

Secop Group Holding GmbH

FINANCIAL STATEMENT
Q4 2021

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 Q4 2021

Q4 2021 has been a good quarter in terms of market demand and order level, still confirming the positive trend

of previous quarters and showing a solid and continuous demand from all core segments.

In Stationary Cooling segment demand was good from major segments: Food Service, Medical, Food Retail. The commercial refrigeration market has been supported by a strong end user demand, confirmed by the order level of the key customers. Regionally it was registered a reduction of demand from China, compensated by a positive and constant demand in Europe, America, MEA and Russia. Secop could also gain new business in commercial refrigeration, exploiting opportunities presented by the growing market and gaining share in different areas and regions. Especially from the Medical segment Secop faced a good level of new projects, as a consequence of the specific product portfolio and service designed to support Medical applications.

In Mobile Cooling segment during the last quarter of 2021 Secop registered still strong demand. Automotive segment kept the high order level seen along the whole year, for both cars and trucks applications. Leisure segment evidenced a good demand level for recreation vehicles and portable cooling solutions.

Unfortunately, Q4 evidenced again severe constraints from supply chain, especially for electronic components.

Roadblocks for electronic components supply impacted the possibility to satisfy the high demand level in mobile cooling segment especially. As a consequence, Q4 was closed with a high level of order backlog for electronic driven compressors. Furthermore, in Q4 commodities' cost confirmed the high level achieved in previous quarters, with a special increase shown by electrical steel, required for compressor's electrical motor. On top of material cost Q4 started to show a sharp increase in energy costs in Europe. The combination of the two effects impacted production costs for manufacturing plants in Europe especially. To react to materials and energy cost increase, and compensate the related impact on compressors' cost, a price adjustment has been planned to review price list for year 2022 and mitigate the effects on profitability.

In addition, the ongoing pandemic situation in China as well as other markets do bear a continued risk to the ongoing business in 2022. This will continue to impact supply as well as demand in the key markets of Secop.

Net Sales by Region:	Q4 2020 (in k EUR)	Q4 2021 (in k EUR)	Deviation in %
AMERICAS	5.106	7.454	46,0%
SEA (incl. CHINA)	31.707	24.730	-22,0%
EUROPE, SAMEO	23.917	33.854	41,5%
Total result:	60.730	66.038	8,7%

CONSOLIDATED INCOME STATEMENT

EUR M	Note	Q4 2020 *	Q4 2021 *	Q1-Q4 2020 *	Q1-Q4 2021 *
Net Sales		60,7	66,0	222,7	299,7
Raw materials & consumables		-41,4	-49,8	-146,7	-213,2
Labor production		-3,3	-3,9	-13,6	-16,8
Sales variable costs (incl. royalty fees)		-1,1	-2,4	-3,6	-8,6
All other direct costs		0,2	0,7	-0,7	-0,9
Contribution margin		15,1	10,6	58,2	60,3
As percent of Net Sales		24,9%	16,1%	26,1%	20,1%
Fixed costs		-9,9	-10,2	-45,3	-38,0
As percent of Net Sales		-16,2%	-15,5%	-20,4%	-12,7%
Currency impact	G1	-0,7	-1,0	-1,4	-2,4
All extraordinary	G2	-0,1	1,2	-17,8	0,2
Depreciation & Amortization **	G1	-17,8	-3,1	-24,9	-11,1
EBIT		-13,3	-2,5	-31,2	9,1
As percent of Net Sales		-21,9%	-3,8%	-14,0%	3,0%
Interest expense		-3,5	-2,2	-10,9	-8,9
Profit before Tax		-16,8	-4,7	-42,1	0,1
Tax		-5,6	3,6	-7,6	2,2
Profit / loss for the period		-22,3	-1,1	-49,8	2,3
Memo:					
Leases according to IFRS 16		-0,3	-0,4	-1,1	-1,3
EBITDA Reported ***		5,0	0,2	18,3	18,9
As percent of total turnover		8,2%	0,3%	8,2%	6,3%
Adjustments		0,2	0,7	4,3	6,1
EBITDA Adjusted (R&D capitalized)		5,2	0,9	22,5	25,1
As percent of total turnover		8,5%	1,4%	10,1%	8,4%

* 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 2020/21 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 production plants in Slovakia and China. Research and Development continues to be based in mainly 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.

G2 Close of the acquisition process of Secop Group

In process of restructuring Secop's Austrian operations Escrow receivables were impaired and hence associated receivables were waived.

In addition to external sale of assets, assets have been shifted from one Secop Austria to Slovakia. This activity was concluded in 2020.

G3 Refinancing the business

Outstanding Bonds on 31.12.2021 were at a nominal value of 50.0m EUR. Bonds held by the company on 31.12.2021 have a nominal value of 12,5m EUR.

G4 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.

G5 Equity

Including all shareholder loans of the Group, the equity of the group amounts to 104,8m EUR.

CONSOLIDATED BALANCE SHEET (IFRS)

EUR M	Note	Q4 2020 *	Q4 2021 *
ASSETS:			
Intangible assets		54,9	61,3
Tangible assets	G1	82,8	90,6
Total fixed assets		137,6	151,9
Deferred tax assets		1,4	1,4
Total non-current financial assets		139,1	153,4
Inventories	G1	34,1	50,5
Trade receivables		44,3	52,4
Current financial assets	G2	10,1	4,7
thereof advance payments		-	-
Cash and bank balance	G3	29,3	13,0
Current non-financial assets		10,6	11,6
Total current assets		128,4	132,2
Total assets		267,4	285,6

EQUITY AND LIABILITIES

Equity	G1, G2, G5	33,2	40,0
Non-current provisions for pensions & similar		4,6	4,1
Other provisions		1,9	2,6
Non-current provisions		6,5	6,7
Non-current financial liabilities	G3	46,3	44,7
thereof Bond outstanding		-	-
Non-current payables	G5	62,2	64,8
Deferred tax liabilities		20,2	16,9
Non current liabilities		128,7	126,3
Non-current non-financial liabilities		0,7	0,5
Current payables from income taxes		0,1	-
Current payables from VAT		-	-
Current payables HR		5,7	5,7
All other current payables		2,6	4,0
Current non-financial liabilities		8,4	9,7
Current financial liabilities	G4	20,8	20,9
Short-term loan payables	G5	-	-
Chinese bank liability		2,2	-
Accounts payables		53,7	72,1
Current provisions		13,2	9,3
Other current liabilities		-	-
Current liabilities		89,9	102,4
Total equity and liabilities		267,4	285,6

* Note: Entire Secop Group Business

CONSOLIDATED CASH FLOW STATEMENT

EUR M	Note	Q4 2020 *	Q4 2021 *	Q1-Q4 2020 *	Q1-Q4 2021 *
EBIT	-	9,8	2,0	24,8	9,1
Correction for non-cash Items		16,8	2,4	27,8	9,1
Subtotal cash flow from Operations excluding WC		7,1	0,4	3,0	18,1
Change in Working Capital		14,4	3,4	15,0	7,3
Subtotal Cash generated from Operating activities		21,5	3,7	18,0	10,8
Net cash used for investment activities		6,8	8,2	10,6	22,8
Net cash from financing activities	G3	12,1	1,8	0,4	3,0
Net cash from tax		3,3	0,6	5,3	1,3
Net increase / decrease in Cash		0,7	5,7	2,5	16,3

* Note: Entire Secop Group Business

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. In addition, the ongoing and increasing burden from energy pricing (driven by gas and oil) are a key risk to profitability in 2022. For a more detailed description of key risks and uncertainties, please refer to Secop Group's latest Annual Report 2020.

In H2, 2021 the global shortage of semiconductor components as well as the impact of the surge of commodity pricing such as copper, steel and aluminum continues do bear a risk to the year 2021/22. 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, 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

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Registration: HRB 14025

Financial year: January 1 – December 31

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Executive Management:

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