

BELYSSE™

# Q1 2023 QUARTERLY REPORT

**LSF9 Belysse Issuer S.à r.l.**

Senior Secured Notes due 2024  
Annual Report ended 31 December, 2022

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## 1. Key Figures

(€ thousands)	Q1 2023	Q1 2022
<b>Results</b>		
<b>Revenue</b>	<b>76.627</b>	<b>74.988</b>
<b>Adjusted EBITDA</b>	<b>4.962</b>	<b>5.988</b>
<b>Adjusted EBITDA Margin</b>	<b>6,5%</b>	<b>8,0%</b>
Integration and restructuring expenses	(4)	(7)
EBITDA	4.958	5.981
Depreciation / amortisation	(4.854)	(4.308)
Operating profit / (loss) for the period	104	1.673
Net finance expenses	(4.236)	(5.848)
Income tax benefit / (expense)	(796)	(2.821)
<b>Profit/(loss) for the period</b>	<b>(4.928)</b>	<b>(6.997)</b>
<b>Cash flow</b>		
<b>Cash, cash equivalents and bank overdrafts at the beginning of the period from continuing operations</b>	38.488	51.394
Net cash flow from operating activities	(2.087)	124
Net cash flow from investing activities	(2.495)	(2.787)
Net cash flow from financing activities	(8.026)	(12.508)
Financing and cash transactions between continued and discontinued operations	-	(11.521)
<b>Cash, cash equivalents and bank overdrafts at the end of the period from continuing operations</b>	25.880	24.702

### Financial position

In relation to Belysse's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralized. As such, the application of IFRS 16 has no consequence for the Group's financing.

(€ thousands)	Q1 2023	Q1 2022
<b>Net debt<sup>1</sup></b>	<b>125.691</b>	<b>306.573</b>
LTM Adjusted EBITDA	27.253	70.329
<b>Leverage</b>	<b>4,6</b>	<b>4,4</b>

**Note 1:** IFRS 16 effect is excluded from the leverage comparison (see glossary)

## 2. Management discussion and analysis of the results

### 2.1 Group Highlights

- Q1 consolidated Revenue of €76.6m (+2.2% YoY)
  - Organic Revenue was flat, while FX impact contributed 2.2%
  - Revenue growth by division: United States (US) 8.6%, Europe -3.2%
- Q1 Adjusted EBITDA was €5.0m (-17.5% YoY) with an Adjusted EBITDA margin of 6.5% (8.0% in Q1 2022)
  - US EBITDA was €4.9m (-18.1% YoY)
  - Europe EBITDA was again break-even
- Q1 Net Debt was €156.3m (including €30.6m of IFRS 16 impact), a seasonal increase from last quarter. Leverage<sup>1</sup> stands at 4.6x (4.0x Q4 2022) and total available liquidity (including headroom under the RCF) remains strong at the end of Q1 (€64m).

### 2.2 Business Update

While our US business saw a slow start, after an acceleration of shipments at the end of last year, volumes recovered in the second part of the quarter and Q1 revenue ended 8.6% above last year. The EBITDA margin for the quarter saw a temporary drop affected by higher raw material costs following the change of our main yarn supplier last year. This transition and the negative impact on margins is coming to an end.

In Europe, Q1 2023 faced a challenging macro-economic environment with weak demand across the market, in particular in residential renovation. Countering the negative volume impact, we have been seeing some recovery in our unitary margins from last year's low levels, despite high raw material costs still weighing on the Q1 2023 P&L due to FIFO accounting.

The increase in Net Debt is mainly explained by a seasonal decrease in payables. However, we have been able to reduce inventory levels by a more efficient sales and operations planning.

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<sup>1</sup> As defined in the SSN facility agreements, excluding IFRS16 impact but including sale and leasebacks

### 3 Operating review per segment

#### 3.1 Revenue and Adjusted EBITDA per Division

<i>(€ million, unless otherwise mentioned)</i>	<i>Q1 2023</i>	<i>Q1 2022</i>	<i>% Change</i>	<i>o/w organic</i>	<i>o/w FX</i>
Europe	39.2	40.5	(3.2)%		
US	37.4	34.4	8.6%		
<b>Consolidated Revenue</b>	<b>76.6</b>	<b>75.0</b>	<b>2.2%</b>	<b>0.0%</b>	<b>2.2%</b>
Europe	0.0	(0.0)	N/A		
US	4.9	6.0	(18.1)%		
<b>Consolidated Adjusted EBITDA</b>	<b>5.0</b>	<b>6.0</b>	<b>(17.5)%</b>	<b>(21.0)%</b>	<b>3.6%</b>
Europe	0.1%	0.0%			
US	13.2%	17.5%			
<b>Consolidated Adjusted EBITDA Margin</b>	<b>6.5%</b>	<b>8.0%</b>			

**Note:** the segment table has been copied from the press release issued by Belysse Group NV, where EBITDA is slightly higher than at LSF9 Belysse Issuer level due to a markup on management services provided at level of Belysse Group NV and then charged to LSF9 Belysse Issuer and subsidiaries.

### 4 Other financial items review

#### 4.1 Changes in inventories

Changes of inventories for the first three months of 2023 are equal to (€1.1m), as compared to €4.8m in the same period last year. The changes in inventories reflect the movement in Work-In-Progress and Finished Goods. The negative number for the quarter is driven by the inventory reduction we achieved during the quarter.

#### 4.2 Employee benefit expense

Employee benefit expense for the first three months of 2023 are equal to €20.1m, as compared to €17.8m in the same period last year. This increase is mainly driven by the automatic wage indexation in Belgium and the increase in wages in the US driven by the inflationary environment.

#### 4.3 Other expense

Other expense for the first three months of 2023 are equal to €16.1m, as compared to €21.0m in the same period last year. This decrease is mainly driven by the lower energy and transportation cost as well as lower cost for temporary workforce.

#### 4.4 Net financing expenses

Net finance expenses for the first three months of 2023 are equal to €4.2m, as compared to €5.8m in the same period last year. This decrease is mainly driven by the lower financing cost of the group since the debt repayments after the Disposal per 4<sup>th</sup> of April 2022.

## 4.5 Taxation

The income tax expense amounts to €0.8m for the first three months of 2023, compared to an income tax expense of €2.8m in the same period last year. The normalized effective tax rate of the Group is around 25%.

## 4.6 Earnings per share for continuing operations

The net earnings per share for the first three months of 2023 were a loss of €0.04, compared to a loss of €0.02 for the same period last year.

## 4.7 Cashflow and net debt

Net debt at the end of March 2023 was €156,3m, versus €148.4m at the end of December 2022. The increase in Net Debt was due to pay-out of yearly rebates to our customers and catch-up payments of social security with governmental support unwinding. Leverage<sup>1</sup> stands at 4.6x (4.0x Q4 2022), total available liquidity (including headroom under the RCF) remains strong at the end of Q1 (€64m).

## 5 Risk Factors

There are no material changes related to the risks and uncertainties for the Group as explained in the section “Summary of main risks” of the 2022 annual report.

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<sup>1</sup> As defined in the SSN facility agreements, excluding IFRS16 impact but including sale and leasebacks

## 6 Consolidated Interim Financial Statements

### 6.1 Consolidated Statement of Comprehensive Income

(€ thousands)	Q1 2023	Q1 2022
<b>I. CONSOLIDATED INCOME STATEMENT</b>		
Revenue	76.627	74.988
Raw material expenses	(34.844)	(34.853)
Changes in inventories	(1.114)	4.892
Employee benefit expenses	(20.139)	(17.785)
Other income	505	(207)
Other expenses	(16.073)	(21.046)
Depreciation/ amortization	(4.854)	(4.308)
<b>Adjusted Operating Profit <sup>1</sup></b>	<b>108</b>	<b>1.680</b>
Integration and restructuring expenses	(4)	(7)
<b>Operating profit / (loss) <sup>1</sup></b>	<b>104</b>	<b>1.673</b>
Finance income	18	(27)
Finance expenses	(4.254)	(5.822)
<b>Net finance expenses</b>	<b>(4.236)</b>	<b>(5.848)</b>
<b>Profit / (loss) before income taxes</b>	<b>(4.132)</b>	<b>(4.176)</b>
Income tax benefit / (expense)	(796)	(2.821)
<b>Profit / (loss) for the period from continuing operations</b>	<b>(4.928)</b>	<b>(6.997)</b>
Profit/ (loss) for the period from discontinued operations	-	4.020
<b>Profit/(loss) for the period</b>	<b>(4.928)</b>	<b>(2.976)</b>
Attributable to:		
Equity holders	(4.928)	(2.976)
Non-controlling interest	-	-
<b>II. CONSOLIDATED OTHER COMPREHENSIVE INCOME</b>		
<i>Items in other comprehensive income that may be subsequently reclassified to P&amp;L</i>		
Exchange differences on translating foreign operations	(2.354)	2.322
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	152
<i>Items in other comprehensive income that will not be reclassified to P&amp;L</i>		
Changes in deferred taxes	(40)	(105)
Changes in employee defined benefit obligations	4	432
<b>Other comprehensive income for the period, net of tax</b>	<b>(2.390)</b>	<b>2.802</b>
<b>Other comprehensive income for the period, net of tax for discontinued operations</b>	<b>-</b>	<b>(1.762)</b>
<b>Total comprehensive income for the period</b>	<b>(7.318)</b>	<b>(1.936)</b>
<b>Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company</b>	<b>(0,04)</b>	<b>(0,02)</b>

- (1) Adjusted Operating Profit / Operating profit/(loss) are non-GAAP measures.  
Adjusted EBITDA is calculated as Adjusted Operating Profit (Loss) adjusted for depreciation and amortization charges.

The accompanying notes form an integral part of these consolidated condensed interim financial statements.

## 6.2 Consolidated Statement of Financial Position

(€ thousands)	31 March 2023	31 December 2022
Property, plant and equipment	105.552	108.178
<i>Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)</i>	27.361	29.388
Land and buildings	49.517	51.245
Plant and machinery	49.492	50.025
Other fixtures and fittings, tools and equipment	6.543	6.908
Goodwill	104.215	105.662
Intangible assets	5.010	5.432
Deferred income tax assets	-	390
Trade and other receivables	590	599
<b>Total non-current assets</b>	<b>215.368</b>	<b>220.261</b>
Inventories	69.727	76.177
Trade and other receivables	27.731	25.084
Cash and cash equivalents	25.880	38.488
<b>Total current assets</b>	<b>123.339</b>	<b>139.750</b>
<b>Total assets</b>	<b>338.706</b>	<b>360.011</b>
Share capital	137.848	137.848
Share premium	155.486	155.486
Other comprehensive income	3.476	5.866
Retained earnings	(199.579)	(194.651)
Other reserves	(14.283)	(14.283)
<b>Total equity</b>	<b>82.949</b>	<b>90.267</b>
Senior Secured Notes	131.834	130.745
Bank and Other Borrowings	39.347	41.590
<i>Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)</i>	23.795	25.577
Deferred income tax liabilities	6.514	6.355
Provisions for other liabilities and charges	2.138	2.176
Employee benefit obligations	142	150
<b>Total non-current liabilities</b>	<b>179.975</b>	<b>181.015</b>
Senior Secured Notes	(1.259)	1.611
Bank and Other Borrowings	8.648	8.760
<i>Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)</i>	6.800	6.872
Other payroll and social related payables	13.883	16.713
Trade and other payables	53.926	60.426
Income tax liabilities	584	1.219
<b>Total current liabilities</b>	<b>75.783</b>	<b>88.729</b>
<b>Total liabilities</b>	<b>255.758</b>	<b>269.744</b>
<b>Total equity and liabilities</b>	<b>338.706</b>	<b>360.011</b>

The accompanying notes form an integral part of these consolidated condensed interim financial statements.



## 6.3 Consolidated Statement of Cash Flows

(€ thousands)	Q1 2023	Q1 2022
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit / (loss) for the period</b>	<b>(4.928)</b>	<b>(6.997)</b>
Adjustments for:		
Income tax expense/(income)	796	2.821
Finance income	(18)	27
Financial expense	4.254	5.822
Depreciation, amortisation	4.854	4.308
Movement in provisions and deferred revenue	(298)	1.800
Fair value of derivatives	-	152
<b>Cash generated before changes in working capital</b>	<b>4.661</b>	<b>7.933</b>
Changes in working capital:		
Inventories	5.996	(6.159)
Trade receivables	(1.062)	(5.390)
Trade payables	(8.586)	4.706
Other working capital	(2.201)	(826)
<b>Cash generated after changes in working capital</b>	<b>(1.193)</b>	<b>264</b>
Net income tax (paid)	(894)	(140)
<b>Net cash generated / (used) by operating activities</b>	<b>(2.087)</b>	<b>124</b>
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(2.446)	(2.793)
Acquisition of intangibles	(49)	-
Proceeds from non-current assets	-	6
<b>Net cash used by investing activities</b>	<b>(2.495)</b>	<b>(2.787)</b>
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest and other finance charges paid, net	(5.997)	(10.443)
Repayments of borrowings with third parties	(2.028)	(2.065)
<b>Net cash generated / (used) by financing activities</b>	<b>(8.026)</b>	<b>(12.508)</b>
<b>NET INCREASE/ (DECREASE ) IN CASH AND BANK</b>	<b>(12.608)</b>	<b>(15.171)</b>
<b>Cash, cash equivalents and bank overdrafts at the beginning of the period from continuing operations</b>	<b>38.488</b>	<b>51.394</b>
Financing and cash transactions between continued and discontinued operations	-	(11.521)
<b>Cash, cash equivalents and bank overdrafts at the end of the period from continuing operations</b>	<b>25.880</b>	<b>24.702</b>
Cash, cash equivalents and bank overdrafts at the end of the period from discontinued operations	-	4.480

The accompanying notes form an integral part of these consolidated condensed interim financial statements.

## 6.4 Consolidated Statement of Changes in Equity

	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves	Total	Elements of comprehensive income from discontinued operations	Total equity
(€ thousands)								
<b>Balance 31 December 2021</b>	<b>137,848</b>	<b>155,486</b>	<b>(4,835)</b>	<b>(18,534)</b>	<b>(14,283)</b>	<b>255,683</b>	<b>(162,767)</b>	<b>92,916</b>
Profit / (loss) for the period	-	-	0	(13,398)	-	(13,398)	(54,459)	<b>(67,857)</b>
<b>Other comprehensive income</b>								-
Exchange differences on translating foreign operations	-	-	10,212	51	-	10,263	54,863	<b>65,126</b>
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	152	-	-	152	-	<b>152</b>
Cumulative changes in deferred taxes	-	-	268	-	-	268	158	<b>425</b>
Cumulative changes in employee defined benefit obligations	-	-	68	-	-	68	(565)	<b>(496)</b>
Total other comprehensive income for the period	-	-	10,701	51	-	10,751	54,456	65,207
<b>Total comprehensive income for the period</b>	-	-	<b>10,701</b>	<b>(13,347)</b>	-	<b>(2,647)</b>	<b>(3)</b>	<b>(2,649)</b>
Change in scope <sup>1</sup>	-	-	-	<b>(162,770)</b>	-	(162,770)	162,770	-
<b>Balance at 31 December 2022</b>	<b>137,848</b>	<b>155,486</b>	<b>5,866</b>	<b>(194,651)</b>	<b>(14,283)</b>	<b>90,267</b>	-	<b>90,267</b>
Profit / (loss) for the period	-	-	-	(4,928)	-	(4,928)	-	(4,928)
<b>Other comprehensive income</b>								
Exchange differences on translating foreign operations	-	-	(2,354)	-	-	(2,354)	-	(2,354)
Cumulative changes in deferred taxes	-	-	(40)	-	-	(40)	-	(40)
Cumulative changes in employee defined benefit obligations	-	-	4	-	-	4	-	4
Total other comprehensive income for the period	-	-	(2,390)	-	-	(2,390)	-	(2,390)
<b>Total comprehensive income for the period</b>	-	-	<b>(2,390)</b>	<b>(4,928)</b>	-	<b>(7,318)</b>	-	<b>(7,318)</b>
<b>Balance at 31 March 2023</b>	<b>137,848</b>	<b>155,486</b>	<b>3,476</b>	<b>(199,579)</b>	<b>(14,283)</b>	<b>82,949</b>	-	<b>82,949</b>

<sup>1</sup> Change in scope reflects the transfer of the elements of comprehensive income from discontinued operations to retained earnings of the group at completion date of the divestment without currency translation adjustments which are recycled over the income statement.

The accompanying notes form an integral part of these consolidated condensed interim financial statements.

## 6.5 Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements

### 6.5.1 Significant Accounting Policies

These consolidated condensed interim financial statements for the three months ended March 31, 2023 have been prepared in accordance with IAS 34 *Interim financial reporting*. They do not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report of LSF9 Belysse Issuer S.à r.l. for the year ended December 31, 2022 and any public announcements made by Belysse Group during the interim reporting period.

The amounts in this document are presented in thousands of euro, unless otherwise stated. Rounding adjustments have been made in calculating some of the financial information included in these consolidated condensed interim financial statements.

The accounting policies are consistent with those of the previous financial year and corresponding interim period.

### 6.5.2 Segment Reporting

Segment information is presented in respect of the Company's business segments. The performances of the segments is reviewed by the chief operating decision maker, which is the Management Committee.

(€ thousands)	Q1 2023	Q1 2022 <sup>1</sup>
<b>Revenue by segment</b>	<b>76.627</b>	<b>74.988</b>
Europe	39.236	40.548
US	37.390	34.439
<b>Discontinued operations</b>	<b>-</b>	<b>96.729</b>
<b>Revenue by geography</b>	<b>76.627</b>	<b>74.988</b>
Europe	33.797	32.774
North America	38.303	36.025
Rest of World	4.526	6.189
<b>Discontinued operations</b>	<b>-</b>	<b>96.729</b>
<b>Adjusted EBITDA by segment</b>	<b>4.962</b>	<b>5.988</b>
Europe	20	(47)
US	4.942	6.035
<b>Discontinued operations</b>	<b>-</b>	<b>7.096</b>
<b>Net capital expenditure by segment</b>	<b>2.495</b>	<b>2.787</b>
Europe	1.620	1.731
US	875	1.056
<b>Discontinued operations</b>	<b>-</b>	<b>5.209</b>
<b>Net inventory by segment</b>	<b>69.727</b>	<b>67.709</b>
Europe	43.459	41.179
US	26.268	26.530
<b>Discontinued operations</b>	<b>-</b>	<b>116.887</b>
<b>Trade receivables by segment</b>	<b>24.094</b>	<b>28.812</b>
Europe	9.694	10.897
US	14.400	17.915
<b>Discontinued operations</b>	<b>-</b>	<b>29.549</b>

<sup>1</sup> this table was restated in line with the change in segments to Europe and US versus Commercial and Residential previously.

### 6.5.3 Integration and Restructuring Expenses

The following table sets forth integration and restructuring expenses for the period ended March 31, 2023 and 2022. This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	Q1 2023	Q1 2022
<b>Integration and restructuring expenses</b>	<b>4</b>	<b>7</b>
Corporate restructuring	-	-
Business restructuring	-	-
Other	4	7
<b>Discontinued operations</b>	<b>-</b>	<b>3.448</b>

Integration and restructuring expenses over the first three months of 2023 are immaterial and in line with last year.

### 6.5.4 Goodwill

The goodwill decreased by €1.5m from €105.7m as of December, 2022 to €104.2m as of March 31, 2023. The decrease in goodwill reflects the changes in foreign exchange rate from the US dollar to euro from the date of acquisition of Bentley. The related foreign exchange fluctuations are presented in other comprehensive income.

### 6.5.5 Net Debt Reconciliation

The following table reconciles the net cash flow to movements in net debt:

<b>Liabilities from financing activities</b>						<b>Cash and Cash equivalents</b>	
(€ thousands)	Senior Secured Notes due after 1 year	Senior Secured Notes due within 1 year	Lease liabilities due after 1 year	Lease liabilities due within 1 year	Super Senior RCF	Total gross financial debt	Total net financial debt
<b>Net debt as at 31 December 2022</b>	<b>(132.489)</b>	<b>(3.479)</b>	<b>(42.004)</b>	<b>(8.849)</b>	<b>(82)</b>	<b>(186.903)</b>	<b>(148.415)</b>
Cashflows	-	-	-	-	-	-	(12.608)
Repayments of borrowings with third parties	-	-	-	2.028	-	2.028	2.028
Non- cash movements	(653)	2.993	2.286	(1.968)	52	2.710	2.710
<b>Net debt as at 31 March 2023</b>	<b>(133.142)</b>	<b>(485)</b>	<b>(39.718)</b>	<b>(8.790)</b>	<b>(30)</b>	<b>(182.166)</b>	<b>(156.285)</b>

The table above does not include the movements in capitalized financing fees, or the interest paid.

The net debt at the end of Q1 2023 amounts to €156.3m, compared to €148.4 m per Q4 2022. The increase in Net Debt was due to pay-out of yearly rebates to our customers and catch-up payments of social security with governmental support unwinding.

### 6.5.6 Related Party Transactions

The related party transactions with shareholders and parties related to the shareholders have not substantially changed in nature and impact compared to the year ended December 31, 2022 and hence no updated information is included in this interim report.

The remuneration of key management is determined on an annual basis, for which reason no further details are included in this interim report.

### **6.5.7** Commitments

There is no significant evolution to report in terms of commitments. Please refer to Note 35 'Commitments' in the IFRS Financial Statements of the 2022 annual report.

### **6.5.8** Events After the Statement of Financial Position Date

No subsequent events occurred which could have a significant impact on the interim condensed financial statements of the Group per March 31, 2023.

## 7 Glossary: Alternative Performance Measures

The following alternative performance measures (non-IFRS) have been used as management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

**Organic Growth** is defined as growth excluding (i) FX impact, which comprises the translation of key foreign entities and (ii) M&A impact.

**Adjusted EBITDA** is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price allocation mainly on change in inventories, (ii) gains on asset disposals, (iii) integration and restructuring expenses, (iv) depreciation / amortization and (v) impairment and write-off.

**Adjusted EBITDA margin** is defined as the Adjusted EBITDA as a percentage of revenue.

**Adjusted Operating Profit/Loss** is defined as operating profit/(loss) adjusted for (i) the impact of the purchase price allocation mainly on changes in inventory, (ii) gains on assets disposals, (iii) integration and restructuring expenses and (iv) impairment and write-off.

**Gross Debt** is defined as (i) Senior Secured Notes adjusted for the financing fees included in the carrying amount and (ii) Bank and other borrowings adjusted for capitalized financing fees.

**Net Debt** is defined as (i) Senior Secured Notes adjusted for the financing fees included in the carrying amount, (ii) Bank and other borrowings adjusted for capitalized financing fees less (iii) cash and cash equivalents.

**Net-investment or net-CAPEX** is defined as of the sum of all investments in tangible and intangible fixed assets adjusted for proceeds from sales of fixed assets.

**Leverage** is defined as the ratio of Net Debt to Adjusted EBITDA (excluding IFRS16 impacts as per financing documentation, except for sale-and-leaseback transactions).