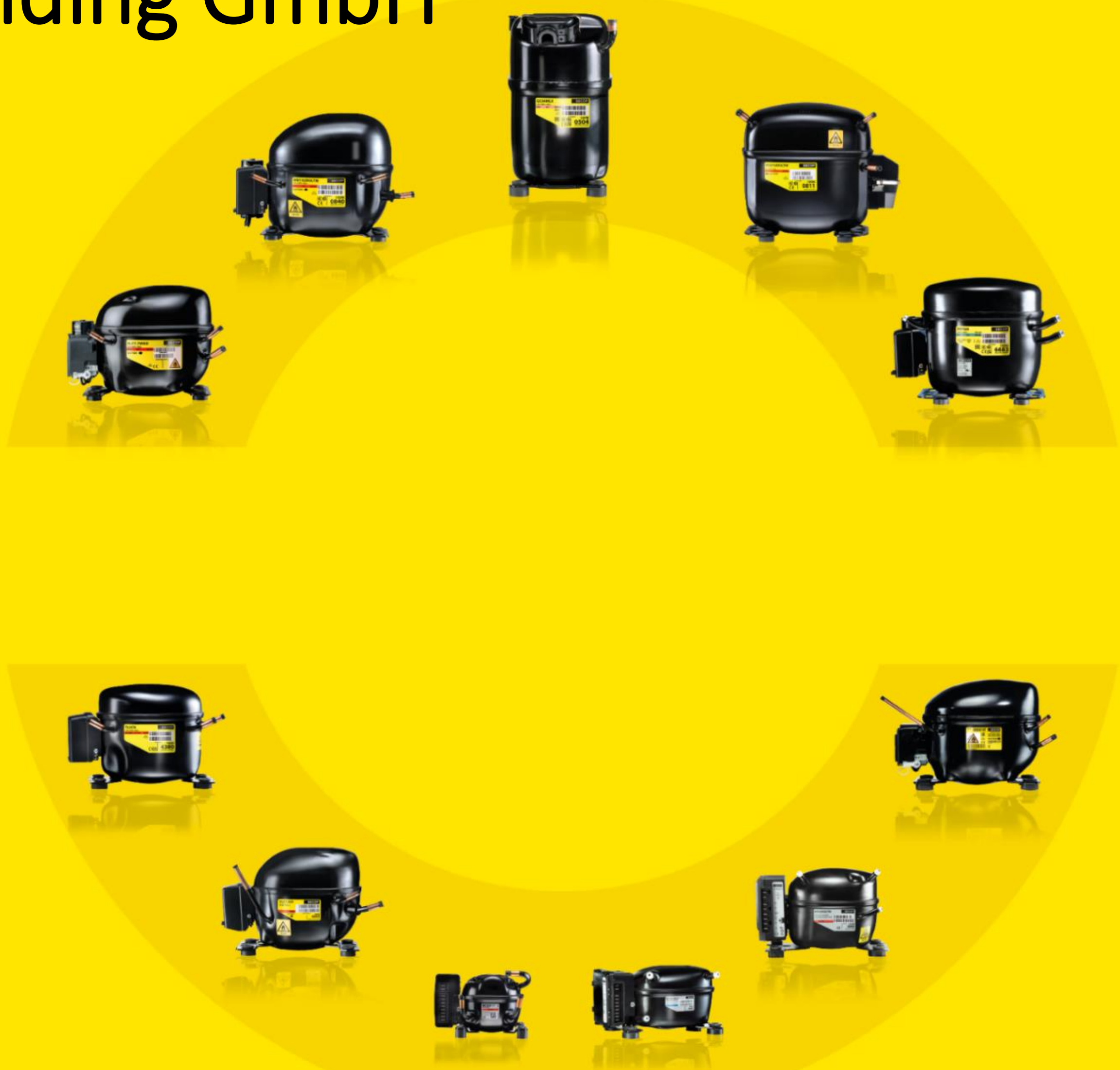
SECOP

Secop Group Holding GmbH



Interim Report
Q3-2023

MANAGEMENT REPORT

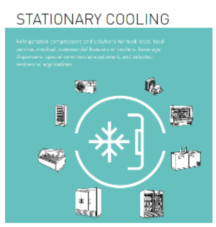
The Secop Group

The Secop Group

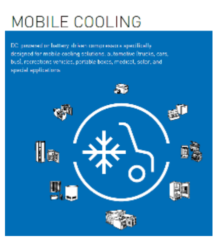
Secop is the expert for advanced hermetic compressor technologies and cooling solutions in commercial refrigeration. We develop high performance stationary and mobile cooling solutions for leading international commercial refrigeration manufacturers and are the first choice when it comes to leading hermetic 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.

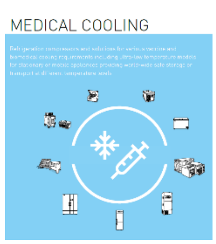
Business Segments



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

The third quarter was overall very successful compared to the respective period of last year. Despite an - as expected - lower revenue, we could increase our overall profit significantly. Still, our business environment remains characterized by different market conditions in the various segments and regions.

In China the demand was positive in Q3-2023, showing a good level of orders, while in Europe and the Americas market uncertainties, high inflation, higher stock levels and reduced investment levels continued to impact the demand across all segments. In the Middle East and Africa, economic instabilities in various countries continued to influence the overall demand negatively, despite Q3-2023 being less negative than before, while Southeast Asia experienced a good order level in Q3-2023. Overall, the order level in Q3-2023 remained lower than in the same period in 2022 causing a lower revenue, which was offset by improving margins so that the overall profit exceeded that of the previous year's quarter.

In our supply chain, raw materials and energy prices maintained the positive trend observed in Q2-2023, contributing positively to our profitability. Our own price and cost levels are considered to be back in a reasonable relation. The supply for electronics and critical components continued to normalize in Q3-2023, however, the price levels do not show significant relieves.

Throughout the third quarter 2023, we continued to support various promising projects for automotive OEMs in China, with the integration of the new BD Nano platform into electric cars. Various independent studies underline the electric car growth in China of 80% over the next five years including an increased demand of interior comfort with the installation of an integrated refrigerator. Additionally, several key projects with medical cold chain market leaders passed the final approval phase and are moving into production in Q4-2023. During Q3-2023, we continued the ramp-up of the new KLF platform for commercial applications with a positive contribution in our revenues from this new product range.

Key Highlights Q3-2023

Q3-2023

- **Net Sales** reached EUR 57,9m in Q3-2023 and thereby decreased by almost 12% vs. Q2-2023 (Q3-2022*: EUR 69,1m) due to a softening demand in different areas and segments.
- The **Contribution Margin in %** of Net Sales improved significantly to 26,8% (Q3-2022*: 18,0%), reflecting the effect of our own price increases, an improved product mix and stabilized raw material, energy and freight costs.
- The **Internal Adjusted EBITDA** ended with EUR 5,4m (Q3-2022*: EUR 3,4m) despite the softer sales-development, which was overcompensated by a clearly better margin development.
- Our **Bond EBITDA** development followed the Internal Adjusted EBITDA and finished with EUR 5,0m (Q3-2022*: EUR 2,6m).
- The **EBIT** amounted to EUR 1,8m (Q3-2022*: EUR 0,0m) with a corresponding EBIT-margin of 3,2% (Q3-2022*: 0,0%).
- **Net Income** also improved vs. previous year and reached EUR -1,3m (Q3-2022*: EUR -2,4m).
- With EUR 6,3m, the strong **Operating Cash-flow** followed the EBITDA-development but undercut the performance of previous year's period, which was benefitting from a significant reduction of the Trade Working Capital (Q3-2022*: EUR 9,2m).

Q1-2023 - Q3-2023

- **Net Sales** reduced to EUR 183,3m (PY*: EUR 213,2m) due to a softening demand in different areas and segments following the political and economic uncertainties globally and the inventory optimization of customers during 2023.
- The **Contribution Margin in %** of Net Sales improved significantly to 23,3% (PY*: 17,6%), reflecting the effect of our own price increases, an improved product mix and stabilized raw material prices and lower freight costs.
- The **Internal Adjusted EBITDA** ended with EUR 14,1m (PY*: EUR 11,3m) despite the softer sales-development, which was overcompensated by a clearly better margin.
- Our **Bond EBITDA** development followed the Internal Adjusted EBITDA and finished with EUR 13,5m (PY*: EUR 9,4m).
- The **EBIT** amounted to EUR 7,1m (PY*: EUR 1,4m) with a corresponding EBIT-margin of 3,9% (PY*: 0,7%).
- **Net Income** also improved vs. last year and reached EUR -1,3m (PY*: EUR -5,8m).
- With EUR 19,6m, the strong **Operating Cash-flow** followed the Internal Adjusted EBITDA-development (PY*: EUR 1,7m).

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

Business Development Q3-2023

General

During Q3-2023, the demand in China was on a good level, while other regions were below previous year since several external factors, such as high inflation, low investment rates or continuing political and economic uncertainties, still influenced the business demand.

Regions

Net Sales in the different regions developed as follows:

EUR M	Q3 2023	Q3 2022*	Q1-Q3 2023	Q1-Q3 2022*	LTM*	2022
Europe	16,5	24,6	65,5	83,1	88,4	106,0
China	28,9	25,3	76,2	71,7	102,0	91,0
Americas	4,1	9,4	14,1	24,1	19,6	29,6
Middle East, Africa & South Asia	8,4	9,7	27,5	34,3	37,8	51,2
Net Sales	**57,9**	**69,1**	**183,3**	**213,2**	**247,8**	**277,8**

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

Europe: During Q3-2023, the cautious investment level in the food and beverage industry continued as a consequence of high inflation rates and uncertainties for business stability in the region. The demand level in Europe was below the same period of 2022. Various customers have higher stock levels of finished goods which they struggled to sell in the high season.

China: The order level showed a good recovery in Q3-2023 reaching values above the same period in 2022. The distribution network performed well during Q3-2023 to support a demand recovery in the domestic market. The light commercial demand was also good from customers that serve the market demand inside China.

Americas: During Q3-2023, the USA market continued to experience a low demand in all segments of commercial refrigeration: food retail, food service and beverage. After the post Covid stock re-adjustments, the USA commercial refrigeration market struggled to recover to a normal level due to the negative economic situation in this sector. Various customers still have higher inventory of unsold finished goods.

Middle East, Africa, Southeast Asia: Q3-2023 was a more stable quarter in the Middle East region compared to the previous quarter but still below Q3-2022, while Southeast Asia experienced a good order level in Q3-2023. Major demand uncertainties during Q3-2023 are still related to economic and political situations of some countries in the area and the overall demand was below Q2-2022.

Segments

Within the business segments, Net Sales developed as follows:

EUR M	Q3 2023	Q3 2022*	Q1-Q3 2023	Q1-Q3 2022*	LTM*	2022
Stationary Cooling	38,2	44,9	121,7	149,6	162,7	190,8
Mobil Cooling	18,4	22,6	56,8	58,7	78,2	79,8
Medical Cooling	1,3	1,6	4,7	4,9	7,0	7,2
Net Sales	**57,9**	**69,1**	**183,3**	**213,2**	**247,8**	**277,8**

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

Stationary Cooling: During Q3-2023, Net Sales decreased in Europe, America and Middle East vs. previous year's period, while it increased in China. In China, both food service and food retail customers showed a good order level during Q3-2023 to serve an increasing demand for refrigeration equipment in the domestic market. In Europe and America, the food retail segment experienced a soft demand below previous year's level due to limited investments in the segment, a consequence of unstable political and market situations and still high inflation rates. The food service segment, that showed recovery signs during the previous quarter, also experienced a soft demand for Hotel, Restaurant and Catering equipment versus the same period 2022 in both Europe and in America. Also the beverage segment has seen a demand below previous year in all regions. Regardless of the softer demand for existing products, we could see benefits from the approval and introduction of new products, since various customers are working to renew their product portfolio to offer green and efficient cabinets to fulfil new regulations, in particular for energy labelling targets.

Mobile Cooling: The demand in Q3-2023 was characterized by different developments in the various segments. Compared to previous year's period, the demand for recreational vehicles in the USA and Europe and for portable boxes in China decreased, which could partly be offset by an increasing demand from the e-car (electric car) segment. Secop has been approved in various new projects for e-car applications, and the demand for integrated fridges in the new e-car concepts in China is increasing the demand for Secop products. In this segment the new BD Nano platform serves particularly well the needs of the customers, and with its long experience in refrigeration solution for automotives, Secop can foster its market leadership position.

Medical Cooling: During Q3-2023, the demand in the medical segment was below previous year's level due to an overall cautious investment approach, which was also visible for other segments in America and Europe. Also in China, the medical demand was below previous year's level. In the meantime, Secop has been working to complete different projects for the development of a more efficient medical cold chain.

Profit

EUR M	Q3 2023	Q3 2022*	Q1-Q3 2023	Q1-Q3 2022*	LTM*	2022
Internal Adjusted EBITDA	5,4	3,4	14,1	11,3	21,0	18,2
Bond EBITDA	5,0	2,6	13,5	9,4	21,0	18,2
Reported EBITDA	4,9	3,6	16,0	11,4	28,5	23,9
Net Income	-1,3	-2,4	-1,3	-5,8	1,9	-2,6

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

In Q3-2023, the **Internal Adjusted EBITDA** was significantly higher than in previous year's period. Main reasons for this improvement were the strong increase of the Contribution Margin in %, climbing from 18,0% in Q3-2022 to 26,8% in the current quarter and reflecting the effect of own price increases in the past, stabilized or declining prices for raw materials, energy and transportation and an improved product mix with higher overall margins. These effects overcompensated the effects from lower volumes, following the lower demand in different areas and segments.

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

Reported EBITDA and **Net Income** of Q3-2023 were additionally affected by lower normalized expenses and the lack of unrealized FX-gains compared to the respective quarter of last year as well as lower depreciation and higher interests and taxes.

Supply Chain

Raw material prices have been on a stable level in Q3-2023, with reductions compared to the averages prices faced in Q3-2022. Despite the overall slowing economy, major Western suppliers were not yet willing to reduce prices further. Therefore, our focus moves to cost optimizations through technical changes. The availability and supply of electronics continued to normalize during Q3-2023, and in the light of the overall falling global demand and lead times, we expect further improvements on the availability but not on the prices.

Investments

In total, Q3-2023 registered investments of EUR 3,9m (Q3-2022: EUR 3,5m), including R&D capitalization of EUR 1,7m (Q3-2022: EUR 2,0m). Main Capex were for the development of the new SCE platform and for the ramp-up of the new BD Nano platform, where first contracts have been signed.

Trade Working Capital

The Trade Working Capital amounted to EUR 22,5m at the end of Q3-2023, which is a reduction of EUR 5,6m vs. December 2022. While the total Inventory value was at the same level, the Trade Receivables decreased by EUR 2,6m due to lower business activities compared to Q4-2022. Moreover, Account Payables increased by EUR 2,9m especially due to a higher spent in our Chinese plant following the higher business activities in that region and the ramp up of the BD Nano production capacity.

Cash & Bank With EUR 12,0m, the Cash & Bank balance of Q3-2023 decreased by EUR 5,2 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, paid in March 2023. With its refinancing process concluded in July 2023, the company received a net cash of EUR 11,3m, as it placed the new Bonds of EUR 50m in full, while it held a part of the old Bonds itself. The company has used the additional cash from the refinancing process to fully amortize existing short-term Bank Liabilities and for investment spendings. Compared to the previous quarter, the Cash & Bank balance increased by EUR 3,0m.

Equity The equity as of 30 September 2023, amounted to EUR 34,9m; 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 Q1-2023 in the course of the arbitration settlement with Nidec and in line with the Terms & Conditions of the previous Bonds, the equity ratio of the Secop Group amounted to 44%.

Net Debt The Net Debt position acc. to the Bond Terms & Conditions increased slightly by EUR 0,5m vs. December 2022, to EUR 38,3m. The book-value of the outstanding Bonds amounted to EUR 50,0m as of 30 September 2023 before offsetting the capitalized transaction costs. The company held no own Bonds. All short-term Bank Liabilities were fully repaid as of 30 September 2023 and the company used a EUR 0,3m guarantee for business purposes. Compared to December 2022, the increase of the Bond Liabilities and the reduction of the Cash & Bank balance were mostly compensated by the repayment of the Nidec vendor loan and other short-term bank liabilities.

Employees As of 30 September 2023, Secop employed 1.030 employees based on full-time equivalents (FTE), of which 149 employees in R&D and 783 employees in production facilities. This is a reduction of 115 employees (FTE) compared to the status as of 31 December 2022. The reduction was realized in the production area to adjust the capacity of the Slovakian plant to the reduced demand (-122 FTE). With the increasing mobile cooling demand in China, we have hired additional staff for the ramp-up of the production for the BD Nano platform (+7 FTE). In other functional areas, the number of employees remained on the same level.

Bonds In June 2023, Secop announced that it issued new senior secured Bonds in order to refinance its existing Bonds. With the fulfilment of the conditions precedent beginning of July 2023, the company finalized the refinancing and redemption of its existing Bonds. The new Bonds have an initial volume of EUR 50m, mature after 3,5 years and carry a floating coupon of 8,4% above 3-months EURIBOR. The company does not hold any of its new Bonds and is currently not planning to acquire such in the foreseeable future.

Outlook

Business Development

The overall demand during Q4-2023 is expected to remain on a low level in Stationary Cooling, while a good demand level is expected in the Mobile Cooling segment mainly from the automotive segment in China.

The demand for the **Stationary Cooling** segment is expected to be on the level of 2022 for China only, while it is expected to remain on a lower level in both America and Europe as most customers have a conservative forecast until the end of the year. The situation in the Middle East and Africa is not expected to improve either due to the political and economic uncertainties in the area, while we expect a stable demand in Southeast Asia. Despite the projected low demand for existing products, we expect an increasing demand for the new models recently launched to market. The new models of the KL range for green refrigerants and the NLV range with new electronic controls will see a ramp-up in Q4-2023 since these models are connected to a new generation of equipment that various customers are developing to commit to new stricter energy efficiency labelling and to green cabinets regulations.

In the **Mobile Cooling** segment in China, the order level is expected to stay above 2022, mainly driven by the automotive segment, and will see the launch of new e-car projects with the ramp-up of the BD Nano production. The demand from the automotive and recreation vehicles market in Europe and America will stay on an unchanged level until the end of the year. Overall, the total demand in the Mobile Cooling segment is expected to be slightly above 2022 level.

For the legacy platforms in **Medical Cooling**, we expect a soft demand in Q4-2023, continuing the trend shown in Q3-2023, since the investment level for the medical cold chain is still impacted by higher stock levels and cautious investment plans. During Q4-2023, we will continue the ramp-up of new platforms recently approved by leading customers, now moving to serial production. Secop got the approval from three leading customers for the implementation of new high efficiency solutions for medical storage and transportation.

Investments

In order to serve the expected sales volumes of the newly introduced products, the major part of the investments of 2023 is considered for extra production and laboratory equipment, especially in connection with the SCE and BD Nano platforms. Further amounts will be used for rationalizations, quality improvements and replacements. In addition to these Capex, R&D-expenses slightly lower than in 2022 are expected to be capitalized in 2023.

FINANCIAL STATEMENTS

Consolidated Income Statement

EUR M	Q3 2023	Q3 2022*	Q1-Q3 2023	Q1-Q3 2022*	LTM*	2022
Net Sales	**57,9**	**69,1**	**183,3**	**213,2**	**247,8**	**277,8**
Raw Materials & Consumables	-38,4	-50,9	-126,8	-155,8	-175,0	-204,0
Labor Production	-2,9	-3,4	-9,7	-12,1	-12,9	-15,2
Sales Variable Costs (incl. Royalty Fees)	-0,9	-2,0	-3,4	-6,5	-5,0	-8,1
Other Direct Cost	-0,2	-0,4	-0,5	-1,3	0,0	-0,7
Contribution Margin	**15,5**	**12,4**	**42,8**	**37,5**	**54,9**	**49,7**
As Percent of Net Sales	*26,8%*	*18,0%*	*23,3%*	*17,6%*	*22,2%*	*17,9%*
Fixed Costs	-10,0	-10,2	-27,8	-28,9	-35,9	-37,1
As Percent of Net Sales	*-17,3%*	*-14,8%*	*-15,2%*	*-13,6%*	*-14,5%*	*-13,3%*
Other Income/Expenses	-0,6	1,4	1,0	2,76	9,5	11,3
EBITDA reported	**4,9**	**3,6**	**16,0**	**11,4**	**28,5**	**23,9**
Depreciation & Amortization	-3,1	-3,6	-8,9	-10,0	-14,9	-16,0
EBIT	**1,8**	**0,0**	**7,1**	**1,4**	**13,5**	**7,9**
As Percent of Net Sales	*3,2%*	*0,0%*	*3,9%*	*0,7%*	*5,5%*	*2,8%*
Interest Result	-3,0	-2,3	-8,1	-6,9	-10,7	-9,4
Profit before Tax	**-1,2**	**-2,4**	**-1,0**	**-5,5**	**2,8**	**-1,6**
Taxes	-0,1	0,0	-0,3	-0,4	-1,0	-1,0
Net Income	**-1,3**	**-2,4**	**-1,3**	**-5,8**	**1,9**	**-2,6**

Adjusted EBITDA Reconciliation

EUR M	Q3 2023	Q3 2022*	Q1-Q3 2023	Q1-Q3 2022*	LTM*	2022
EBITDA reported	**4,9**	**3,6**	**16,0**	**11,4**	**28,5**	**23,9**
Leasing Costs acc.t to IFRS 16	-0,4	-0,4	-1,3	-1,3	-1,7	-1,7
Unrealized Currency Effects	0,1	-0,8	-2,3	-1,5	-1,5	-0,7
Gains/Losses from Disposed Assets	0,0	0,0	0,0	0,0	0,0	0,0
EBITDA before Adjustment	**4,6**	**2,4**	**12,3**	**8,6**	**25,3**	**21,5**
Adjustments:						
Arbitration/SPA	0,0	0,5	0,0	1,3	-7,8	-6,4
Restructuring Costs	0,4	0,1	1,1	0,1	2,5	1,5
Consulting Fees	0,3	0,3	0,7	0,9	1,2	1,3
Others	0,0	0,1	0,1	0,4	-0,2	0,2
Internal Adjusted EBITDA	**5,4**	**3,4**	**14,1**	**11,3**	**21,0**	**18,2**
Adjustment Limitation acc. to Bond T&C	-0,3	-0,8	-0,6	-1,9	0,0	0,0
Bond EBITDA	**5,0**	**2,6**	**13,5**	**9,4**	**21,0**	**18,2**

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

Consolidated Balance Sheet

ASSETS

EUR M	Q3 2023	Q4 2022	Q3 2022*
Intangible Assets	63,8	63,0	64,4
Tangible Assets	91,7	91,1	89,3
Total Fixed Assets	**155,4**	**154,1**	**153,7**
Deferred Tax Assets	0,3	0,3	1,2
Total non-current Assets	**155,8**	**154,4**	**154,9**
Inventories	36,6	36,7	45,2
Trade Receivables	36,7	39,3	48,3
Current Financial Assets	4,8	4,3	3,9
Cash & Bank	12,0	17,2	9,4
Current non-financial Assets	6,9	6,6	10,7
Total current Assets	**96,9**	**104,0**	**117,4**
Total Assets	**252,7**	**258,5**	**272,3**

EQUITY & LIABILITIES

EUR M	Q3 2023	Q4 2022	Q3 2022*
Equity	**34,9**	**38,0**	**37,4**
Non-current Provisions	2,8	2,8	4,1
Other Provisions	2,0	1,9	1,9
Non-current provisions	**4,9**	**4,7**	**6,0**
Non-current Financial Liabilities	54,9	44,2	44,8
Non-current Payables	75,6	69,1	68,1
Deferred Tax Liabilities	16,0	16,1	16,9
Non-current Liabilities	**146,4**	**129,3**	**129,8**
Non-current non-financial Liabilities	**0,0**	**0,3**	**0,6**
Current Personnel-related Payables	3,7	2,9	4,6
Other current Payables	3,6	4,1	3,1
Current non-financial Liabilities	**7,4**	**7,0**	**7,7**
Current Financial Liabilities	0,6	11,5	21,9
Bank Liability	0,0	10,1	7,5
Accounts Payables	50,7	47,8	52,9
Current Provisions	7,7	9,7	8,6
Current Liabilities	**59,1**	**79,1**	**90,9**
Total equity and liabilities	**252,7**	**258,5**	**272,3**

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

Consolidated Cash Flow Statement

EUR M	Q3 2023	Q3 2022*	Q1-Q3 2023	Q1-Q3 2022*	LTM*	2022
EBITDA reported	**4,9**	**3,6**	**16,0**	**11,4**	**28,5**	**23,9**
Change in Working Capital	-0,1	5,7	5,7	-6,6	20,6	8,3
Δ Inventory	*-2,6*	*5,0*	*-0,4*	*1,4*	*12,2*	*14,0*
Δ Trade Receivables	*4,1*	*7,5*	*1,7*	*12,8*	*2,0*	*13,1*
Δ Trade Payables	*-1,6*	*-6,8*	*4,4*	*-20,8*	*6,4*	*-18,8*
Other balance sheet items	1,6	0,0	-1,8	-2,7	-11,3	-12,2
Net cash from tax	-0,1	0,0	-0,3	-0,3	-0,6	-0,7
Operating Cash Flow	**6,3**	**9,2**	**19,6**	**1,7**	**37,2**	**19,3**
CAPEX	-1,9	-1,4	-4,5	-3,5	-8,0	-7,1
Capitalized R&D	-1,7	-2,0	-6,2	-6,3	-8,6	-8,7
Capitalized IFRS 16	-0,2	-0,1	-1,0	-0,8	-1,1	-0,9
Proceeds from disposals	0,0	0,0	0,0	0,0	0,0	0,0
Cash Flow from Investing Activitie	**-3,9**	**-3,5**	**-11,7**	**-10,6**	**-17,8**	**-16,7**
Free Cash Flow	**2,5**	**5,7**	**8,0**	**-8,9**	**19,5**	**2,6**
Change in Deposites/Loans	4,5	-7,7	-6,6	7,1	-9,0	4,6
Interest Result	-2,9	-0,8	-5,3	-2,3	-6,3	-3,2
Other Financing	-1,2	0,0	-1,2	0,1	-1,2	0,1
Cash Flow from Financing Activitie	**0,4**	**-8,4**	**-13,1**	**4,9**	**-16,5**	**1,5**
Net increase / decrease in Cash	**2,9**	**-2,7**	**-5,1**	**-4,0**	**3,0**	**4,1**
Cash Beginning of Period	**9,0**	**12,0**	**17,2**	**13,0**	**9,4**	**13,0**
Cash Increase/Decrease	2,9	-2,7	-5,1	-4,0	3,0	4,1
FX-Effects	0,2	0,1	-0,1	0,3	-0,3	0,1
Cash End of Period	**12,0**	**9,4**	**12,0**	**9,4**	**12,0**	**17,2**

** Note: The quarterly 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 Q3-2022 figures were EUR +0,9m on Net Sales and EUR +0,1m on Contribution Margin, EBITDA, EBIT, Profit before taxes and Net Income. The effect on the combined Q1 until Q3-2023 figures were EUR -6,9m on Net Sales and EUR -2,1m on Contribution Margin, EBITDA, EBIT, Profit before Taxes and Net Income.

Furthermore, since Q1-2023, 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 0,4m in Q3-2023 and for the first nine month of the year 2022 by EUR 1,0m 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 Q3-2023 vs. the respective period in 2022 because of a lower business volume and lower raw material prices. Also the lower energy prices vs. the respective period in 2022 contributed to lower unit costs.

Fixed Costs

The Fixed Costs are split as follows:

EUR M	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022	LTM	2022
Fixed Personnel Costs	7,9	7,7	22,3	22,3	28,0	28,0
Other Fixed Costs	2,1	2,5	5,4	6,6	7,9	9,1
Total Fixed Costs	10,0	10,2	27,8	28,9	35,9	37,1

The Fixed Personnel Costs increased slightly vs. Q3-2022 mainly because an increase of the employee's remuneration. Other Fixed Costs undercut previous year's level mainly due to the settlement of the arbitration process with Nidec, which caused significant extraordinary legal fees in Q3-2022.

Taxes

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

Additional Commentary on the Balance Sheet

Fixed Assets

Intangible Assets remained slightly higher than in Q4-2022. An increasing effect from the capitalization of R&D expenses acc. to IAS 38 was compensated by a re-classification of IFRS 16 Right of Use to Tangible Assets (EUR 1,9m).

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. After redemption of the previous Bonds, the current book-value of the outstanding Bonds amounted to EUR 50,0m as of 30 September 2023 before offsetting capitalized transaction costs, for further information see above under the Net Debt Section. The Subordinated Shareholder Loans increased by EUR 6,5m vs. 31 December 2022 following an injection of EUR 3,0m in connection with the payment of the arbitration settlement to Nidec and accrued interests.

Current Financial Liabilities

The Current Financial Liabilities decreased due to the arbitration settlement with the former Secop shareholder Nidec Europe B.V. and the respective payment in March 2023.

Bank Liabilities

Bank Liabilities included at year-end supply chain financing loans with Chinese banks and liabilities from Letter of Credits issued in the ordinary course of the business. These short-term financing liabilities were completely repaid during Q3-2023. The super senior revolving credit facility (RCF) was not utilized on 30 September 2023 either. The company currently uses an off-balance guarantee of EUR 0,3m for business purposes.

Additional Commentary on the Cash Flow

Other B/S-items

The change of other B/S-items in Q3-2023 mainly comprised the decrease of other receivables against the factoring bank because of the softer business in Europe.

Financing Activities

In Q3-2023, after receiving the funds from the fully placed new Bonds, all short-term Bank Liabilities were fully repaid to optimize interest expenses. At the end of Q3-2023, no short-term loan facilities were utilized. Interest expenses increased vs. Q3-2022 due to the higher outstanding volume and margin of the new Bonds and the baseline market interest rates.

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 or 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 costs originating from the period prior to the acquisition of the Group in September 2019.

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 & Israel The crises in Ukraine and Israel create 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

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