Secop Group Holding GmbH

Interim Report
Q1-2023

MANAGEMENT REPORT

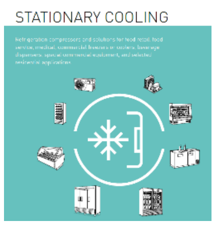
The Secop Group

The Secop Group

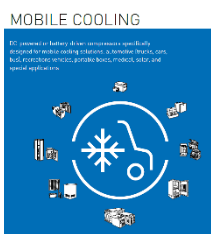
Secop is the expert for advanced hermetic compressor technologies and cooling solutions in commercial refrigeration. We develop high performance stationary and mobile cooling solutions for leading international commercial refrigeration manufacturers and are the first choice when it comes to leading hermetic compressors and electronic controls for refrigeration solutions for AC-powered stationary light commercial, DC-powered, and medical cold-chain applications.

Secop has a long track record of successful projects to adopt energy efficient and green refrigerants that feature innovative solutions for both compressors and control electronics.

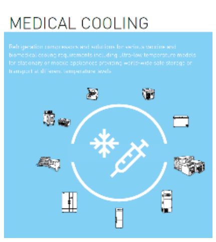
Business Segments



Our **Stationary Cooling** business segment (AC-supply compressors for static applications) encompasses compressors for light commercial applications in food retail, food service, merchandisers, and special applications including selected residential applications.
https://www.secop.com/products/stationary-cooling



Our **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, and other mobile applications.
https://www.secop.com/products/mobile-cooling



Our **Medical Cooling** business segment with its stationary and mobile solutions make us a reliable partner for leading companies supporting the development of a global ULT (ultra-low temperature) supply chain and medical cold-chain optimization with green and efficient solutions.
https://www.secop.com/products/medical-cooling

Message of the CEO

At the beginning of the first quarter of 2023, Secop experienced a slowdown in market demand from different areas and segments. In China, the demand in January and February was below the expected level due to effects from the sudden release of Covid-restrictions in December 2022 and production stops for Chinese New Year, but already in March the level of orders returned back to a normal level. In Europe, the Russia/Ukraine-conflict still caused market uncertainties and a reduced investment level and demand. In America, the order level was limited since various customers re-adjusted their stock levels after the stock increases in 2022. And in the Middle East, the economic instability of some countries generated fluctuating order levels.

All the aforementioned effects resulted in a lower than planned demand and revenue for Q1-2023, mainly concentrated in the first 2 months, while the market demand started to recover in March, especially in China and the Mobile Cooling segment. This also affected our profitability, which was compensated by higher margins and the release of no longer needed provisions.

On the supply side, we experienced a reduction of raw material and energy prices in Q1-2023, which will further positively influence our margins in Q2-2023. The constrains in the supply chain that we experienced in 2022 and that caused shortages and backlogs especially for electronic components, were reduced.

During the first months of 2023 we have seen an increasing number of requests from automotive OEMs in China, interested to install our mobile cooling solutions inside new eCars platforms with additional opportunities for our new BD Nano. Furthermore, Secop continued the development of key projects for medical cold chain customers that want to accelerate the development of new green and efficient cabinets.

Also on our new product developments we continued our progress during Q1-2023. We released new models of the KLF platform to the market for commercial applications and received good feedback from customers. We progressed with the approval of the innovative BD Nano platform for eCars and recreation vehicle applications. And we provided further samples of the new ULT variable speed compressors and the innovative ULT condensing unit to medical customers.

In February 2023, Secop received the important TOP100 Innovator Award for its commitment to innovation. The award is given annually to companies in Germany that have demonstrated a commitment to developing cutting-edge solutions. This reflects the positive development that we expect with our new products.

Key Highlights Q1-2023

Q1-2023

- **Net Sales** have been reduced to EUR 59,9m (Q1-2022*: EUR 73,7m) due to a softening demand in different areas and segments especially in January and February following the political and economic uncertainties globally and the inventory optimization of customers.
- The **Contribution Margin in %** of Net Sales improved significantly to 20,1% (Q1-2022*: 17,5%), reflecting the effect of our own price increases, an improved product mix and stabilized raw material and freight costs.
- The **Internal Adjusted EBITDA** ended with EUR 3,7m (Q1-2022*: EUR 3,5m) despite the softer sales-development, which was overcompensated by a clearly better margin development and a release of personnel-related accruals, which are no longer anticipated to be needed.
- Our **Bond EBITDA** development followed the Internal Adjusted EBITDA and finished with EUR 3,6m (Q1-2022*: EUR 3,4m).
- The EBIT amounted to EUR 1,1m (Q1-2022*: EUR 0,3m) with a corresponding EBIT-margin of 1,8% (Q1-2022*: 0,5%).
- Net income reached EUR -1,2m (Q1-2022*: EUR -1,9m).
- Strong Cash-flow from operating activities of EUR 8,3m following a consequent Trade Working Capital-management (Q1-2022*: EUR -1,8m).
- Net Cash decreased from EUR 7,2m as of 31.12.2022 to EUR 0,8m as of 31.03.2023 mainly because of the settlement payment to Nidec Europe B.V of in total EUR 13,0m in Q1-2023. Net Debt improved slightly form EUR 37,8m as of 31.12.2022 to EUR 35,4m as of 31.03.2023.

** Note: The Q1-2022 figures have been adjusted to properly reflect the application of IFRS 15 also in the interim reporting.*

Business Development Q1-2023

General

Q1-2023 experienced a business slowdown in different segments and areas. Several external factors, such as high inflation rates and the continuing political and economic uncertainties, heavily influenced the business during the first quarter, especially in Europe, US and China. In contrast, the cost trends that affected the profitability negatively during 2022 showed a positive trend and supply chain constrains for electronics improved but did not disappear completely.

Regions

Net Sales in the different regions developed as follows:

EUR M	Q1 2023	Q1 2022*
Europe	25,0	33,0
China	19,5	23,0
Americas	5,0	6,5
Middle East, Africa & South Asia	10,4	11,1
Net Sales	**59,9**	**73,7**

** Note: The Q1-2022 figures have been adjusted to properly reflect the application of IFRS 15 also in the interim reporting.*

Europe: A low demand level in Q1-2023 confirmed a cautious investment level in the food and beverage channels, as a consequence of high inflation rates and uncertainties for business stability. Most customers continued to rebalance their stock levels since the stabilization of the supply chain led to a better confidence on product availability with normalized lead-times.

China: The demand stayed on a low level in January and February due to the slow restart of the economy after the release of all Covid-restrictions in December 2022 and the production stops for the Chinese New Year break, but then order levels showed a good recovery in March.

Americas: A slowdown of demand has been recorded in Q1-2023, after last year's positive trends, because customers executed a stock rebalancing comparable with the Europe-region.

Middle East, Africa, Southeast Asia: A good recovery has been recorded in Africa after previous obstacles for the inflow of goods into the region have been released. However, other countries, like Pakistan, experienced ongoing political and economic difficulties that affect the demand for Secop compressors negatively.

Segments

Within the business segments, Net Sales developed as follows:

EUR M	Q1 2023	Q1 2022*
Stationary Cooling	38,5	53,9
Mobil Cooling	19,7	18,1
Medical Cooling	1,7	1,6
Net Sales	**59,9**	**73,7**

** Note: The Q1-2022 figures have been adjusted to properly reflect the application of IFRS 15 also in the interim reporting.*

Stationary Cooling: Net Sales declined due to the lower demand from customers in both food retail and food service sector. This was a consequence of the high inflation rate and uncertainties about the economic-political development in Europe and the inventory optimization in Europe and America, as well as a significant drop in China in the first two months of 2023. In addition, some of our price increases that were introduced in 2022 to compensate for our cost increases and aimed at improving our low-margin business caused some anticipated demand reductions from price sensitive regions. The introduction of new products proceeds as planned, and various business opportunities are in the pipeline to compensate for volume losses with legacy products.

Mobile Cooling: At the beginning of the year, many customers still reduced the inventory level after the supply shortage in 2022 and optimized their working capital as most of the supply constrains were absorbed. However, in the further course of the quarter the demand restarted and reached previous year's levels. A recovery of the electronics backlog with a better availability of components could also be recorded, however, shortages of some specific components can still create obstacles to satisfy the demand in full.

Medical Cooling: At the beginning of Q1-2023, the demand in the medical segment was also low as a consequence of the stock re-balancing, since customer inventories were too high due to supply constrains in 2022. Towards the end of the quarter the demand restarted to grow again.

Profit

EUR M	Q1 2023	Q1 2022*
Internal Adjusted EBITDA	3,7	3,5
Bond EBITDA	3,6	3,4
Reported EBITDA	4,0	3,5
Net Income	-1,2	-1,9

** Note: The Q1-2022 figures have been adjusted to properly reflect the application of IFRS 15 also in the interim reporting.*

In Q1-2023, the **Internal Adjusted EBITDA** was slightly higher than in previous year's period. Main reasons for this improvement were the significant increase of the Contribution Margin in %, climbing from 17,5% in Q1-2022 to 20,1% in Q1-2023 and reflecting the effect of own price increases, an improved product mix and reduced raw material and freight costs, as well as the release of some personnel-related provisions that were no longer considered necessary. These effects overcompensated negative effects from lower volumes following the reduction in Revenue.

The **Bond EBITDA** follows the Internal Adjusted EBITDA, however, the current and previous year's figures were slightly affected by a limitation of adjustments for extraordinary, non-recurring and non-operative items according to the Bond Terms & Conditions.

Reported EBITDA and **Net Income** of Q1-2023 are additionally benefitting from higher unrealized currency gains compared to Q1-2022.

Supply Chain

While raw material prices and supply for the factory in Slovakia showed further signals of improvement in Q1-2023, the full effect of this development did not materialize yet because of "old" material purchased at higher prices being consumed first. The transportation situation showed further improvements in Q1-2023, regarding both cost and availability. Supply constrains for electronics were further reduced in Q1-2023, however, prices remained on a high level.

Investments

In total, Q1-2023 registered investments of EUR 3,6m (Q1-2022: EUR 3,0m), including R&D capitalization of EUR 2,4m (Q1-2022: EUR 2,0m) and IFRS 16 Rights-of-Use capitalization of EUR 0,1m (Q1-2022: EUR 0,4m). Main spendings in Q1-2023 were for the new product developments BD Nano and SCE as well as for replacement needs.

Trade Working Capital

The Trade Working Capital amounted to EUR 21,1m at the end of Q1-2023, which is a reduction of EUR 7,1m vs. December 2022. While the total Inventory value remained unchanged, the Raw Material Inventory and WIP were reduced and Finished Goods increased to serve the future demand. At the same time Trade Receivables declined by EUR 3,3m following the lower business activities in January and February 2023, while Accounts Payables showed an increase of EUR 3,8m.

Cash & Bank With EUR 10,0m, the Cash & Bank balance of Q1-2023 decreased by EUR 7,3 m vs. the respective figure of December 2022. Main contributor to this reduction was the payment to Nidec Europe B.V. as part of the arbitration settlement in 2022.

Equity The equity as of March 31st, 2023, amounted to EUR 36,2m; its development reflects the Net Income and the Other Comprehensive Income of the period. Including all shareholder loans, which experienced and injection of EUR 3,0m in the course of the arbitration settlement with Nidec, the equity ratio of the Secop Group amounts to 44%.

Net Debt The Net Debt position acc. to the Bond Terms & Conditions decreased by EUR 2,4m vs. December 2022, to EUR 35,4m following a lower cash-demand from the Trade Working Capital.

Employees As of March 2023, Secop employed 1.123 employees based on full-time equivalents (FTE), of which 151 employees in R&D and 875 employees in production facilities. This is a reduction of 22 employees (FTE) compared to the status from December 2022. The reduction was realized in the Production area to adjust the capacity to the reduced demand. In addition, third-party employees were reduced. In other functional areas, the number of employees were at the same level.

Nidec Vendor Loan During Q1-2023, Secop paid EUR 13,0m to Nidec as agreed in the out-of-court settlement of the arbitration proceedings, that also covered the outstanding deferred purchase price. In line with the Bond Terms & Conditions, the shareholders of Secop injected EUR 3,0m in cash as new subordinated shareholder loan to partly fund the settlement amount. The remaining amount was financed by existing Cash & Bank balance and short-term credit lines.

Outlook

Business Development

After the soft start into 2023 in January and February, Secop experienced a recovery of the demand in March 2023 and expects for the rest of the year a demand on the level of 2022. In China, a recovery started at the end of Q1 especially for the domestic market, while the export markets will still be impacted by the overall economic situation. In Europe, the business projection is conservative also for the rest of 2023 since inflation rate and the economic-political stability could impact the demand level and the investment rate in food retail and food service. In America, after a weak start at the beginning of 2023, the demand is expected to recover since the new regulations for refrigerants phase-out will boost projects for green refrigerants. In other regions, like Middle East and Africa, an unstable and unpredictable demand is expected, with increasing price pressure and uncertainties generated by economic and political instabilities. Nevertheless, along the year we will see the contribution of new products recently launched to market, like the KLF for commercial applications, the BD Nano and the new range of medical products.

The profitability, especially the Contribution Margin in % of Net Sales, is expected to remain on a higher level than in 2022, benefitting from the full-year effect of own price increases, a stabilization or further reduction of raw material, energy and freight prices and a better product mix.

Investments

In order to serve the expected sales volumes of the newly introduced products, a significant part of the planned investments for 2023 is considered for extra production and laboratory equipment. Further amounts will be used for rationalizations, quality improvements and replacements. In addition to these capex, R&D-expenses similar to 2022 are expected to be capitalized in 2023.

Trade Working Capital

Despite the expected volume increases of new products in the second half of 2023, a stable Trade Working Capital vs. year-end 2022 is expected. This will be supported by strict Inventories and Trade Receivables management, which were introduce in 2022.

Cash & Bank

Due to the payment of the arbitration settlement to Nidec, the Cash & Bank balance is expected to end below the status as of December 2022.

Bonds

Secop is reviewing the bond market carefully but has currently no plans to sell its own bonds into the market. As the current bond matures in January 2024, Secop will start a refinancing process during 2023.

FINANCIAL STATEMENTS

Consolidated Income Statement

EUR M	Q1 2023	Q1 2022*
Net Sales	**59,9**	**73,7**
Raw Materials & Consumables	-42,8	-53,4
Labor Production	-3,6	-4,6
Sales Variable Costs (incl. Royalty Fees)	-1,4	-2,4
Other Direct Cost	-0,1	-0,4
Contribution Margin	**12,1**	**12,9**
As Percent of Net Sales	*20,1%*	*17,5%*
Fixed Costs	-8,0	-9,4
As Percent of Net Sales	*-13,4%*	*-12,8%*
Other Income/Expenses	0,0	0,0
EBITDA reported	**4,0**	**3,5**
Depreciation & Amortization	-3,0	-3,1
EBIT	**1,1**	**0,3**
As Percent of Net Sales	*1,8%*	*0,5%*
Interest Result	-2,2	-2,2
Profit before Tax	**-1,1**	**-1,9**
Taxes	-0,1	0,0
Net Income	**-1,2**	**-1,9**

Adjusted EBITDA Reconciliation

EUR M	Q1 2023	Q1 2022*
EBITDA reported	**4,0**	**3,5**
Leasing Costs acc.t to IFRS 16	-0,4	-0,4
Unrealized Currency Effects	-0,4	0,1
Gains/Losses from Disposed Assets	0,0	0,0
EBITDA before Adjustment	**3,2**	**3,1**
Adjustments:		
Arbitration/SPA	-0,1	0,0
Restructuring Costs	0,2	0,0
Consulting Fees	0,2	0,3
Others	0,1	0,1
Internal Adjusted EBITDA	**3,7**	**3,5**
Adjustment Limitation acc. to Bond T&C	-0,1	-0,1
Bond EBITDA	**3,6**	**3,4**

** Note: The Q1-2022 figures have been adjusted to properly reflect the application of IFRS 15 also in the interim reporting.*

Consolidated Balance Sheet

ASSETS

EUR M	Q1 2023	Q4 2022
Intangible Assets	64,3	63,0
Tangible Assets	90,0	91,1
Total Fixed Assets	**154,3**	**154,1**
Deferred Tax Assets	0,3	0,3
Total non-current Assets	**154,6**	**154,4**
Inventories	36,6	36,7
Trade Receivables	36,0	39,3
Current Financial Assets	6,8	4,3
Cash & Bank	10,0	17,2
Current non-financial Assets	6,6	6,6
Total current Assets	**96,0**	**104,0**
Total Assets	**250,6**	**258,5**

EQUITY & LIABILITIES

EUR M	Q1 2023	Q4 2022
Equity	**36,2**	**38,0**
Non-current Provisions	2,8	2,8
Other Provisions	5,6	1,9
Non-current provisions	**8,4**	**4,7**
Non-current Financial Liabilities	43,9	44,2
Non-current Payables	73,2	69,1
Deferred Tax Liabilities	16,0	16,1
Non-current Liabilities	**133,1**	**129,3**
Non-current non-financial Liabilities	**0,3**	**0,3**
Current Personnel-related Payables	3,0	2,9
Other current Payables	3,1	4,1
Current non-financial Liabilities	**6,1**	**7,0**
Current Financial Liabilities	0,5	11,5
Bank Liability	9,2	10,1
Accounts Payables	51,5	47,8
Current Provisions	5,4	9,7
Other Current Liabilities	0,0	0,0
Current Liabilities	**66,6**	**79,1**
Total equity and liabilities	**250,6**	**258,5**

Consolidated Cash Flow Statement

EUR M	Q1 2023	Q1 2022*
EBITDA reported	**4,0**	**3,5**
Change in Working Capital	7,0	-5,6
Δ Inventory	*-0,2*	*-4,4*
Δ Trade Receivables	*3,0*	*0,4*
Δ Trade Payables	*4,2*	*-1,6*
Other balance sheet items	-2,6	0,3
Net cash from tax	-0,1	0,0
Operating Cash Flow	**8,3**	**-1,8**
CAPEX	-1,1	-0,6
Capitalized R&D	-2,4	-2,0
Capitalized IFRS 16	-0,1	-0,4
Proceeds from disposals	0,0	0,0
Net cash used for investment activities	**-3,6**	**-3,0**
Free Cash Flow	**4,7**	**-4,8**
Change in Deposites/Loans	-11,0	4,7
Interest Result	-0,9	-0,7
Other Financing	0,0	0,1
Net cash from financing activities	**-11,9**	**4,1**
Net increase / decrease in Cash	**-7,3**	**-0,7**
Cash Beginning of Period	**17,2**	**13,0**
Cash Increase/Decrease	-7,3	-0,7
FX-Effects	-0,1	0,1
Cash End of Period	**9,9**	**12,4**

** Note: The Q1-2022 figures have been adjusted to properly reflect the application of IFRS 15 also in the interim reporting and to present the repayment of the principal amount of lease liabilities according to IFRS 16.*

ADDITIONAL INFORMATION

General Information

Secop Group Holding GmbH

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.

Secop Group

Since September 2019, Secop Group has belonged to the ESSVP IV fund, advised by Orlando Management AG, a leading investor in industrial businesses. Since its acquisition, the company re-focused its strategy to the core business: design and manufacturing of hermetic compressors and electronic controls for refrigeration solutions used in light commercial and DC-powered applications.

Along the year 2020, a planned transformation process shaped the structure of the group, as part of the strategic plan to reallocate valuable resources and development funds to Light Commercial, Mobile Cooling and Medical developments, limiting the household segment to niche applications where Secop's experience and technology can differentiate with premium solutions. Final steps of the transformation process executed in year 2020 were the closure of the plant in Austria, an operation facility focused on the household segment, the consolidation of operations in Slovakia and China, the establishment of a new R&D center in Austria and the opening of a new headquarter in Flensburg, Germany, with corporate testing laboratories and a development center for electrical motors and electronic controls.

Basis of Preparation

The consolidated financial statements of the Secop Group Holding GmbH have been prepared in accordance with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and endorsed by the European Union. The consolidated financial statements were prepared in line with the International Financial Reporting Standards in accordance with Section 315e (3) in connection with Section 315e (1) German Commercial Code.

The consolidated financial statements have been prepared on a historical cost basis. The financial year of the Secop Group Holding GmbH and its subsidiaries included in the consolidated financial statements corresponds to the calendar year. The consolidated statement of comprehensive income was prepared using the function of expense method.

The Secop Group presents assets and liabilities in the statement of financial position based on a current/non-current classification. Assets and liabilities are current, when they are expected to be realized within twelve months after the reporting period. Net employee defined benefit liabilities and deferred tax assets and liabilities are classified as non-current assets and liabilities.

This quarterly consolidated financial statement includes Secop Group Holding GmbH and subsidiaries controlled by it.

Unless stated otherwise, all amounts are presented in millions of EUR (EUR m), rounding differences of ± one digit/unit are possible.

Changes of Accounting Principles

Since Q1-2023, Secop adopts the IFRS 15 principles also in the quarterly interim reporting. The comparable previous year's figures were adjusted accordingly. The effects on the Q1-2022 figures were EUR -6,6m on Net Sales and EUR -1,5m on Contribution Margin, EBITDA, EBIT, Profit before taxes and Net Income.

Furthermore, the company has adjusted the structure of the Cash-flow Statement in accordance with IAS 7. According to the new structure, repayments of the principal amount of lease liabilities are presented under the Cash-flow from Financing Activities in accordance with IFRS 16, while changes of other balance sheet items are reclassified to the Operating Cash-flow. These adjustments changed the Operating Cash Flow and the Cash Flow from Financial Activities by EUR 1,6m in Q1-2022 compared to the previous year reported figures.

Events after Balance Sheet Date

No material events after the balance sheet date took place.

Audit

This Interim Report has not been audited or reviewed by the Group auditor.

Additional Commentary on the Income Statement

Raw Materials The Raw Material expenses decreased in Q1-2023 vs. the respective period in 2022 because of a lower business volume, while the unit costs were still higher than in Q1-2022. The prices for electronics remained on a high level.

Fixed Costs The Fixed Costs are split as follows:

EUR M	Q1 2023	Q1 2022
Fixed Personnel Costs	6,6	7,5
Other Fixed Costs	1,4	1,9
Total Fixed Costs	**8,0**	**9,4**

The Fixed Personnel Costs decreased vs. Q1-2022 mainly because of the release of personnel-related provisions. Other Fixed Costs undercut last year's amount mainly because of a higher capitalization of R&D-costs.

Taxes Taxes comprise negative effects from withholding taxes for intercompany recharges and the respective cash transfers with China.

Additional Commentary on the Balance Sheet

Fixed Assets Intangible Assets increased because of the capitalization of EUR 2,4m R&D expenses acc. to IAS 38.

Current Financial Assets The Current Financial Assets increased by EUR 2,5m mainly because of a reclassification of other receivables against Nidec after the payment of the settlement amount of the arbitration proceedings with Nidec.

Non-Current Liabilities The main items under the Non-Current Liabilities are the outstanding Bonds, the long-term portion of IFRS-16 Liabilities, Subordinated Shareholder Loans, and Deferred Tax Liabilities. Including accrued interests, the book-value of outstanding Bonds amounted to EUR 37,7m as of March 31, 2023. The company held own Bonds with a nominal value of EUR 12,5m. The subordinated Shareholder Loans increased by EUR 3,0m following the payment of the settlement amount to Nidec in accordance with the Bond Terms & Conditions.

Current Non-financial Liabilities The Current Non-Financial Liabilities decreased due to the release of personnel-related provisions in the amount of EUR 1,1m.

Current Financial Liabilities	The Current Financial Liabilities decreased following the settlement agreement with the former Secop shareholder Nidec Europe B.V. and the respective payment in March 2023.
Bank Liabilities	Bank Liabilities include a supply chain financing program with Chinese banks and liabilities from Letter of Credits issued in the ordinary course of the business. The super senior revolving credit facility (RCF) was utilized on 31.03.2023 with EUR 2,3m.

Additional Commentary on the Cash Flow

Other B/S-items	The change of other B/S-items mainly comprised the non-cash-effective release of personnel-related provisions.
Financing Activities	Financing Activities mainly comprised the payment of the settlement amount of the arbitration proceedings with Nidec of EUR 13,0m and the increase of the shareholder loans of EUR 3,0m.

Definition of Key Indicators

Reported EBITDA	The Reported EBITDA is calculated according to IFRS standards. It reflects the Group Net Income according to IFRS before taking into account any Income Taxes, Financial Result and Depreciation & Amortization.
Internal Adjusted EBITDA	In line with the Bond Terms & Conditions, the Internal Adjusted EBITDA represents the Reported EBITDA excluding unrealized currency gains/losses and gains/losses from the disposal of assets but including leasing costs acc. to IFRS 16. It also does not include extraordinary and non-recurring items, which are not in line with the ordinary course of the business (so called Adjustments).
Bond EBITDA	The Bond-EBITDA represents the Internal Adjusted EBITDA, however, acc. to the Bond Terms & Conditions the excluded Adjustments are limited to 10% of the EBITDA before Adjustments or to specific “Business Plan Extraordinary Cost”.
Trade Working Capital	The Trade Working Capital comprises of Inventory and Trade Receivables minus Accounts Payable.
Net Debt	According to the Bond Terms & Conditions, the Net Debt position comprises interest-bearing Financial Liabilities less the Cash & Bank balance. Subordinated Shareholder Loans are not part of the Net Debt position. The Vendor Loan of Secop’s former shareholder Nidec was repaid and is therefore no longer part of the Net Debt.

Key Risks and Uncertainties

Demand & Supply The Group’s key risks and uncertainties relate to fluctuations in the demand for its products and the prices and availability of raw material, energy, and electronics as well as other commodity material prices. Measures to secure semiconductor supplies and to limit the impact of fluctuating raw material and energy prices are ongoing. However, certain shortages, which may affect the ability to produce and sell, cannot be predicted easily given the current status of the world economy and the economic-political situation in Europe.

Operations Key operational risks are associated with the proper functioning of property, plant and equipment, the availability of trained staff and the access to raw material and logistics services.

IT Failures of the IT-infrastructure and applications form a relevant risk for the Group as all relevant business processes rely on a continuing IT-availability. In addition, increasing cybercrime activities form a more present risk for the Group.

Finance The main financial risks arise from the exposure to exchange rate fluctuations, in particular of USD and RMB, from increasing interest rates and from a possible default of Trade Receivables.

Ukraine The crisis in Ukraine creates a high uncertainty regarding the future development of the world and European economy. So far, the biggest effects on Secop are the reduction of demand and the increase in energy prices and subsequently their effect on the prices and availability of other production material.

ESG We refer to the most recent nonfinancial report for more details regarding Environment, Social and Governance risks.

For a more detailed description of key risks and uncertainties, please refer to Secop Group’s latest Annual Report.

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 Michael Engelen
Auditor	BDO AG Wirtschaftsprüfungsgesellschaft Kupferschmiedestraße 16-28 23552 Lübeck DEUTSCHLAND