AdCapital AG's condensed consolidated financial statements for the first half of 2024

January 1, 2024 through June 30, 2024

and interim management report

Foreword by the Management

Dear Sir or Madam, dear shareholders, dear employees,

the result for the first half of 2024 was encouraging. Despite a difficult market environment and falling sales, AdCapital AG succeeded in further increasing its earnings. Revenue fell by 5 % to EUR 81.1 million in the first half of the 2024 financial year (previous year: EUR 85.4 million). However, the positive earnings trend continued, and EBIT increased significantly by around 100 % to EUR 3.7 million (previous year: EUR 1.9 million).

Not all of the AdCapital Group operating subsidiaries were able to contribute equally to the positive EBIT effect in the first half of 2024. Our subsidiary ERICH JAEGER GmbH + Co. KG significantly improved the EBIT margin. A one-off effect from a sale-and-lease-back transaction made a significant contribution to the positive EBIT effect. Furthermore, the subsidiary Bavaria Digital Technik GmbH was able to enhance its revenue by more than 8 % in the first half of 2024 and increase its earnings accordingly. Based on the strategic measures introduced, the subsidiary KTS Kunststoff Technik Schmölln GmbH contributed to a further positive development of the EBIT margin despite the significant decline in revenue. In contrast, the subsidiaries FRAKO Kondensatoren- und Anlagenbau GmbH and TALLER GmbH had to cope with negative earning contributions in the first half of the year due to an extremely difficult market environment.

Based on the continuation of the corporate strategy and a further intensification of sales and operational measures, AdCapital AG's Management Board forecasts a continued increase in sales and earnings for the 2024 financial year compared to 2023. The current adjusted forecast is based on weaker sales development and a subdued outlook for the rest of the 2024 financial year in Europe,NAFTA and China as well as increased costs. AdCapital AG assumes a sales range for the 2024 financial year of EUR 171.2 million to EUR 176.9 million. With regard to earnings, an EBIT increase from EUR 3.3 million in the 2023 financial year to an EBIT range of EUR 7.8 million to EUR 10.4 million is expected. The adjustment of the sales and EBIT forecast is based on a slightly weaker than expected sales trend in the first half of 2024, as well as a continued subdued outlook for the rest of the financial year for Europe, the NAFTA region and China and the resulting unexpected risks from further cost increases for transport, energy and insurance, as well as increased process costs to optimize and adapt to the changed market situation.

AdCapital AG's forecast is subject to an economic environment that is challenging and difficult to predict. In addition to possible regional or global economic slowdowns, geopolitical factors may also result in conflicts and disruptions to supply chains.

Finally, I would like to express my special thanks to our employees, customers and suppliers.

Waldbronn, August 29, 2024

Dr. Andreas J. Schmid
Management Board/CEO

AdCapital AG, Tuttlingen
Consolidated income statement from January to June 2024

All figures in K€	1st half of 2024	1st half of 2023
Sales revenues	81,091	85,390
Change in inventories	1,854	-1,847
Other own work capitalized	0	0
Other operating income	5,976	3,144
Cost of materials	-42,519	-45,724
Personnel expenses	-24,486	-22,297
Depreciation and amortization	-1,932	-1,944
Other operating expenses	-16,213	-14,837
Operating result	**3,771**	**1,884**
Financial result	-1,275	-959
Taxes on income	-709	-965
Earnings after taxes	**1,787**	**-39**
Other taxes	-27	-27
Consolidated annual net profit / loss	**1,760**	**-67**
Earnings attributable to minority shareholders	-620	-900
Group earnings	**1,140**	**-967**

AdCapital AG, Tuttlingen
Consolidated balance sheet as of June 30, 2024

All figures in K€	30.06.24	31.12.23
ASSETS		
Fixed assets		
Intangible assets	315	325
Tangible assets	28,537	28,809
Financial assets	424	419
	29,276	**29,553**
Current assets		
Inventories	51,962	48,137
Receivables and other assets	29,116	29,127
Securities	0	0
Cash and cash equivalents	2,997	4,476
	84,075	**81,740**
Prepaid expenses and deferred charges	**882**	**543**
Deferred tax assets	**125**	**191**
Excess of plan assets over pension liability	**0**	**0**
Total assets	**114,358**	**112,027**

All figures in K€	30.06.24	31.12.23
LIABILITIES		
Subscribed capital	42,000	42,000
Capital reserve	4,592	4,592
Retained earnings	17,764	17,764
Generated group equity	-21,853	-23,193
Balancing item from currency translation	1,072	1,107
Minority interests	6,295	5,615
Equity	**49,870**	**47,885**
Borrowed capital		
Provisions	9,393	10,313
Accounts payable	55,014	53,793
	64,407	**64,106**
Deferred income	**81**	**36**
Deferred tax liabilities	**0**	**0**
Total liabilities	**114,358**	**112,027**

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 generally based upon the same accounting, valuation and calculation methods as the consolidated financial statements as of December 31, 2023.

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 which 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, 16 companies (2023 consolidated financial statements: 16) 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 (2023 consolidated financial statements: four) 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.

Explanatory notes to the assets, financial position and profit situation

Compared to December 31, 2023, AdCapital Group's equity significantly increased by € 2.0 million from € 47.9 million to € 49.9 million. This is mainly due to the annual net profit of the period, negative exchange rate effects had almost no impact. Minority interests also increased significantly due to the relevant companies' positive results. Compared to year-end 2023, the equity ratio increased from 42.7 % to 43.6 % as of June 30, 2024. The increase in this ratio is due almost exclusively to higher equity, since total assets only increased a little more than equity (EUR +2.3 million). In contrast to the previous year, where the increase in total assets was due to higher fixed assets, this year's increase is due to higher working capital (in particular inventories). Overall, our equity ratio is at an acceptable high level.

Net financial assets, comprising cash and cash equivalents less current bank liabilities, amounted to € -17.9 million as of June 30, 2024. Compared with the balance as of December 31, 2023 of € -16.1 million, net financial assets thus decreased by € 1.8 million. At EJ Group, the figure decreased slightly (€ -0.5 million) despite the positive result in the first half of the year. This is mainly due to an increase in working capital. At BDT and KTS, net financial assets improved by KEUR 100-200 each; Taller did not report any change. At FRAKO, net financial assets decreased by around KEUR 700 due to shifts in financing. At AdCapital AG, the figure decreased by around KEUR 900, in particular because cash and cash equivalents were reduced due to the higher financing requirements at the subsidiaries. At € 13.6 million, the total of non-current liabilities to banks and liabilities from finance leases were € 1.5 million lower at the reporting date than as of December 31, 2023.

In the reference period, the Group's overall performance decreased compared to the previous year's figure by € 0.6 million (-0.7 %) from € 83.5 million to € 82.9 million. Despite the year-on-year decline, this is the third-best figure in AdC Group's recent past. For Erich Jaeger Group, which was able to increase its overall performance compared to the previous year's period, the first half of 2024 is the second-best in the company's history in general. Only 2021's overall performance was better than this year due to a special economic situation.

Due to a positive effect from a sale & lease back transaction at Erich Jaeger, other operating income increased overall compared to the previous year. In contrast, income from currency gains and income from the reversal of provisions were higher in the previous year.

After the materials ratio had risen to record levels in recent years due to the after-effects of the coronavirus crisis, it fell significantly from 54.7 % to 51.3 % in the 2024 reference period. This figure is still slightly above the pre-Covid-19 level. This significant decline in the materials ratio is mainly due to the success of the measures taken as part of the strategy. Optimization in the production area through the "local-for-local" approach, optimization of supply chains and the standardization of product groups are the main achievements.

Personnel expenses, on the other hand, increased from 26.7 % to 29.5 % of total operating performance. At Erich Jaeger, the ratio increased due to the rise in the number of employees. In Germany, indirect jobs were created, particularly in development, as were direct jobs in Moldova. Once the plant there has been fully integrated into the supply chain flows, adjustment measures will be implemented at other plants. At other AdCapital companies, which had to cope with a decline in total output due to the difficult market environment, personnel costs only fell at a disproportionately low rate.

Compared to the previous year's reporting period, other operating expenses significantly increased (+9.3 %). Due to the decline in total operating performance, the ratio deteriorated from 17.8 % to 19.5 %. Currency effects, rents and leases are significantly lower than in the same period of the previous year, while in particular personnel leasing costs, as well as legal and consulting costs and travel expenses increased significantly. Numerous cost items are at a very high level compared to previous years. This is largely due to the effects of the restructuring measures that have been initiated.

Due to the described developments of the income statement's individual items, the return on sales (EBIT/total operating performance) more than doubled from 2.2 % in the first half of the previous year to 4.5 %.

At € -1.28 million, the financial result significantly deteriorated compared to the previous year's figure of € -0.96 million. This is mainly due to the higher interest rates on loans from banks.

Compared to 2023, the tax expenses were reduced by approximately K€ 250, which is due to the lower results of the companies in China. The taxes in Germany, however, for Erich Jaeger were reduced by approximately the same amount because, in contrast to 2023, the dividend payment from the subsidiaries in China was not paid in the first half of 2024.

Overall, a consolidated net profit of K€ 1,760 was generated in the first half of 2024 (first half of the previous year: consolidated net loss of K€ 67). After the "Minority interests in earnings", the consolidated net profit amounts to K€ +1,140 (previous year: K€ -967).

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 3.2 % in 2024, which is in line with the April forecast for the global economy as a whole. However, the regional outlook is different: the forecast growth rate for the US has been lowered by 0.1 percentage points due to the poor first quarter, while it has been raised for the eurozone (the figures for Germany remain unchanged at 0.2 % growth). The growth forecast for the emerging markets was increased by 0.1 percentage points to 4.3 %: growth of 5.0 % in China and 7.0 % in India (+0.4 percentage points and +0.2 percentage points, respectively, compared to the April projection) contrasts with growth rates of only 2-4 % in the regions of Latin America, the Middle East, Central Asia and Sub-Saharan Africa. The IMF has lowered its forecast growth rates for all of these regions, in some cases significantly for individual countries such as Saudi Arabia (-0.9 percentage points). The outlook for Russia is interesting: Russia is expected to grow by 3.2 % in 2024 (i.e., unchanged compared to April); growth is only expected to slump in 2025 (only +1.5 %; i.e., 0.3 % lower than expected in April). In its April report, the IMF pointed out that the growth prospects for the next five years are the lowest in decades at 3.1 % p.a.

According to the IMF, the decline in global inflation is now slowing: inflation in services is still above the price trend for goods due to the high influence of personnel costs. However, the persistently high level of uncertainty about the inflation outlook has prompted the most important industrialized countries' central banks to take a more cautious approach to monetary easing than was envisaged in the first quarter of 2024.

According to the German Federal Ministry for Economic Affairs and Climate Protection‘s (BMWi) economic outlook from July 2024, the economic and sentiment indicators for Germany were predominantly weak. Following the upturn in the first quarter, the indicators painted a more subdued picture for the second quarter. However, the BMWi expects demand to be stimulated from abroad as the external economic environment brightens. The economic weakness is also visible on the labor market which, however, shows a mixed picture as industrial companies are reluctant to hire new staff, while service providers are keen to increase the number of employees.

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

According to the latest forecast from Global Data, the picture is different for LV (light vehicle) and CV (commercial vehicle) sales: global LV sales are expected to increase by 2.1 % compared to 2023 to around 88.5 million units, while CV (truck) sales are expected to fall by 2.2 % compared to 2023. It is expected that 2.2 million CV units will be sold worldwide in 2024. The corresponding production figures will develop similarly (LV +0.3 %, CV -2.7 %), although CV (trucks) sales in 2024 will be 2.4 % lower than production. In contrast, the current production figures for 2024 – compared to the forecast from November 2023 – are 0.6 % lower for LV and 2.5 % lower for CV. In this respect, the outlook has deteriorated slightly.

However, the situation varies considerably from region to region:

In Europe, both CV (truck) sales (at -4.8 %) and production (at -13.2 %) are declining significantly compared to 2023. LV production also decreases by 1.1 %, while sales increase by 3.4 % – with sales expected to be 3 % higher than production figures.

In China – compared to the corresponding figures from 2023 – both sales and production of LV and CV (trucks) are expected to increase significantly in some cases (LV sales +1.6 %; LV production +2.1 %; CV (trucks) sales +3.0 % and production +4.6 %). CV (trucks) production in China accounts for around 43 % of global production. The estimate for CV (truck) production figures was higher in November of 2023. The estimate for 2024 has since been reduced by around 5 % to around 960,000 units.

In the NAFTA region, LV and CV (trucks) are expected to develop very differently: LV sales are expected to increase by 3.8 % compared to 2023, while production is expected to rise by 2.6 %. However, a significant decline is expected for CV (trucks) (sales -10.3 %, production -7.5 %). In the fall of 2023, Global Data was still forecasting a much sharper 2024 decline in CV (truck) production at around 270,000 units. The current 2024 report has raised the 2024 forecast to approximately 315,000 units. The outlook for the CV (trucks) market in the NAFTA region is still poor, but has improved.

In the first half of the year, Erich Jaeger was not able to take full advantage of market opportunities due to the effects of restructuring in the production area. However, further improvements in the production area will allow a significant increase in sales in the second half of the year.

Taller is still suffering from the poor economic situation in the market. Initial project successes with new (hybrid) products have been achieved, but not yet to the required extent. We expect to be able to increase sales in the second half of the year, partly because customers are placing orders with Taller at short notice for strategic reasons (local-to-local). Sales with Erich Jaeger will also increase further in the second half of the year.

The earnings situation at KTS was very positive in the first half of the year despite a low level of sales. Despite further stagnation in sales in 2024, a positive development is expected for 2024 due to the successfully implemented cost-cutting measures.

FRAKO also suffered from the poor economy in the first half of the year. In addition, a high sickness rate had a negative impact on the company's performance. As in previous years, however, we expect a "year-end rally" in sales and earnings. This assessment is supported by the current above-average order backlog in the export business and in the project business in Europe.

BDT's performance in the first half of the year was very encouraging. Assembly output increased by more than 20 % compared to the second half of 2023. Compared to 2022, BDT has increased its assembly output by 80 %. Positive development is therefore also expected in the second half of 2024.

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 as of December 31, 2023 have not changed significantly since the preparation of the 2023 annual report.

Based on the continuation of the corporate strategy and a further intensification of sales and operational measures, AdCapital AG's Management Board forecasts an increase in sales and earnings for the 2024 financial year compared to the previous year 2023. AdCapital AG expects a sales range for the 2024 financial year of EUR 171.2 million to EUR 176.9 million. With regard to earnings, an EBIT increase from EUR 3.3 million in the 2023 financial year to an EBIT range of EUR 7.8 million to EUR 10.4 million is expected. The adjustment of the sales and EBIT forecast is based on a slightly weaker than expected sales trend in the first half of 2024, as well as a continued subdued outlook for the rest of the financial year for Europe, the NAFTA region and China, and the resulting unexpected risks from further cost increases for transport, energy and insurance, as well as increased process costs to optimize and adapt to the changed market situation. In order to safeguard the further planned strategic organic and inorganic growth, the process optimizations introduced in the strategic, operational, technological and financial areas are constantly reviewed and, if necessary, adapted to changing conditions.

AdCapital AG's forecast is subject to the economic market environment that is challenging and difficult to predict. In addition to possible regional or global economic slowdowns, geopolitical factors may also result in conflicts and disruptions to supply chains.

Significant events during the reporting period

In the reporting period, there were no events of particular significance which might have a material effect on AdCapital AG's or AdCapital Group's net assets, financial position and profit situation.

Waldbronn, August 29, 2024
Dr. Andreas J. Schmid
Management Board

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