUR M	Note	Q2 2020 *	Q2 2021 *
<b>ASSETS:</b>			
Intangible assets		54,6	57,0
Tangible assets	G1	91,2	84,6
<b>Total fixed assets</b>		<b>145,8</b>	<b>141,6</b>
Deferred tax assets		3,9	1,4
<b>Total non-current financial assets</b>		<b>149,6</b>	<b>143,0</b>
Inventories	G1	32,3	37,0
Trade receivables		49,8	62,7
Current financial assets	G2	11,3	5,0
Cash and bank balance	G3	63,0	19,3
Current non-financial assets		14,6	13,8
<b>Total current assets</b>		<b>171,0</b>	<b>137,8</b>
<b>Total assets</b>		<b>320,6</b>	<b>280,8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	G1, G2, G5	<b>57,9</b>	<b>37,2</b>
Non-current provisions for pensions & similar		4,4	4,6
Other provisions		2,0	2,2
<b>Non-current provisions</b>		<b>6,4</b>	<b>6,8</b>
Non-current financial liabilities	G3	4,5	42,8
Non-current payables	G5	61,6	62,6
Deferred tax liabilities		29,9	20,1
<b>Non current liabilities</b>		<b>96,0</b>	<b>125,4</b>
<b>Non-current non-financial liabilities</b>		<b>0,0</b>	<b>0,7</b>
Current payables from income taxes		1,5	0,4
Current payables from VAT		4,9	-
Current payables HR		6,3	5,3
All other current payables		2,5	3,6
<b>Current non-financial liabilities</b>		<b>15,1</b>	<b>9,2</b>
Current financial liabilities	G4	20,4	20,0
Short-term loan payables	G5	66,1	-
Accounts payables		45,8	72,2
Current provisions		11,5	9,3
Other current liabilities		1,4	-
<b>Current liabilities</b>		<b>145,2</b>	<b>101,5</b>
<b>Total equity and liabilities</b>		<b>320,6</b>	<b>280,8</b>

\* Note: Entire Secop Group Business

## CONSOLIDATED CASH FLOW STATEMENT

EUR M	Note	Q2 2020 *	Q2 2021 *	Q1-Q2 2020 *	Q1-Q2 2021 *
<b>EBIT</b>		- 19,8	3,1	- 9,5	7,5
Correction for non-cash Items		2,6	1,5	5,5	1,6
<b>Subtotal cash flow from Operations excluding WC</b>		- 17,3	4,5	- 4,0	9,1
Change in Working Capital		4,3	- 1,3	1,1	- 4,6
<b>Subtotal Cash generated from Operating activities</b>		- 12,9	3,4	- 2,9	4,4
Net cash used for investment activities		9,0	- 4,0	4,7	- 8,6
Net cash from financing activities	G3	26,8	- 7,2	30,6	- 4,8
Net cash from tax		0,4	- 0,6	0,5	- 1,1
<b>Net increase / decrease in Cash</b>		<b>23,2</b>	<b>- 8,4</b>	<b>31,9</b>	<b>- 10,0</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 Q2 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