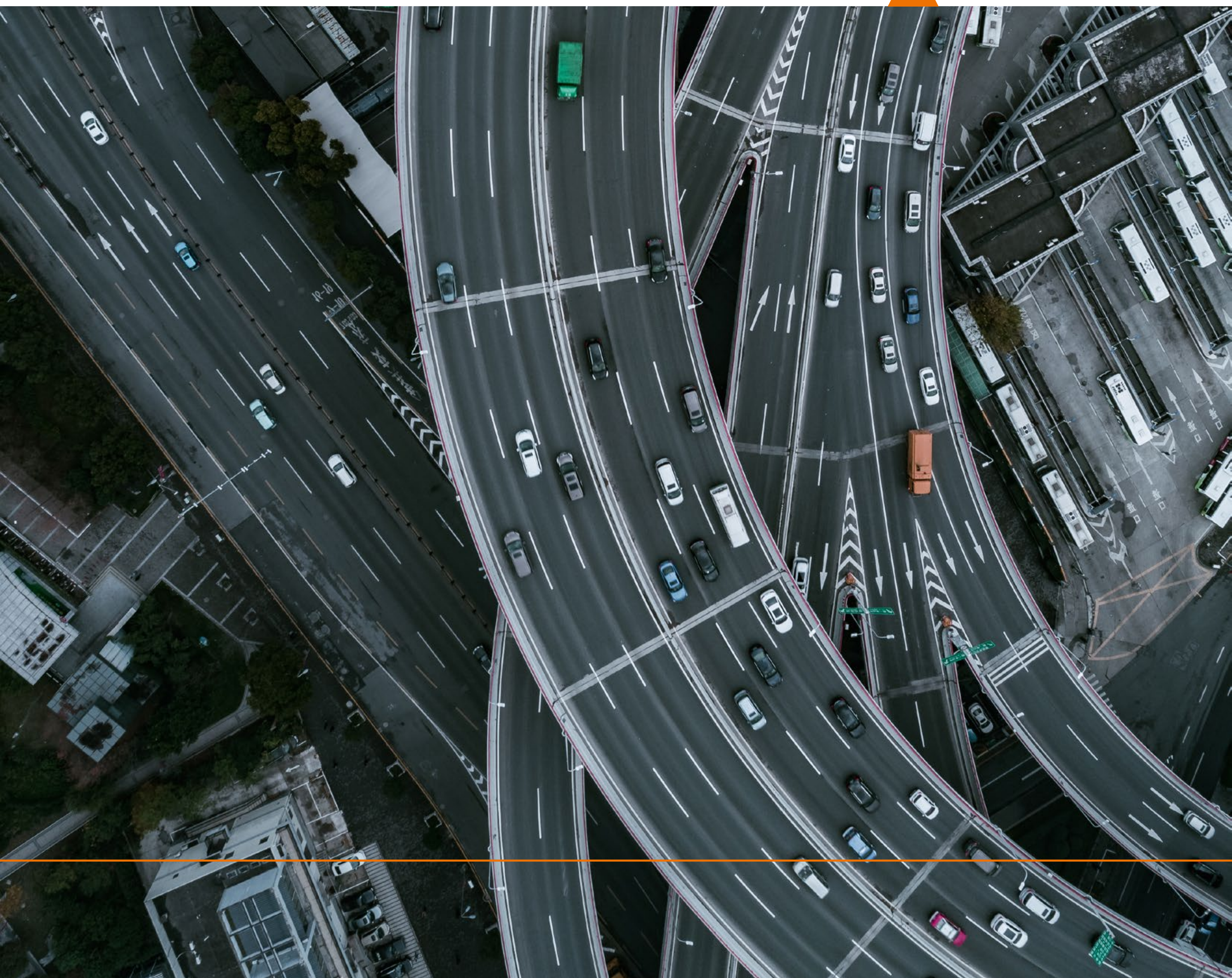
AdCapital AG's condensed consolidated financial statements for the first half year 2023

January 1, 2023 through June 30, 2023

and interim management report



Foreword by the Executive Board

Dear Sir or Madam, dear shareholders, dear employees,

The initiated optimization and growth processes at AdCapital AG and AdCapital Group companies has been confirmed with a positive trend of AdCapital AG's breakeven EBIT achieved in the first quarter of 2023. The Company was able to close the 1st half of 2023 with an increase in total operating performance of almost 5 % to EUR 83.54 million (first half of 2022: EUR 79.61 million) and a positive EBIT of EUR 1.86 million (same period of the previous year: EUR -0.31 million).

With the exception of Taller GmbH, all operating subsidiaries of AdCapital Group were able to contribute to the positive EBIT in the 1st half of 2023. The subsidiary ERICH JAEGER GmbH + Co. KG was able to increase its incoming orders in the first half of the 2023 fiscal year by more than 35 % compared to 2022, and improve its EBIT margin to more than 5 % (previous-year period: 0.5 %). In the 1st half of the 2023 fiscal year, the subsidiary FRAKO Kondensatoren- und Anlagenbau GmbH was able to increase the cumulated sales and order backlog by more than 10 % year-on-year by expanding its services and due to the strengthened Chinese market. Furthermore, the subsidiary Bavaria Digital Technik GmbH was able to increase total operating performance by more than 12 % year-on-year in the first half of the 2023 fiscal year due to the successful commissioning of the second production line.

AdCapital AG and its subsidiaries intend to use the momentum and process optimizations in 2023 for further growth, stabilization in the companies, and an increase in earnings. In addition to a sustainable increase in profitability, medium- and long-term growth and the subsidiaries' strategic orientation will be ensured. Therefore, the strategic process already initiated in 2022 at the subsidiary ERICH JAEGER, and, in the 1st half of 2023, at Taller GmbH, will be gradually transferred to the other subsidiaries in the current fiscal year 2023. To that end, we are working intensively on optimization and cost savings in production, supply chain and purchasing. In addition, measures to reduce inventories in the subsidiaries will be continued and investments will be made in manufacturing and technology. The aim is to take a leading position in existing markets, develop attractive new markets, produce innovative electronic vehicle components and control units at ERICH JAEGER. These are all important measures of AdCapital AG's corporate strategy to sustain and increase the groups profitability and future viability.

Based on the initiated measures, the Executive Board currently expects the Group to generate sales of between EUR 162.6 million and EUR 172.3 million in the fiscal year 2023. This corresponds to an increase from 5 % to 11 % compared to the previous year. The Group's EBIT forecast for the 2023 financial year is in the range of EUR 3.2 million to EUR 4.2 million.

I wish to thank in particular AdCapital Group's employees. Their high level of motivation, their willingness to work with us on the necessary strategic, transformation and optimization process, is essential to the success of our Group.

Waldbronn, August 24, 2023

Dr. Andreas J. Schmid
Executive Board

AdCapital AG, Tuttlingen
Consolidated income statement from January to June 2023

All figures in K€	1st half of 2023	1st half of 2022
Sales revenues	85,390	79,401
Change in inventories	-1,847	210
Other own work capitalized	0	0
Other operating income	3,144	3,474
Cost of materials	-45,724	-45,122
Personnel expenses	-22,297	-21,476
Depreciation and amortization	-1,944	-1,971
Other operating expenses	-14,837	-14,810
Operating result	**1,884**	**-295**
Financial result	-959	-89
Taxes on income	-965	-385
Earnings after taxes	**-40**	**-768**
Other taxes	-27	-18
Consolidated annual net profit/loss	**-67**	**-787**
Earnings attributable to minority shareholders	-900	-420
Group earnings	**-967**	**-1,207**

AdCapital AG, Tuttlingen
Consolidated balance sheet as of June 30, 2023

All figures in K€	30.06.2023	31.12.2022
ASSETS		
Fixed assets		
Intangible assets	536	278
Tangible assets	28,132	26,540
Financial assets	1,027	1,061
	29,696	**27,879**
Current assets		
Inventories	52,751	56,374
Receivables and other assets	25,926	21,187
Securities	0	0
Cash and cash equivalents	5,732	6,864
	84,409	**84,425**
Prepaid expenses and deferred charges	739	779
Deferred tax assets	223	212
Excess of plan assets over pension liability	52	52
Total assets	**115,118**	**113,347**

All figures in K€	30.06.2023	31.12.22
LIABILITIES		
Subscribed capital	41,700	41,700
Capital reserve	4,592	4,592
Retained earnings	18,064	18,064
Generated group equity	-21,460	-20,730
Balancing item from currency translation	1,655	1,414
Minority interests	5,043	5,301
Equity	**49,594**	**50,341**
Borrowed capital		
Provisions	12,208	14,400
Accounts payable	53,177	48,592
	65,384	**62,992**
Deferred income	**139**	**14**
Deferred tax liabilities	**0**	**0**
Total liabilities	**115,118**	**113,347**

Notes to the condensed consolidated financial statements

Accounting and valuation methods

AdCapital Group's semi-annual financial statements have been prepared according to German HGB. The semi-annual financial statements are based on the same accounting, valuation and calculation methods as the consolidated financial statements of December 31, 2022.

The semi-annual financial statements have been subjected to an audit review only at Group level; they have been prepared in €.

The preparation of the consolidated financial statements is influenced by recognition and valuation methods as well as assumptions and estimates. These have an effect on the amount and recognition of the assets and liabilities as well as on expenses and income. If the underlying estimates should change, the recognition of the corresponding items is adjusted through profit or loss.

Group of consolidated companies

In addition to AdCapital AG, 15 companies (2022 consolidated financial statements: 15) have been included in the consolidated financial statements over which AdCapital AG has, due to its majority shareholdings, the possibility of directly or indirectly exercising a controlling influence.

Five (2022 consolidated financial statements: six) companies have not been included in the consolidated financial statements due to their minor significance for the net assets, financial position and profit situation, both individually and in aggregate.

Explanations of the assets, financial position and profit situation

Compared to December 31, 2022, AdCapital Group's equity slightly decreased by € 0.7 million from € 50.3 million to € 49.6 million. This is mainly due to the annual net loss of the period which could be compensated by positive exchange rate effects only to a very small extent. Minority interests also decreased slightly due to dividend distributions. The equity ratio decreased from 44.4 % to 43.1 % as of June 30, 2023, compared to year-end 2022. The decrease in this ratio is caused on the one hand by lower equity, but also by an increase in total assets. In contrast to the previous year, where the increase in total assets was due to the increase in current assets, this is now entirely attributed to higher non-current assets. Overall, however, our equity ratio remains at an acceptable high level despite the decrease.

Net financial assets, comprising cash and cash equivalents less current bank liabilities, amounted to € -10.1 million as of June 30, 2023. Compared to the balance of December 31, 2022 of € -8.2 million, net financial assets thus decreased by € 1.9 million. At EJ Group, the figure increased significantly (+€ 2.3 million) due to the positive result in the first half of the year. Taller (-€ 0.4 million) and above all BDT (-€ 1.9 million) utilized external financing for investments. At AdCapital AG, the figure decreased by around € 2 million because cash and cash equivalents were reduced due to the higher financing requirements at the subsidiaries. At € 15.6 million, the total of non-current liabilities to banks and liabilities from finance leases were € 1.1 million lower at the reporting date than December 31, 2022.

In the reference period, the Group's overall performance increased compared to the previous year's figure by € 3.9 million (4.9 %) from € 79.6 million to € 83.5 million. For both AdCapital Group as a whole and for ERICH JAEGER Group, the first half of 2023 is thus the second-best in the recent past or the company's history in general. Only in 2021, ERICH JAEGER and the entire AdCapital Group's overall performance, was even better than this year due to a special economic situation at ERICH JAEGER.

After rising to a record 56.7 % in the first half of the previous year due to the after-effects of the Corona crisis, the materials ratio fell to 54.7 % in the comparable period of 2023. Despite the decline, however, this figure still represents the second highest value for this ratio in over 10 years. The ongoing effects of higher costs following the Corona crisis are still noticeable here.

Personnel expenses fell from 27.0 % to 26.7 % of total operating performance. Although personnel costs increased in absolute terms, they only rose disproportionately compared to total operating performance. Due to the special effect at ERICH JAEGER in the first half of 2021, the ratio of 25.0 % was very low at that time. Although the current ratio is significantly higher compared with this, it is the second-best value for the last ten years.

In total, other operating expenses are at the same level as in the previous year's reporting period. Due to the higher performance, the ratio improved from 18.6 % to 17.8 %. Currency effects and energy costs are significantly lower than in the previous year's reference period, while personnel leasing costs, legal, consulting fees, and travel expenses increased, in some cases substantially. Travel costs are now back at pre-Corona levels; in 2020 - 2022, travel was known to be significantly restricted.

Due to the described developments of the income statement's individual items, the return on sales (operating profit/total operating performance) was 2.3 %, a significant increase of 2.7 percentage points compared with the previous year's return of -0.4 %.

At K€ -959, the financial result significantly deteriorated compared to the previous year's figure of K€ -89. This is mainly due to the higher interest rates on loans from banks; on the other hand, however, there were also positive valuation effects in the previous year for liabilities to OPUS GmbH due to the deconsolidation of this company.

Compared to the previous year's period, tax expenses increased by almost K€ 600. This increase is largely due to the Chinese companies' positive results.

Overall, a consolidated net loss of K€ 67 was generated in the first half of 2022 (prior-year period: consolidated net loss of K€ 787). After the "Minority interests in earnings", the consolidated net loss amounts to K€ -967 (previous year: K€ -1,207).

Compared with the budget, AdCapital Group's operating result for the first half of the year is above plan, mainly due to ERICH JAEGER Group. FRAKO slightly exceeded the planned value, the other operating companies are below plan, especially Taller.

Interim management report

Opportunities and risks during the next six months/ expected developments in the profit situation and financial position

In its current World Economic Outlook (as of July), the IMF expects global economic growth of 3.0 % in 2023 which is a slight increase compared to its assessment in April (2.8 %). In order to combat inflation, the central banks interest rate policy is still burdening the economy. According to the IMF's latest assessment, inflation for 2023 is expected to be 6.8 %, a slight reduction of the April estimate (then 7.0 %).

However, according to the IMF, real GDP in Germany is expected to decline by 0.3 % in 2023. Compared with the forecast from April (-0.1 %), there has been a deterioration in the estimates. Germany stands out among the G7 countries with this poor outlook: According to the IMF, all other countries can expect their economies to grow in 2023, and the outlook for these countries has also improved compared with April.

In mid-June, the German Federal Ministry of Economics and Climate Protection ("BMWK") was still assuming that declining prices on the global energy markets, falling inflation and higher wage agreements in conjunction with a global economic revival could result in a moderate economic recovery in Germany. While the decline in real economic output in two successive quarters has created a situation of "technical" recession, the BMWK does not see an impending "economic" recession, with a sharp drop in economic output, underutilized capacities, declining investment, a slump in employment and rising unemployment.

In particular, the global market for heavy trucks, the European market, and also the American and Chinese markets for passenger cars, play a key role in AdCapital's economic development.

For the European passenger car market, the VDA (German Association of the Automotive Industry) is slightly more optimistic in its current forecast from July 2023 than it was in April: for 2023 as a whole, it now assumes growth of 9 % in registrations, corresponding to just under 12.3 million vehicles.

The previous forecast was for 12 million vehicles (7 % growth). However, this would still be more than 20 % below the pre-crisis level of 2019. The growth rates –for example, 18 % more registrations in the first half of 2023 than in the prior-year period – are overstated due to Russia's ongoing war against Ukraine. However, the VDA assumes that the coming quarters will still be very challenging due to high inflation rates in numerous regions.

According to the VDA, light vehicle sales in the US rose by 13 % in the first half of the year. Here, too, the market is still around 9 % below the 2019 level before the Corona crisis. For the US, the VDA is also raising its forecast for the full year from 14.3 million units (+4 percent) to 14.7 million units, which would then represent growth of 7 percent compared to 2022. The Chinese market was already above pre-crisis levels in 2022. In the first half of 2023, 9 percent more vehicles were sold there than in the same period of the previous year. However, a comparatively low 3 percent is expected for the full year due to a slowdown in momentum since June, which is mainly caused by the very strong 2nd half of 2022 in China. The global market for passenger cars is expected to total 75.7 million units in 2023 (+6 percent); in May, the VDA was still assuming 74.9 million units and growth of 4 percent.

According to the management consulting firm AlixPartners, Chinese car manufacturers will become world export champions for the first time in 2023. ERICH JAEGER can benefit from this development with its Chinese company, as ERICH JAEGER's products meet the high requirements of the global market.

According to the Automotive Intelligence Centre, the outlook for global truck sales has increased to 2.8 million units (+10 %) – this is based on better than previously expected macroeconomic data worldwide (with the exception of Germany). Nevertheless, the truck market in 2023 will still remain below the pre-crisis level of 2019. This is almost entirely caused by the Chinese truck market, which has been only slowly recovering from the slump caused by new emissions regulations since 2021. Although the Chinese market is expected to grow by 25-30% in terms of units sold, this is due to very low sales figures in 2022. Global truck production is expected to grow by 7 % in 2023.

The outlook for the second half of the year at the individual operating companies is tense to slightly optimistic (the latter particularly at ERICH JAEGER). Taller had to significantly revise its estimate that the weakness in sales in the "white goods" segment would be overcome in the third quarter: It must now be assumed that the situation will ease by the end of the year at the earliest, but probably not until the first quarter of 2024. At KTS, important customers from the consumer electronics and heating technology sectors have significantly reduced their call-off orders for the second half of 2023.

We are also continuing to examine the opportunities for developing markets and technologies through possible acquisitions for the AdCapital Group companies as part of the corporate strategy.

Apart from that, the other risk factors mentioned in the management report of December 31, 2022 have not changed significantly since the preparation of the 2022 annual report.

Despite the challenging background, the Management Board forecasts that sales in 2023 will increase significantly compared to 2022 and will be in the range of € 162.6 million to € 172.3 million. Earnings will improve significantly compared to the negative EBIT result of 2022, and, based on the initiated strategic optimization process of AdCapital Group's subsidiaries, EBIT is forecast in the range of € 3.2 to 4.2 million.

This forecast is based on the assumption that the Ukraine war will remain localized and not spread beyond the region. In addition, the forecast assumes that the economic situation will not deteriorate significantly – China, which currently has to deal with the issue of "deflation," is particularly relevant in this context. Furthermore, it is assumed that there will be no renewed tightening in the materials sector in terms of both availability and prices; on the contrary, we anticipate further easing in this area.

Significant events during the reporting period

In the reporting period, a subsidiary of ERICH JAEGER was established in Moldova. This new company's operations started as planned.

There are no other significant events which may have a material effect on AdCapital AG's or AdCapital Group's net assets, financial position and profit situation.

Waldbronn, August 24, 2023

Dr. Andreas J. Schmid
Executive Board

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