

SECCP

Secop Group Holding GmbH



Interim Report
Q2-2024

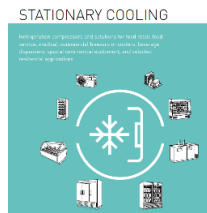
MANAGEMENT REPORT

The Secop Group

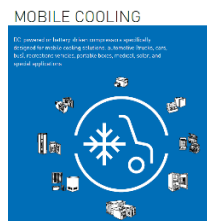
The Secop Group Secop is the expert for advanced hermetic compressor technologies and cooling solutions in commercial refrigeration. We develop high performance stationary and mobile cooling solutions for leading international commercial refrigeration manufacturers and are the first choice when it comes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

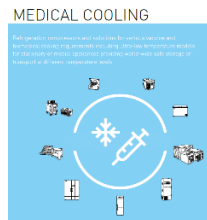
Business Segments



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



During the second quarter of 2024 the positive signs of recovery of the previous quarter continued. Despite a slight decrease in the overall revenues compared to the same period of 2023, the improved product mix had a positive impact on the Adjusted EBITDA.

In China, Q2-2024 Net Sales were on the level of previous year's quarter, with an increasing demand from new projects in the eCars segment. In the Americas, the demand in Q2-2024 was on the level of 2023, confirming the positive market indicators and optimistic projections of the last quarter. In Europe, Q2-2024 demand stayed slightly below the same period of the last year, primarily due to reduced demand in specific segments and countries but showing overall positive signs of recovery in the order booking. In the Middle East and Africa, ongoing economic and political uncertainties continued to affect the overall demand, although a resolution of the import restrictions in Egypt showed encouraging signs already in the current results. South-East Asia was in the actual quarter below 2023 in the order level, but the reduction was reducing compared to the previous quarter.

During the second quarter of 2024, the Mobile Cooling segment saw the ramp-up of various eCars projects in the automotive segment in China, while several projects are in the development pipeline. In the Stationary Cooling segment, the ramp-up of the new KLF models continued with the target to introduce the new generation of efficient and environmentally friendly products developed for the food and beverage industry. These developments partially compensated a lower demand from food service and food retail, but along the current quarter we could register positive signs of recovery from these segments. In the Medical segment along Q2-2024 we started the delivery of the new generation of products specifically developed for the medical cold chain market.

In Q2-2024, Secop presented a set of new products at the China Ref exhibition. Secop was awarded the innovation award for the new SCE+ product range, the new efficient solution optimized for green refrigerants to support food retail and food service applications. During this quarter Secop has officially launched the new Solar Direct Drive solution, specifically developed to support the implementation of an efficient and reliable last mile distribution of vaccines in remote areas, a project developed with of the new innovative BD Nano compressor and with a state of the heart control unit.

Key Highlights Q2-2024

Q2-2024

- **Net Sales** reached EUR 63,9m in Q2-2024 and thereby almost reached the level of previous year's quarter (Q2-2023: EUR 65,5m). A lower demand in the Stationary Cooling could not be fully compensated by higher Mobile Cooling sales. All regions show a demand on the level of Q2-2023.
- The **Contribution Margin in %** of Net Sales improved significantly to 25,0% (Q2-2023: 23,2%), mainly reflecting a better product mix.
- Following the improved Contribution Margin, the **Internal Adjusted EBITDA** exceeded with EUR 6,1m the previous year's quarter by 21% (Q2-2023: EUR 5,0m).
- Despite the higher Internal Adjusted EBITDA, the **Bond EBITDA** remained on the level of previous year's quarter as it was affected by a limitation of Adjustments according to the Bond T&C. It finished with EUR 4,8m (Q2-2023: EUR 4,9m).
- The **EBIT** amounted to EUR 1,4m (Q2-2023: EUR 4,2m) with a corresponding EBIT-margin of 2,2% (Q2-2023: 6,4%). Higher non-operational one-off costs and lower unrealized FX-gains affected the EBIT negatively.
- Following the EBIT development, the **Net Income** reached EUR -2,1m (Q2-2023: EUR 1,1m), and is influenced by higher interest and tax expenses in Q2-2024.

Q1-2024 - Q2-2024

- **Net Sales** reduced to EUR 117,8m (PY: EUR 125,4m) due to a softer demand in Europe, Africa and South Asia, especially in the 1st quarter, which was not compensated by strong demands from China and the Middle East.
- The **Contribution Margin in %** of Net Sales improved significantly to 25,4% (PY: 21,8%), reflecting an improved product mix and stabilized raw material and energy prices.
- The **Internal Adjusted EBITDA** exceeded with EUR 10,4m previous year's level by 19% (PY: EUR 8,8m) despite previous year's higher Net Sales and release of personnel related provisions.
- The **Bond EBITDA** development followed the Internal Adjusted EBITDA and finished with EUR 9,2m (PY: EUR 8,5m), but was affected by a limitation of Adjustments according to the Bond T&C.

Business Development Q2-2024

General

In Q2-2024, the Net Sales of all regions were close to the level of previous year's quarter. Especially Europe showed signs of a positive development, even if the current quarter was still below the same period of last year. Also North Africa developed well, mainly benefitting from new orders from Egypt.

Regions

Net Sales in the different regions developed as follows:

EUR M	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	LTM	2023
Europe	23,4	24,0	40,3	49,0	71,0	79,7
China	27,2	27,8	52,5	47,3	107,9	102,7
Americas	4,9	5,0	9,8	10,0	19,0	19,1
Middle East, Africa & South Asia	8,5	8,7	15,2	19,1	30,1	34,0
Net Sales	63,9	65,5	117,8	125,4	227,9	235,5

Europe: The demand in Europe in Q2-2024 showed signs of improvement compared to previous quarter, with food service demand increasing step by step and food retail re-starting softly. A demand reduction versus 2023 was experienced in Q2-2024 from the heat-pump market, especially in some countries like Germany, caused by adjusted incentive policies. In parallel the recreation vehicles and automotive demand was still stagnating.

China: Q2-2024 experienced a demand on the good level of previous year's period. The Mobile Cooling market drove this trend with increasing demand from the domestic eCars market. While the Light Commercial sector confirmed good trends for food service, the demand from the food retail sector was still below the same period of 2023.

Americas: The US market demand was on the same level as in 2023, confirming a positive trend already registered in Q1-2024. In the food retail and food service segments good order levels were visible, indicating a promising development for the following quarters.

Middle East, Africa, Southeast Asia: The demand from North Africa increased slightly during Q2-2024 as Egypt released critical import restrictions that caused a drop in business during previous quarters. In the Middle East the demand was still soft because of the critical economic-political uncertainties in the region. In Southeast Asia the demand declined compared to Q2-2023.

Segments

Within the Business Segments, Net Sales developed as follows:

EUR M	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	LTM	2023
Stationary Cooling	41,1	45,0	76,8	83,5	147,8	154,6
Mobil Cooling	21,0	18,7	37,6	38,4	73,6	74,4
Medical Cooling	1,8	1,7	3,5	3,4	6,5	6,5
Net Sales	63,9	65,5	117,8	125,4	227,9	235,5

Stationary Cooling: Net Sales experienced a reduction compared to previous year's quarter, despite some positive trends in Europe and the US. The major impact came from the heat-pump sector in Europe, especially in some countries like Germany, where the order level decreased due to the removal of incentives previously given by governments to support energy efficiency projects. In China, Net Sales were influenced by a softer demand in food retail, partially compensated by the food service segment.

Mobile Cooling: In Q2-2024, the demand in China increased due to new projects in the eCars segment, while Europe's automotive segment demand fell short of the same period of previous year. The dynamic ramp-up of the eCars market in China overcompensated the soft demand from the standard automotive market. The Recreation Vehicles segment was still on the level of previous year, with some good signs of improvement at the horizon. The new BD Nano platform has been approved for different eCars projects in the development pipeline.

Medical Cooling: During Q2-2024, positive trends in the demand from medical cold chain manufacturers could be registered, and the demand level started to be well above the previous year. First orders of new models specifically tailored to support a sustainable and efficient medical cold chain were delivered, and new medical business opportunities were developed.

Profit

Main KPI's developed as follows:

EUR M	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	LTM	2023
Internal Adjusted EBITDA	6,1	5,0	10,4	8,8	20,1	18,4
Bond EBITDA	4,8	4,9	9,2	8,5	16,2	15,5
Reported EBITDA	5,0	7,0	9,5	11,1	16,1	17,7
Net Income	-2,1	1,1	-3,8	-0,1	-14,5	-10,9

In Q2-2024, the **Internal Adjusted EBITDA** was higher than in previous year's period, as the Contribution Margin in % of Net Sales improved significantly from 23,2% in Q2-2023 to 25,0% in the current quarter. This development is mainly based on an improved product mix and stabilized market prices for raw materials and energy.

The **Bond EBITDA** of the second quarter 2024 followed the Internal Adjusted EBITDA but was affected by a limitation of Adjustments for extraordinary or non-recurring items according to the Bond Terms & Conditions.

The Q2-2024 **Reported EBITDA** declined vs. Q1-2023 due to higher extraordinary or non-recurring cost and significantly lower unrealized FX-gains.

In addition to the effects of the Reported EBITDA, the **Net Income** in Q2-2024 was negatively affected by higher Depreciation & Amortization, Interest Expenses for the new Bonds and Taxes.

Supply Chain

In Q2-2024, raw material costs were stable with no major changes compared to the previous quarter. However, stock exchanged listed raw materials, like copper and aluminium, experienced price increases during the second quarter, which will have an effect on the costs of the following quarter.

Investments

In total, Q2-2024 registered investments of EUR 3,2m (Q2-2023: EUR 4,2m), including R&D capitalization of EUR 2,1m (Q2-2023: EUR 2,1m). Main investments in the current quarter were for the ramp-up of the BD Nano capacity to fulfil the expected demand increases and for the further development of the NLE-platform.

Trade Working Capital

The Trade Working Capital amounted to EUR 20,6m at the end of the second quarter 2024, which represents an increase of EUR 3,6m vs. 31 December 2023. The total Inventory value increased by EUR 6,8m to serve the additional business opportunities, especially with the new BD Nano platform. Trade Receivables and Accounts Payables increased by EUR 5,5m and EUR 8,7m respectively following the higher business activities compared to Q4-2023.

Cash & Bank	With EUR 6,6m, the Cash & Bank balance of 30 June 2024 decreased by EUR 1,4m vs. the balance as of 31 December 2023. The reduction was mainly driven by the increase of the Trade Working Capital.
Equity	The equity as of 30 June 2024 amounted to EUR 21,3m; its development reflects the Net Income and the Other Comprehensive Income of the period. Including all Shareholder Loans, the equity ratio of the Secop Group amounted to 39%.
Net Debt	The Net Debt position acc. to the Bond Terms & Conditions increased by EUR 6,1m vs. December 2023, to EUR 49,0m. The book-value of the Bonds amounted to EUR 50,0m before offsetting capitalized transaction costs. In China, the supply chain financing program was used by EUR 3,2m and Letter of Credits were given out in the amount of EUR 2,0m. As of 30 June 2024, the super senior revolving credit facility (RCF) wasn't used. The company used a EUR 0,4m guarantee for business purposes.
Employees	As of 30 June 2024, Secop employed 1.052 employees based on full-time equivalents (FTE), of which 148 employees in R&D and 812 employees in production facilities. This is an increase of 63 employees (FTE) compared to 31 December 2023, which was driven by the production area to increase the capacity of the China plant for the ramp up of BD Nano and for additional operations in the Slovakia plant.
Bonds	Secop has outstanding Bonds of EUR 50m, which mature on 29 December 2026 and carry a floating coupon of 8,4% above 3-months EURIBOR. The company does not hold any of its own Bonds and is currently not planning to acquire such in the foreseeable future.

Outlook

Business Development

Compared to 2023, Secop expects a slightly growing demand in the Stationary Cooling segment with a transition from legacy products towards new products, and a solid demand increase in the Mobile Cooling segment, driven mainly by the automotive sector and especially from the eCars segment in China. For the Medical Cooling segment, Secop expects a demand above 2023.

In the **Stationary Cooling** sector, China is expected to exceed the demand of 2023, and both America and Europe are expected to return to a good and stable level of orders. The Middle East and Africa regions are projected to recover parts of the demand lost in 2023, despite the ongoing political and economic uncertainties in these regions there are opportunities to recover business especially in Egypt. South-east Asia is expected to exhibit a market demand on the level of 2023. An overall positive effect is expected from compressors recently launched to market, where the transition is supported by regulations for green refrigerants and energy efficient solutions both in Europe and America.

For the **Mobile Cooling** segment in China, the order level is forecasted to surpass 2023 significantly, boosted by the eCars segment, where Secop is involved in multiple ramp-up projects. A recovery is expected also in the recreational vehicles market in Europe and America, after the stagnating demand levels seen in 2023. The approval of the new BD Nano platform for various projects will continue to feed a very good pipeline of new opportunities from this dynamic segment.

In the **Medical Cooling** segment, a positive trend is on the horizon for 2024 with order level exceeding those of 2023. The medical cold chain is expected to return to a stable order level, no longer impacted by elevated stock levels and cautious investments seen in 2023. The year 2024 will see the ramp-up of various projects where new medical platforms were approved by leading players in 2023.

Investments

After the strong activities in 2023, the total investments for 2024 are expected to return to the previous years' level. Major capex spendings are considered for the BD Nano capacity increase, the further development of the SCE and NLE platforms and for rationalizations, efficiency- and quality-improvements. In addition, the company expects to capitalize slightly lower R&D-expenses than in 2023.

Profit

Given the positive outlook especially for the Mobile Cooling segment, Secop expects for the full year 2024 Net Sales and Internal Adjusted EBITDA well above 2023.

FINANCIAL STATEMENTS

Consolidated Income Statement

	EUR M	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	LTM	2023
Net Sales		63,9	65,5	117,8	125,4	227,9	235,5
Raw Materials & Consumables		-42,4	-45,6	-77,6	-88,4	-150,6	-161,4
Labor Production		-3,7	-3,3	-7,0	-6,9	-13,1	-12,9
Sales Variable Costs (incl. Royalty Fees)		-1,1	-1,1	-2,2	-2,5	-4,0	-4,3
Other Direct Cost		-0,8	-0,2	-1,0	-0,3	-1,4	-0,7
Contribution Margin		16,0	15,2	29,9	27,3	58,8	56,1
<i>As Percent of Net Sales</i>		25,0%	23,2%	25,4%	21,8%	25,8%	23,8%
Fixed Costs		-10,8	-9,7	-20,5	-17,8	-39,3	-36,5
<i>As Percent of Net Sales</i>		-17,0%	-14,9%	-17,4%	-14,2%	-17,2%	-15,5%
Other Income/Expenses		-0,1	1,5	0,1	1,6	-3,4	-2,0
EBITDA reported		5,0	7,0	9,5	11,1	16,1	17,7
Depreciation & Amortization		-3,5	-2,9	-7,0	-5,8	-12,9	-11,7
EBIT		1,4	4,2	2,6	5,2	3,2	5,9
<i>As Percent of Net Sales</i>		2,2%	6,4%	2,2%	4,2%	1,4%	2,5%
Interest Result		-3,1	-2,9	-6,7	-5,1	-12,9	-11,3
Profit before Tax		-1,7	1,2	-4,1	0,1	-9,6	-5,4
Taxes		-0,4	-0,1	0,3	-0,2	-4,9	-5,5
Net Income		-2,1	1,1	-3,8	-0,1	-14,5	-10,9

Adjusted EBITDA Reconciliation

	EUR M	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	LTM	2023
EBITDA reported		5,0	7,0	9,5	11,1	16,1	17,7
Leasing Costs acc.t to IFRS 16		-0,4	-0,4	-0,9	-0,9	-1,8	-1,8
Unrealized Currency Effects		-0,2	-2,1	-0,3	-2,4	0,3	-1,8
Gains/Losses from Disposed Assets		0,0	0,0	0,0	0,0	0,0	0,0
EBITDA before Adjustment		4,4	4,4	8,3	7,7	14,7	14,1
Adjustments:							
Arbitration/SPA		0,0	0,0	0,0	0,0	0,0	-0,1
Restructuring Costs		0,2	0,5	0,2	0,7	0,8	1,2
Consulting Fees		1,0	0,1	1,3	0,4	1,8	0,9
Others		0,6	0,0	0,6	0,0	2,8	2,3
Internal Adjusted EBITDA		6,1	5,0	10,4	8,8	20,1	18,4
Adjustment Limitation acc. to Bond T&C		-1,3	-0,1	-1,3	-0,3	-3,9	-2,9
Bond EBITDA		4,8	4,9	9,2	8,5	16,2	15,5

Consolidated Balance Sheet

Assets

	EUR M	Q2 2024	Q4 2023	Q2 2023
Intangible Assets		65,6	64,4	63,0
Tangible Assets		94,4	95,8	91,1
Total Fixed Assets		160,0	160,2	154,0
Deferred Tax Assets		0,4	1,2	0,3
Total non-current Assets		160,4	161,4	154,4
Inventories		40,8	34,1	33,7
Trade Receivables		33,6	28,1	40,3
Current Financial Assets		4,9	4,8	6,6
Cash & Bank		6,6	8,1	9,0
Current non-financial Assets		8,0	7,5	7,0
Total current Assets		94,0	82,5	96,6
Total Assets		254,4	243,8	251,0

EQUITY & LIABILITIES

	EUR M	Q2 2024	Q4 2023	Q2 2023
Equity		21,3	25,0	35,3
Pension provisions		2,8	2,9	2,8
Other Provisions		2,2	1,7	2,0
Non-current provisions		5,0	4,6	4,8
Non-current Financial Liabilities		54,4	54,6	43,6
Non-current Payables		79,0	76,7	74,4
Deferred Tax Liabilities		16,7	18,8	16,0
Non-current Liabilities		150,2	150,2	133,9
Non-current non-financial Liabilities		0,0	0,0	0,0
Current Personnel-related Payables		4,3	3,0	3,2
Other current Payables		5,6	7,1	3,5
Current non-financial Liabilities		9,9	10,1	6,7
Current Financial Liabilities		1,0	1,0	0,7
Bank Liability		5,2	0,0	8,9
Accounts Payables		53,8	45,2	51,6
Current Provisions		7,8	7,6	9,0
Other Current Liabilities		0,0	0,1	0,0
Current Liabilities		67,9	53,9	70,2
Total equity and liabilities		254,4	243,8	251,0

Consolidated Cash Flow Statement

	EUR M	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	LTM	2023
EBIT		1,4	4,2	2,6	5,2	3,2	5,9
<i>Amortization & Depreciation</i>		3,5	2,9	7,0	5,8	12,9	11,7
EBITDA reported		5,0	7,0	9,5	11,1	16,1	17,7
Change in Working Capital		1,3	-1,2	-3,5	5,8	1,8	11,1
<i>Δ Inventory</i>		-0,5	2,4	-6,6	2,2	-6,9	1,8
<i>Δ Trade Receivables</i>		-3,1	-5,3	-5,3	-2,3	7,0	10,0
<i>Δ Trade Payables</i>		4,9	1,8	8,3	6,0	1,6	-0,7
Other balance sheet items		-0,7	-0,7	0,3	-3,4	2,2	-1,5
Net cash from tax		-1,0	-0,1	-2,0	-0,2	-3,4	-1,6
Operating Cash Flow		4,6	5,0	4,4	13,3	16,7	25,6
CAPEX		-0,9	-1,5	-2,1	-2,6	-9,9	-10,4
Capitalized R&D		-2,1	-2,1	-3,8	-4,5	-7,5	-8,1
Capitalized IFRS 16		-0,3	-0,7	-0,5	-0,8	-1,0	-1,2
Proceeds from disposals		0,0	0,0	0,0	0,0	0,0	0,0
Cash Flow from Investing Activities		-3,2	-4,2	-6,5	-7,8	-18,4	-19,7
Free Cash Flow		1,4	0,8	-2,1	5,5	-1,7	5,9
Change in Deposits/Loans		3,7	0,8	4,8	-10,2	8,1	-6,9
Interest Result		-1,9	-1,6	-4,2	-2,5	-8,6	-6,8
Other Financing		0,0	-0,9	0,0	-0,9	-0,4	-1,2
Cash Flow from Financing Activities		1,8	-1,6	0,6	-13,5	-0,8	-14,9
Net increase / decrease in Cash		3,2	-0,8	-1,5	-8,0	-2,5	-9,0
Cash Beginning of Period		3,4	10,0	8,1	17,2	9,0	17,2
Cash Increase/Decrease		3,2	-0,8	-1,5	-8,0	-2,5	-9,0
FX-Effects		0,0	-0,2	0,0	-0,3	0,1	-0,2
Cash End of Period		6,6	9,0	6,6	9,0	6,6	8,1

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.

The strategic focus of the Secop Group is reflected in its three segments Stationary Cooling, focussing on light commercial applications, Mobile Cooling, providing battery-driven solutions, and Medical Cooling, serving the medical cold-chain with ultra-low temperature requirements.

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 \pm one digit/unit are possible.

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

Fixed Costs

Fixed Costs are split as follows:

EUR M	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	LTM	2023
Fixed Personnel Costs	8,1	7,9	16,1	14,5	30,7	29,1
Other Fixed Costs	2,8	1,9	4,5	3,3	8,5	7,4
Total Fixed Costs	10,8	9,7	20,5	17,8	39,3	36,5

The Fixed Personnel Costs increased vs. Q2-2023 mainly because of remuneration increases in the last twelve months, which overcompensated the effect of less employees.

Other Fixed Costs exceed previous year's level mainly due to extraordinary management consultancy services in the second quarter 2024.

Other Income/ Expenses

In Q2-2024, the Other Income/Expenses were hardly influenced by unrealized currency effects, while Q2-2023 was highly affected by unrealized currency gains.

Depreciation & Amortization

Depreciation & Amortization mainly increased vs. Q2-2023 because some R&D projects were finalized so that the amortization of the respective capitalized costs started in Q1-2024.

Interest Result

Interest expenses increased vs. Q2-2023 due to the higher interest margin and the higher volume of the new Bonds.

Taxes

Taxes were influenced by the payment of withholding taxes in China.

Additional Commentary on the Balance Sheet

Deferred Tax Assets/ Liabilities

The Deferred Tax positions were reassessed resulting in a reduction of both Deferred Tax Assets and Deferred Tax Liabilities compared to 31.12.2023.

Current non-financial Assets

The current non-financial assets include mainly prepayments, VAT receivables and other assets. The slight increase versus December 2023 was driven by higher accrued prepayments, partly compensated by lower VAT receivables.

Other Provisions

Other provisions increased vs. 31.12.2023 due to increase of the long-term warranty provision.

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. The book-value of the outstanding Bonds amounted to EUR 50,0m before offsetting capitalized transaction costs of EUR 0,9m. Subordinated Shareholder Loans increased by EUR 2,3m vs. 31 December 2023 from capitalized interests. The decrease of Deferred Tax Liabilities is driven mainly by a reassessment of Tangible Assets in the Chinese factory.

Current non-financial Liabilities The main items under Current non-financial Liabilities are liabilities for social security, payroll and other taxes and other liabilities. The personnel-related provisions increased due to deferred payroll liabilities in Slovakia, while other current payables decreased as a consequence of reduced deferred liabilities for investments.

Bank Liabilities The Bank Liabilities comprised EUR 3,2m drawn under the supply chain financing facility in China and EUR 2,0m Letter of Credits issued to suppliers in China. Secop's super senior revolving credit facility (RCF) was not used as of 30 June 2024.

Additional Commentary on the Cash Flow

Net Cash from tax In Q2-2024, the group had to pay withholding taxes in China for services rendered by European entities in 2023 and 2024.

Financing Activities The cash-inflow from financing activities related mainly to the utilization of the Group's short-term financing facilities in China. In Q2-2023, Other Financing was driven by transaction costs for the new bonds 2023.

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.

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.
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.
ESG	Main ESG-risks relate to the effect of energy, climate change mitigation on the group's operation, substances of concern, the resources used and our own workforce. However, the company may also benefit from an increasing demand for cooling solutions as a consequence of the climate change adaption.

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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