



ROY Asset Holding SE

# Half-year financial report 2020



|   |    |
|---|----|
| LETTER TO OUR SHAREHOLDERS  | 3  |
| CONDENSED MANAGEMENT REPORT OF THE ROY ASSET HOLDING SE GROUP FOR THE FISCAL YEAR FROM JANUARY 1, 2020 TO JUNE 30, 2020 | 4  |
| GROUP PROFILE   | 4  |
| ECONOMIC REPORT   | 5  |
| REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS  | 7  |
| CONSOLIDATED BALANCE SHEET  | 9  |
| CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FROM JANUARY 1, 2020 TO JUNE 30, 2020               | 10 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY   | 11 |
| CONSOLIDATED CASH FLOW STATEMENT  | 12 |
| NOTES TO THE HALF-YEAR FINANCIAL STATEMENT AS AT 30 JUNE 2020   | 13 |
| ASSURANCE BY THE LEGAL REPRESENTATIVES  | 21 |
| IMPRINT AND FINANCIAL CALENDAR 2020   | 23 |

# LETTER TO OUR SHAREHOLDERS

*Dear Shareholders,*

In the course of the first half of 2020, substantial sales were achieved in both divisions. In the first quarter we were able to report a profit due to the successful sale of Kirby Interchange in the Group. The second quarter was characterized by Corona and also left its mark on both divisions. Sales in the ceramics division in particular, were below plan, while in the real estate division our major project "The Travis" will only be completed late due to local measures to contain COVID-19 in Houston. Rental activities began in March and a letting rate of approx. 28% has already been achieved. The net loss of EUR 6.1 million in the first half of 2020 (previous year: EUR 7.5 million) was, as in the corresponding period of 2019, mainly due to the depreciation of EUR 6.6 million (previous year: EUR 6.2 million) on movable assets and real estate.

We expect the Corona pandemic to continue to have a significant impact on the market well into Q1 2021 and to affect our two business segments. In the ceramics division, we are continuing to work on restructuring our ceramic activities and optimizing our product range and production, as well as intensifying our sales activities. We are pleased to report that the measures introduced in 2019 to stabilize business in Germany in the first half of the year have proven to be correct. In the first half of 2020, sales of our ceramic tiles in Germany were only 4% below plan, despite strict local measures and the closure of customer exhibitions. Unfortunately, however, business declined more sharply in the export sector, as we almost exclusively supply projects that have been postponed indefinitely. In order to strengthen our position in the export business, the sales department will be strengthened with a new structure. In this context there is also a new and improved internet presence of Klingenberg Dekoramik GmbH. The marketing department was additionally strengthened with new personnel, this also benefits the parent company ROY.

Despite the effects of the local COVID-19 measures in California and Texas, we continue to work consistently in the real estate business unit on projects that are currently under development. We are convinced that we will continue to generate sales in the second half of the year with the sale of one or two single-family homes. For further real estate projects we assume that the projects will be ready for marketing when the COVID-19 situation has improved.

I would like to thank all shareholders for their support.

With kind regards,

Matthias Herrmann  
CEO of ROY ASSET HOLDING SE

# CONDENSED MANAGEMENT REPORT OF THE ROY ASSET HOLDING SE GROUP FOR THE FISCAL YEAR FROM JANUARY 1, 2020 TO JUNE 30, 2020

## 1. GROUP PROFILE

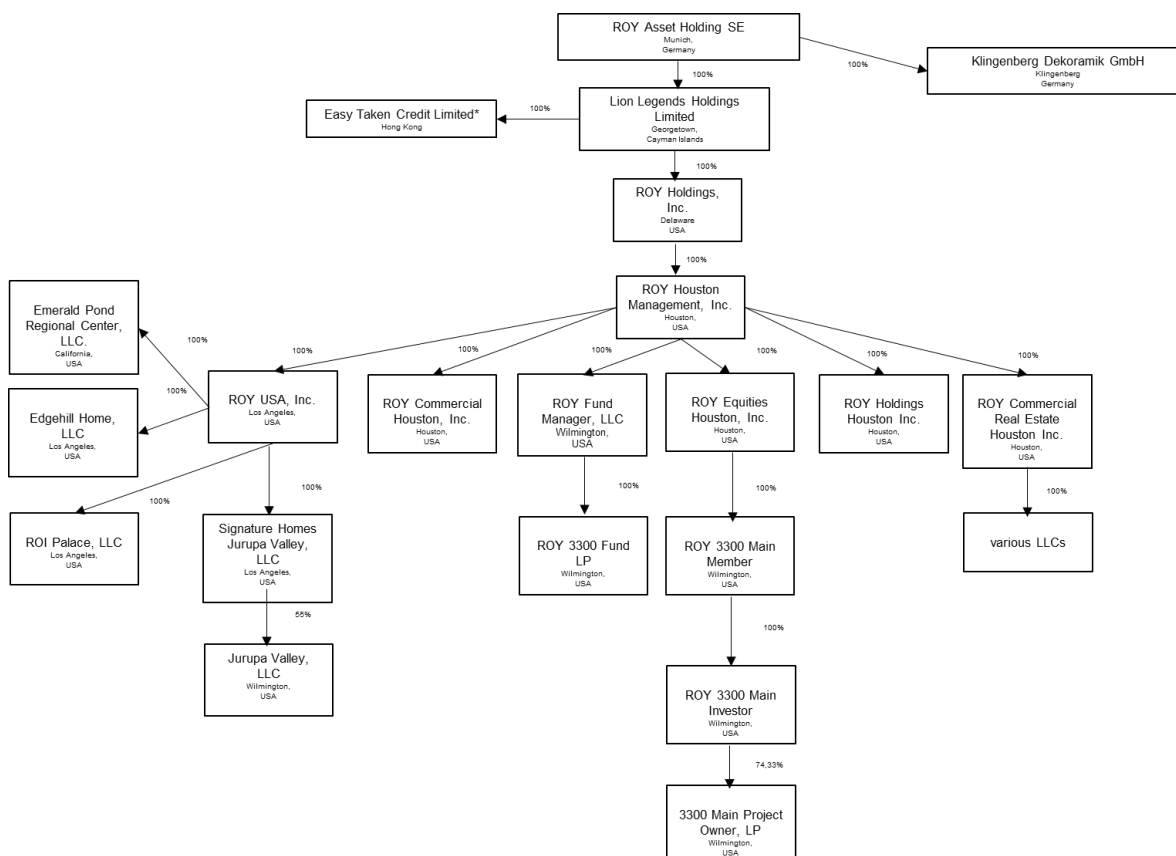
### 1.1 General Informationen

ROY Asset Holding SE, Munich (hereinafter referred to as "Company" or "ROY" for short) is the parent company of the Group. The Company is a European stock corporation (Aktiengesellschaft) founded on May 8, 2014 and registered in the Commercial Register of Munich (HRB 211752) with the administrative headquarters (business address) Gießener Straße 42, 35410 Hungen.

On April 30, 2015, the shares of ROY Ceramics SE were listed for the first time in the Prime Standard of the Frankfurt Stock Exchange (Germany) and at the same time on the unregulated market (Third Segment) of the Vienna Stock Exchange (Austria). The shares are traded under the securities identification number RYSE88 and ISIN DE000RYSE888.

### 1.2 Group structure

The Group structure changed in the first half of 2020. The company with Kirby Interchange was sold and a new company for EB-5 Investments in California was founded. The ROY Group plans to establish a separate company for each new real estate transaction, as is customary for project developments. The Group structure as of June 30, 2020 is as follows:



## 2. ECONOMIC REPORT

### 2.1 Report on corporate development and business performance

The following discussion and analysis of ROY's results of operations, financial position and net assets by management relates to the IFRS consolidated financial statements of the ROY Group for the six months ended June 30, 2020 and June 30, 2019 (comparative period).

The financial data in the following tables are mostly presented in thousands of euros (EUR thousand) and are rounded according to commercial rounding. The percentages contained in the following text and in the tables have also been rounded to one decimal place for commercial reasons. As a result, the sum of the figures in the text and tables below may not add up to the exact totals and percentages stated, but may not necessarily equal 100%.

Comparisons between the results and other significant performance indicators for the first half of 2020 and the first half of 2019 are not particularly meaningful, as the group did not start operating in the field of ceramics until the second half of 2019 with the acquisition of Klingenberg Dekoramik GmbH

#### .2.1.1 Results of operations

The following table presents information from the consolidated income statement of ROY for the six months ended 30 June 2020 and 30 June 2019

Selected disclosures from the consolidated statement of comprehensive income:

| kEUR  | 01.01.-30.06.2020 | 01.01.-30.06.2019 | Change<br>in % |
|---|-------------------|-------------------|----------------|
| Ceramic sales   | 3,772             | 0                 | n/a            |
| Rental income from real estate  | 177               | 1,450             | -88%           |
| Proceeds from sale of real estate   | 32,421            | 0                 | n/a            |
| Book value of real estate sold  | -25,397           | 0                 | n/a            |
| Result from the sale of real estate   | 7,024             | 0                 | n/a            |
| Cost of sales   | -4,367            | 592               | 638%           |
| <b>Gross profit</b>   | <b>6,606</b>      | <b>858</b>        | <b>670%</b>    |
| Other operating income / expenses   | -11,734           | 7,981             | 47%            |
| <b>Operating income/EBIT</b>  | <b>-5,128</b>     | <b>-7,123</b>     | <b>28%</b>     |
| Financial income  | 0                 | 4                 | -100%          |
| Financial expenses  | -173              | -389              | 56%            |
| Earnings from associated investments<br>accounted for using the equity method | 0                 | 0                 | 0%             |
| <b>Earnings before taxes</b>  | <b>-5,301</b>     | <b>-7,508</b>     | <b>29%</b>     |
| Income taxes  | -844              | 24                | -3,616%        |
| <b>Net result in the reporting period</b>                                     | <b>-6,145</b>     | <b>-7,484</b>     | <b>18%</b>     |
| <i>Gross Profit Margin in %</i>   | 60                | 59                | 2%             |

|                               |     |      |     |
|-------------------------------|-----|------|-----|
| <i>EBIT-Margin in %</i>       | -47 | -491 | 90% |
| <i>Net Profit Margin in %</i> | -56 | -516 | 89% |

pp = Percentage points

## 2.1.2 Proceeds

The revenues of the Ceramics division result from Klingenberg Dekoramik, which was not yet part of the ROY Group in the comparable period of 2019.

In the real estate sector, rental income from Kirby SPE, LLC, was still being generated in January and February 2020. With the sale of Kirby Interchange in February, this rental income no longer applies. However, with sales proceeds of EUR 31,760 thousand (USD 35,000 thousand), income of EUR 5,975 thousand was generated, which leads to a significant improvement in gross profit.

Further rental income was realized from three leased properties in Houston and proceeds from the sale of two properties in California. Gross rental income in the first half of 2020 amounted to EUR 177 thousand (in the first half of 2019 EUR 1,450 thousand).

## 2.1.3 Other operating income / expenses

The item includes administrative costs, which amounted to EUR 5,905 thousand in the first half of the 2020 financial year compared to EUR 2,365 thousand in the 2019 financial year. The increase in the 2020 financial year compared to the previous year was mainly due to the administrative costs of Klingenberg Dekoramik, which in the comparable period of 2019 did not yet belong to the ROY Group. The item also includes depreciation on the ceramic sanitary ware machines in the amount of EUR 5,829 thousand (previous year: EUR 5,616 thousand).

## 2.1.4 Net result

The net result improved significantly to TEUR -6,145 in H1 2020 compared to TEUR -7,484 in H1 2019. This is mainly due to the earnings contribution from the sale of Kirby Interchange in February.

## 2.2 Financial Position

### Consolidated balance sheet of ROY according to IFRS (Group)

| <b>kEUR</b>                         | <b>30.06.2020</b> | <b>31.12.2019</b> |
|-------------------------------------|-------------------|-------------------|
| <b>Assets</b>                       |                   |                   |
| Total non-current assets            | 77,141            | 105,210           |
| Total current assets                | 19,982            | 12,793            |
| <b>Total assets</b>                 | <b>97,123</b>     | <b>118,003</b>    |
| <b>Equity and liabilities</b>       |                   |                   |
| Total equity                        | 89,397            | 94,709            |
| Total liabilities                   | 7,726             | 23,294            |
| <b>Total equity and liabilities</b> | <b>97,123</b>     | <b>118,003</b>    |

### 2.2.1 Non-current assets

Non-current assets mainly relate to property, plant and equipment in Germany and Thailand and to real estate in the USA.

#### Segment related investment information

As of June 30, 2020, several of the Group's properties are located in the USA. The properties serve as investment properties or are under development.

### 2.2.2 Current assets

#### Cash and cash equivalents

On June 30, 2020, the Group's total assets amounted to EUR 9,345 thousand (December 31, 2019: EUR 1,416 thousand). The change resulted from the sale of Kirby Interchange and investments in real estate and general costs. With the sale of Kirby Interchange, the existing loan of EUR 16,699 thousand with Midfirst Bank was repaid in full from the funds received.

### 2.3.4 Non-current liabilities

The bank liabilities reported as of December 31, 2019 resulted mainly from the financing of the Kirby Interchange and were repaid in full in the reporting period from the proceeds from the sale of this project. As of June 30, 2020, the item therefore essentially only includes the pension provisions at Klingenberg Dekoramik GmbH.

### 2.4 Other factors relevant to earnings

The project planning phase for Jurupa Valley in California and the single-family homes in Houston has been largely completed and the necessary permits are now being obtained or awaited. Due to the current corona pandemic, this process will take even longer. In Houston, the plans for the first three single-family homes have been approved and construction of these homes is scheduled to begin in Q4 2020.

## 3. REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

The following statements regarding ROY's future business performance and the underlying assumptions regarding the economic development of the market and industry deemed to be material for this purpose are based on estimates that ROY considers realistic according to the information currently available. However, these estimates contain a certain degree of uncertainty and an unavoidable risk that the forecast developments will not materialize either in their tendency or to the extent expected.

For further information on the outlook, opportunities and risks, we refer to the statements in the combined management report as of December 31, 2019, which are essentially unchanged.

### 3.1 Outlook for ROY Group

The business segments of the ROY Group are still affected by the Corona Pandemic, as already described in the Management Report as of December 31, 2019.



We see further uncertainty in the ceramics segment, especially in the foreign business, which is important for Klingenberg. We assume that full-year 2020 sales revenues in the Ceramics division will be between EUR 7,5 million and EUR 8,5 million. At the same time, the cost base will also be significantly reduced as a result of the measures introduced. However, we expect a loss for the year as a whole for Klingenberg Dekoramik GmbH due to lost sales and the postponement of customer projects to a later date.

In the real estate segment, ROY generates rental income from the three rented properties in Houston, which generates rental income for ROY Commercial Real Estate Houston, Inc. We expect additional income from the sale of two single-family homes from the portfolio in the second half of the year. Furthermore, high start-up costs are expected for the further real estate projects currently under development, which will have a correspondingly negative impact on the earnings of the ROY Group in 2020. The sale of the Kirby Interchange property for a gross amount of USD 35 million is to be reported in the consolidated financial statements as a gain on the sale of an investment property as a net amount (i.e. less the book value at the time of sale). In our previous sales forecasts, we have based it on gross revenue, so that these have to be adjusted accordingly. Overall, we expect revenues and capital gains in the real estate sector of around EUR 7 to 8 million.

We are now expecting revenues and sales results of EUR 14.5 million and EUR 16.5 million in total from both business segments for 2020 as a whole.

We do not expect these revenues to cover the running costs in 2020 in the U.S., Hong Kong and Germany, in particular from general and administrative expenses. We expect a slightly lower net loss for the Group in 2020 as a whole than in 2019, mainly due to the sales made in Q1 2020, a significant part of which is due to the ongoing high expenses for the development of the real estate projects and the ongoing investments in tile production.

Furthermore, the forecast is subject to a high degree of uncertainty, as the further course of business continues to depend largely on the further development of the corona pandemic. Particularly in our real estate segment in the USA, high infection figures continue to be reported. The situation in the sales markets for our ceramic tiles is similar, with projects planned for 2020 being postponed to 2021 in particular.

### 3.2 Report on opportunities and risks

ROY's business activities, net assets, financial position and results of operations could be materially and adversely affected if one or more of these risks materialized. Other risks and uncertainties in ROY of which the Company is currently unaware or the extent of which it is currently misjudging could also adversely affect ROY's business and adversely affect the Company's operations, net assets, financial position and results of operations. At the same time, the selection and content of risk factors are based on assumptions that may subsequently prove to be incorrect.

The activities of Klingenberg Dekoramik GmbH are still subject to risks in the necessary continuation of the restructuring of the Company and possible further liquidity requirements beyond the amounts provided. The opportunity, however, is offered on the one hand by synergy effects and future revenues not only from project development, but also in the sourcing of ceramic products. The opportunities and risks in the area of real estate activities are to be evaluated in particular from the perspective of liquidity, risk distribution, security, transparency and return.



## CONDENSED CONSOLIDATED INTERIM REPORT AS OF JUNE 30, 2020

ROY Asset Holding SE, Munich

### CONSOLIDATED BALANCE SHEET

| ASSETS  | Rem<br>ark | 30.06.20<br>in kEUR | 31.12.19<br>in kEUR | LIABILITIES AND EQUITY  | Rem<br>ark | 30.06.20<br>in kEUR | 31.12.19<br>in kEUR |
|---|------------|---------------------|---------------------|---|------------|---------------------|---------------------|
| <b>I. Current assets</b>                          |            |                     |                     | <b>I. Current liabilities</b>                                   |            |                     |                     |
| Cash and cash equivalents                         |            | 9,345               | 1,416               | Trade accounts payable and other liabilities                    | 12         | 6,831               | 5,929               |
| Trade receivables and other receivables           | 11         | 3,484               | 4,648               |   |            |                     |                     |
| Inventories                                       |            | 7,153               | 6,729               |   |            |                     |                     |
| <b>Total current assets</b>                       |            | <b>19,982</b>       | <b>12,793</b>       | <b>Total current liabilities</b>                                |            | <b>6,831</b>        | <b>5,929</b>        |
| <b>II. Non-current assets</b>                     |            |                     |                     | <b>II. Non-current liabilities</b>                              |            |                     |                     |
| Investment property                               | 15         | 19,047              | 41,507              | bank liabilities  | 14         | 229                 | 16,699              |
| Property, plant and equipment                     | 10         | 29,892              | 36,046              | provision for pensions  |            | 666                 | 666                 |
| Amounts owed by a managing director               | 13         | 2,345               | 2,003               | <b>Total non-current liabilities</b>                            |            | <b>895</b>          | <b>17,365</b>       |
| investments accounted for using the equity method |            | 25,857              | 25,655              | <b>III. Equity</b>  |            |                     |                     |
| <b>Total non-current assets</b>                   |            | <b>77,141</b>       | <b>105,210</b>      | Subscribed capital  |            | 54,327              | 54,327              |
|   |            |                     |                     | Reserves  |            | 78,527              | 78,527              |
|   |            |                     |                     | Profit/Loss carried forward                                     |            | -68,729             | -62,585             |
|   |            |                     |                     | Other equity components   |            | 20,261              | 19,467              |
|   |            |                     |                     | Equity that is attributable to the owners of the parent company |            | 84,386              | 89,736              |
|   |            |                     |                     | Non-controlling interests                                       |            | 5,011               | 4,973               |
| <b>Total assets</b>                               |            | <b>97,123</b>       | <b>118,003</b>      | <b>Total equity</b>   |            | <b>89,397</b>       | <b>94,709</b>       |
|   |            |                     |                     | <b>Total liabilities and equity</b>                             |            | <b>97,123</b>       | <b>118,003</b>      |

## CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

|   | Remark | Q2 2020<br>in kEUR | Q2 2019<br>in kEUR | HY1 2020<br>in kEUR | HY1 2019<br>in kEUR |
|---|--------|--------------------|--------------------|---------------------|---------------------|
| <b>Sales</b>  |        |                    |                    |                     |                     |
| Ceramic   |        | 1,694              | 0                  | 3,772               | 0                   |
| Rental income from real estate  | 5      | 16                 | 762                | 177                 | 1,450               |
| Proceeds from sale of real estate   | 5      | 0                  | 0                  | 32,421              | 0                   |
| Book value of real estate sold  |        | 0                  | 0                  | -25,397             | 0                   |
| Result from the sale of real estate   | 5      | 0                  | 0                  | 7,024               | 0                   |
| Cost of sales   |        | -232               | -233               | -4,367              | -592                |
| <b>Gross profit</b>   |        | <b>1,478</b>       | <b>529</b>         | <b>6,606</b>        | <b>858</b>          |
| Other income  |        | 0                  | 0                  | 0                   | 0                   |
| Administrative expenses   | 6      | -3,034             | -3,077             | -5,905              | -2,365              |
| other operating expenses  | 7      | -3,154             | -1,056             | -5,829              | -5,616              |
| <b>Operating result</b>   |        | <b>-4,710</b>      | <b>-3,605</b>      | <b>-5,128</b>       | <b>-7,123</b>       |
| Financial income  |        | 0                  | 1                  | 0                   | 4                   |
| Financial expenses  | 9      | -21                | -192               | -173                | -389                |
| Result from investments accounted for using the equity method                                       |        | 0                  | 0                  | 0                   | 0                   |
| <b>Earnings before taxes</b>  |        | <b>-4,731</b>      | <b>-3,796</b>      | <b>-5,301</b>       | <b>-7,508</b>       |
| Ertragsteueraufwand / -ertrag   |        | 0                  | -12                | -844                | 24                  |
| <b>Loss</b>   |        | <b>-4,731</b>      | <b>-3,808</b>      | <b>-6,145</b>       | <b>-7,484</b>       |
| of which attributable to the non-controlling interests  |        | 0                  | 0                  | -1                  | 0                   |
| of which attributable to the owners of the parent company   |        | -4,731             | -3,808             | -6,144              | -7,484              |
| <b>Other comprehensive income to be reclassified to the income statement in subsequent periods:</b> |        |                    |                    |                     |                     |
| Exchange rate differences due to currency translation   |        | 1,986              | 1,262              | 833                 | 1,319               |
| <b>Other comprehensive income</b>   |        | <b>1,986</b>       | <b>1,262</b>       | <b>833</b>          | <b>1,319</b>        |
| <b>Overall result</b>   |        | <b>-2,745</b>      | <b>-2,546</b>      | <b>-5,312</b>       | <b>-6,165</b>       |
| of which attributable to the non-controlling interests  |        | 0                  | 0                  | 38                  | 0                   |
| of which attributable to the owners of the parent company   |        | -2,745             | -2,546             | -5,350              | -6,165              |
| <b>Earnings per share</b>   |        |                    |                    |                     |                     |
| <b>weighted average:</b>  |        | <b>-0.05</b>       | <b>-0.14</b>       | <b>-0,10</b>        | <b>-0.34</b>        |

ROY Asset Holding SE, Munich

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|                              | Subscribed<br>capital<br>in kEUR | Additional<br>paid-in<br>capital<br>in kEUR | Translation<br>reserve<br>in kEUR | Profit/loss<br>carried<br>forward<br>in kEUR | Non-<br>controlling<br>interest<br>in kEUR | Total<br>in kEUR |
|------------------------------|----------------------------------|---|-----------------------------------|--|--|------------------|
| <b>Status: 1. Jan. 2019</b>  | 18,109                           | 78,527                                      | 18,547                            | -16,932                                      | 0  | 98,251           |
| Exchange rate<br>difference  | 0                                | 0   | 1,319                             | 0  | 0  | 1,319            |
| Profit / loss                | 0                                | 0   | 0                                 | -7,484                                       | 0  | -7,484           |
| Overall result               | 0                                | 0   | 19,866                            | -7,484                                       | 0  | -6,165           |
| <b>Status: 30. June 2019</b> | 18,109                           | 78,527                                      | 19,866                            | -24,416                                      | 0  | 92,086           |
| <b>Status: 1. Jan. 2020</b>  | 54,327                           | 78,527                                      | 19,467                            | -62,585                                      | 4,973                                      | 94,709           |
| Exchange rate<br>difference  | 0                                | 0   | 794                               | 0  | 39   | 833              |
| Profit / loss                | 0                                | 0   | 0                                 | -6,144                                       | -1   | -6,145           |
| Overall result               | 0                                | 0   | 794                               | -6,144                                       | 38   | -5,312           |
| <b>Status: 30. June 2020</b> | <b>54,327</b>                    | <b>78,527</b>                               | <b>20,261</b>                     | <b>-68,729</b>                               | <b>5,011</b>                               | <b>89,397</b>    |

## CONSOLIDATED CASH FLOW STATEMENT

|  | Rem<br>ark | 01.01. -<br>30.06.2020<br>in kEUR | 01.01. -<br>30.06.2019<br>in kEUR |
|--|------------|-----------------------------------|-----------------------------------|
| <b>Ongoing business activity</b>   |            |                                   |                                   |
| Earnings before taxes  |            | -5,301                            | -7,508                            |
| Corrected by   |            |                                   |                                   |
| (Interest income) / Interest expense   |            | 169                               | 385                               |
| Leasing interest   |            | 4                                 | 0                                 |
| Leasing share  |            | 74                                | 0                                 |
| Depreciation   |            | 6,560                             | 6,180                             |
| Impairment losses on receivables   |            | -40                               | 0                                 |
| Other non-cash expenses  |            | 0                                 | 0                                 |
| Cash flow from operating activities before changes in current assets   |            | <b>1,466</b>                      | -943                              |
| Decrease / (increase) in inventories   |            | -424                              | 0                                 |
| Decrease / (increase) in trade receivables and other receivables   |            | -1,924                            | -2,399                            |
| Decrease / (increase) in Verb. and Ford. compared to a director<br>(Decrease) / increase in trade accounts payable and other liabilities and financial liabilities |            | -342                              | -109                              |
|  |            | -1,990                            | 611                               |
| Cash flow from operating activities  |            | <b>-3,214</b>                     | -2,840                            |
| Income tax paid  |            | 0                                 | 0                                 |
| Net cash flow from operating activities  |            | <b>-3,214</b>                     | -2,840                            |
| <b>Investment activity</b>   |            |                                   |                                   |
| Interest Received  |            | 0                                 | 4                                 |
| Payments for investments in investment property  | 16         | -1,225                            | -943                              |
| Payments made for investments in at-equity and associated companies  |            | 0                                 | -0                                |
| Payments made for investments in property, plant and equipment   |            | -654                              | -0                                |
| Proceeds from the sale of subsidiaries   |            | 0                                 | 0                                 |
| Proceeds from the sale of investment property  |            | 32,421                            | 0                                 |
| Cash flow from investing activities  |            | <b>30,542</b>                     | -939                              |
| <b>Financing activities</b>  |            |                                   |                                   |
| Interest paid  | 9          | -169                              | -389                              |
| Leasing interest   |            | -4                                | 0                                 |
| Leasing share  |            | -74                               | 0                                 |
| Proceeds from borrowings   |            | 0                                 | 592                               |
| Repayment of loans   |            | -16,470                           | 0                                 |
| Net cash flow from financing activities  |            | <b>-16,717</b>                    | 203                               |
| Net increase/(decrease) in cash and cash equivalents   |            | <b>10,611</b>                     | -3,576                            |
| Currency translation effects   |            | -2,682                            | -267                              |
| Cash and cash equivalents at the beginning of the period   |            | 1,416                             | 9,274                             |
| <b>Cash and cash equivalents at the end of the period</b>  |            | <b>9,345</b>                      | 5,431                             |

# NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR REPORT

## 1. GENERAL INFORMATION

ROY Asset Holding SE (hereinafter referred to as "Company") is the parent company of the Group. The Company is a European stock corporation (Aktiengesellschaft) founded on May 8, 2014 and registered in the Commercial Register of Munich (HRB 211752), Germany, with the administrative headquarters (business address) Gießener Straße 42, 35410 Hungen.

The business purpose of the Company and its subsidiaries (collectively referred to as the "Group") is, on the one hand, to manufacture and sell ceramic sanitary ware and accessories, on the other hand, to purchase and sell real estate, as well as to develop real estate projects and act as a real estate investor. The Company acts as an investment holding company. The consolidated financial statements are presented in thousands of euros (EUR thousand).

The figures in the tables have been calculated and summed up exactly. The figures have been rounded. This may result in rounding differences in the totals.

The interim consolidated financial statements were neither subjected to an auditor's review nor an audit.

## 2. BASIS OF PREPARATION

The accompanying condensed consolidated interim financial statements as of June 30, 2020 have been prepared in accordance with IAS 34, as published by the IASB and applicable in the EU. They should be read in conjunction with the published consolidated financial statements as of December 31, 2019.

## 3. ACCOUNTING AND VALUATION METHODS, REPORTING CHANGES

When preparing the consolidated interim financial statements, the same accounting and valuation methods and calculation methods were used as in the consolidated financial statements as of December 31, 2019.

For a clearer presentation of the financial position, the following changes were made in the balance sheet as of June 30, 2020 compared to the presentation as of December 31, 2019:

The long-term liabilities are no longer shown in one amount, but a separate presentation of the bank liabilities contained therein and the provisions for pensions contained therein.

Within equity, the amount attributable to the owners of the parent company and the amount attributable to non-controlling interests are shown separately. In addition, the equity attributable

to the owners of the parent company has been restructured in order to facilitate reconciliation with the amounts shown in the statement of changes in equity.

The following changes were made to the statement of income in the income statement:

The Group's property, plant and equipment includes sanitary ware machines that are not currently used for production purposes. In the past, the scheduled depreciation of these machines was shown under administrative costs. For a clearer presentation of the earnings situation, it has been shown under other operating expenses since the reporting period.

To ensure comparability, all comparative amounts given for previous periods have been adjusted accordingly.

#### 4. SCOPE OF CONSOLIDATION

The scope of consolidation as of June 30, 2020 has changed as follows compared to the consolidated financial statements as of December 31, 2020:

The project company with Kirby Interchange was sold. We refer to our explanations in this regard in the following paragraph. In addition, the Emerald Pond Regional Center LLC, a new company for EB-5 Investments in California, was founded.

#### 5. REVENUES

The group generates revenues in the two divisions ceramics and real estate.

The revenues in the real estate division break down as follows:

| kEUR   | HY 1 2020    | HY 1 2019    |
|--|--------------|--------------|
| <b>Rental income from real estate</b>              | <b>177</b>   | <b>1.450</b> |
| Income from sale of investment property            | 32,421       | 0            |
| Book value of investment property sold             | -25,397      | 0            |
| <b>Result from the sale of investment property</b> | <b>7,024</b> | <b>0</b>     |

The income from the sale of investment property relate in particular to the sale of Kirby Interchange. With a contract dated February 19, 2020, the group sold all shares in the project company Kirby SPE LLC. The purchase price was EUR 31,760 thousand (USD 35,000 thousand) and was paid in full on February 19, 2020. In addition, two inventory properties were sold in the first half of the year. The group used some of the funds received to repay existing bank loans from the financing of the project in the amount of EUR 16,699 thousand.

## 6. ADMINISTRATION COSTS

The administrative costs include the following expenses:

| TEUR   | HY 1 2020    | HY 1 2019    |
|--|--------------|--------------|
| Auditor's fee  | 78           | 44           |
| Building management fee  | 20           | 86           |
| Energy costs   | 39           | 5            |
| Allowances for trade and other receivables (IFRS 9)                          | -40          | 75           |
| Minimum payments for operating leases for rented premises                    | 200          | 173          |
| personnel costs:   | 1,538        | 444          |
| Salaries and expenses (including the remuneration of the Managing Directors) |              |              |
| Legal and consulting fees  | 165          | 350          |
| Other general administrative expenses  | 3,905        | 1,188        |
| <b>Total</b>   | <b>5,905</b> | <b>2,365</b> |

The other general administrative costs item contains one-off administrative costs of around EUR 1,500 thousand in connection with the sale of Kirby Interchange in the reporting period.

## 7. OTHER OPERATING EXPENSES

The item includes the scheduled depreciation of the sanitary ceramic machines currently not used for production purposes. We refer to our explanations on property, plant and equipment in note (10).

## 8. SEGMENT REPORTING

For the purpose of corporate management, the business of the ROY Group is organized in business units and has the following two reportable operating segments:

- The business segment "Ceramics" covers the development, production and marketing of high-quality ceramic tiles.
- The business segment "Real Estate" comprises the area of real estate project development, rental and trading of real estate. In the financial year under report, this segment mainly comprises investment property with rented office space and land in Houston and California which is being developed and is owned by ROY.

The following table shows the revenues and capital gains allocated to the segments, the segment results and the assets and liabilities allocated to the segments. The amounts shown in the "Other" column are items that are not allocated to the individual business segments because they are managed at Group level. The expenses included here are essentially personnel and administrative costs at the holding company level.



ROY ASSET HOLDING SE  
HALF-YEAR FINANCIAL REPORT AS OF JUNE 30, 2020

| 01.01.-30.06.2020/<br>1.HY 2020        | Associated<br>companies and<br>joint ventures<br>measured at |               |               |               | Total<br>operating<br>segments | ROY<br>Group  |
|--|--|---------------|---------------|---------------|--------------------------------|---------------|
|  | Ceramics   | equity        | Real Estate   | other         |                                |               |
|  | TEUR   | TEUR          | TEUR          | TEUR          | TEUR                           | TEUR          |
| Sales                                  | 3,772  | 0             | 177           | 0             | 3,949                          | 3,949         |
| Result from the sale of<br>real estate | 0  | 0             | 7,024         | 0             | 7,024                          | 7,024         |
| Other<br>income/(expenses)             | -2,739   | 0             | -3,200        | -726          | -6,665                         | -6,665        |
| Expenses for<br>employee benefits      | -2,279   | 0             | -420          | -350          | -3,050                         | -3,050        |
| Depreciation                           | -6,196   | 0             | -363          | -1            | -6,560                         | -6,560        |
| Segment result                         | <b>-7,442</b>  |               | <b>3,218</b>  | <b>-1,077</b> | <b>-5,302</b>                  | <b>-5,302</b> |
| <b>Total</b>                           |  |               |               |               |                                |               |
| <b>Assets</b>                          | <u>37,041</u>  | <u>25,857</u> | <u>23,607</u> | <u>10,618</u> | <u>97,123</u>                  | <u>97,123</u> |
| <b>Total Liabilities</b>               | <u>-4,427</u>  | <u>0</u>      | <u>-2,263</u> | <u>-1,036</u> | <u>-7,726</u>                  | <u>-7,726</u> |

| Half-year as of June<br>30, 2020 | Associated<br>companies and<br>joint ventures<br>measured at |        |             |       | Total<br>operating<br>segments | ROY<br>Group |
|----------------------------------|--|--------|-------------|-------|--------------------------------|--------------|
|                                  | Ceramics   | equity | Real Estate | other |                                |              |
|                                  | TEUR   | TEUR   | TEUR        | TEUR  | TEUR                           | TEUR         |
| Further details<br>Investments   | 327  | 0      | 1,288       | 264   | 1,879                          | 1,879        |

| 01.01.-<br>30.06.2019/<br>1. HY 2019 | Associated<br>companies and<br>joint ventures<br>measured at |               |                |              | Total<br>operating<br>segments | ROY<br>Group   |
|--------------------------------------|--|---------------|----------------|--------------|--------------------------------|----------------|
|                                      | Sanitary<br>Ceramics   | equity        | Real<br>Estate | other        |                                |                |
|                                      | TEUR   | TEUR          | TEUR           | TEUR         | TEUR                           | TEUR           |
| Sales                                | 0  | 0             | 1,450          | 0            | 1,450                          | 1,450          |
| Other<br>income/(expenses)           | -762   | <u>0</u>      | -1,363         | -211         | -2,336                         | -2,336         |
| Expenses for<br>employee benefits    | 0  | <u>0</u>      | -443           | 0            | -443                           | -443           |
| Depreciation                         | -5,631   | <u>0</u>      | -548           | 0            | -6,179                         | -6,179         |
| Segment result                       | <b>-6,393</b>  | <u>0</u>      | <b>-904</b>    | <b>-211</b>  | <b>-7,508</b>                  | <b>-7,508</b>  |
| <b>Total assets</b>                  | <u>38,940</u>  | <u>29,567</u> | <u>35,195</u>  | <u>5,746</u> | <u>109,449</u>                 | <u>109,449</u> |
| <b>Total liabilities</b>             | <u>-527</u>  | <u>0</u>      | <u>-16,503</u> | <u>-333</u>  | <u>-17,363</u>                 | <u>-17,363</u> |

**Information about geographical areas**

**Revenues from external customers  
In kEUR**

|        | HJ 1 2020 |             | HJ 1 2019 |             |
|--------|-----------|-------------|-----------|-------------|
|        | Ceramics  | Real Estate | Ceramics  | Real Estate |
| Asia   | 436       | -           | -         | -           |
| Europe | 3,311     | -           | -         | -           |
| USA    | 25        | 7,201       | -         | 1,450       |

## 9. FINANCIAL EXPENSES

In the first half of 2020, the Group incurred financial expenses of TEUR 173, mainly related to a bank loan (in the first half of 2019 in the amount of TEUR 389), which financed the purchase of Kirby Interchange. With the sale of Kirby Interchange and full repayment of the loan, financial expenses have decreased accordingly.

## 10. PROPERTY, PLANT AND EQUIPMENT

Subsequent to the sale of the Chinese operating subsidiaries to White Horse as of September 30, 2015, a portion of the movable assets previously used at the Beijing plant were transferred to LLH. The property, plant and equipment is included in the balance sheet at its net book value and is depreciated using the straight-line method over its expected useful life of 10 years. Straight-line depreciation of machinery as property, plant and equipment amounts to EUR 5,829 thousand for H1 2020 (H1 2019: EUR 5,616 thousand).

## 11. TRADE RECEIVABLES AND OTHER RECEIVABLES

| kEUR                                     | 30.06.2020   | 31.12.2019   |
|--|--------------|--------------|
| Receivables from deliveries and services | 1,274        | 1,437        |
| Other receivables                        | 2,210        | 3,197        |
| Advance payments                         | 0            | 14           |
|  | <b>3,484</b> | <b>4,648</b> |

Other receivables consist of short-term investments and advance payments as well as two EB-5 loan receivables of EUR 893 thousand from a trustee.

## 12. TRADE PAYABLES AND OTHER LIABILITIES

| kEUR                                     | 30.06.2020 | 31.12.2019 |
|--|------------|------------|
| Liabilities from deliveries and services | 1,613      | 2,099      |

ROY ASSET HOLDING SE  
HALF-YEAR FINANCIAL REPORT AS OF JUNE 30, 2020

|   |              |              |
|---|--------------|--------------|
| Other liabilities                                   | 2,364        | 2,757        |
| Other tax liabilities                               | 680          | 13           |
| Loan EB-5   | 893          | 886          |
| Liabilities to majority shareholder                 | 0            | 34           |
| Accrued Debt  | 1,118        | 0            |
| Other   | 163          | 140          |
| <b>Trade accounts payable and other liabilities</b> | <b>6,831</b> | <b>5,929</b> |

### 13. AMOUNTS OWED BY A MANAGING DIRECTOR

| kEUR                                | 30.06.2020 | 31.12.2019 |
|-------------------------------------|------------|------------|
| Amounts owed by a managing director | 2,345      | 2,003      |

As of June 30, 2020, and June 30, 2019, there is a short-term receivable from Siu Fung Siegfried Lee, which is unsecured and interest-bearing and is repayable on demand at any time.

### 14. BANK LIABILITIES

With the successful implementation of the Kirby Interchange project in February 2020, the bank loan taken out to finance the project for EUR 16,699 thousand was repaid in full and on time.

### 15. INVESTMENT PROPERTY

As of June 30, 2020, the item "Investment property" comprises twelve existing properties. In February, the Kirby Interchange was sold for USD 35,000 thousand (EUR 31,760 thousand). The capital gain of EUR 5,975 thousand was recognized in profit or loss in the reporting period.

### 16. TRANSACTIONS WITH RELATED PARTIES

With the exception of the transactions with a managing director listed under note (13), the Group did not enter into any material transactions with related persons or companies in the 2020 reporting period.

### 17. CORRECTION OF THE ACCOUNTING FOR THE ACQUISITION OF KLINGENBERG DEKORAMIK GMBH IN THE VALUATION PERIOD

ROY acquired all shares in Klingenberg Dekoramik GmbH in July 2019 and has fully consolidated this company in the consolidated financial statements since then. Please refer to

Note 34 of our consolidated financial statements for the fiscal year ended December 31, 2019, regarding the accounting for the acquisition.

The initial accounting for the acquisition in fiscal year 2019 was partly based on preliminary figures. In the period under review, these provisional figures were reviewed and, if necessary, adjusted taking into account all information available in the meantime in accordance with IFRS 3.45 et seq.

Only the carrying amount of an obligation from an onerous contract recognized as part of the preliminary purchase price allocation had to be adjusted. This obligation was recognized at a value of EUR 2,000 thousand as part of the preliminary purchase price allocation. Based on the information available in the meantime, we assume that the obligation would not have had to be recognized at the acquisition date or would have had to be recognized at a fair value of zero.

The correction of the preliminary purchase price allocation results in the following changes to the amounts recognized:

| TEUR                                   | Previous value | Adjusted value |
|--|----------------|----------------|
| Obligation from onerous contracts      | 2,000          | 0              |
| Total identifiable net assets acquired | 5,311          | 7,311          |

The company acquisition of Klingenberg Dekoramik GmbH by ROY took place at a symbolic purchase price of 1 Euro. The accounting for the company acquisition resulted in a so-called bargain purchase within the meaning of IFRS 3.34, which had to be recognized as profit in the income statement for fiscal year 2019. Based on the preliminary figures, this gain amounted to EUR 5,311 thousand. Due to the adjustment explained above, the profit increases to EUR 7,311 thousand.

The adjustment was recognized in the consolidated financial statements using the retrospective method, i.e. the adjusted amounts were recognized as if the accounting for the business combination had already been completed at the acquisition date. Consequently, the comparative information provided in these consolidated financial statements had to be adjusted as follows:

| TEUR  | Previous value | Adjusted value |
|---|----------------|----------------|
| <b>Consolidated balance sheet as of December 31, 2019</b> |                |                |
| Trade accounts payable and other liabilities              | 7,929          | 5,929          |
| Equity  |                |                |
| Loss carried forward                                      | -64,585        | -62,585        |
| Total equity  | 92,709         | 94,709         |

## 18. EVENS AFTER THE BALANCE SHEET DATE

The provisions for legal disputes from terminated employment relationships at Klingenberg Dekoramik GmbH were increased by EUR 25 thousand. Essentially due to an ongoing dismissal protection process for the authorized signatory and head of finance, controlling and personnel at Klingenberg Dekoramik GmbH who left the company in the previous year.

A further single-family house was sold in August for an amount of TUSD 420.

## 19. FINANCIAL INSTRUMENTS

The following tables show the carrying amounts of financial assets and liabilities. The financial assets and liabilities were classified on the basis of the Group's business model for their management as well as the characteristics of their contractual cash flows and, on this basis, only valued at amortized cost. For all financial assets and liabilities, the book value represents a reasonable approximation of the fair value, so that no further information on the fair value had to be made.

| kEUR   | 30.06.2020    |            | 31.12.2019    |            |
|--|---------------|------------|---------------|------------|
|  | Book value    | Fair value | Book value    | Fair value |
| <b>Financial assets</b>                            |               |            |               |            |
| Cash and cash equivalents                          | 9,345         | -          | 1,416         | -          |
| Trade receivables and other short-term receivables | 3,484         | -          | 4,648         | -          |
| Long-term amounts owed by a managing director      | 2,345         | -          | 2,003         | -          |
| <b>Total</b>                                       | <b>15,174</b> | <b>-</b>   | <b>8,067</b>  | <b>-</b>   |
| <b>Financial liabilities</b>                       |               |            |               |            |
| Liabilities from goods and services                | 1,613         | -          | 2,099         | -          |
| Other financial liabilities *                      | 3,420         | -          | 3,817         | -          |
| Bank liabilities                                   | 229           | -          | 16,699        | -          |
| <b>Total</b>                                       | <b>5,262</b>  | <b>-</b>   | <b>22,615</b> | <b>-</b>   |

\* Not included are other liabilities of EUR 1,798 thousand (previous year: EUR 13 thousand) that do not represent financial liabilities.

# INSURANCE OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for half-yearly financial reporting, the half-year 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 principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, 30 September 2020

ROY Asset Holding SE

The Managing Directors

MATTHIAS HERRMANN  
CEO

SURIYA TOARAMRUT  
TECHNICAL DIRECTOR

## **NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements which are based on the current assumptions and estimates of the management of ROY Asset Holding SE. Forward-looking statements are characterized by the use of words such as expect, intend, plan, anticipate, assume, believe, estimate and similar formulations. These statements should not be construed as guarantees that these expectations will prove to be correct. Future developments and the events actually achieved by ROY Asset Holding SE and its affiliated companies are dependent on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are beyond ROY Asset Holding SE's control and cannot be accurately predicted, such as the future economic environment and the behavior of competitors and other market participants. ROY Asset Holding SE neither promises nor plans to update the forward-looking statements.



## IMPRINT

### Publisher

ROY Asset Holding SE

Gießener Strasse 42

35410 Hungen

Germany

Tel: +49 (0)9372 131 270

Fax: +49 (0)9372 131 220

[www.royasset.de](http://www.royasset.de)

## FINANCIAL CALENDAR 2020

Publication of the Annual Report 2019

6 May 2020

Q1 Interim Report 2020

29 May 2020

Annual General Meeting 2020

6 August 2020

Publication of the Half Year Annual Report 2020

30 September 2020

Q3 /9M Interim Report 2020

30 November 2020



**ROY Asset Holding SE**

Gießener Strasse 42  
35410 Hungen

Tel.: +49 (0)9372 131 270

Fax: +49 (0)9372 131 220