



INTERIM REPORT Q2 2020

TEMPTON Group



Q2 2020 HIGHLIGHTS

TOTAL INCOME

41.8 m€

GROSS PROFIT

9.1 m€

EBITDA

-2.0 m€

INCREASE OF MARKET SHARE

Unlike most of its competitors, TEMPTON did not focus on maximum liquidity preservation in Q2 2020, but on gaining market share and on readiness for a "flying start" into the "post Corona" period. This strategy has paid off.

TEMPTON NOW AMONG THE TOP 10 IN GERMANY

In line with the information communicated to the bondholders and with its strategy, TEMPTON used the weakness of the competition to prepare acquisitions from the end of Q2 2020 onwards. On August 19, 2020 TEMPTON published the acquisition of the TRIA Group. As a result, TEMPTON has risen from 15th place among the largest German personnel service companies to the TOP 10.

OPTIMISED MARKET POSITIONING OF TEMPTON DUE TO NEW CREDIT RATING

In June 2020, TEMPTON was awarded the CrefoZert seal by Creditreform. This puts TEMPTON among the 2.0% of German companies that have been awarded exclusively for an exceptionally good credit rating.

Measured in absolute terms, due to COVID-19 effects Q2 2020 sales and earnings were poor for TEMPTON (defined as TEMPTON Group GmbH and all legal entities associated with TEMPTON Group GmbH within the meaning of Sec. 17 AktG [German Stock Corporation Act]). However, in line with the communication to the bondholders, TEMPTON has been waiting for exactly such a situation to substantially expand its market share, even using the bond funds. This strategy has been a complete success and will be reflected in a correspondingly positive development in sales and earnings from 2021 at the latest.

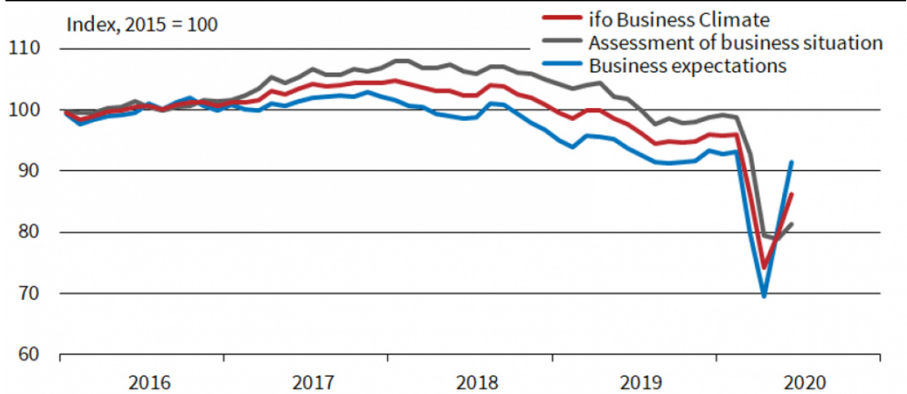


DEVELOPMENT TOTAL MARKET GERMANY

Development Business Climate Index Germany¹

ifo Business Climate Germany^a

Seasonally adjusted

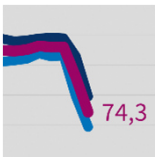


^a Manufacturing, service sector, trade, and construction.

Source: ifo Business Survey, June 2020.

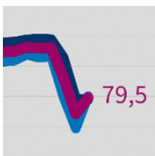
© ifo Institute

Historic Low (April 2020)



Sentiment at German companies is catastrophic. The ifo Business Climate Index crashed from 85.9 points (seasonally adjusted) in March to 74.3 points in April. This is the lowest value ever recorded, and never before has the index fallen so drastically. This is primarily due to the massive deterioration in the current situation. Companies have never been so pessimistic about the coming months. The coronavirus crisis is striking the German economy with full fury.¹

Index Rises Strongly (June 2020)

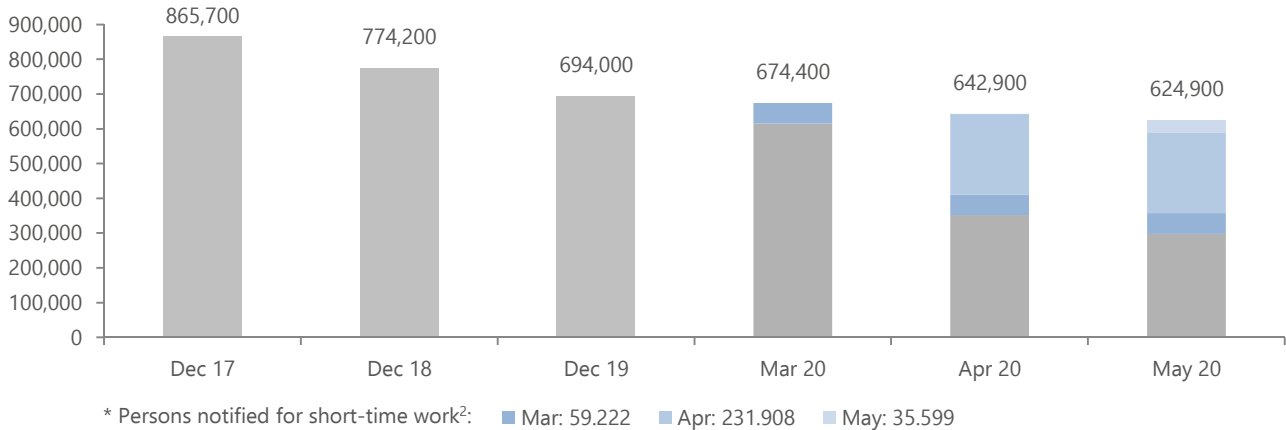


Sentiment among German companies has brightened further. The ifo Business Climate Index rose from 79.7 points (seasonally adjusted) in May to 86.2 points in June. This is the strongest increase ever recorded. Companies' assessments of their current situation were somewhat better. Moreover, their expectations leaped higher. German business sees light at the end of the tunnel.¹

¹ <https://www.ifo.de/en>

DEVELOPMENT TEMPORARY EMPLOYMENT MARKET

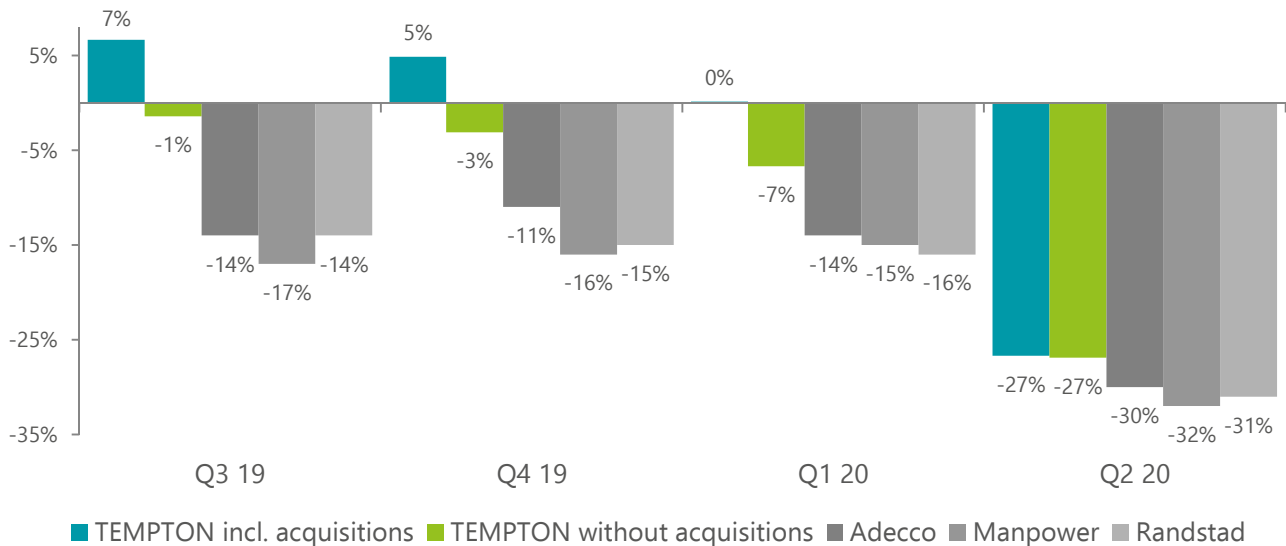
Temporary Employees Germany²



Note

The figures are based on the statistics of the Federal Employment Agency and show not only the number of employees but also the number of people reported for short-time work. In our presentation, we assume that the temporary workers who were once registered for short-time work will still be on short-time in the following months.

Exemplary market comparison based on turnover Germany (YOY)^{3, 4, 5, 6}



² <https://statistik.arbeitsagentur.de/>

³ TEMPTON turnover according to internal reporting.

⁴ <https://www.adecgroup.com/investors/>

⁵ <https://investor.manpowergroup.com/>

⁶ <https://www.randstad.com/investor-relations/>

KEY FIGURES

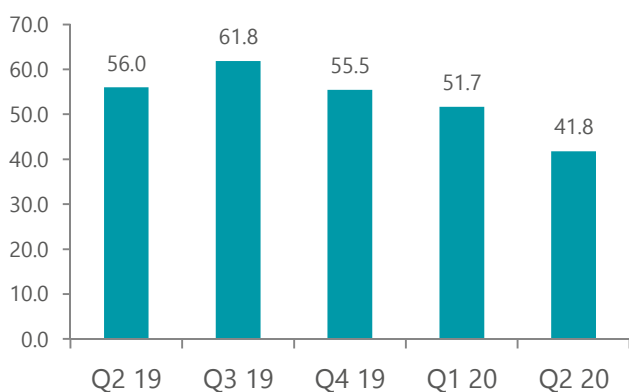
General note

The seasonal fluctuations in the turnover and EBITDA curve are typical for the temporary employment industry (timing of public holidays in the first and second quarter, strong capacity utilization in the third quarter).

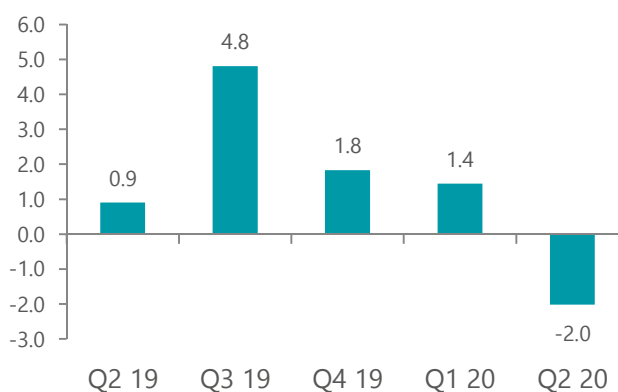
Key figures

in m€	Q2 20	Q1 20	Q2 19	01-06/2020	01-06/2019
Total income	41.8	51.7	56.0	93.4	107.3
OPEX	43.8	50.2	55.1	94.0	104.1
EBITDA	-2.0	1.4	0.9	-0.6	3.2
%	-4.8%	2.8%	1.6%	-0.6%	3.0%
EBITDA adjusted	-2.0	1.4	1.0	-0.6	3.4
%	-4.8%	2.8%	1.8%	-0.6%	3.2%

Total income (in m€)^{Note 1}



EBITDA (in m€)^{Note 2}



Note 1 – Total income

As expected, total income of EUR 41.8 million in the second quarter is significantly lower than in the first quarter due to COVID-19. In direct comparison with the previous year, total income decreased by EUR 14.2 million.

Note 2 - EBITDA

The EBITDA of the second quarter reflects the effects of COVID-19 in addition to the normal seasonal business development.

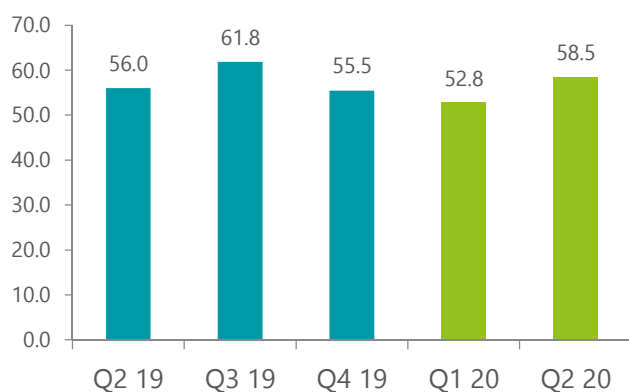


KEY FIGURES WITHOUT THE COVID-19 EFFEKT

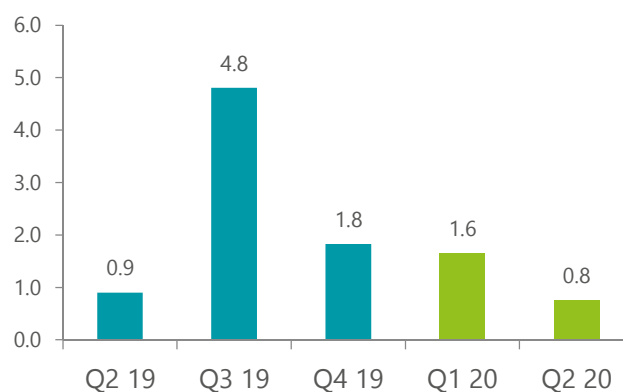
Key figures

in m€	Q2 20	Q1 20	Q2 19	01-06/2020	01-06/2019
Total income	58.5	52.8	56.0	111.3	107.3
OPEX adjusted	57.8	51.1	55.1	108.9	104.1
EBITDA adjusted	0.8	1.6	0.9	2.4	3.2
%	1.3%	3.1%	1.6%	2.2%	3.0%

Total income (in m€)



EBITDA (in m€)



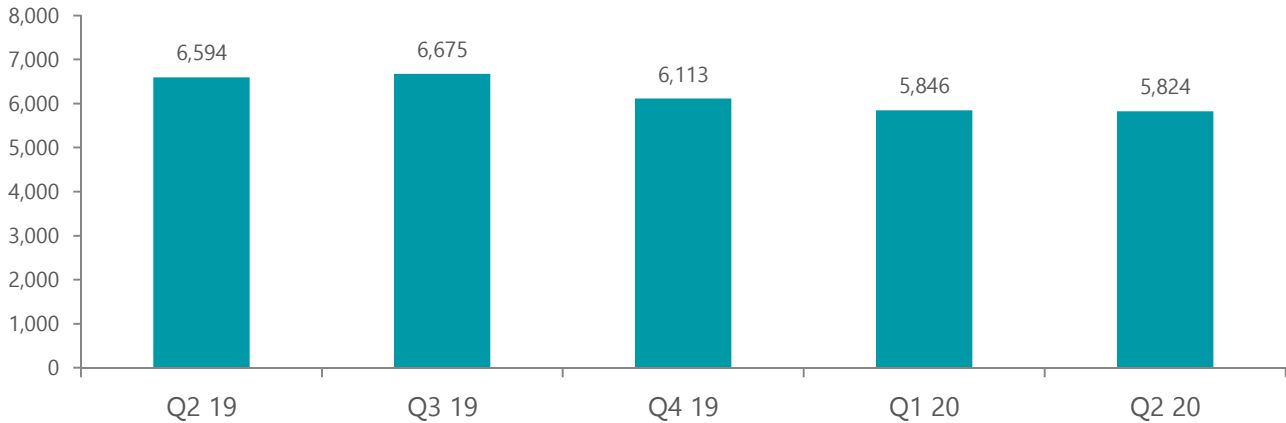
Note

The key figures presented are intended to show how TEMPTON would have performed in Q1 2020 and Q2 2020 without COVID-19. The calculation is based on the March headcount figures and assumes a typical productivity for the months April 2020 to June 2020 with a low growth rate of 1.5%.



DEVELOPMENT OPERATIONS TEMPTON

Total number of employees

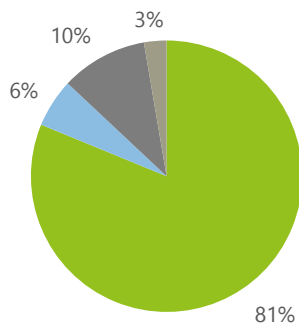


Note

A seasonal fluctuation in the number of employees is typical for the temporary employment sector. The slight seasonal increase in the number of employees could not be achieved in the second quarter due to COVID-19. Despite the sharp decline in demand, TEMPTON has deliberately refrained from reducing its workforce in order to be able to start from full speed when business returns and to gain market share against the competition.

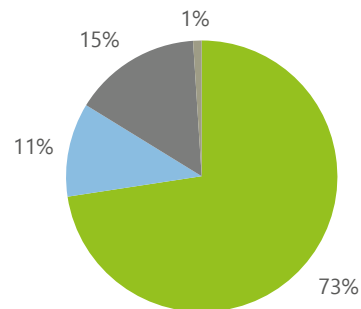
Development Business Segments⁷

Turnover by Business Segment – Q2 20 (Percent)



■ Personnel services ■ Next Level
 ■ Technical services ■ Outsourcing

Gross profit by Business Segment – Q2 20 (Percent)



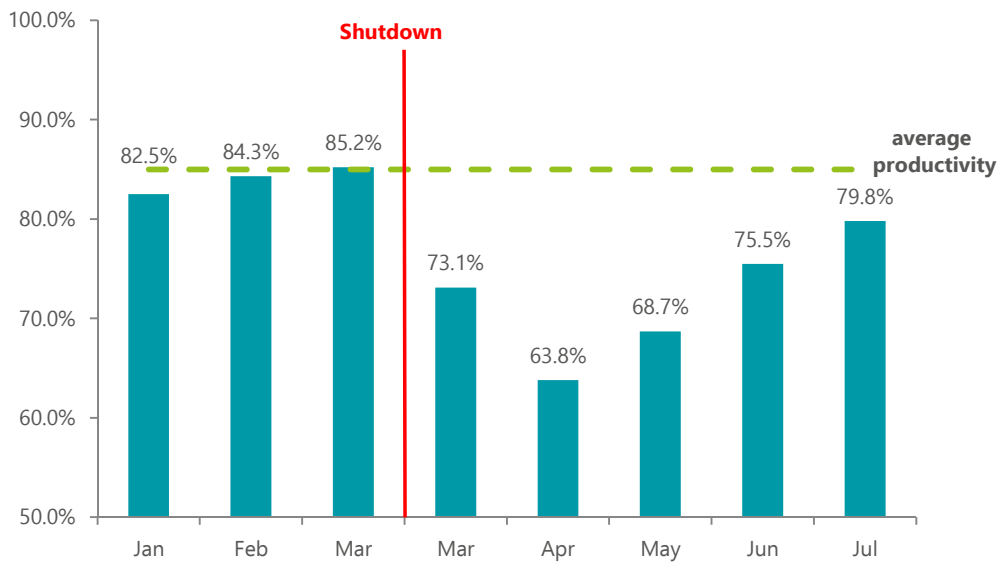
■ Personnel services ■ Next Level
 ■ Technical services ■ Outsourcing

⁷ Turnover and gross profit according to internal reporting.

OUTLOOK

The negative effects of the COVID 19 crisis, which were already foreseeable at the end of Q1 2020, led to a sharp drop in productivity in April 2020. Since May 2020, the figures have been showing a continuous positive trend again. This reinforces our expectation of achieving a positive business result in 2020, as already forecasted in the Q1 2020 interim report.

Development of productivity



COMMENTS RE. FINANCIAL STATEMENTS

Consolidation

The consolidated balance sheet is prepared by combining the individual balance sheets of all subsidiaries included in the consolidated financial statements. Inclusion is based on the principle of full consolidation, i.e. all assets and liabilities of the companies included are adopted in the consolidated balance sheet with their full amount, except for those items that have been consolidated. TEMPTON Group GmbH directly or indirectly holds 100% of the shares of the consolidated subsidiaries.

Liquidity and cash flow

A decrease of the cash balance in Q2 is typical for the temporary employment industry. The main drivers are the contractual payments of sales commissions and bonuses to the sales force as well as the statutory annual contribution to the employers' liability insurance association.

Cash flow (in m€)



COMMENTS RE. FINANCIAL STATEMENTS

Key figures (in m€)

Leverage ratio

EBITDA LTM	6.1
-------------------	------------

Net Debt

Bond loan	30.4
-----------	------

Cash balance	18.8
--------------	------

Net debt	11.6
-----------------	-------------

Net Leverage ratio	1.9
---------------------------	------------

Interest cover ratio

Interest expense	1.9
------------------	-----

Interest cover ratio	3.2
-----------------------------	------------

Main risk factors

At a cursory glance, the main risk factor is surely the current great uncertainty as to how the (negative) economic effects of COVID-19 will turn out over the course of 2020 and 2021. However, a longer reverberation of the COVID-19 effects would also give TEMPTON the opportunity for further market consolidation.

Use of Alternative Performance Measures (APM)

Alternative performance measures are performance measures outside of the applicable financial reporting framework (HGB). Financial APMs are intended to enhance comparability of financial performance over time and are frequently used by analysts and investors. APMs may also be used internally as basis for performance related remuneration.

TEMPTON uses the following APMs:

DB2 means earnings before interests, taxes and depreciation (without financing costs for the limited factoring on the level of TEMPTON Technik GmbH, TEMPTON Next Level Experts GmbH and TEMPTON Outsourcing GmbH).

GROSS PROFIT means total income after deducting cost of leasing staff and cost of materials.



Statement from the Board of Directors

The financial statements are, to the best of our knowledge and based on our best opinion, presented in accordance with generally accepted accounting principles and the information provided in the financial statements give a true and fair view of TEMPTON and TEMPTON's assets, liabilities, financial position and result. This interim report provides an accurate view of the development performance and financial position of TEMPTON.

Essen, 26.08.2020

Dr. Annett Tischendorf
CEO

Frank Seipenbusch
CFO



CONSOLIDATED INCOME STATEMENT (UNAUDITED)

All figures in €	Notes	Q2 20	01-06/2020	Q2 19	01-06/2019
Revenues		41,331,863	92,031,474	55,471,678	106,319,893
Change in the inventory of finished goods and work in process		-207,832	162,775	58,318	91,575
Other operating income		637,089	1,241,824	458,016	924,259
Total income		41,761,119	93,436,073	55,988,012	107,335,727
Material costs					
costs of raw material, supplies, operating material and acquired goods		704,422	1,358,583	231,510	428,201
costs of services acquired		1,539,826	3,157,284	1,469,709	2,893,465
		2,244,248	4,515,868	1,701,219	3,321,666
Personnel costs					
wages and salaries		29,582,136	64,046,253	39,582,337	74,522,780
social security and expenses for old age pensions and support		6,861,743	14,629,521	9,039,422	16,932,697
		36,443,879	78,675,774	48,621,759	91,455,477
Depreciation		651,203	1,242,706	549,218	989,760
Other operating expenses		5,091,700	10,822,801	4,765,101	9,315,355
Other interest and similar income		4,310	8,448	16,145	20,175
Interest and similar expenses		521,347	1,043,045	295,535	594,423
Taxes		280,863	668,590	457,523	511,535
Profit after taxes		-3,467,810	-3,524,262	-386,197	1,167,687
Other taxes		4,791	9,582	5,108	8,514
Group annual surplus/ annual deficit		-3,472,601	-3,533,844	-391,305	1,159,173



CONSOLIDATED BALANCE SHEET (UNAUDITED)

All figures in €	Notes	30 June 2020	31 December 2019
ASSETS			
FIXED ASSETS			
I. Intangible assets			
1. Concessions, industrial property rights acquired for a consideration as well as licenses to such rights and values		1,351,800	1,293,736
2. Goodwill		11,320,738	11,658,953
		12,672,538	12,952,689
II. Tangible assets			
1. Real estate, titles to land and buildings including buildings on third party land		3,630,943	3,387,652
2. Technical equipment and machines		79,164	85,506
3. Other plants, office fixtures and fittings		3,604,132	3,245,994
		7,314,238	6,719,152
CURRENT ASSETS			
I. Inventories			
		1,800,201	1,722,095
II. Receivables and other assets			
1. Receivables of deliveries and services		18,562,101	23,243,476
2. Receivables from affiliated enterprises		26,785	27,411
3. Other assets		6,121,137	4,832,352
		24,710,023	28,103,240
III. Cash on hand, bank balances			
		18,774,312	26,924,313
PREPAID EXPENSES			
		1,492,999	1,007,331
TOTAL ASSETS			
		66,764,310	77,428,820



CONSOLIDATED BALANCE SHEET (UNAUDITED)

All figures in €	Notes	30 June 2020	31 December 2019
EQUITY AND LIABILITIES			
EQUITY			
I. Subscribed capital		25,000	25,000
own shares		-8,500	-8,500
		16,500	16,500
II. Capital reserves		500,000	500,000
III. Profit carried forward/losses carried forward		5,973,017	9,506,861
		6,489,517	10,023,361
PROVISIONS			
1. Provisions for pensions and similar obligations		2,700,806	2,613,834
2. Provisions for taxes		2,459,182	1,896,680
3. Other provisions	1	11,141,059	14,994,336
		16,301,047	19,504,850
LIABILITIES			
1. Loans and borrowings		30,390,000	30,420,000
2. Liabilities due to credit institutions		50,722	154,244
3. Liabilities from supplies and services		1,841,208	1,978,212
4. Liabilities due to affiliated enterprises		4,590	4,590
5. Other liabilities	2	11,040,701	14,298,221
		43,327,221	46,855,266
DEFERRED INCOME		646,525	1,045,342
TOTAL EQUITY AND LIABILITIES		66,764,310	77,428,820



CASH FLOW STATEMENT (UNAUDITED)

All figures in thousand €	Notes	Q2 20	01-06/2020	01-06/2019
Profit for the period (consolidated net income for the financial year)		-3,473	-3,534	1,159
Depreciation, amortisation and write-downs of fixed assets/reversals of such write-downs		651	1,243	990
Increase/decrease in provisions		-4,221	-3,204	-1,506
Other non-cash expenses/income		-19	-61	-76
Increase/decrease in inventories, receivables for deliveries and services and other assets not related to investing or financing activities		1,589	2,829	-4,820
Increase/decrease in liabilities from supplies and services and other liabilities not related to investing or financing activities		-2,350	-3,793	1,944
Interest expense/interest income		517	1,035	574
Cash flows from operating activities		-7,305	-5,485	-1,734
Payments to acquire tangible fixed assets		-968	-1,558	-3,542
Interest received		2	5	4
Cash flows from investing activities		-967	-1,553	-3,538
Proceeds from borrowings		0	0	0
Cash repayments of bonds and borrowings	3	-51	-104	-474
Interest paid for financial loans and factoring		-499	-978	-502
Change in other financial liabilities		-25	-30	0
Cash flows from financing activities		-575	-1,112	-977
Net change in cash funds		-8,847	-8,150	-6,249
Cash funds at the beginning of period		27,621	26,924	15,605
Cash funds at end of period		18,774	18,774	9,356



NOTES

General

The group parent company operates under the name TEMPTON Group GmbH. The accounting transactions underlying this interim report comply with German commercial and company law regulations (HGB, GmbHG).

Note 1 – Other provisions

The change is the result of the complete and punctual payment of contributions to the employers' liability insurance association.

Note 2 – Other liabilities

This effect is mainly due to the decrease in sales (reduced tax liabilities) and lower personnel expenses.

Note 3 - Cash repayments of bonds and borrowings

The previous year's amount includes the redemption payment from the old financing. The current redemption amount relates to a real estate financing that ends in September 2020.



ABOUT TEMPTON

With headquarters in Essen, TEMPTON is one of Germany's leading and fastest-growing HR service providers. We currently operate almost everywhere in Germany with offices in more than 120 locations, regularly employing more than 8,000 motivated members of staff. Offering secure and attractive workplaces to people with vastly different qualifications – from skilled manual worker to highly qualified interim manager – is what motivates us. Our exceptionally positive corporate development is based on highly digitalized processes and innovative product strategies. Today over 10,000 corporate clients in many different industries rely on us to provide them with attractive HR solutions of every kind.





TEMPTON Group
Schürmannstraße 24
45136 Essen

www.tempton.de