BROCKHAUS
Capital Management

# Half-Year Financial Report

OF THE BCM GROUP


2020H1

www.bcm-ag.com

# Even better than growth is sustainable growth.

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# To Our Shareholders

**MARCO BROCKHAUS**
Chief Executive Officer

**DR. MARCEL WILHELM**
Chief Operating Officer, Legal Counsel

# LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

We are delighted to present to you our report on the first six months of 2020.

In light of the outbreak of the COVID-19 pandemic, the first half of this year was far from anything that could be considered remotely normal. The safety precautions imposed to contain the pandemic, such as travel bans and social distancing, not only impacted all our lives, but also led to an unprecedented, abrupt standstill in large parts of the global economy.

We are therefore very pleased that our subsidiary Palas made an important contribution to fighting the pandemic. This Karlsruhe-based company develops and manufactures devices enabling the high-precision measurement of the smallest air particles. Based on this leading technology, at the beginning of this year Palas developed and started marketing a new test rig for checking filter efficiency and hence the quality assurance of respiratory masks. Among other customers, this test rig is now being used by the German government for imports of masks from China, and is also used directly on-site at hospitals and in nursing and old people's homes. Order intake in the Environmental Technologies segment therefore grew significantly year-on-year.

However, our subsidiaries have also faced partially significant project postponements by their customers. For example, the Security Technologies segment – which comprises IHSE – has been unable to implement numerous complex IT infrastructure projects because of the ongoing international travel and physical distancing restrictions. This has resulted in substantial shifts in order intake which, however, we expect to catch up on due to the mission critical applications of IHSE's products.

Despite this adverse impact of the pandemic, the Group generated revenue of €23.2 million in the first half of 2020, corresponding to slight growth of around 1% compared with the pro forma prior-year period. This enabled us to clearly exceed our expectation of a "high single digit percentage revenue decline". With adjusted EBITDA of €4.7 million, we also kept the operating margin of 20.4% largely stable at the level of the strong first quarter of 2020. On a non-pro forma basis, i.e. including our inorganic growth from acquisitions, revenue growth in the first six months was +305% compared to H1 2019.

The €115 million we raised from the stock market listing will allow us to systematically continue our proven acquisition strategy with a focus on high-margin, high-growth technology leaders. We, the Executive Board, also on behalf of the entire BCM team, would like to thank both our investors and our now more than 200 employees in the Group for this success.

This is only the beginning - our base camp, so to speak - on our way to building one of the leading technology groups and hence a safe haven for German middle-market technology champions: a future we are looking forward to with total confidence.

**SINCERELY,**
**MARCO BROCKHAUS** **DR. MARCEL WILHELM**

**IHSE USA**
Cranbury

# The BCM Group at a Glance

**LOCATIONS**
**10**

**EMPLOYEES**
**200**


IHSE France
Paris
IHSE Israel
Shoham
Palas
Shanghai
Palas
Hong Kong
IHSE Asia
Singapore
IHSE Middle East
& South Asia
Mumbai
Brockhaus Capital Management
Frankfurt am Main
Palas headquarters
Karlsruhe
IHSE headquarters
Oberteuringen

# About the BCM Group



## Elevating Champions

BCM is a technology group with a long-term orientation and a focus on high-margin, strongly growing technology champions with B2B business models in the German middle-market sector.

## BCM History: An Overview

**2000**
Founding of Brockhaus Private Equity

**2001**
Brockhaus Private Equity I

## BCM for Investors

- Long-term profitable growth.
- Access to technology champions in the German middle-market sector in which they could not normally invest.
- Strict investment strategy: high-margin, strongly growing technology champions.

## BCM for Entrepreneurs

- A safe harbour for your life's work.
- Support with the necessary know-how and network to optimise your business.
- Support for internationalisation and the development of scalable structures.



# We know Germany. We know Mittelstand. We know Technology.

**2007**
Brockhaus Private Equity II

**2014**
Brockhaus Private Equity III

**2017**
Founding of BCM AG

**2020**
Stock market listing of BCM AG

# Market Drivers & Trends

Recognizing potential for growth earlier and participating longer.

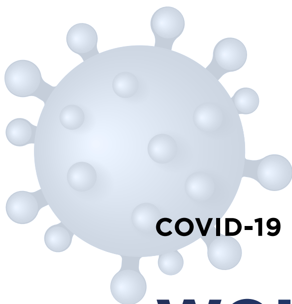
**DIGITALISATION & CONNECTIVITY**

**5.8 billion**

Internet-of-Things (IOT) endpoints globally in 2020E

**8.9%**

annual global growth in the value of digital manufacturing production 2019E-22E



**COVID-19**

**worldwide**

global requirement of solutions to deal with the COVID-19 pandemic

**substantial growth potential**

global demand for accurate monitoring solutions

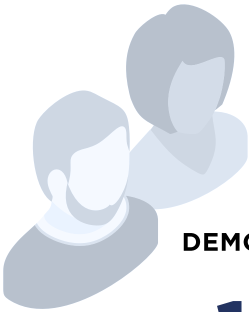
## CYBERSECURITY

**$42 billion**

global cybersecurity spend in 2020E

**$6 trillion**

expected global cost of cybercrime damages in 2021E



## DEMOGRAPHICS

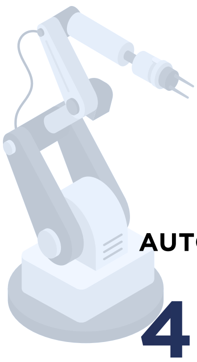
**c.110%**

predicted increase in number of people aged 65 or over globally by 2050E

**c.20%**

average annual growth in the global smart city market by value between 2018A-25E





## AUTOMATION

**4 million**

industrial robots in operation globally in 2022E

**26%**

annual global growth in the number of process automation devices 2015A-18A

## SUSTAINABILITY

**50%**

total global increase in greenhouse gas emmissions since 1990A

**$33 trillion**

annual global spend on Sustainable Development Goals by 2030E

# Successful IPO on 14th July 2020

The BCM Group celebrated the successful initial listing of its shares on the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard) on 14 July 2020. The shares are now traded under the ticker symbol BKHT and the German Securities Identification Number (WKN) A2GSU4.

The opening price of BCM shares in stock exchange trading was €36.55, corresponding to a +14.2% premium on the issue price of €32.00, and they closed their first trading day at €34.00 per share. Based on the closing price and the 10,386,808 outstanding shares, the BCM Group's market capitalisation was €353 million. The DAX and MDAX indices lost -0.8% and -1.1%, respectively, on that trading day.

In the course of the international private placement, a total of 3,593,750 new registered shares were placed (including the overallotment option of 468,750 shares), each with a notional value of €1.00 per share. This corresponded to a capital increase with gross proceeds of €115 million, which is intended to be used to fund the further inorganic growth strategy through new acquisitions.

The process was kicked off on 9 March 2020. In light of the restrictions in the wake of the COVID-19 pandemic, the investor roadshow consisting of a total of around 100 one-on-one and group meetings was conducted almost entirely digitally using videoconferencing and conference calls. The books closed on 9 July 2020. Because of these extensive marketing activities, the capital increase was ultimately significantly oversubscribed, with anchor investors from Germany, the US and the UK.

The post-IPO shareholder structure consists of international capital market investors and high net worth individuals, family offices and industry experts from the BCM network who already supported the Company in pre-IPO private placements. The founding team remains the largest group of shareholders. The free float, as defined by Deutsche Börse AG, is approximately 50.6%.

**Only those who do not rest on their laurels will be successful in the long run.**

# PALAS

Founded in 1983, Palas is a leading developer and manufacturer of high-precision devices for generating, measuring and characterizing particles in the air.

With a range of active patents, Palas develops technologically leading and certified fine dust and nanoparticle measuring instruments, aerosol spectrometers, -generators and -sensors as well as related systems and software solutions.

**EMPLOYEES**

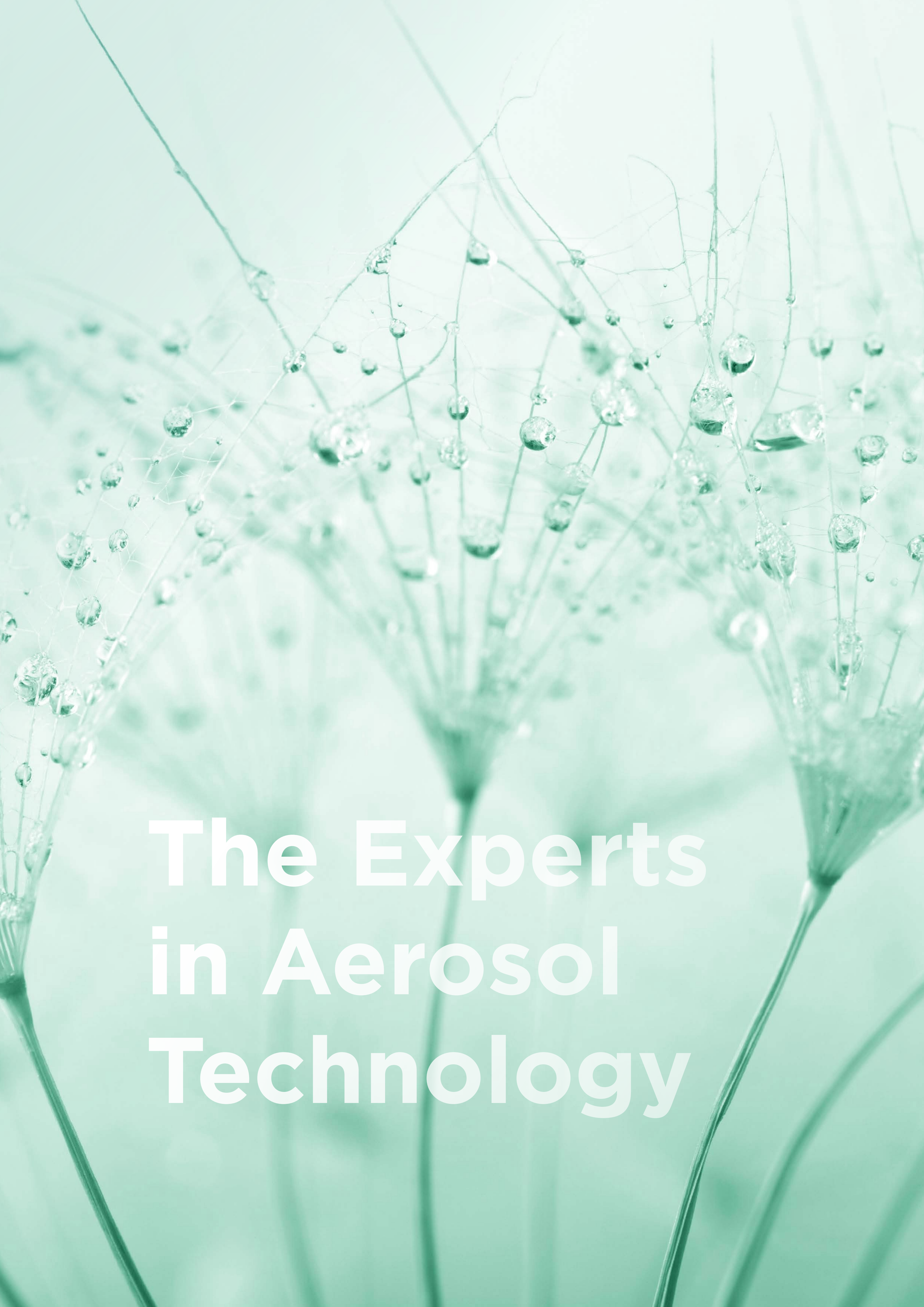
**70**

**HEADQUARTERS**

**Karlsruhe, Germany**

**OFFICES**

- **Hong Kong**
- **Shanghai**



# The Experts in Aerosol Technology

# Palas Aerosol Technology

More than 35 years of experience with innovative particle measuring technology

## Air quality monitoring


**AQ Guard**

Combined measurement, e.g. of $CO_2$ content and the number and size of particles in the air

## Nanoparticle measurement


**UF-CPC**

Measurement of the number concentration of ultrafine particles in aerosols

## Respiratory mask testing


**PMFT 1000**

Aerosol generation and testing of respiratory masks and filters

## Fine dust monitoring


**Fidas 200 product series**

Certified devices specially for regulatory monitoring of outside air

Selection from the Palas product lines

# ihse.

IHSE is a world leading manufacturer of flexible and highly secure KVM (keyboard, video, mouse) solutions for extending and switching mission-critical computer signals. With more than 35 years of experience, IHSE designs and manufactures its ISO-certified solutions in Oberteuringen on Lake Constance. The products are renowned for their outstanding manufacturing quality for 24/7 operation, high security standards, great ease of use and high modularity.

**EMPLOYEES**

**120**

**HEADQUARTERS**

**Oberteuringen, Germany**

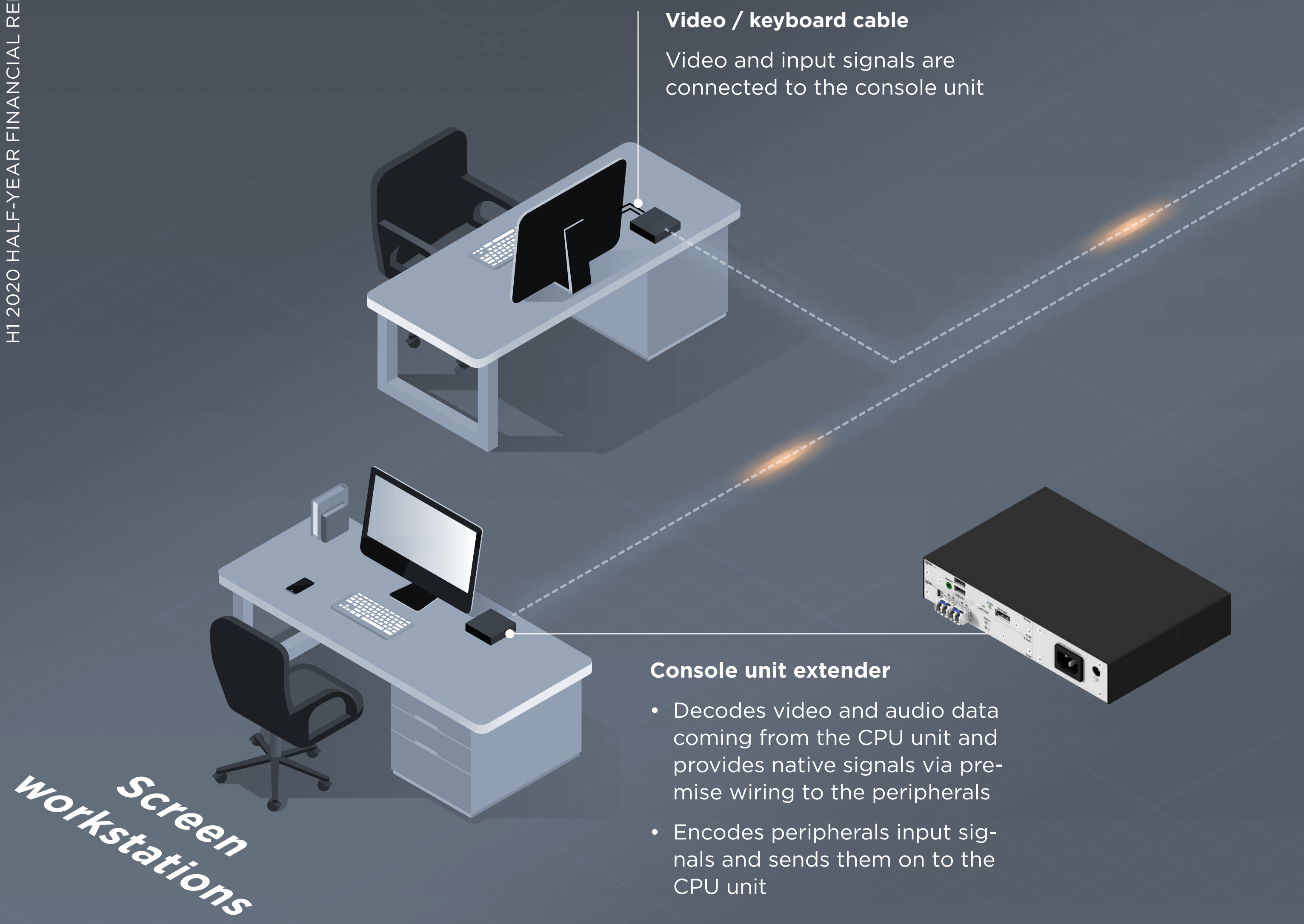
**OFFICES**

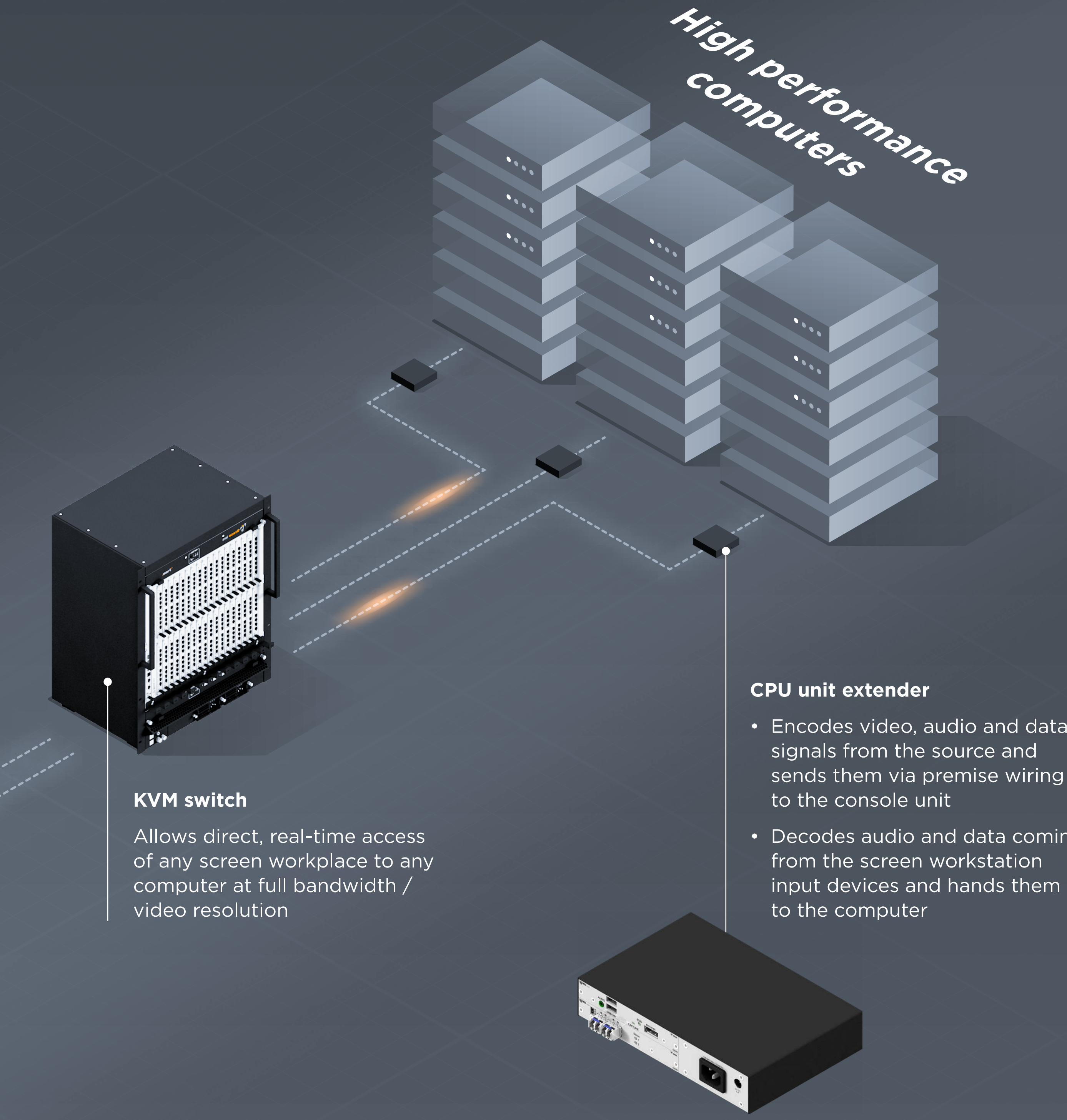
- **Singapore**
- **USA**
- **France**
- **Israel**
- **India**

# KVM & Beyond

# IHSE
# KVM Technology

KVM technology enables high-performing separation of workstations from their CPUs






**KVM switch**

Allows direct, real-time access of any screen workplace to any computer at full bandwidth / video resolution

**CPU unit extender**

- Encodes video, audio and data signals from the source and sends them via premise wiring to the console unit
- Decodes audio and data coming from the screen workstation input devices and hands them to the computer

# Why KVM?

**Enhanced workplace**

- Relocation of CPUs
- Instant access
- Latency-free extension of computer signals

**Cybersecurity**

- Access control
- Integral isolation

**Cost savings**

- Increased lifespan
- Shared resources

# Interim Group Management Report

# Business description

The BCM Group is a group of companies focused on high-margin, fast-growing technology champions with B2B business models in the German middle-market sector. With its distinctive platform approach and a long-term horizon, the BCM Group supports its subsidiaries actively and strategically to enable them to achieve profitable long-term growth beyond sector and national boundaries. The BCM Group offers capital market investors a level of access to these unlisted German technology champions that would otherwise be unavailable to them.

The BCM Group was formed in Frankfurt am Main in 2017 in order to acquire majority stakes in such innovation and technology leaders and support their further long-term growth.

The BCM Group's business activities consist on the one hand of its acquisition activities, i.e. identifying and acquiring subsidiaries and supporting their long-term growth, and on the other, of its existing operating segments of Environmental Technologies and Security Technologies.

**Central Functions |** Organisationally, the M&A activities are concentrated on the Group parent. They focus on the identification, due diligence and acquisition of majority stakes of innovative technology companies with strong organic growth, a high level of profitability and business models requiring a low level of capital intensity. Central Functions also include activities such as financial controlling, investor relations, marketing and compliance.

In addition to competitive bidding processes involving a large number of prospective buyers, the BCM Group is focused on creating proprietary transaction situations. This approach aims, first, to avoid the high purchase prices commonly found when there is competition between multiple bidders. Second, it aims to ensure the greatest possible probability that the transaction will enter the due diligence phase. Selling processes of M&A consultants are selectively pursued with an eye to cost-benefit aspects.

To obtain access to attractive investment opportunities, the BCM Group actively nurtures its existing network and grows it continuously. To ensure a constant deal flow of high-quality proprietary and semi-proprietary acquisition opportunities, the BCM Group has implemented a structured, tried-and-tested process that is designed to identify and proactively develop close relationships with attractive companies, their founders, family shareholders and directors.

The BCM Group's proactive support for its subsidiaries' sustainable post-acquisition performance pursues a nuanced approach with the goal of driving their growth. The aim is to develop a close relationship and partnership with the management teams at the subsidiaries, to provide them with comprehensive strategic support and to enable the continuous review of strategic options, such as professionalisation or expansion through internationalisation. The Group parent also supports the subsidiaries in specific areas such as marketing, communication and financial controlling.

**Environmental Technologies |** The Environmental Technologies operating segment is active in the areas of environmental measurement technology and sustainability technologies. This segment currently comprises the Palas companies, in which the BCM Group acquired 70% of the ordinary shares in December 2018 as part of a succession arrangement.

Palas develops, manufactures and distributes high-precision devices for generating, measuring and characterising air particles using a variety of patented technologies. The company is certified to ISO 9001 and is a global leader in researching and developing certified aerosol, fine dust and nanoparticle measuring instruments. This is also reflected in numerous cooperation arrangements with universities and research institutes as well as its membership of several standards development committees at bodies such as ISO, DIN and VDI.

Its precise optical measurement technologies and competitive pricing thanks to the comparatively low total cost of ownership for its devices make Palas attractively positioned in its niche. One of the company's unique selling propositions is that the optical sensor is able to measure several particle sizes and fractions (e.g. PM10 and PM2.5 mass fractions as well as size-resolved aerosol number concentration) simultaneously in real time.

Palas products are developed for the following particle measurement applications:

- Fine dust monitoring devices for measuring concentrations of particles of different size ranges, such as PM10 and PM2.5
- Nanoparticle measuring devices for considerably smaller particles than fine dust
- Aerosol spectrometers for measuring size distributions and concentrations of air particles
- Aerosol generators for generating test particles
- Filter test rigs for testing filter media and complete filter systems
- Mask test systems for testing respiratory masks for separation efficiency for virus-sized particles and penetration measurements in accordance with numerous testing standards

Increasing air pollution, growing awareness of the resulting health risks and corresponding regulatory requirements are driving demand for Palas's products. Among other areas, they are used in the public sector (in particular environmental monitoring), in the automotive industry, in manufacturing industry, in process monitoring, in the pharma and medical technology industries, and in laboratories and clean rooms. Fine dust pollution in particular is playing an increasingly important role in public perception. Fine dust relates to pollutants in the form of particles that are released above all by industrial processes in power plants, furnaces and motor vehicles. There are various sizes of fine dust particles – the smaller the particles are, the deeper they can penetrate the human body.

Among other applications, filter media test rigs are used in the automotive industry, in laboratories and clean rooms, or to monitor industrial exhaust gas emissions. Palas has also identified the measurement of ultrafine aerosols as a key future area and already offers a convenient nanoparticle measuring device for this application. The device measures particles in sizes of between two and 1,000 nanometres.

In the wake of the COVID-19 pandemic, public interest in the topic of "aerosols" and the effectiveness of respiratory masks has jumped dramatically. The SARS CoV-2 virus is a nanoparticle with a size of around 150 nanometres. This size range can be tested reliably using technology from Palas. After the outbreak of the pandemic, the company was able to develop products in a relatively short term that can test respiratory masks for their separation efficiency for particles in the SARS CoV-2 size. These test rigs are already being successfully marketed and are being used, for example, by the German government for imports of masks from China, as well as directly on-site at hospitals and in nursing and old people's homes. The test rigs can also be used to make penetration and breathing resistance measurements in accordance with a wide variety of test standards.

Palas is headquartered in Karlsruhe. Effective 28 May 2020, Palas established its first foreign subsidiary, Palas (Asia) Ltd., whose registered office is in Hong Kong. This is a distribution location responsible for serving the local APAC markets, especially China. The BCM Group holds 90% of the shares of Palas (Asia) Ltd. The remaining 10% is held by the managing director responsible for Asia.

Palas serves an international group of customers in more than 60 countries in a very wide range of end-markets, such as certified public measurement networks, OEMs, healthcare agencies, industrial companies and research institutions. Palas's customers include Siemens, BASF, Bosch, Roche, BMW, the NHS National Institute for Health Research and the Fraunhofer Society.

Palas's business is normally subject to a certain level of seasonal fluctuations, with approximately 40% of its revenue in past years typically being generated in the fourth quarter of the calendar year. Palas's management believes that the reason for this is linked to its customers' internal budget policies.

**Security Technologies |** The Security Technologies operating segment is active in the field of high-performance secure network technology for challenging application areas. The segment currently comprises the IHSE companies, which have been part of the BCM Group since December 2019 when it acquired all shares of IHSE.

IHSE develops, produces, and distributes KVM (keyboard, video, mouse) network solutions "Made in Germany" for high-performance applications. These are used in a variety of areas, including broadcasting, post-production, air traffic control, banking, manufacturing industry, healthcare, maritime and control centres – especially where system failures or cyberattacks could have severe consequences.

KVM technology allows primary computer signals – including DVI, HDMI, DisplayPort, audio and USB – to be switched, converted and extended bidirectionally. KVM technology can also be used to create highly secure direct access from a workstation to several servers (switching) and/or conversely from several workstations to a single server (sharing). The outcome is a significant increase in the efficiency, reliability, security and user-friendliness of high-end IT applications. IHSE's network infrastructure solutions bridge distances between control units and computer units, as a rule servers or other high-performance computers, of up to 160 km.

To enable interfaces to IP-based networks or cloud-based solutions, IHSE has developed solutions that combine the characteristics of these networks with extremely secure and powerful products, but at the same time preserve IHSE's unique selling propositions. This hybrid approach is supported by additional interfaces to cloud-based infrastructures that enable access to virtual machines, for example.

IHSE focuses on high-performance devices in the following product groups:

- Extenders to connect control units and computer units
- Matrix switches as routing systems for connecting one or more control units with one or more computer units
- IP gateways that connect KVM systems to IP-based computer and control units
- Signal converters, splitter cables and other related peripherals

IHSE products are hub technologies that can be used in a wide range of end-markets, almost all of which are characterised by mission-critical data transmission. IHSE thus benefits from a large number of megatrends (including autonomous driving, Industry 4.0 and networked production) that are driven by growing connectivity and digitalisation and the accompanying growth in mission-critical data transmission.

When planning control rooms, for example, operators must take account of future developments to the best extent possible. The increasing pace of digital transformation, closing security gaps in hardware and software in light of the growing cyberattacks and the creation of best possible working conditions are the focus of efforts to optimise control rooms. IHSE's systems are optimised for these factors and are thus focused directly on customer requirements.

IHSE's solutions offer a high degree of investment protection, among other benefits, because their modular approach. Customers can flexibly assemble their own tailored KVM system from a variety of modules. Existing installations can be equipped with new functions and interface standards with a minimum of effort and expense. These aspects systematically enhance IHSE's customer loyalty and hence also follow-up business with longstanding customers.

IHSE is headquartered in Oberteuringen on Lake Constance. A subsidiary in the USA located in Cranbury, New Jersey, was established in 2009 as a joint venture to strengthen the company's distribution activities in the US market. IHSE acquired the remaining shares at the beginning of 2017 and now holds all the shares of the US company. Additionally, IHSE established a subsidiary in Singapore in 2015 to allow it to better serve the Asian market. IHSE also has regional sales offices in France and Israel.

The customers are primarily sales partners and systems integrators. End-customers include Technicolor, SRF, ZDF, BT Sport, Fraport, Thales, Intel and Eiffage.

IHSE's business activities are largely unaffected by seasonal influences. In some cases, increased revenue is observed in the second half of the calendar year. However, IHSE's management does not consider this to be statistically significant.

### Research and development

The Group's development activities are concentrated on the development of new – and enhancement of existing – technologies, products, processes and software in the areas of particle measurement technology relating to aerosols and in the high-performance secure transmission and switching of computer signals.

The Group's research and development spending in the reporting period amounted to €1,162 thousand, of which €169 thousand was required to be capitalised and €993 thousand was expensed. Including amortisation of capitalised development costs amounting to €37 thousand, the total research and development expense was €1,030 thousand.

At Group level, the main change in research and development activities related to the inclusion of IHSE in the Group. At the level of the individual subsidiaries, R&D activities were largely unchanged compared to the same period of the previous year.

**Environmental Technologies |** Now that Palas already produces and successfully markets fine dust measurement devices for outdoor applications, the focus in the reporting period was on the further development of corresponding devices for indoor use that had already begun in 2019. For example, the new AQ Guard product was made market-ready and marketed in initial pilot projects. Technically, the most significant innovation consists of a considerably smaller device whose accuracy is comparable with the existing much larger products. There was also a strong improvement in user-friendliness. To make the product more attractive for indoor use, the housing was completely redesigned in collaboration with Porsche Design.

In response to the COVID-19 pandemic, a patent for determining infection risk in indoor spaces, whose technology is used in the AQ Guard, was registered at the beginning of April 2020. This patent describes a combinatory measurement of CO2 as a tracer in exhaled air and particle numbers or fine dust.

In addition, Palas developed test rigs for respiratory masks in the reporting period and launched them successfully in the market. The PMFT 1000 and PMFT 1000 M filter test rigs enable both quality assurance in production and precise measurements in the development of masks or their acceptance by end-customers. The Mas-Q-Check rapid testing device can be used directly at the point of use, e.g. in hospitals, nursing homes or offices, to conduct samples of mask deliveries or thorough testing of masks that have been used multiple times. The device is easy to use and can be installed and operated without the need for any lengthy training.

Palas has some research and development cooperation agreements with research institutes and universities.

**Security Technologies |** For reasons of efficiency and security, the majority of IHSE's products use proprietary networks that do not use the standardised Internet Protocol (IP). Development activities were stepped up in this area to advance the continuous development of the existing product portfolio of IP-based devices. The new IHSE system enables location-independent access via IP but also ensures system security. The IHSE system uses a special technology to isolate the IP connection from the secured core matrix. Flexible and at the same time suitable for mission-critical installations, the system keeps the requirements for IP networks as low as possible. No complex IGMP multicast configuration or high bandwidths are necessary.

To reflect the growing requirements for security-certified products, processes are currently underway for a product family to obtain certification under the US NIAP (National Information Assurance Partnership), the international Common Criteria for Information Technology Security Evaluation and the German KRITIS (critical infrastructure in accordance with the Federal Offices for Civil Protection, Disaster Assistance and Information Security).

In the area of research and development, IHSE cooperates with the Fraunhofer Society in the field of image and video coding. There is also a cooperative arrangement with a number of companies in the Lake Constance District to develop a test track for autonomous vehicles with an integrated smart city control centre under the leadership of IHSE.

**Control system**

The Group's control system is geared towards its objective of sustainably increasing the long-term value of its subsidiaries.

The Group's most important financial key performance indicators are revenue, gross profit, adjusted EBITDA, gross profit margin and adjusted EBITDA margin. Revenue is the key indicator of market performance or the growth generated by the Group. Gross profit or the ratio of gross profit to revenue expressed as a percentage (gross profit margin) is the indicator of the Group's pricing power. A high gross margin indicates that a company can obtain attractive prices for its products due to its competitive technology and superior innovative strength. Adjusted EBITDA or the ratio of adjusted EBITDA to revenue expressed as a percentage (adjusted EBITDA margin) indicates how efficiently a company conducts its activities.

The calculation of adjusted EBITDA is shown in the selected notes to the interim consolidated financial statements. It is calculated as earnings before interest, taxes, depreciation and amortisation, adjusted for the cost of acquisition of subsidiaries, costs of equity transactions recognised in profit or loss and costs of share-based payments.

Net assets and financial position are assessed and managed on the basis of cash and cash equivalents, net financial debt and leverage (ratio of net financial debt to adjusted EBITDA).

# Business performance

In light of the strongest economic downturn since records began, the BCM Group's business performance in the reporting period was better than expected but still not satisfactory.

### COVID-19 pandemic

Business performance in the reporting period was impacted significantly by the effects of the COVID-19 pandemic. The BCM Group took action at an early stage to align the Group with the current conditions, to protect the health of all employees, ensure delivery capabilities for customers and safeguard its liquidity. For example, extensive healthcare, safety and hygiene measures were implemented at all locations. Depending on the local situation, parts of the workforce, in particular administrative departments, started working from home. We were able to maintain production and delivery capabilities at all locations.

In light of the slowing revenue growth, the BCM Group is leveraging the flexibility of its operating costs while avoiding measures that would endanger the Group's future prospects.

The Group continues to actively monitor the global development of the pandemic. Necessary adjustments to or extensions of existing measures are made in line with the recommendations and directives of the relevant governments and expert bodies.

### Market environment

The first six months of 2020, and in particular the second quarter, were marked by global efforts to contain the COVID-19 pandemic and its largely negative impact on the global economy. According to Statista, German gross domestic product had already declined by 2.0% quarter-on-quarter in the first quarter of 2020. In the second quarter of 2020, the German economy fell into recession, also according to Statista, and – with a GDP decline of 10.1% – experienced the sharpest slump since quarterly statistics started to be recorded in 1970.

Despite the extraordinarily high volatility on the capital markets, the BCM Group largely completed preparations for its stock market listing in the reporting period and then celebrated its stock market debut on 14 July 2020, two weeks after the reporting date.

**Central Functions |** The low interest rate environment and the high level of capital available for investment by the majority of financial investors, together with the resulting strong pressures to invest, led to continued high company valuations in the M&A market, especially at the beginning of the reporting period, and to undiminished strong competition for equity investments. This trend was accompanied by continued attractive conditions for acquisition loans as the debt financing component in M&A transactions.

Since March 2020, the general high level of uncertainty in the M&A market attributable to the outbreak of the COVID-19 pandemic led largely to a standstill, with a corresponding impact on the BCM Group's M&A activities. Especially in the market segment of auction processes organised by specialised consultants, almost all ongoing sale projects were suspended until further notice and marketing for new projects just did not start. The reason for this is, first, that the companies available for sale have recorded lower revenues in some cases because of the crisis, which negatively impacted both the probability that transactions will be successful and the expected valuation levels. Second, a number of ongoing transactions in which the potential buyers were also using debt finance in addition to their own equity investment, were put on ice because the banks were also being considerably more cautious since the global spread of the pandemic. However, it is evident that buyers were hesitant even in the case of companies that were not directly affected by COVID-19 because they were shunning the general uncertainty and volatility in the market. A handful of transactions involving companies that were able to report good earnings figures despite (or even because) of the COVID-19 pandemic were therefore even more sought after, with corresponding high purchase price expectations.

In this situation, the BCM Group can profit from its three-pronged sourcing approach which focuses on its own network and proactive sourcing, in addition to broadly marketed auctions. A selective focus on the latter two channels continues to bring the Group an attractive pipeline of potential acquisition targets. In addition to some selling processes managed by M&A consultants that came on-stream again towards the end of the reporting period, the BCM Group also ramped up its proactive sourcing activities in order to leverage further opportunities.

**Environmental Technologies |** Palas' markets recorded diverging trends in the reporting period, in particular after the outbreak of the COVID-19 pandemic. Equipping certified fine dust measurement networks operated by public-sector agencies, which were the company's most important buyers in the more recent past, was significantly impacted by the containment measures instituted against the virus. Because installing and accepting fine dust measurement devices often requires staff to work on-site, there were sweeping project postponements by buyers.

By contrast, the newly emerging market for mask test rigs had a significantly positive effect on Palas's business performance. The previous certifications for respiratory masks were heavily slanted towards dust, which consists of considerably larger particles than viruses. The need to test masks and their filter media for separation efficiency for virus-sized particles is exactly within Palas' core competence.

**Security Technologies |** After a strong start to the year, trends on IHSE's markets were substantially impacted by the effects of the COVID-19 pandemic, especially in the second half of the reporting period. Beginning in Asia, the government-imposed lockdowns and travel restrictions led to significant delays in investment and construction projects. In the further course of the reporting period, there were similar developments in Europe and the USA, which are IHSE's core markets.

### Segment reporting

As IHSE was only acquired in December 2019, the company was not part of the BCM Group in the prior-year period. As a result, the relevant H1 2019 figures for the Security Technologies segment in the following table would have to be reported as zero, and the totals for H1 2019 would have to be reduced by the figures presented.

To enhance the comparability and informative value of the segment reporting, this interim management report is based on a pro forma perspective. This presents the Group as if IHSE had already been included in the BCM Group from 1 January 2019. Please refer to the interim consolidated financial statements for a presentation without pro forma adjustments.

| | Reportable segments | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Environmental Technologies | | Security Technologies | | Central Functions | | Total | |
| € thousand | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 |
| Revenue | 5,956 | 5,717 | 17,203 | 17,296 | - | - | 23,160 | 23,013 |
| Revenue growth | 4.2% | | (0.5%) | | | | 0.6% | |
| Gross profit | 4,676 | 4,749 | 12,469 | 12,935 | - | - | 17,144 | 17,684 |
| Gross margin | 78.5% | 83.1% | 72.5% | 74.8% | | | 74.0% | 76.8% |
| Adjusted EBITDA | 1,605 | 2,055 | 5,300 | 5,945 | (2,189) | (1,294) | 4,716 | 6,706 |
| Adjusted EBITDA margin | 26.9% | 35.9% | 30.8% | 34.4% | | | 20.4% | 29.1% |

Revenue increased by 0.6% compared with the pro forma prior-year period and thus performed considerably better than the forecast published in the guidance at the time of BCM Group's stock market listing. The guidance in the securities prospectus dated 9 July 2020 and the press release on the listing dated 29 June 2020 indicated an expected decline in revenue in the high single-digit percentage range.

Of the €1,990 thousand decline in adjusted EBITDA, €895 thousand was attributable to Central Functions, €450 thousand to Environmental Technologies and €645 thousand to Security Technologies. The underlying drivers are discussed in the following.

**Central Functions |** Costs rose in the Central Functions at the level of adjusted EBITDA. This was primarily the result of an increase in personnel expenses and higher due diligence activities. Due diligence costs had been very low in the prior-year period, which therefore led to a relatively sharp increase in the reporting period.

In particular since mid-February 2020, business activities were mainly driven by efforts to prepare and implement the going public, in addition to searching for acquisition targets. The associated expenses are not included in adjusted EBITDA because they relate to the costs of equity transactions. Further information on these expenses are contained in the interim consolidated financial statements.

**Environmental Technologies |** Revenue grew by 4.2% in the Environmental Technologies segment. Although the first quarter was relatively weak, in particular because of general revenue fluctuations between the quarters and the initial effects of the lockdowns, customer demand grew significantly in the second quarter. The pivotal reason for this was the very rapid development and market launch of products to test the effectiveness of respiratory masks.

Substantial interest was generated immediately when the products were launched in March 2020, and this was followed very quickly by the first orders for the new mask test rigs by the Federal Ministry of Health. It uses the devices to test respiratory masks at the BASF Innovation Campus in Shanghai that are destined for export to Germany. This was followed by a large number of orders from other customers. The new product range also attracted substantial media coverage.

By contrast, a large number of procurement measures for conventional products were put on hold, especially in the automotive industry and the public-sector fine dust measurement networks and universities. The lockdown measures were successively eased in several countries at the end of the reporting period, with the result that interaction between distribution partners and their end-customers started growing again. The company wrote new records for monthly revenue and order intake in June 2020 due to the new products.

At 78.5%, the gross margin declined compared with 83.1% in the prior-year period. The main reason were the considerably lower change in finished goods and work in progress in H1 2020. Based on total output for the period, gross profit was 74.0%, up slightly on the prior-year period (73.0%).

At 26.9%, the adjusted EBITDA margin was down significantly on the prior-year period (35.9%). As well as the considerably lower change in finished goods and work in progress, this was attributable mainly to personnel expenses and other operating expenses, which increased at a stronger pace in percentage terms in the reporting period than revenue growth.

In response to the COVID-19 pandemic, Palas took measures to safeguard particularly strong hygiene levels and ensure compliance with physical distancing rules. To ensure continued production, including in light of potential disruption to the supply chains, Palas built up a stockpile of up to nine months for mission-critical parts.

Faced with a temporary slump in demand, Palas introduced short-time working for a few weeks in April 2020, although this did not have any significant impact on results of operations, net assets or financial position because short-time allowances amounted to only €12 thousand. The market success of the new products for testing respiratory masks already started emerging shortly after short-time working was introduced. Because of the high demand, production capacity was adapted wherever possible and overtime was worked especially in May, June and July to meet this demand in a timely fashion. Palas received temporary tax refunds of €249 thousand for advance tax payments already made in the reporting period from the German tax authorities.

There were significant changes in particular in the area of trade fair attendance because of the cancellation or postponement of several events. This saw the disappearance until further notice of a key tool for attracting new customers. Despite the global lockdowns, there were no disruptions of the supply chains that had any significant impact on business activities. Palas did not make any fundamental changes to its receivables, liquidity and risk management.

Palas assumes that the procurement processes currently suspended by its customers will resume once there is a return to normal economic activity and the lockdown measures are progressively lifted. This could result in significant catch-up effects that would have a positive effect on the business situation in the area of conventional products, especially fine dust measurement systems. The question of when this effect will emerge will depend on the further evolution of the measures undertaken to contain the COVID-19 pandemic.

As the new products for testing respiratory masks involve an entirely new market, it is difficult to predict how demand will continue to develop in future. On the one hand, it is possible that it will diminish as soon as the relevant customers have been equipped with corresponding devices. On the other, it may happen that a sustained additional market establishes itself for the company. This could benefit, for example, from new regulatory requirements and certification standards for virus-sized particles.

Palas assumes that the COVID-19 pandemic has noticeably increased public interest in air quality and aerosols in the mid-term and that this could offer significant business opportunities in future.

**Security Technologies |** The Security Technologies segment recorded a 0.5% decrease in revenue. IHSE's revenue was still up substantially year-on-year in the first quarter. Initial order postponements in Asia, where the pandemic had its earliest impact on the economy, were more than compensated by continue strong business in EMEA and North America. This trend did not continue in the second quarter, because major projects were delayed by the global lockdown measures, in particular in the US and European markets. As well as government-imposed measures, internal occupational health and safety policies at customers additionally curbed business. For example, several customers banned physical visits to their facilities by external staff. However, working on-site is indispensable for implementing larger installations.

Expanded and more intensive marketing activities were able to keep the basic business stable in the area of smaller order volumes, but were unable to offset postponements of larger sales projects in the pipeline. Marketing activities included customer webinars with up to 150 participants, the recruitment of new distribution partners and new master agreements with key accounts in the US and Europe, as well as the successful introduction of a digital platform for direct system configuration.

At 72.5%, the gross margin was down slightly on the 74.8% recorded in the prior-year period. The decisive factor was a negative change in finished goods and work in progress in H1 2020, whereas clearly positive change in finished goods and work in progress had been recorded in H1 2019. Based on total output for the period, gross profit was 73.7%, up slightly on the prior-year period's level (71.2%).

At 30.8%, the adjusted EBITDA margin was down significantly on the prior-year period (34.4%). Besides negative change in finished goods and work in progress, this was attributable to higher personnel expenses. The higher personnel expenses were driven primarily by new hires in 2019 reflecting the strong growth trends before the outbreak of the corona crisis. Other operating expenses were essentially flat as lower travel expenses were offset by costs of certification projects. Those are necessary for IHSE to meet increasing requirements for security-certified products such as US National Information Assurance Partnership, German KRITIS and the international Common Criteria for Information Technology Security Evaluation.

In the wake of the COVID-19 pandemic, IHSE took measures to maintain its ability to act and to conduct its business operations as smoothly as possible. Production at the headquarters in Oberteuringen was split across two teams that worked at different times and different locations. If one team had been affected by the virus and had to go into quarantine, the other team would still have been able to work and produce. This measure was also implemented at the foreign subsidiaries in Singapore and in the US, where work was also split between two alternating teams. Management worked alternately from home and in the office, so that the ability to act would be maintained if there were an infection at the management level and the risk of mutual infection was minimised.

On a temporary basis, short-time working was used at IHSE in the reporting period for a small part of the workforce, but the short-time allowance including social security refunds of only €18 thousand meant there was no significant impact on the results of operations, net assets or financial position.

Cancelled events where IHSE usually has an active marketing presence included the NAB Show in April, a major industry event organised by the National Association of Broadcasters in Las Vegas.

There were no disruptions of the supply chains that had any significant impact on business activities. Receivables, liquidity and risk management at IHSE were intensified in part because of the situation, but there were no fundamental changes.

IHSE applied for a reduction in advance tax payments for the current financial year in May 2020. In the reporting period, IHSE received temporary tax refunds of €437 thousand from the German tax authorities for advance tax payments already made in the reporting period.

In mid-May 2020, IHSE took out a "Paycheck Protection Program" loan of USD 249 thousand in the US. As the company had not made any employees redundant by August 2020, this federal loan is expected to be forgiven after the end of the reporting period. This would result in the corresponding liability being reversed in profit or loss in the third quarter. IHSE's Singapore subsidiary received a total of USD 66 thousand under various local support programmes.

IHSE expects that the customers' project postponements that resulted in declining revenue in the reporting period will lead to catch-up effects in the volume of business and in revenue once the measures imposed to contain the virus are successfully eased. Due to the international nature of IHSE's business, the timing and amount of such a trend reversal will depend on further developments in measures taken to contain the pandemic in the various regions.

IHSE believes that the relevance of remote and physically separate working will increase substantially in the mid-term because of the COVID-19 pandemic, and that this could result in a large number of future business opportunities.

### Results of operations

The year-on-year change in the Group's results of operations in H1 2020 was marked in particular by the inclusion of IHSE in the Group. Since IHSE was required to be included in the consolidated financial statements for the first time in December 2019 when control was obtained by the BCM Group, the consolidated statement of comprehensive income for H1 2019 merely comprise revenue generated by Palas and expenses and other income of Palas and BCM AG.

That is why the Group's revenue rose by 305.1% in H1 2020 to €23,160 thousand. In the pro forma perspective, which presents the figures as if IHSE had already been a member of the BCM Group in the prior-year period, there was a 0.6% increase in revenue.

The increase in expenses is also largely attributable to the inclusion of IHSE in the Group. Cost of materials rose by 248.0% to €6,103 thousand, personnel expenses by 226.1% to €8,696 thousand, other operating expenses by 317.7% to €6,163 thousand and depreciation and amortisation expenses by 100.7% to €744 thousand. As a consequence of the IHSE acquisition, amortisation of intangible assets identified in initial consolidation rose by 246.9% to €3,903 thousand. Finance costs rose by 115.8% to €1,123 thousand due to the loans taken out for the partial debt financing of the acquisition.

### Net assets

With total assets of €207,576 thousand, the Group's assets are split between 81.4% non-current assets and 18.6% current assets. The largest items quantitatively are intangible assets, including goodwill (€157,251 thousand), property, plant and equipment (€11,086 thousand), inventories (€11,324 thousand) and cash and cash equivalents (€20,539 thousand). Intangible assets relate primarily to the customer bases, basic technologies and brands identified in the course of purchase price allocation for the Palas and IHSE acquisitions (**PPA assets**) as well as goodwill. Property, plant and equipment consists largely of land and buildings at IHSE's headquarters in Oberteuringen at Lake Constance.

Net assets changed in the reporting period in particular from amortisation of PPA assets and the receipt of funds from the cash capital increase in February 2020. Assets declined slightly by €153 thousand from €207,728 thousand to €207,576 thousand. Inflation and exchange rate effects did not significantly impact changes in the amount of assets.

### Financial position

The Group's cash and cash equivalents at the reporting date amounted to €20,539 thousand senior loans amounted to €47,307 thousand, resulting in net senior debt of €26,768 thousand after deduction of cash and cash equivalents. Senior loans declined by €2,276 thousand compared with 31 December 2019.

Together with real estate loans (€6,410 thousand), lease liabilities (€738 thousand), NCI put liabilities (€1,391 thousand) and subordinated loans (€3,105 thousand), financial liabilities amounted to €58,951 thousand, corresponding to a €2,373 thousand reduction compared with 31 December 2019 (€61,324 thousand).

The senior loans have different maturities up to 2026 inclusive, the real estate loans up to 2037 inclusive. All loans are denominated in euros. The subordinated loans and part of the collateralised loans bear fixed rates of interest, whereas the rest of the collateralised loans bear interest of EURIBOR plus a margin. If EURIBOR is negative, it is considered to be zero in line with the loan agreements for calculating the interest rate. There were no significant changes in loan terms in the reporting period.

Some of the Group's loan agreements contain arrangements on whose basis extensive early repayment obligations may be triggered. For example, the loans in question may be repayable immediately if the Group breaches contractual conditions. The loans in question are subject to covenants, for instance, that must be complied with by the subsidiaries funded by the loans.

Additionally, other shareholders of one subsidiary hold a put option on their shares. The option entitles those other shareholders to sell their shares to the parent company in the course of 2024. The sale price must be calculated on the basis of a contractually defined valuation formula whose inputs include in particular the EBITDA and net financial debt of the subsidiary in 2022 and 2023. The corresponding obligation is presented under financial liabilities and provisions in the consolidated financial statements.

The Group had unused credit lines of €2,700 thousand as at the reporting date. There are restrictions on the availability of the Group's capital in the form of restrictions on distributions by the subsidiaries resulting from the loan agreements.

Because of its good liquidity position, the Group was able to discharge its payment obligations at all times in the reporting period. No liquidity shortfalls arose and none are foreseeable on the basis of the known development of the Group's business.

The capital increase in February 2020 played a significant role in the increase in cash and cash equivalents. It represented one of the reinvestment tranches from the acquisition of IHSE in December 2019. For technical reasons, however, implementation and entry in the commercial register were only possible in the new year. The cash inflow to the Group from the capital increase amounted to €4,822 thousand.

Group equity at the reporting date was €119,595 thousand, equal to 57.6% of total assets. This represents an increase of 0.4% points compared with 31 December 2019, when equity amounted to €118,917 thousand. The main drivers in the overall change in equity were the reduction of €3,903 thousand from amortisation of PPA assets recognised in profit or loss and the increase of €4,822 thousand due to the capital increase.

The BCM Group's stock market listing was successfully completed on 14 July 2020 when its shares were quoted for the first time. Because the corporate action was implemented after the reporting date, please refer to **Events after 30 June 2020** for further information.

There were no material off-balance-sheet commitments in the Group.

Condensed statement of cash flows

| € thousand | H1 2020 | H1 2019 |
|---|---|---|
| **Adjusted EBITDA** | **4,716** | **761** |
| EBITDA adjustments | (1,865) | (41) |
| (Income taxes paid)/ income tax refunds | (273) | (381) |
| Expenses for equity-settled share-based payment transactions | 79 | - |
| Other non-cash expenses/ (income) | (20) | - |
| (Increase)/ decrease in inventories, trade receivables and other assets not attributable to investing or financing activities | (903) | (270) |
| Increase/ (decrease) in trade payables and other liabilities not attributable to investing or financing activities | 911 | (225) |
| Increase/ (decrease) in other provisions | 48 | 188 |
| **Cash flow from operating activities** | **2,693** | **31** |
| **Cash flow from investing activities** | **(411)** | **(1,091)** |
| **Cash flow from financing activities** | **1,090** | **1,083** |
| Change in cash and cash equivalents | 3,373 | 23 |
| Cash and cash equivalents at beginning of period | 17,171 | 31,578 |
| Effect of exchange rate changes on cash and cash equivalents | (5) | - |
| Cash and cash equivalents at end of period | 20,539 | 31,600 |

**Cash flow from operating activities** was €2,693 thousand or €2,966 thousand before income taxes paid and resulted primarily from the operating earnings contributions of Palas and IHSE. In the prior-year period, cash flow from operating activities was almost neutral, at €31 thousand.

**Cash flow from investing activities** amounting to €-411 thousand consisted largely of amounts paid to acquire items of property, plant and equipment, and capitalised development costs. This item was considerably lower than the prior-year period (€-1,091 thousand) because a post-closing purchase price component of €750 thousand for the acquisition of Palas had been paid in H1 2019.

**Cash flow from financing activities** came to €1,090 thousand and was driven primarily by the €4,822 thousand capital increase in February 2020. Loan principal repayments of €2,282 thousand and interest payments of €1,083 thousand relating mainly to senior loans from the acquisition of Palas and IHSE reduced cash flow from financing activities. The positive figure of €1,083 thousand in the prior-year period resulted principally from a capital increase with proceeds of €1,250 thousand for the Group.

# Risks and opportunities

Risks and opportunities relate to potential future events that could result in a significant negative or positive deviation from the BCM Group's goals. The BCM Group is exposed to numerous risks in its business activities. The Group's goal is not to avoid risks in general, but to carefully weigh the opportunities and risks associated with decisions and business activities on the basis of appropriate information. The aim is to establish an optimum balance between growth and profitability on the one hand and the associated risks on the other. Accordingly, opportunities that arise to increase earnings and enterprise value should be leveraged, and risks should only be entered into to the extent that they are acceptable to the Group. A reasonable level of business risks must be accepted, but they must be managed by effective risk management that deploys suitable measures. Measures can limit risks to an acceptable level, transfer them to third parties in part or in full, or avoid them. Risks to the BCM Group or individual subsidiaries as a going concern must be avoided in any case.

The BCM Group classifies its risks into the areas of markets/ technology, new acquisitions, business operations, compliance and finance. Risks are assessed by evaluating the relevant probability of occurrence and the amount of any loss should the risk event occur.

### Market/ technology risks

**Economy |** The general economic environment and other economic and political conditions significantly impact the BCM Group's markets. For example, the Environmental Technologies segment is driven primarily by global legislation relating to air quality and the measurement and regulation of fine dust pollution, among other factors. The Security Technologies segment depends on investments by industry and the public sector in the construction and renewal of highly sophisticated IT infrastructure. As a result, any departure from expected developments in the macroeconomic environment can result in both opportunities and risks in terms of demand for the Group's products.

As a general rule, diversification due to the diverse range of products and the partly international presence of the operating segments serves to mitigate economic risks to a certain extent. However, the cyclicality of the business models is not directly offsetting, with the result that there is still significant dependence on economic cycles.

In particular, there is a high level of uncertainty internationally in terms of growing trade barriers, for example due to greater, additional or entirely new protectionist policies such as tariffs, or because of Brexit. These trends may negatively impact the global economic environment and hence lead to lower demand for the BCM Group's products. They therefore constitute a significant risk. By contrast, they may also result in opportunities for the Group, because – as European manufacturers of high-tech products – Palas and IHSE can supply sensitive sectors in both the USA and China. In part, this may represent a competitive advantage compared with local providers.

**COVID-19 |** The risk of a global recession materialised in the reporting period because of the COVID-19 pandemic. This led to declining demand in Palas's conventional product lines and to substantial project postponements by IHSE customers. There is a risk that the improvement in macroeconomic conditions will be slower and/ or less pronounced than expected. This would adversely affect the Group's results of operations, net assets and financial position.

However, the pandemic and its consequences may also result in opportunities for the Group. At Palas, these materialised partly in the form of revenue from new products for mask testing that was not foreseeable before the virus outbreak. Both the Executive Board of BCM AG and Palas's management assume that the pandemic will result in a sustainable rise in public interest in air quality in very many spheres of life. Because aerosols are highly relevant as a transmission route and they are also Palas' core competency, significant new business opportunities may arise in the future. In the medium term, IHSE could also benefit substantially from the changed conditions resulting from the pandemic. For example, there could be increased structural requirements relating to remote work. In particular in areas with very high requirements for fail-safe operation, bandwidth and transmission speed, this could drive up demand for IHSE solutions.

**Customer concentration |** The Group companies' niche strategy means that they are also exposed to significant customer concentrations. The loss or failure of one or more key accounts would therefore adversely affect the revenue and hence the net assets, financial position and results of operations of the BCM Group. To mitigate this risk, the Group has close, long-standing customer relationships and tries to avoid excessive customer concentrations wherever possible.

**Technology |** The success of the Group companies is rooted in their focus on technologies and innovative products that follow sustainable global trends such as digitalisation, automation, cybersecurity or sustainability. Changes in customer preferences, new or substitutive technologies, or the emergence of industry standards and trends with negative consequences could make the Group's existing products obsolete or less attractive. To rule out this risk, the Group makes targeted investments in research and development.

### Risks from new acquisitions

**Deal sourcing |** The BCM Group's business model is based on its ability to identify companies as suitable acquisition targets and acquire them on attractive terms. If the Group is not able to conclude such acquisitions, this may adversely affect its future growth and the efficiency of the allocation of its cash resources. To minimise this risk, the BCM Group actively manages its network of sector experts, entrepreneurs, managers and consultants to give it access to potential acquisition targets. It also conducts its own prospecting activities, for example by attending trade fairs and systematically monitoring company awards.

**Acquisition finance |** In many cases, acquiring companies is associated with a substantial need for finance. Transaction processes could fail if the BCM Group is not able to obtain this through equity or debt within a reasonable time. To prevent such a situation, the Group has numerous potential financing partners, which include debt funds and co-investors in addition to banks. The stock market listing in the Prime Standard quality segment also represents a source of finance through capital increases.

**Due diligence |** It is possible that the Group might inaccurately estimate the value and future potential of target companies and that they will generate lower than assumed revenue and earnings. This may happen if risks relating to the target are not communicated or not identified. To reduce the possibility of this risk occurring, the Group conducts comprehensive due diligence before each acquisition, involving experienced specialist advisers. Nevertheless, it cannot be ruled out that material risks are not identified or not accurately assessed in the course of due diligence.

### Operational risks

**Operational obstacles to growth |** Because the subsidiaries are relatively small organisations with ambitious growth targets, there is a risk that their management is not able to successfully address promising markets and customers, implement necessary product developments and develop scalable internal structures in good time. The Group manages this risk using proven tools such as the 100 day plan in which the initial initiatives resulting from the due diligence are documented, scheduled and implemented following the acquisition. There is also a standard Group-wide process for strategic planning and strict financial reporting. Furthermore, the members of the BCM team have extensive experience in developing scalable structures in growing companies.

**Key management |** The Group's economic success is critically sustained and driven by its ability to recruit, grow and retain experienced, talented managers and staff. There is a risk of inappropriate appointments when management structures are expanded to enable further expansion. If the BCM Group is unable to suitably fill future and existing positions and retain managers and staff, this could materially adversely affect commercial success and hence the BCM Group's net assets, financial position and results of operations. To counter this risk, remuneration structures in line with market conditions are in place in the Group, together with a pronounced focus on equity components and long-term incentives. These consist of both direct investments at the level of subsidiaries and BCM Group shares and stock options.

**IT |** The Group's business processes are critically dependent on information technology (IT). As well as the opportunity to leverage operational efficiencies, this also entails risks. The Group's technical infrastructure could be impaired or fail due to accidents, disasters, technical failures, obsolete technology or cyber attacks. There is also a risk of unauthorised access by external parties to confidential business or personal data. The BCM Group has security systems that meet market standards in place to safeguard the availability, integrity and confidentiality of its data.

### Compliance risks

There are numerous legal risks from the scope of statutory and regulatory requirements as well as the large number of contractual relationships and agreements that the Group enters into regularly. These relate in particular to the areas of patent, capital market and company law. These risks are reduced to a moderate level by extensive cooperation with experienced, renowned law firms. The Group works with several law firms to avoid dependencies resulting from outsourcing and ensure an appropriate level of technical specialisation. The BCM Group also has a database of templates for standard contracts.

Other compliance risks that may result from breaching laws and regulations, such as capital market or data protection rules, are identified and monitored by the compliance department. The BCM Group has developed a code of conduct that contains essential guidance for correct behaviour. There are also training events on specialised topics, such as the proper handling of inside information. Compliance risks are continuously monitored and appropriate measures are taken if risks materialise.

### Financial risks

**Financial planning |** The BCM Group's financial planning is based on assumptions made by the management of the parent company and the subsidiaries. These assumptions relate to business performance and other external factors that are, in part, very difficult to predict or cannot be influenced by the Group, and to measures, some of which still have to be implemented. There is therefore a risk that the assumptions underlying the planning could be incomplete or incorrect, and that this may result in divergence between projected and actual earnings. There could also be opportunities if actual developments diverge positively from projections.

**Financial covenants |** Some of the Group's loan agreements contain arrangements on whose basis extensive early repayment obligations may be triggered. For example, the loans in question are repayable immediately if subsidiaries breach financial covenants. If one or more such cases were to arise, this would adversely affect the Group's liquidity. To manage this risk, the Group has established a comprehensive financial reporting system.

**Interest rates |** Any increase in interest rates could considerably impact the future development of the Group for a variety of reasons and materially adversely affect its net assets, financial position and results of operations. On the one hand, rising interest rates would increase the Group's financing costs, but would also lead to higher acquisition financing costs for acquisitions. To the extent possible and commercially reasonable, the BCM Group enters into hedges to mitigate interest rate risk. However, such hedges can only cover existing financing volumes, not those that may be necessary in the future.

**Foreign currencies |** The BCM Group executes certain transactions in foreign currencies, giving rise to foreign currency risk. The Group hedges foreign currency risk from its order backlog and from receivables and liabilities where this appears to be economically expedient. The inclusion of subsidiaries from countries outside the eurozone in the consolidated financial statements results in risks from currency translation. As a general principle, the Group does not hedge these risks using derivatives.

**Credit risk |** It is possible that customers of the BCM Group will be unable to settle their liabilities. This risk is mitigated by a stringent receivables management process and by agreeing advance payments in some cases. To the extent economically expedient, trade credit insurance is taken out to reduce the amount of potential credit losses.

**Liquidity |** Liquidity risk describes the risk that the BCM Group might not be able to meet its financial obligations to a sufficient extent. To safeguard liquidity, changes in liquidity are continuously monitored as part of detailed financial planning and financial reporting. For external financing purposes, the opportunities available on the financial markets are continuously monitored in order to ensure sufficient flexibility.

**Taxes |** The BCM Group is subject to income taxes and other taxes in various jurisdictions. Considerable discretion and significant estimates are needed to calculate obligations arising from income tax, value added tax and other taxes, including withholding taxes. In the case of various transactions and calculations in the course of the Group's ordinary business activities, for example in the case of intercompany transactions and transfer prices across jurisdictions and transactions with special documentation requirements, the ultimate tax calculations or the timing of tax effects are uncertain. The BCM Group is subject to regular audits by the tax authorities, who may arrive at different results with regard to tax estimates or the Group's discretionary judgement. Although the BCM Group believes that its tax estimates are appropriate, the final outcome of such tax audits may differ from the provisions and accruals. As a result, additional tax liabilities, interest, penalties or regulatory, administrative or other sanctions may be incurred.

### Overall assessment of risks and opportunities

In the opinion of the Executive Board, market/ technology risks have the most significant impact on the BCM Group. This assessment is based in particular on the global recession that occurred in the reporting period as a result of the lockdown measures imposed to combat the COVID-19 pandemic. To the extent that the macroeconomic effects of the pandemic countermeasures continue, this could have a material adverse effect on the Group's net assets, financial position and results of operations. In this case, decreased revenue in particular would reduce adjusted EBITDA and, subsequently, the Group's equity and its cash and cash equivalents.

Overall, the BCM Group is exposed to a high level of uncertainty that it can only partly influence itself. However, the Group has not identified any risks that, individually or in combination with other risks, could affect the continued existence of the Group as a going concern.

## Expected developments

Our forecast in the securities prospectus dated 9 July 2020 projects organic growth for 2020 in the mid-single digit percentage range, based on 2019 pro forma revenue of €54.3 million. Concerning the adjusted EBITDA margin, we expect that there could likely be a negative COVID-19 impact. Conditions for revenue growth were i.a. that the recovery in economic activity and order intake observed at the mid-year point would continue, and that there would be no further COVID-19 complications, such as for example a second wave or further lockdowns.

Even though a renewed lockdown similar to the first half of 2020 has been avoided so far, we continue to assume a high level of uncertainty for the second half of 2020 because of the ongoing coronavirus pandemic. We can now see that order intake for major projects expected especially in the Security Technologies segment have been further postponed in the course of the third quarter of 2020 because of travel and social distancing restrictions in various countries, in particular in Asia. Due to these shifts, the BCM Group's revenue in Q3 2020 will be considerably lower than in the pro forma prior-year period. However, IHSE significantly expanded its sales pipeline through further focused marketing activities during and after the reporting period. IHSE is also seeing cautious optimism at its customers about resuming IT infrastructure projects that are currently suspended, and was able in the past few weeks to win the first postponed major projects. As a result, we are expecting corresponding revenue to be realised in this segment from the resumption of additional planned projects until year-end. Palas is recording a very positive development of revenue and order intake that may contribute to offset potentially lower revenue at IHSE. We see significant opportunities in the already launched test rigs for respiratory masks, but also from the exhalation measuring device for the detection of virus-sized particles in exhaled air, which is in pilot phase. It should be taken into account however, that Palas' share in revenue and earnings of BCM Group is considerably smaller than the one of IHSE.

As at the preparation date of this report, we believe that it is more likely than not that substantial catch-up effects can still be leveraged during this year and that, based on this assumption, the existing projection can largely be reached. However, we cannot rule out at this point that the implementation of major orders could be delayed even further because of continuing travel and social distancing restrictions, which could lead to shifts in revenue recognition especially at IHSE into year 2021. In this case, it is possible that fiscal year 2020 revenue of BCM Group could be on a level with or below 2019 pro forma revenue. To this extent, the forecast remains subject to a high level of uncertainty due to the ongoing coronavirus pandemic, with infection numbers increasing again now.

## Disclaimer

This report contains forward-looking statements that are based on management's current estimation of the future performance of the Group. This estimation was made on the basis of all information available as at the preparation date of this half-year financial report. Forward-looking statements are subject to uncertainties – as described in the 'Risks and opportunities' section – that are beyond the Group's control. This relates in particular to the current coronavirus crisis, its future course and its macroeconomic impact. If the assumptions on which these expected developments are based are not accurate, or if the risks or opportunities described were to materialise, actual results may differ significantly from the statements made in this report on expected developments. If the underlying information changes in such a way that a deviation from the expected developments is more likely than not, the BCM Group will notify this in accordance with the statutory disclosure requirements.

## Related party transactions

Please refer to the selected notes to the interim consolidated financial statements for information on related party transactions.

## Events after 30 June 2020

The BCM Group's going public on the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard) was implemented when its shares were listed for the first time on 14 July 2020. In the course of the international private placement, a total of 3,593,750 new registered shares were placed (including the overallotment option of 468,750 shares), each with a notional value of €1.00 per share. This corresponded to a capital increase with gross proceeds of €115 million based on the placement price of €32.00 per share.

On 27 August 2020, Palas filed a patent application with the European Patent Office for a measuring device that immediately indicates the number and size of particles in exhaled air. The universally deployable measuring device developed by Palas can directly identify particles in exhaled air with high-precision size resolution and thus help detect virus infections in humans, for example COVID-19. During the current COVID-19 pandemic, this could help curb the spread of the disease in particular. The patent application has not yet been published. This is generally published 18 months after the application date and the applicant only enjoys the rights from the patent filed from that date.

Further information on significant events after the reporting date of this report can be found in the selected notes to the interim consolidated financial statements.

# Interim Consolidated Financial Statements

## Consolidated statement of comprehensive income

| € thousand | H1 2020 | H1 2019 |
|---|---|---|
| **Revenue** | **23,160** | **5,717** |
| Increase/ (decrease) in finished goods and work in progress | (188) | 486 |
| Other own work capitalised | 276 | 300 |
| **Total output** | **23,248** | **6,503** |
| Cost of materials | (6,103) | (1,754) |
| **Gross profit** | **17,144** | **4,749** |
| Personnel expenses | (8,696) | (2,667) |
| Other operating expenses | (6,163) | (1,475) |
| Impairment loss on trade receivables | (6) | - |
| Other operating income | 571 | 113 |
| **EBITDA** | **2,851** | **720** |
| Depreciation of property, plant and equipment and amortisation of intangible assets | (744) | (371) |
| **EBITA** | **2,107** | **349** |
| Amortisation of intangible assets identified in initial consolidation | (3,903) | (1,125) |
| Finance costs | (1,123) | (520) |
| Finance income | 87 | 1 |
| Financial result | (1,036) | (519) |
| **Earnings before tax** | **(2,832)** | **(1,295)** |
| Income tax expense | (422) | (69) |
| **Profit or loss*** | **(3,254)** | **(1,364)** |
| Foreign currency translation adjustments | (24) | - |
| **Total comprehensive income*** | **(3,278)** | **(1,364)** |
| | | |
| Weighted average number of shares outstanding | 6,299,626 | 2,654,243 |
| **Earnings per share (€)** | **(0.52)** | **(0.51)** |

* Profit or loss and total comprehensive income are fully attributable to shareholders of Brockhaus Capital Management AG.

# Consolidated statement of financial position

| € thousand | 30.06.2020 | 31.12.2019 |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | 11,086 | 11,322 |
| Intangible assets and goodwill | 157,251 | 160,585 |
| Deferred tax assets | 686 | 982 |
| **Non-current assets** | **169,023** | **172,888** |
| Inventories | 11,324 | 10,676 |
| Trade receivables and other assets | 6,262 | 6,504 |
| Prepayments | 428 | 489 |
| Cash and cash equivalents | 20,539 | 17,171 |
| **Current assets** | **38,553** | **34,840** |
| **Total assets** | **207,576** | **207,728** |
| | | |
| **Equity and liabilities** | | |
| Subscribed capital | 6,793 | 6,642 |
| Capital reserves | 122,453 | 118,727 |
| Other reserves | 176 | 97 |
| Currency translation differences | (114) | (90) |
| Net accumulated losses | (9,713) | (6,459) |
| **Equity** | **119,595** | **118,917** |
| Non-current financial liabilities | 52,486 | 55,889 |
| Other provisions | 535 | 490 |
| Deferred tax liabilities | 17,538 | 18,556 |
| **Non-current liabilities** | **70,558** | **74,935** |
| Current tax liabilities | 1,503 | 736 |
| Current financial liabilities | 6,465 | 5,435 |
| Trade payables and other liabilities | 8,956 | 6,916 |
| Contract liabilities | 370 | 665 |
| Other provisions | 127 | 125 |
| **Current liabilities** | **17,422** | **13,876** |
| **Liabilities** | **87,980** | **88,811** |
| **Total equity and liabilities** | **207,576** | **207,728** |

## Consolidated statement of changes in equity

| € thousand | Subscribed capital | Capital increase not yet registered | Capital reserves | Other reserves | Currency translation differences | Net accumulated losses | Equity |
|---|---|---|---|---|---|---|---|
| **1 January 2020** | **6,642** | **-** | **118,727** | **97** | **(90)** | **(6,459)** | **118,917** |
| Transactions with shareholders | | | | | | | |
| Capital increase | 151 | - | 4,671 | - | - | - | 4,822 |
| Cost of capital increase | - | - | (945) | - | - | - | (945) |
| Profit or loss | - | - | - | - | - | (3,254) | (3,254) |
| Other comprehensive income | - | - | - | - | (24) | - | (24) |
| Equity-settled share-based payment transactions | - | - | - | 79 | - | - | 79 |
| **30 June 2020** | **6,793** | **-** | **122,453** | **176** | **(114)** | **(9,713)** | **119,595** |

| € thousand | Subscribed capital | Capital increase not yet registered | Capital reserves | Other reserves | Currency translation differences | Net accumulated losses | Equity |
|---|---|---|---|---|---|---|---|
| **1 January 2019** | **4,152** | **3,000** | **42,078** | **-** | **-** | **(2,636)** | **46,594** |
| Transactions with shareholders | | | | | | | |
| Entry of capital increase in commercial register | 100 | (3,000) | 2,900 | - | - | - | - |
| Capital increase | 42 | - | 1,208 | - | - | - | 1,250 |
| Profit or loss | - | - | - | - | - | (1,364) | (1,364) |
| **30 June 2019** | **4,294** | **-** | **46,186** | **-** | **-** | **(4,000)** | **46,480** |

# Consolidated statement of cash flows

| € thousand | H1 2020 | H1 2019 |
|---|---|---|
| Profit or loss | (3,254) | (1,364) |
| (Income taxes paid)/ income tax refunds | (273) | (381) |
| Income tax expense/ (income tax income) | 422 | 69 |
| Expenses for equity-settled share-based payment transactions | 79 | - |
| Amortisation, depreciation and impairment losses | 4,647 | 1,496 |
| Financial result | 1,036 | 519 |
| Other non-cash expenses/(income) | (20) | - |
| (Increase)/ decrease in inventories, trade receivables and other assets not attributable to investing or financing activities | (903) | (270) |
| Increase/ (decrease) in trade payables and other liabilities not attributable to investing or financing activities | 911 | (225) |
| Increase/ (decrease) in other provisions | 48 | 188 |
| **Cash flow from operating activities** | **2,693** | **31** |
| Payments to acquire property, plant and equipment | (225) | (183) |
| Payments to acquire intangible assets | (18) | (6) |
| Capitalised development costs | (169) | (153) |
| Payments to acquire subsidiaries, net of cash acquired (deferred purchase price component for Palas) | - | (750) |
| Interest received | 1 | 1 |
| **Cash flow from investing activities** | **(411)** | **(1,091)** |
| Repayment of lease liabilities | (253) | (167) |
| Interest paid | (1,083) | - |
| Repayment of loans and other financial liabilities | (2,282) | - |
| Proceeds from issuance of shares | 4,822 | 1,250 |
| Cost of capital increases | (114) | - |
| **Cash flow from financing activities** | **1,090** | **1,083** |
| | | |
| Change in cash and cash equivalents | 3,373 | 22 |
| Cash and cash equivalents* at beginning of period | 17,171 | 31,578 |
| Effect of exchange rate changes on cash and cash equivalents | (5) | - |
| Cash and cash equivalents* at end of period | 20,539 | 31,600 |

* Liquid funds correspond to cash and cash equivalents reported in the statement of financial position.

# Selected notes

### 1. Company and general information

The registered office of Brockhaus Capital Management AG (**BCM AG** or the **Company** or the **parent company**, together with its subsidiaries the **Group**) is in Nextower, Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany, and the Company is registered in the commercial register at the Local Court in Frankfurt am Main under commercial register number HRB 109637.

The accompanying condensed interim consolidated financial statements relate to the period from 1 January 2020 to 30 June 2020 (**reporting period** or **H1 2020**) and include comparative disclosures for the period from 1 January 2019 to 30 June 2019 (**prior-year period** or **H1 2019**).

The consolidated financial statements are presented in euros, which is the Company's functional currency. The amounts disclosed are therefore rounded to the nearest euro (**€**), thousands of euros (**€ thousand**) or millions of euros (**€m**) in line with standard commercial practice. Due to this rounding method, the individual amounts reported do not always add up precisely to the totals presented. Negative amounts are presented in parentheses and zero amounts are denoted as dashes (-).

Effective 28 May 2020, Group entity Palas (Asia) Ltd. formed the new foreign subsidiary **Palas (Asia) Ltd.**, whose registered office is in Hong Kong. The BCM Group holds 90% of the shares of Palas (Asia) Ltd. The remaining 10% is held by the managing director responsible for Asia. This entity was therefore initially included in the basis of consolidation in the reporting period, although Palas (Asia) Ltd. has not yet incurred any significant transactions.

### 2. Accounting policies

The 2019 consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU. IFRSs include the applicable International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) and the Interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC). The accompanying condensed interim consolidated financial statements were prepared in accordance with IAS 34.

The same accounting policies and methods of computation are followed in these interim consolidated financial statements as compared with the most recent consolidated financial statements. Please refer to Note 4 to the 2019 consolidated financial statements for information on the accounting policies applied by the Group.

The accompanying condensed interim consolidated financial statements have not been audited.

### 3. COVID-19 pandemic

Business performance in the reporting period was impacted significantly by the effects of the COVID-19 pandemic. The Group took this situation into account in the judgements and assumptions made when preparing the accompanying interim consolidated financial statements.

The Group only used government assistance programmes granted in countries affected by the pandemic (e.g. short-time allowances) to a minor extent. However, the Group did apply for a reduction in advance tax payments, which led to temporary positive liquidity effects. In the USA, the Group uses the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief and Economic Security (CARES) Act to obtain a loan of USD 249 thousand.

As an indefinite-lived intangible asset, goodwill is tested annually for impairment. It is also tested for impairment if there are indications that its carrying amount may be impaired (triggering events). As at 30 June 2020, the Group performed a qualitative analysis of each of its cash-generating units (**CGUs**) to determine if there were such indications. There were no such indications for the Palas CGU, in particular because new products for testing respiratory masks launched in the market in the reporting period have opened up considerable business potential. There were also no indications for the IHSE CGU. Although IHSE recorded a decline in revenue in the reporting period, this was due almost exclusively to project postponements, which is why there is an assumption that this will not have any significant influence either on overall cash flow in the five-year detailed planning period or on the subsequent long-term cash flow growth rate.

The Group did not record any defaults at key accounts due to COVID-19, nor does it expect any significant increase in credit risk in future. The Group therefore did not make any material changes to its estimate of expected losses for trade receivables.

Deferred tax assets were tested for impairment. No additional write-downs were therefore recognised.

Additional disclosures on the effects of the COVID-19 pandemic and the measures taken by the Group can be found in the interim management report.

### 4. Alternative performance measures

In addition to the information disclosed in the accompanying interim consolidated financial statements, management uses additional performance measures to manage the Group. These comprise the **pro forma consolidated statement of comprehensive income** and **other alternative performance measures**.

Pro forma consolidated statement of comprehensive income

In the prior-year period, IHSE's income and expenses were not included in the consolidated statement of comprehensive income because control was only obtained in December 2019. As the informative value of the consolidated statement of comprehensive income is limited, particularly its suitability for deriving projections, the Executive Board analyses earnings figures on a pro forma basis. This presents the Group's statement of comprehensive income as if IHSE had already been acquired as at 1 January 2019.

| € thousand | H1 2020 | H1 2019 |
|---|---|---|
| **Revenue** | **23,160** | **23,013** |
| Increase/ (decrease) in finished goods and work in progress | (188) | 1,345 |
| Other own work capitalised | 276 | 300 |
| **Total output** | **23,248** | **24,659** |
| Cost of materials | (6,103) | (6,975) |
| **Gross profit** | **17,144** | **17,684** |
| Personnel expenses | (8,696) | (7,450) |
| Other operating expenses | (6,163) | (3,731) |
| Impairment loss on trade receivables | (6) | - |
| Other operating income | 571 | 162 |
| **EBITDA** | **2,851** | **6,664** |
| Depreciation of property, plant and equipment and amortisation of intangible assets | (744) | (714) |
| **EBITA** | **2,107** | **5,950** |
| Amortisation of intangible assets identified in initial consolidation | (3,903) | (4,354) |
| Finance costs | (1,123) | (1,248) |
| Finance income | 87 | 1 |
| Financial result | (1,036) | (1,246) |
| **Earnings before tax** | **(2,832)** | **350** |
| Income tax expense | (422) | (779) |
| **Profit or loss** | **(3,254)** | **(428)** |

To calculate the prior-year period pro forma income and expenses, management assumed that the preliminary fair value adjustments made as at date of acquisition of IHSE would also have applied if the acquisition had taken place on 1 January 2019, that the post-acquisition financing structure would already have existed at the beginning of the year and that costs of the acquisition would not have been incurred in the reporting period. However, it is also the case that no acquisition costs were incurred in the period from 1 January 2019 to 30 June 2019.

Other alternative performance measures

The Group discloses adjusted earnings before interest and taxes (**adjusted EBIT**) and adjusted earnings before interest, taxes, depreciation and amortisation (**adjusted EBITDA**). The percentage ratio of these indicators to revenue is calculated as the respective margin (**adjusted EBITDA margin** and **adjusted EBIT margin**). **Adjusted earnings per share** are additionally disclosed. Together with **revenue**, management uses these performance measures to manage the Company and considers them to be significant for an understanding of the Group's financial performance. The alternative performance measures are not defined in IFRSs and the Group's definitions are potentially not comparable with similarly designated performance indicators of other companies.

Management eliminates expenses from **share-based payment transactions** under IFRS 2.51(a) from the performance indicators relevant for managing the Company. The reason for this is that these are not attributably economically to the Company, but to its shareholders. The issuance of options and shares does not represent an outflow of resources for the Group. Consequently, management eliminates the relevant expenses from share-based payment transactions for the analysis of the Group's financial performance.

As non-controlling interests are not shown owing to the application of the anticipated acquisition method, financial liabilities and provisions for the remaining 30% of Palas shares are recognised in the Group's statement of financial position. The increase in such liabilities and provisions is recognised partly in personnel expenses as share-based payment and partly in the financial result. The Group therefore eliminates the **financial result from the NCI put** attributable to this issue when calculating adjusted earnings.

The earnings figures for analysing the Group's performance are also adjusted for the **cost of acquisition of subsidiaries** under IFRS 3.53. Such costs are only incurred in the first instances for purchases of companies. In terms of BCM AG's business model, these costs are of a recurring nature, but amount to zero in each case assuming an unchanged scope of consolidation. Further, in the opinion of Group management, such expenses would have to be recognised as acquisition costs required to be capitalised for acquisitions from a conventional perspective, and they would therefore not constitute expenses.

Equally, amortisation expenses of and impairment losses on intangible assets identified in the course of purchase price allocation for acquisitions (**PPA amortisation expenses**) are eliminated from underlying the IFRS figures for the purposes of value-enhancing management of the Company. These amortisation expenses relate to accounting entries at the level of capital consolidation, so they are independent of the financial figures of the individual Group companies. They are not found in any of the single-entity annual financial statements of the Group companies. These expenses are recognised solely at the level of consolidation. They are non-cash expenses and not relevant for the Group's ability to pay dividends and no replacement investment spending will also be incurred for them in future cash flows. The considerably lower earnings according to IFRS due to the PPA amortisation expenses result solely from the fact that an M&A transaction took place. The financial performance presented is thus considerably poorer solely because of the capital consolidation. It is also possible that a subsidiary will develop considerably more favourably than projected, but it is still necessary to recognise substantial PPA amortisation expenses in the consolidated financial statements. As income from the **reversal of deferred tax liabilities** on PPA amortisation expenses is recognised in the consolidated statement of comprehensive income, this is consequently also eliminated in the corresponding amount for determining the post-tax performance indicators.

When new shares are issued in course of going public, a portion of the related costs must be accounted for as a direct deduction from equity and are therefore not recognised as an expense in profit or loss. The conditions for direct recognition of such expenses in equity are governed by IAS 32.37. The Group launched preparations for a stock market listing of its shares in the reporting period. Costs recognised in profit or loss were incurred for this preparatory work. Due to the extraordinary nature of such costs, the Group eliminates these expensed **costs of equity transactions** from the adjusted earnings figures.

IFRS require all figures to be consolidated, meaning the presentation of all income and expenses of all majority interests from the date that control is obtained as if the Group were a single entity. As a consequence, only a portion of the business volume of acquisitions completed in the course of a financial year is presented in the consolidated statement of comprehensive income. To enhance the quality of information provided to users of these financial statements, the performance measures are additionally presented on a **pro forma** basis. Under the pro forma approach, expenses and income from subsidiaries acquired in a reporting period are consolidated from the beginning of the reporting period in which the relevant acquisition took place. IHSE was therefore included in the pro forma consolidated statement of comprehensive income for the period beginning on 1 January 2019.

Calculation of adjusted EBITDA

| | From date when control obtained | | Pro forma |
|---|---|---|---|
| € thousand | H1 2020 | H1 2019 | H1 2019 |
| **Earnings before tax** | **(2,832)** | **(1,295)** | **350** |
| Financial result | 1,036 | 519 | 1,246 |
| Depreciation and amortisation | 4,647 | 1,496 | 5,068 |
| **EBITDA** | **2,851** | **720** | **6,664** |
| Share-based payments | 120 | 41 | 41 |
| Cost of acquisition of subsidiaries | - | - | - |
| Cost of equity transactions | 1,745 | - | - |
| **Adjusted EBITDA** | **4,716** | **761** | **6,705** |
| *Adjusted EBITDA margin* | *20.4%* | *13.3%* | *29.1%* |

Calculation of adjusted EBIT

| | From date when control obtained | | Pro forma |
|---|---|---|---|
| € thousand | H1 2020 | H1 2019 | H1 2019 |
| **Earnings before tax** | **(2,832)** | **(1,295)** | **350** |
| Financial result | 1,036 | 519 | 1,246 |
| **EBIT** | **(1,796)** | **(776)** | **1,597** |
| PPA amortisation | 3,903 | 1,125 | 4,354 |
| Share-based payment | 120 | 41 | 41 |
| Cost of acquisition of subsidiaries | - | - | - |
| Cost of equity transactions | 1,745 | - | - |
| **Adjusted EBIT** | **3,972** | **390** | **5,991** |
| *Adjusted EBIT margin* | *17.2%* | *6.8%* | *26.0%* |

Calculation of adjusted earnings and adjusted earnings per share

| | From date when control obtained | | Pro forma |
|---|---|---|---|
| € thousand | H1 2020 | H1 2019 | H1 2019 |
| **Profit or loss** | **(3,254)** | **(1,364)** | **(428)** |
| Share-based payments | 120 | 41 | 41 |
| Financial result from NCI put | 59 | 55 | 55 |
| Cost of acquisition of subsidiaries | - | - | - |
| Cost of equity transactions | 1,745 | - | - |
| PPA amortisation | 3,903 | 1,125 | 4,354 |
| Attributable deferred taxes | (1,049) | (347) | (1,199) |
| **Adjusted earnings** | **1,524** | **(490)** | **2,822** |
| Number of shares outstanding | 6,299,626 | 2,654,243 | 6,177,301 |
| **Adjusted earnings per share (€)** | **0.24** | **(0.18)** | **0.46** |

A cash contribution capital increase and a contribution in kind capital increase were implemented in December 2019 to finance the acquisition of IHSE. Own shares from the share loan were retransferred as a result of the issuance of BCM AG shares. The effects of these transactions on the number of shares outstanding are reflected in the pro forma perspective.

### 5. Operating segments

The **Environmental Technologies** operating segment comprises companies that develop, manufacture and distribute fine dust and nanoparticle measurement devices, aerosol spectrometers and generators as well as filter test rigs.

The **Security Technologies** operating segment comprises companies that develop, manufacture and distribute high-performance devices for switching and extending computer signals. Since this segment consists of IHSE, whose income and expenses in the reporting period were only required to be included in the consolidated financial statements in December 2019, the informative value of the amounts presented is limited.

Segment performance measures are reported on the basis of the management accounting, which largely corresponds to IFRS. Non-current assets are located almost exclusively in Germany.

| | Reportable segments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Environmental Technologies | | Security Technologies | | Total | | Central Functions | | Total | |
| € thousand | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 |
| Revenue | 5,956 | 5,717 | 17,203 | - | 23,160 | 5,717 | - | - | 23,160 | 5,717 |
| Gross profit | 4,676 | 4,749 | 12,469 | - | 17,144 | 4,749 | - | - | 17,144 | 4,749 |
| **Adjusted EBITDA** | **1,605** | **2,055** | **5,300** | **-** | **6,905** | **2,055** | **(2,189)** | **(1,294)** | **4,716** | **761** |
| Share-based payments | | | | | | | | | (120) | (41) |
| Cost of acquisition of subsidiaries | | | | | | | | | - | - |
| Cost of equity transactions | | | | | | | | | (1,745) | - |
| EBITDA | | | | | | | | | 2,851 | 720 |
| | | | | | | | | | | |
| Trade working capital* | 5,235 | 5,078 | 10,518 | - | 15,752 | 5,078 | (1,774) | (185) | 13,979 | 4,893 |
| Cash and cash equivalents | 2,507 | 2,045 | 8,279 | - | 10,787 | 2,045 | 9,752 | 29,555 | 20,539 | 31,600 |
| Financial liabilities | 16,476 | 17,608 | 42,368 | - | 58,845 | 17,608 | 106 | 189 | 58,951 | 17,796 |
| | | | | | | | | | | |
| **Revenue by region** | | | | | | | | | | |
| **EMEA** | **4,607** | **3,718** | **9,678** | **-** | **14,284** | **3,718** | **-** | **-** | **14,284** | **3,718** |
| Germany | 2,257 | 1,812 | 2,966 | - | 5,223 | 1,812 | - | - | 5,223 | 1,812 |
| Netherlands | 1 | - | 2,894 | - | 2,895 | - | - | - | 2,895 | - |
| United Kingdom | 337 | 775 | 211 | - | 548 | 775 | - | - | 548 | 775 |
| France | 479 | 277 | 271 | - | 749 | 277 | - | - | 749 | 277 |
| Italy | 260 | 29 | 372 | - | 632 | 29 | - | - | 632 | 29 |
| Other | 1,274 | 824 | 2,963 | - | 4,237 | 824 | - | - | 4,237 | 824 |
| **Americas** | **528** | **1,232** | **4,662** | **-** | **5,190** | **1,232** | **-** | **-** | **5,190** | **1,232** |
| USA | 520 | 1,232 | 4,662 | - | 5,182 | 1,232 | - | - | 5,182 | 1,232 |
| Other | 8 | - | - | - | 8 | - | - | - | 8 | - |
| **APAC** | **821** | **767** | **2,863** | **-** | **3,684** | **767** | **-** | **-** | **3,684** | **767** |
| China | 187 | 263 | 2,082 | - | 2,269 | 263 | - | - | 2,269 | 263 |
| Other | 634 | 503 | 782 | - | 1,416 | 503 | - | - | 1,416 | 503 |
| **Total** | **5,956** | **5,717** | **17,203** | **-** | **23,160** | **5,717** | **-** | **-** | **23,160** | **5,717** |

* Trade working capital comprises inventories and trade receivables, less trade payables.

Change in geographical revenue allocation

In the reporting period, the Group changed the classification of the regions for revenue allocation from a Germany- and Europe-centric view to a more global perspective. If the definition of the regions had not changed, the revenue allocation would have been shown as follows:

| | Reportable segments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Environmental Technologies | | Security Technologies | | Total | | Central Functions | | Total | |
| € thousand | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 |
| Revenue by region | | | | | | | | | | |
| Germany | 2,257 | 1,812 | 2,966 | - | 5,223 | 1,812 | - | - | 5,223 | 1,812 |
| **Rest of Europe** | **2,097** | **1,642** | **5,099** | **-** | **7,196** | **1,642** | **-** | **-** | **7,196** | **1,642** |
| France | 479 | 277 | 271 | - | 749 | 277 | - | - | 749 | 277 |
| Netherlands | 1 | - | 2,894 | - | 2,895 | - | - | - | 2,895 | - |
| Portugal | - | - | 855 | - | 855 | - | - | - | 855 | - |
| United Kingdom | 337 | 775 | 211 | - | 548 | 775 | - | - | 548 | 775 |
| Other | 1,281 | 590 | 868 | - | 2,149 | 590 | - | - | 2,149 | 590 |
| **Rest of world** | **1,602** | **2,263** | **9,138** | **-** | **10,741** | **2,263** | **-** | **-** | **10,741** | **2,263** |
| USA | 520 | 1,232 | 4,662 | - | 5,182 | 1,232 | - | - | 5,182 | 1,232 |
| China | 187 | 263 | 2,082 | - | 2,269 | 263 | - | - | 2,269 | 263 |
| Other | 896 | 767 | 2,394 | - | 3,290 | 767 | - | - | 3,290 | 767 |
| **Total** | **5,956** | **5,717** | **17,203** | **-** | **23,160** | **5,717** | **-** | **-** | **23,160** | **5,717** |

Pro forma operating segments

| | Reportable segments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Environmental Technologies | | Security Technologies | | Total | | Central Functions | | Total | |
| € thousand | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 |
| Revenue | 5,956 | 5,717 | 17,203 | 17,296 | 23,160 | 23,013 | - | - | 23,160 | 23,013 |
| Gross profit | 4,676 | 4,749 | 12,469 | 12,935 | 17,144 | 17,684 | - | - | 17,144 | 17,684 |
| **Adjusted EBITDA** | **1,605** | **2,055** | **5,300** | **5,945** | **6,905** | **7,999** | **(2,189)** | **(1,294)** | **4,716** | **6,706** |
| Share-based payments | | | | | | | | | (120) | (41) |
| Cost of acquisition of subsidiaries | | | | | | | | | - | - |
| Cost of equity transactions | | | | | | | | | (1,745) | - |
| EBITDA | | | | | | | | | 2,851 | 6,664 |
| Trade working capital* | 5,235 | 5,078 | 10,518 | 11,841 | 15,752 | 16,918 | (1,774) | (185) | 13,979 | 16,733 |
| Cash and cash equivalents | 2,507 | 2,045 | 8,279 | N/A | 10,787 | N/A | 9,752 | 29,555 | 20,539 | N/A |
| Financial liabilities | 16,476 | 17,608 | 42,368 | N/A | 58,845 | N/A | 106 | 189 | 58,951 | N/A |
| **Revenue by region** | | | | | | | | | | |
| **EMEA** | **4,607** | **3,718** | **9,678** | **9,259** | **14,284** | **12,977** | **-** | **-** | **14,284** | **12,977** |
| Germany | 2,257 | 1,812 | 2,966 | 1,716 | 5,223 | 3,528 | - | - | 5,223 | 3,528 |
| Netherlands | 1 | - | 2,894 | 3,305 | 2,895 | 3,305 | - | - | 2,895 | 3,305 |
| United Kingdom | 337 | 775 | 211 | 588 | 548 | 1,363 | - | - | 548 | 1,363 |
| France | 479 | 277 | 271 | 590 | 749 | 867 | - | - | 749 | 867 |
| Italy | 260 | 29 | 372 | 230 | 632 | 259 | - | - | 632 | 259 |
| Other | 1,274 | 824 | 2,963 | 2,830 | 4,237 | 3,654 | - | - | 4,237 | 3,654 |
| **Americas** | **528** | **1,232** | **4,662** | **4,129** | **5,190** | **5,361** | **-** | **-** | **5,190** | **5,361** |
| USA | 520 | 1,232 | 4,662 | 4,117 | 5,182 | 5,349 | - | - | 5,182 | 5,349 |
| Other | 8 | - | - | 12 | 8 | 12 | - | - | 8 | 12 |
| **APAC** | **821** | **767** | **2,863** | **3,908** | **3,684** | **4,675** | **-** | **-** | **3,684** | **4,675** |
| China | 187 | 263 | 2,082 | 3.154 | 2,269 | 3,417 | - | - | 2,269 | 3,417 |
| Other | 634 | 503 | 782 | 754 | 1,416 | 1,257 | - | - | 1,416 | 1,257 |
| **Total** | **5,956** | **5,717** | **17,203** | **17,296** | **23,160** | **23,013** | **-** | **-** | **23,160** | **23,013** |

* Trade working capital comprises inventories and trade receivables, less trade payables.

The cash and cash equivalents and financial liabilities of IHSE, i.e. the Security Technologies operating segment, were substantially impacted by the acquisition of IHSE by the Group in December 2019. As a result, reporting these amounts as at 30 June 2019 would not represent a meaningful basis for comparison. These amounts as well as totals incorporating these amounts are therefore presented as not applicable (N/A) in the table above.

Pro forma geographical revenue allocation under the old definition of regions

| | Reportable segments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Environmental Technologies | | Security Technologies | | Total | | Central Functions | | Total | |
| € thousand | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 |
| Revenue by region | | | | | | | | | | |
| Germany | 2,257 | 1,812 | 2,966 | 1,716 | 5,223 | 3,528 | - | - | 5,223 | 3,528 |
| **Rest of Europe** | **2,097** | **1,642** | **5,099** | **5,442** | **7,196** | **7,084** | **-** | **-** | **7,196** | **7,084** |
| France | 479 | 277 | 271 | 590 | 749 | 867 | - | - | 749 | 867 |
| Netherlands | 1 | - | 2,894 | 3,305 | 2,895 | 3,305 | - | - | 2,895 | 3,305 |
| Portugal | - | - | 855 | - | 855 | - | - | - | 855 | - |
| United Kingdom | 337 | 775 | 211 | 588 | 548 | 1,363 | - | - | 548 | 1,363 |
| Other | 1,281 | 590 | 868 | 959 | 2,149 | 1,549 | - | - | 2,149 | 1,549 |
| **Rest of world** | **1,602** | **2,263** | **9,138** | **10,138** | **10,741** | **12,401** | **-** | **-** | **10,741** | **12,401** |
| USA | 520 | 1,232 | 4,662 | 4,117 | 5,182 | 5,349 | - | - | 5,182 | 5,349 |
| China | 187 | 263 | 2,082 | 3,154 | 2,269 | 3,417 | - | - | 2,269 | 3,417 |
| Other | 896 | 767 | 2,394 | 2,867 | 3,290 | 3,634 | - | - | 3,290 | 3,634 |
| **Total** | **5,956** | **5,717** | **17,203** | **17,296** | **23,160** | **23,013** | **-** | **-** | **23,160** | **23,013** |

## 6. Revenue

Classification of revenue from contracts with customers

The Group generates revenue mostly from the sale of measuring devices and test rigs in the Environmental Technologies operating segment and from the sale of KVM devices and KVM systems in the Security Technologies operating segment. The following table classifies the Group's revenue from contracts with customers (IFRS 15) by the most important product and service lines and the timing of revenue recognition. Please refer to Note 5 for information on the geographical distribution of revenue.

Income from short-term leases of devices

In addition to revenue from contracts with customers under IFRS 15, the Group also reports income from short-term leases of devices under IFRS 16. Those income components are shown as separate line items in the following overview.

| | Environmental Technologies | | Security Technologies | | Total | |
|---|---|---|---|---|---|---|
| € thousand | H1 2020 | H1 2019 | H1 2020 | H1 2019 | H1 2020 | H1 2019 |
| **External customers** | | | | | | |
| Products sold | 7,097 | 6,919 | 17,177 | - | 24,274 | 6,919 |
| Services rendered | 271 | 283 | 135 | - | 406 | 283 |
| **External gross revenue** | **7,368** | **7,202** | **17,312** | **-** | **24,680** | **7,202** |
| Sales allowances | (1,447) | (1,499) | (108) | - | (1,556) | (1,499) |
| **Revenue from contracts with customers** | **5,921** | **5,703** | **17,203** | **-** | **23,125** | **5,703** |
| Short-term leases of devices | 35 | 14 | - | - | 35 | 14 |
| **Revenue** | **5,956** | **5,717** | **17,203** | **-** | **23,160** | **5,717** |
| | | | | | | |
| **Timing of revenue recognition** | | | | | | |
| Point in time | 5,432 | 5,419 | 17,069 | - | 22,501 | 5,419 |
| Over time | 489 | 283 | 135 | - | 623 | 283 |
| **Revenue from contracts with customers** | **5,921** | **5,703** | **17,203** | **-** | **23,125** | **5,703** |
| Short-term leases of devices | 35 | 14 | - | - | 35 | 14 |
| **Revenue** | **5,956** | **5,717** | **17,203** | **-** | **23,160** | **5,717** |

## 7. Listing preparation costs

In the reporting period, the Group recognised expenses of €1,745 thousand (prior-year period: €- thousand) in conjunction with preparations for the stock market listing. This relates to the expense incurred and accrued up to 30 June 2020. The total costs of going public recognised as expenses are expected to come to approximately €4.0 million. Please refer to Note 4 for further information.

## 8. Procedure for determining income taxes

In the reporting period, income taxes were recognised on the basis of best estimates of the weighted average annual income tax rate expected for the full year.

### 9. Earnings per share

The following table presents the calculation of earnings per share.

| | H1 2020 | H1 2019 |
|---|---|---|
| Profit or loss in € thousand | (3,254) | (1,364) |
| Weighted average number of shares outstanding | 6,299,626 | 2,654,243 |
| **Earnings per share in €** | **(0.52)** | **(0.51)** |

Adjusted pro forma earnings per share are shown in the following table. Please refer to Note 4 for further information.

| Adjusted pro forma | H1 2020 | H1 2019 |
|---|---|---|
| Profit or loss in € thousand | 1,524 | 2,822 |
| Weighted average number of shares outstanding | 6,299,626 | 6,177,301 |
| **Earnings per share in €** | **0.24** | **0.46** |

### 10. Changes in equity

The Company increased its equity by €150,686 to €6,793,058 when the capital increase was entered in the commercial register on 20 February 2020. The new shares were issued by partial utilisation of Authorized Capital 2017/I at a price of €32.00 per share, with funds of €4,822 thousand accruing to the Company. Of the 150,686 new shares, 70,969 shares were subscribed by members of the founding team. In order to maintain a proportion of 1/3 of voting and dividend rights attributable to the founding team, these 70,969 shares were transferred to the Company by way of an uncompensated securities loan (**Share Loan II**).

As a result of the issue of 79,717 new shares to external investors, 39,858 shares from the original securities loan, as described in Note 22.1 to the 2019 consolidated financial statements (**Share Loan I**), were retransferred to the members of the founding team. Therefore, as at 30 June 2020, the Company held 459,925 own shares by way of the share loans (of which 388,956 in Share Loan I and 70,969 in Share Loan II).

On account of the share loans, the distribution of voting and dividend rights as at 30 June 2020 was as follows:

| Shareholder group | Number of shares | % interest |
|---|---|---|
| Founding team | 2,111,044 | 33.3% |
| Pre-IPO investors | 4,222,089 | 66.7% |
| **Shares outstanding** | **6,333,133** | **100.0%** |

Share ownership was as follows as at 30 June 2020:

| Shareholder group | Number of shares | % interest |
|---|---|---|
| Founding team | 2,111,044 | 31.1% |
| Pre-IPO investors | 4,222,089 | 62.2% |
| **Shares outstanding** | **6,333,133** | **93.2%** |
| BCM AG (share loan) | 459,925 | 6.8% |
| **Total** | **6,793,058** | **100.0%** |

The classification of and changes in equity during the reporting period are presented in the consolidated statement of changes in equity.

### 11. Financial liabilities

Financial liabilities are composed of the following items:

| € thousand | 30.03.2020 | 31.12.2019 |
|---|---|---|
| Senior bank loans | 47,307 | 49,583 |
| Real estate loans | 6,410 | 6,440 |
| Lease liabilities | 738 | 770 |
| Liability from purchase of remaining 30% interest in Palas | 1,391 | 1,332 |
| Other financial liabilities | 3,105 | 3,199 |
| **Total financial liabilities** | **58,951** | **61,324** |
| of which: non-current | 52,486 | 55,889 |
| of which: current | 6,465 | 5,435 |

### 12. Carrying amounts and fair values

The Group has financial instruments that are not measured at fair value in the statement of financial position. In the case of these instruments, the fair values do not differ significantly from the carrying amounts, as the interest receivables and interest payables are either essentially equal to the current market rates or these are short-term instruments.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy. It does not contain information on the fair value of financial assets and financial liabilities that are not measured at fair value if the carrying amount represents an appropriate approximation of fair value.

Carrying amounts and fair values as at 30 June 2020

| | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| € thousand | Financial assets at amortised cost | Other financial liabilities | Total | Level 1 (quoted prices) | Level 2 (derived prices) | Level 3 (non-derivable prices) | Total |
| **Assets not measured at fair value** | | | | | | | |
| Trade receivables | 6,040 | - | 6,040 | | | | |
| Other receivables | 221 | - | 221 | | | | |
| Cash and cash equivalents | 20,539 | - | 20,539 | | | | |
| **Total** | **26,800** | **-** | **26,800** | | | | |
| | | | | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | |
| Secured bank loans | - | 53,716 | 53,716 | - | 53,716 | - | 53,716 |
| Unsecured loans | - | 3,105 | 3,105 | - | 3,105 | - | 3,105 |
| Liability from purchase of remaining 30% interest in Palas | - | 1,391 | 1,391 | - | - | 1,391 | 1,391 |
| Trade payables | - | 3,386 | 3,386 | | | | |
| Other liabilities | - | 5,570 | 5,570 | | | | |
| **Total** | **-** | **67,168** | **67,168** | | | | |

Financial liabilities are measured using discounted cash flows. The valuation model takes account of the present value of the expected payments using the effective interest rate.

Carrying amounts and fair values as at 31 December 2019

| | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| € thousand | Financial assets at amortised cost | Other financial liabilities | Total | Level 1 (quoted prices) | Level 2 (derived prices) | Level 3 (non-derivable prices) | Total |
| **Assets not measured at fair value** | | | | | | | |
| Trade receivables | 5,848 | - | 5,848 | | | | |
| Other receivables | 655 | - | 655 | | | | |
| Cash and cash equivalents | 17,171 | - | 17,171 | | | | |
| **Total** | **23,674** | **-** | **23,674** | | | | |
| | | | | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | |
| Secured bank loans | - | 56,023 | 56,023 | - | 56,023 | - | 56,023 |
| Unsecured loans | - | 3,199 | 3,199 | - | 3,199 | - | 3,199 |
| Liability from purchase of remaining 30% interest in Palas | - | 1,332 | 1,332 | - | - | 1,332 | 1,332 |
| Trade payables | - | 2,450 | 2,450 | | | | |
| Other liabilities | - | 4,466 | 4,466 | | | | |
| **Total** | **-** | **67,469** | **67,469** | | | | |

## 13. Related party transactions

Key management personnel

In respect of the Group, key management personnel includes the members of the Executive Board and Supervisory Board of the parent company.

One member of the Executive Board received 1,595 shares of the Company from the Company in the course of the partial retransfer of Share Loan I. Owing to the structuring of the legal function of the share loan, the volume and the outstanding balance of the transaction are presented with a value of zero. Please refer to Note 10.

Members of the Executive Board subscribed for 65,234 shares of the Company at a price of €32.00 per share in the course of the capital increase in February 2020. These shares are lent to the Company under the terms of Share Loan II. Please refer to Note 10.

| | Value of transactions | | Outstanding balances | |
|---|---|---|---|---|
| € thousand | H1 2020 | H1 2019 | 30 June 2020 | 30 June 2019 |
| Share issuance | 2,087 | - | - | - |

Other related parties

Executive Board members hold positions in other entities in which they are able to control or significantly influence on financial and business policy of those entities. Some of those entities conducted transactions with the BCM AG in the reporting period.

Falkenstein Heritage GmbH, whose registered office is in Wetzlar, holds 26.7% of the voting rights in the Company. This entity is controlled by a member of the Executive Board of BCM AG.

Brockhaus Private Equity GmbH is a minority shareholder of the Company holding 3.3% of the voting rights, and is controlled by members of the Executive Board of BCM AG. There was a service relationship with Brockhaus Private Equity GmbH in the reporting period resulting from a sublease agreement.

Falkenstein Heritage GmbH and Brockhaus Private Equity GmbH are parties to Share Loan I and – as part of this – received partial retransfers of 35,871 shares of the Company in the reporting period. Owing to the structuring of the legal function of the share loan, the volume and the outstanding balance of the transaction are presented with a value of zero. Please refer to Note 10.

The aggregated values of the transactions and the outstanding balances related to entities that are either controlled or significantly influenced by key management personnel are as follows:

| | Value of transactions | | Outstanding balances | |
|---|---|---|---|---|
| € thousand | H1 2020 | H1 2019 | 30 June 2020 | 30 June 2019 |
| Sublease | 53 | 53 | - | - |

## 14. Contingent liabilities

Current and non-current assets have been assigned as security and land charges are in place as collateral for bank loans.

## 15. Events after the reporting period

BCM AG's shares were listed for the first time in the Prime Standard (sub-segment of the regulated market with additional post-admission obligations) of the Frankfurt Stock Exchange on 14 July 2020. In the run-up to the listing, new shares were issued under a private placement, in the course of which two capital increases were implemented.

BCM AG's share capital was increased by €3,125,000, from €6,793,058 to €9,918,058, on entry of the capital increase in the commercial register on 10 July 2020. The new shares were issued at a price of €32.00 per share, as a result of which new funds of €100,000 thousand (before transaction costs) accrued to the BCM Group.

As the greenshoe option was exercised following the initial listing, the share capital was increased by a further €468,750 to €10,386,808 on entry of the new shares in the commercial register on 21 July 2020. The new shares were also issued at a price of €32.00 per share, and additional €15,000 thousand (before transaction costs) accrued to the BCM Group.

Effective 15 July 2020, Group entity Palas (Asia) Ltd. formed the new foreign subsidiary **Palas Instruments (Shanghai) Co. Ltd.**, whose registered office is in Shanghai.

In August 2020, a subordinated loan, which was taken on in connection with the acquisition of Palas, was paid back in full. As per 30 June 2020, this loan was reported at €3,105 thousand in other financial liabilities.

IHSE Holding GmbH was merged with IHSE AcquiCo GmbH on entry of the transaction in the commercial register on 12 August 2020.

# Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Frankfurt am Main, 29 September 2020

Brockhaus Capital Management AG
The Executive Board

**Marco Brockhaus** **Dr Marcel Wilhelm**

# Financial Calendar

| | |
|---|---|
| 24 Nov 2020 | Quarterly Statement 9M 2020 |

# Contact Information and Legal Notice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