MS Industrie AG, Munich
Extracts from the Group´s Management Report as of June 30, 2019

NOT LEGALLY BINDING

Important notes:
English translation for convenience purposes only
General data format is "TEUR" (Euro thousands),
i.e. TEUR 1.000 = EUR 1.000.000 or EUR 1 million

Consolidated Financial Statements as of June 30, 2019 - Overview of key figures

MS Industrie Group, according to IFRS, unaudited, in TEUR

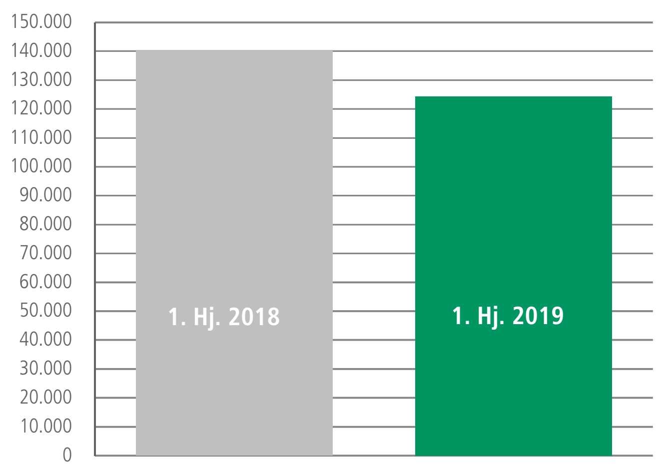
Balance sheet key figures	31.12.2018	30.06.2019
Total assets	171.070	215.541
Equity and non-controlling interests	65.313	80.044
Equity ratio (%)	38,2%	37,1%
Trade receivables	44.267	39.308
Liquid funds (Cash and cash equivalents ./. Current accounts)	-4.028	2.841
Net working capital (Inventories + Trade receivab. ./. Trade payables)	73.160	67.462

Cashflow key figures	1. Hj. 2018	1. Hj. 2019
Net cash generated from operating activities	-986	1.992
Net cash used in investing activities	-6.056	7.190
Net cash used in financing activities	-5.260	-2.313

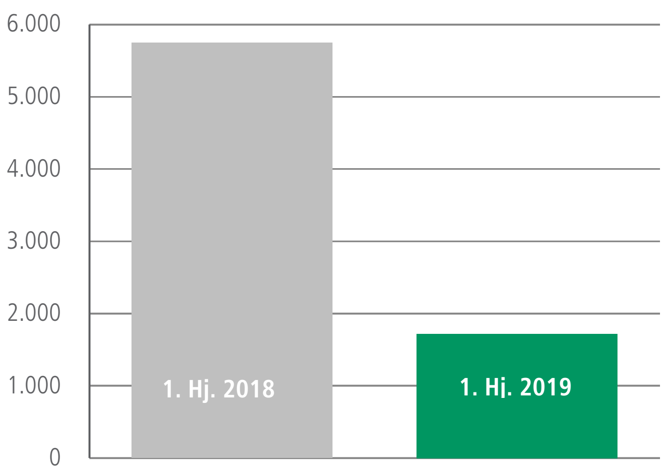
Income statement key figures	1. Hj. 2018	1. Hj. 2019
Revenues	140.319	124.419
Gross profit	67.794	82.868
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	11.855	30.449
Operating Profit (EBIT)	5.747	23.053
Profit before income tax (EBT)	4.692	21.846
Profit for the year after non-controlling interests (EAT)	3.616	20.088
Consolidated earnings per share in EUR	0,12	0,67

Income statement key figures (adjusted for non-recurring items)	1. Hj. 2018	1. Hj. 2019
Revenues	140.319	124.419
Gross profit	67.794	61.534
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	11.855	9.115
Operating Profit (EBIT)	5.747	1.719
Profit before income tax (EBT)	4.692	512
Profit for the year after non-controlling interests (EAT)	3.616	585
Consolidated earnings per share in EUR	0,12	0,02

Total revenues
in TEUR



Operating Profit, adjusted for non-recurring items
(EBIT) in TEUR



MS Industrie AG, München

Consolidated balance sheet as at June 30, 2019

	30.06.2019 (Unaudited) TEUR	31.12.2018 (Audited) TEUR
ASSETS		
Intangible assets	2.558	2.817
Property, plant and equipment	29.678	55.247
Investment property	12.718	6.990
Right of use-assets acc. to IFRS 16	39.238	0
Investments	1.178	1.038
Investments in associates	3.230	3.230
Deferred income tax assets	122	208
Other non-current financial assets	14.263	4.930
Other non-current assets	408	430
Langfristige Vermögenswerte	**103.393**	**74.890**
Inventories	44.178	41.494
Trade receivables	39.308	44.267
Assets held for disposal, classified as held for sale	0	1.194
Cash and cash equivalents	11.167	2.256
Income tax assets	748	118
Contract assets	8.031	4.238
Other current financial assets	7.253	896
Other current assets	1.463	1.717
Current assets	**112.148**	**96.180**
TOTAL ASSETS	**215.541**	**171.070**
EQUITY AND LIABILITIES		
Ordinary Shares (30.00 million shares less 91.320 treasury shares)	29.909	29.909
Share premium	7.609	7.609
Statutory reserve	439	439
Retained earnings	3.946	3.946
Other reserves	463	3.106
Consolidated profit	37.881	20.485
Non-controlling interests	-203	-181
Equity and non-controlling interests	**80.044**	**65.313**
Non-current Borrowings	22.687	26.962
Provisions for pensions and similar obligations	1.683	1.525
Deferred income tax liabilities	508	1.706
Other non-current provisions and accruals	1.664	389
Other non-current financial liabilities	32.120	12.785
Other non-current liabilities	577	693
Non-current provisions and liabilities	**59.239**	**44.060**
Current Borrowings	33.023	27.342
Trade payables	16.024	16.259
Current income tax liabilities	0	277
Current provisions and accruals	7.761	8.780
Contract liabilities	33	580
Other current financial liabilities	11.391	5.691
Other current liabilities	8.026	2.768
Current provisions and liabilities	**76.258**	**61.697**
TOTAL EQUITY AND LIABILITIES	**215.541**	**171.070**

MS Industrie AG, Munich
Consolidated income statement for the period 01.01-30.06.2019, unaudited

	01.01. - 30.06.2019 (Januar - Juni 2019) "Drei Monate"	01.01. - 30.06.2018 (Januar - Juni 2018) "Sechs Monate"	Deviation Jan.-Juni 19 - Jan.-Juni 18 absolut	prozentual
Revenues	124.419	140.319	*-15.900*	*-11%*
a) Revenues from industrial and real estate business	*124.389*	*140.246*	*-15.857*	*-11%*
b) Revenues from consulting and commissions	*30*	*73*	*-43*	*-59%*
Changes in inventory of work in process and finished goods	2.350	1.973	*377*	*+19%*
Other income	23.247	2.942	*20.305*	*+690%*
Total income	**150.016**	**145.234**	***4.782***	***+3%***
Cost of materials	67.148	77.440	*-10.292*	*-13%*
Personnel expense	34.938	34.498	*440*	*+1%*
Depreciation and amortisation expense				
a) Depreciation of property, plant and equipment, and amortisation of intangible assets	7.396	6.108	*1.288*	*+21%*
Other expense and Impairment Loss (-) / Income (+) IFRS 9	17.481	21.441	*-3.960*	*-18%*
Total expenses	**126.963**	**139.487**	***-12.524***	***-9%***
Operating Profit	**23.053**	**5.747**	*17.306*	***+301%***
Finance costs, net	-1.207	-1.038	*-169*	*-16%*
Share of profit of investments acc. for using the equity method	0	-17	*17*	*+100%*
Profit before income tax	**21.846**	**4.692**	***17.154***	***+366%***
Income tax expense	1.780	1.091	*689*	*+63%*
Profit for the period	**20.066**	**3.601**	***16.465***	***+457%***
attributable to				
owners of the parent	20.088	3.616	*16.472*	*+456%*
non-controlling interests	-22	-15	*-7*	*-47%*
	20.066	**3.601**	***16.465***	***+457%***
Consolidated earnings per share, in EUR				
basic, after non-controlling interests	0,67	0,12		
diluted, after non-controlling interests	0,67	0,12		
Number of shares, average weighting				
basic	29.908.680	29.894.330		
diluted	29.908.680	29.894.330		

MS Industrie AG, Munich, Consolidated statement of comprehensive income
for the 1st half of the financial year 2019, unaudited

	01.01. - 30.06.2019 (January - June 2019)	01.01. - 30.06.2018 (January - June 2018)
	"Six Months"	
Profit for the period	**20.066**	**3.601**
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	-2.477	559
	-2.477	559
Items that will not be reclassified to profit or loss		
Remeasurements of post employment benefit obligations	-18	-33
Change in value of financial assets (IFRS 9)	-153	-709
Income taxes recorded in other comprehensive income	5	9
	-166	-733
Other comprehensive income for the period, net of tax	-2.643	-174
Total comprehensive income for the period	17.423	3.427
attributable to owners of the parent	17.445	3.442
attributable to non-controlling interests	-22	-15
	17.423	3.427

MS Industrie AG, Munich, Consolidated cash flow statement for the period 01.01.-30.06.2019,
Previous year´s period for comparison purposes (unaudited)

INDUSTRIE AG

	01.01. - 30.06.2019 TEUR	01.01. - 30.06.2018 TEUR
Profit for the period	20.066	3.601
Income tax expense (recognised through profit and loss)	1.780	1.091
Finance income (recognised through profit and loss)	-212	-88
Finance costs (recognised through profit and loss)	1.419	1.126
Depreciation of property, plant and equipment and amortisation of intangible assets	7.396	6.071
Material non-cash other expenses (+) or income (-):		
- Gains/losses on revaluation of investment property	38	38
Losses/gains (-) on investments accounted for using the equity method	0	17
Losses/gains (-) on disposal of property, plant and equipment and intangible assets	84	-10
Losses/gains (-) on disposal of investments held for sale	0	-4
Losses/gains (-) on deconsolidation	-21.334	0
Increase/decrease (-) in inventories, trade receivables and other assets not assigned to investing or financing activities	-24.483	-17.693
Increase/decrease (-) in trade payables and other liabilities not assigned to investing or financing activities	19.219	5.707
Interest received	102	58
Interest paid	-982	-695
Income tax received	89	0
Income tax paid	-1.190	-205
Net cash generated from operating activities	**1.992**	**-986**
Proceeds from sale of property, plant and equipment and intangible assets	16	89
Purchases of property, plant and equipment and intangible assets	-11.208	-5.801
Purchases of investment property	-265	0
Proceeds from disposal of fully consolidated subsidaries less cash and cash equivalents transferred under the sale	17.675	0
Proceeds from disposals of investments held for sale	1.257	0
Purchase of investments	-140	0
Payments made for the granting of borrowings	-145	-350
Proceeds received from investments	0	6
Net cash used in investing activities	**7.190**	**-6.056**
Repayments of debt-equivalent bonds	0	-200
Proceeds from borrowings	8.693	6.348
Repayments of borrowings	-9.122	-10.019
Proceeds from finance lease transactions	2.168	634
Payments made for finance lease transactions	-4.052	-2.023
Net cash used in financing activities	**-2.313**	**-5.260**
Net increase / decrease in liquid funds	**6.869**	**-12.302**
Liquid funds at beginning of period	-4.028	1.389
Liquid funds at end of period	**2.841**	**-10.913**

MS Industrie AG,
Munich

EXTRACTS from the Group´s interim management report for the 1st half of financial year 2019

MS Industrie AG, Munich

1. Highlights of the first half year

Dear Shareholders, Dear Colleagues and Business Partners.

As expected, the MS Industrie Group reported significantly lower revenues in the first six months of the financial year 2019 compared to the previous year. This was due to the sale of a major share of the existing “Powertrain” order book or, more specifically, the sale of the existing long-term order for valve train systems for the Daimler “world engine” production at the site in Webberville, USA to Gnutti Carlo Group (Gnutti Carlo S.p.A., Maclodio / Italy, briefly “Gnutti”) effective on 1 April 2019. In the first half of 2019 – after the sale of a portion of the Group's activities in the USA in early April – this development of revenues in geographic terms especially affects the Group’s US site, and in terms of segments, the “Powertrain” segment. For the Group’s German sites, overall business continued to develop in line with expectations compared to the positive first half of the previous year and, by separate quarterly comparison, also to the satisfactory first quarter of the current financial year 2019. In total, revenues in the individual entities were ahead of targets, which had been deliberately set at conservative levels for the first half year, especially in view of the situation in the US market. The strongly positive proceeds from the sale in the USA were accompanied in the first half year by a neutral development of the euro exchange rate, which, contrary to the previous year, had almost no effect on the positive earnings in the first quarter in the USA and thus the Group's total comprehensive income in the first half of 2019.

According to plan, the transfer of the relevant US entities took effect in early April 2019. As a result of this strategic move, annual sales of the MS Industrie Group are reduced by around EUR 80 million p.a. in the short term; at the same time, the Group has decreased its dependency on its major global customer Daimler, while of course still supplying it in Europe in the usual quality and reliability both with regard to the “world engine” and a number of other parts and components in the powertrain segment. The MS Industrie Group will continue to be present in the US, however, where it will continue to systematically expand its local business activities, especially in connection with the marketing of ultrasonic welding machines throughout the North American market. The space not used by the Ultrasonic Technology segment at the industrial property in Webberville, which was acquired in early 2019, will be leased to Gnutti on a long-term basis. This transaction above all means long-term continuity for the Webberville site, enabling it to continue supplying Daimler with the systems required for the world engine in the USA from the plant in Webberville beyond the year 2021. The MS Industrie Group and Gnutti will continue to maintain their business relationship after the transaction by supplying parts and components to each other. The transaction is based on the strategic aim pursued by the Managing and Supervisory Boards of maintaining a risk balance both within segments and between the two segments “MS Powertrain Technology” and “MS Ultrasonic Technology”. The liquidity gained from the sale is mainly to be used for reducing net debt and and also for financing investments, innovations and international expansion plans.

The key data of the transaction, which has dominated earnings and liquidity in the first half of 2019 are as follows:

After concluding a purchase agreement on March 22, 2019, the wholly-owned subsidiary **MS Powertrain Technologie GmbH, Trossingen, Germany** sold the production of the valve train systems for the Daimler “world engine” in the USA (in 2018, revenues of close to USD 100 million) including all related machinery, current assets and employees to Gnutti Carlo Group, USA for a purchase price of USD 40 million, thereof USD 16 million to be paid by April 2022 in three annual instalments bearing interest; the sale has resulted in gains from deconsolidation of around EUR 19,5 million after taxes in the second quarter of 2019, which are reported in other income.

MS USA leases the property in “Webberville”** acquired in January 2019 to Gnutti Carlo Group, USA for a rent which is below the rent paid before (accounted for in the overall transaction) and will remain sub-tenant with its division Ultrasonic, USA until early 2020 at least; total rent to be paid in 10 years: USD 5 million.

For a period of seven years, **MS USA will deliver components for the Daimler “world engine” (NAFTA)** to Gnutti Carlo; expected revenues: around USD 10 million p.a.

In the two main business segments **Powertrain Technology Group (“Powertrain”)** and **Ultrasonic Technology Group (**“**Ultrasonic**”**),** revenues therefore developed very differently. As at the end of the first half year, external revenues in the “**Powertrain**” segment were around -13% lower than revenues in the previous year, which is mainly attributable to the transaction. External revenues in the “**Ultrasonic**” segment have also declined by -3% compared to the previous year. Such temporary revenue fluctuations as experienced by the “Ultrasonic” segment in the course of the year are quite usual in the (special purpose) machines market; they are mainly due to the changing dates of actual deliveries and acceptances of finished machines. Revenues in the “Powertrain” segment in the first half of 2019 accounted for around 78% (previous year: 80%) of the Group's consolidated revenues. The contribution of the “Ultrasonic” segment was around 22% (previous year: 20%).

As at the end of June 2019, orders on hand were worth around EUR 106 million in total (previous year: EUR 148 million), with orders on hand below the average recorded in the previous year by around 1% in the “Ultrasonic” segment, and by around 38% in the “Powertrain” segment due to the transaction; in total, they were 29% below the average recorded for orders on hand in the previous year.

The “Powertrain” segment obtained additional new orders for parts do be supplied to the companies American Axle & Manufacturing Inc. (AAM), ZF, Daimler, and Thyssen-Krupp with start of production in 2018/2019. The parts will predominantly be used in electric drive and hybrid drive systems for passenger car applications. The MS Industrie Group has thus successfully entered the market for new drive technologies precisely in accordance with its core capabilities while progressively diversifying the industries and customer groups it serves.

In April 2019, MS Industrie Group’s “Powertrain Technology” segment successfully pitched for a supply contract for key components of the valve train system of an entirely new truck engine platform developed by an international truck manufacturing group. The engine is to be launched in early 2021. It will be gradually introduced in all of the customer's brands reaching full quantities by 2026, and the MS Industrie Group expects target revenues of around EUR 25 to 30 million p.a.

In the first quarter of 2019, MS Industrie AG sold all of its remaining shares in Zehnder Pumpen GmbH, Grünhain-Beierfeld (19.9% as at December 31, 2018). The net proceeds from the sale generated by the Group in the first quarter 2019 were around EUR -0,1 million; thereof, EUR -0,1 million are recognised in other comprehensive income. The cash flow from the transaction amounts to EUR 1,2 million before transaction costs.

After completion of the new production building in Trossingen in 2016, all production sites are now equipped with modern technology and provide sufficient capacity reserves to ensure that they can cope with continuing organic growth in a profitable manner.

The earnings situation regarding operating business and the key earnings figures have not yet developed satisfactorily in the first half of the current financial year 2019, especially earnings before interest, taxes, depreciation and amortisation (**EBITDA**), earnings before interest and taxes (**EBIT**), earnings before taxes (**EBT**), earnings after taxes (**EAT**) and **earnings per share** (**EPS**), adjusted for non-recurring items related to the US transaction.

This can be seen against the backdrop of a continued modest recovery in the European commercial vehicle market with a year-on-year growth in new registrations of +5,8% in the first half of 2019 (increase in Germany in the previous year: +13,9%) and of +2,8% in June 2019 compared to the same month last year, as again confirmed by the latest regular analysis of July 25, 2019 by “ACEA” (Association des Constructeurs Européens d´Automobiles, Brussels). The European market for heavy commercial vehicles over 16 tonnes developed somewhat less dynamically year-on-year, with an increase in European registrations of +15,6% (increase in registrations in Germany: +19,3%) in the first half of 2019 (same source: “ACEA”, as of July 25, 2019). Based on these figures, we take a positive outlook although we expect the economic climate in the truck market to cool down from the second half of 2019. The German (special purpose) machines market, by contrast, has seen a predominantly poor second quarter. The situation currently experienced by the mechanical engineering industry in Germany evokes the worst economic periods of the present millennium: on some factory premises, unused machines had to be moved into storage as orders were cancelled. It is uncertain whether these machines will ever be sold. Hardly any new orders of forthcoming. While in the wake of the last financial crisis production activity in the mechanical engineering sector contracted by more than 20%, the more recent bad news from the industry have another dimension: the decline in orders is significant - albeit only just in the two-digit range - and customers feel the uncertainty. The forecast for the business climate index had to be corrected twice, first from two to one percent, then to minus two percent. Apart from the many political crises, manufacturers are especially affected by the uncertainty of their major customer: the automotive industry, which accounts for over 20% of demand in the German mechanical engineering industry, is undergoing a structural change that leaves its marks in the order books. Uncertainty about the drive technology of the future and the role played by classical combustion engines has a dampening effect on manufacturers' willingness to invest. If manufacturers are uncertain, they will not order any machines.

Given this sector-related background, the revenues generated by MS Industrie AG were rather satisfactory in the first half of 2019. Total consolidated revenues in the reporting period were around EUR 124,4 million (previous year: EUR 140,3 million) in the first half year, thus falling only by -11,3% below the previous year’s level, despite the partial sale of the “Daimler Powertrain business in the USA”.

After adjustment for non-recurring items related to the partial sale in the USA, MS Industrie AG reports earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings before interest and taxes (EBIT) that are considerably lower than in the previous year, with EBITDA at EUR 9,1 million (previous year: EUR 11,9 million) and EBIT at EUR 1,7 million (previous year: EUR 5,7 million).

As a result, adjusted profit before taxes (EBT) shrank by around 89% and was EUR 0,5 million (previous year: EUR 4,7 million).

Adjusted profit after taxes (EAT) was EUR 0,6 million in the first half of 2019 (previous year: EUR 3,6 million) and thus also declined by around 84% compared to the same period in the previous year.

Liquidity within the Group increased in the reporting period from EUR 2,3 million at the start of 2019 to EUR 11,2 million as of June 30, 2019. The increase by EUR 8,9 million in the first half of 2019 was primarily a result of positive cash flow from investing activities derived from the “Gnutti” sales transaction.

Compared to the first quarter and adjusted for the lasting positive non-recurring items related to the partial sale in the USA, the **second quarter of 2019** was not satisfactory either: there was a significant decrease in adjusted EBITDA to EUR 4,9 million (first quarter 2019: EUR 6,8 million), a significant decrease in adjusted operating profit before interest and taxes (EBIT) to EUR 1,6 million (first quarter 2019: EUR 2,8 million), and a significant decrease in adjusted profit before taxes (EBT) to EUR 1,0 million (first quarter 2019: EUR 2,1 million).

For the current financial year 2019, the Managing Board expects that the greatest organic growth in percentage terms will once again be achieved in the field of the new ultrasonic servo presses of the "MS soniTOP" brand.

As explained in the Annual Report 2018, the Managing Board expects for the full year 2019 that after completion of the sale of the "Daimler world engine" production order in the USA at the end of the first / beginning of the second quarter 2019, MS Industrie Group's operating business in terms of revenues and earnings will develop as follows during the 2019 financial year, **before** non-recurring items affecting profit or loss and related to the sale and the subsequent deconsolidation (in total, around EUR +21,4 million before taxes): For the fiscal year 2019, the Group still expects a noticeable drop in industrial revenues to around EUR 230 million (around EUR 65 million below the amount forecast prior to the sale) and a significant decline in EBITDA. With EBIT and EBT also expected to fall considerably, a consolidated profit for the year below that of the previous year is anticipated. According to the Group's forecasts, the gross margin (% ratio of cost of materials and changes in inventory to revenues) is to develop very positively and the EBIT margin slightly negatively, accompanied by a significant decrease in earnings per share from continuing operations. Based on the anticipated profit for the year 2019, the Group also expects a slight increase in Group equity.

In addition, the Managing Board anticipates that after completion of the sale of the "Daimler world engine" production order in the USA at the end of the first / beginning of the second quarter 2019, MS Industrie Group's business will overall develop as follows in terms of revenues and earnings during the 2019 financial year, **after** non-recurring items related to the sale in the amount of around EUR +19,5 million after taxes in total: For the fiscal year 2019, the Group expects a noticeable drop in industrial revenues to around EUR 230 million (around EUR 65 million below the amount forecast prior to the sale) and a significant increase in EBITDA, EBIT and EBT. After the anticipated tax effects resulting from the sale in the USA (around EUR 1,8 million), the consolidated profit for the year is also expected to significantly exceed the previous year's level. According to the Group's forecasts, a clearly positive development is to be expected for the gross margin (% ratio between cost of materials and revenues) and the EBIT margin, accompanied by a marked improvement in earnings per share. Based on the anticipated positive annual result for the year 2019, the Group also expects another considerable increase in Group equity.

As explained in the Annual Report 2018, the Group also expects that in the full year 2019 the cash flow from operating activities will somewhat improve over the previous year. As a result of the partial sale in the USA in particular, cash flow from investing activities is expected to develop very positively compared to 2018 (without partial sale USA no significant changes over the previous year). In the light of the anticipated developments including the effects from the partial sale USA, the debt-to-equity ratio should fall considerably, with a corresponding increase in the equity ratio. Even when accounting for the effect of the adoption of IFRS 16 as of January 1, 2019, which leads to an extension of the balance sheet, the equity ratio is stable. At the date of preparation of these interim financial statements, the Group continues to be convinced that it will be able to achieve this target.

2. Report on the economic situation

2.a. Macroeconomic and industry-related environment in first half of 2019

In the first half year, the industrial business showed a reasonably positive performance. This was due to the satisfactory order books of the industrial segments **"MS Powertrain"** and **"MS Ultrasonic"**, which have still been little affected by the uncertainties within the EU in the run-up to the implementation of Brexit and the international tensions with the USA, Russia and in the Middle East. Moreover, sales remain positive in the (US) commercial vehicle market for heavy trucks, which continues to show positive medium and long-term prospects.

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2.b. Status of the Group as of June 30, 2019

Earnings situation

Under this heading, the main changes regarding the Group's earnings situation in the first half of 2019 are presented and compared to the previous year. The first table shows the key figures unadjusted for the non-recurring items related to the "partial sale Powertrain USA".

Unadjusted for non-recurring items:	1.1. to 30.06.2019		1.1. to 30.06.2018		Difference	
	TEUR	%	TEUR	%	TEUR	%
Revenues	**124.419**	**100,0**	**140.319**	**100,0**	**-15.900**	**-11,3**
Other income	23.247	18,7	2.942	2,1	20.305	690,2
Cost of materials (incl. changes in inventory)	64.798	52,1	75.467	53,8	-10.669	-14,1
Gross profit	**82.868**	**66,6**	**67.794**	**48,3**	**15.074**	**22,2**
Personnel expense	34.938	28,1	34.498	24,6	440	1,3
Other expense	17.481	14,1	21.441	15,3	-3.960	-18,5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**30.449**	**24,5**	**11.855**	**8,4**	**18.594**	**156,8**
Depreciation and amortisation expense	7.396	5,9	6.108	4,4	1.288	21,1
Operating profit (EBIT)	**23.053**	**18,5**	**5.747**	**4,1**	**17.306**	**301,1**
Finance costs, net	-1.207	-1,0	-1.038	-0,7	-169	16,3
Share of profit of investments accounted for using the equity method	0	0,0	-17	0,0	17	-100,0
Profit before income taxes (EBT)	**21.846**	**17,6**	**4.692**	**3,3**	**17.154**	**365,6**
Income tax (expense)	1.780	1,4	1.091	0,8	689	63,2
Profit for the period before non-controlling interests (EAT)	**20.066**	**16,1**	**3.601**	**2,6**	**16.465**	**457,2**
Profit attributable to non-controlling interests	-22	0,0	-15	0,0	-7	46,7
Profit for the period after non-controlling interests (EAT)	**20.088**	**16,1**	**3.616**	**2,6**	**16.472**	**455,5**

In the reporting period, earnings figures in particular were affected by positive non-recurring items, whose effect on the key figures is described below.

The only, albeit significant "non-recurring effect" with an influence on profit or loss in the first half year related to the gains from deconsolidation arising from the sale of the valve train system production at the US Webberville site; these gains amounted to EUR +21,3 million net, based on gross proceeds from the sale of USD 40 million, and they had a substantial bearing on the earnings situation. All amounts before taxes.

In the first half of the year, external revenues in the "**Powertrain**" segment were around 14% lower than revenues in the previous year as a result of the transaction. The "**Ultrasonic"** segment reported only a decrease of around 2% compared to the previous year, quite a success when considering that machine deliveries in this segment were delayed again in the first half year due to reporting date effects.

Other income includes the proceeds from the sale of the production of valve train systems for the Daimler world engine in the USA amounting to EUR +21,3 million net (refer to the information above): MS Industries Inc., MS Property & Equipment, LLC, MS Precision Components, LLC and MS Industries Administrative, LLC (all "Webberville", Michigan/USA) were deconsolidated with effect from March 31, 2019 following the sale of 100% of the shares on April 1, 2019.

The reconciliation of the unadjusted key figures with the adjusted key figures is as follows in the period:

	01.01. to 30.06.2019			
	Before Adjustments	Effect of Adjustments	Adjusted	Adjusted
	TEUR	TEUR	TEUR	%
Revenues	**124.419**	**0**	**124.419**	**100,0**
Gross profit	**82.868**	**-21.334**	**61.534**	**49,5**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**30.449**	**-21.334**	**9.115**	**7,3**
Operating profit (EBIT)	**23.053**	**-21.334**	**1.719**	**1,4**
Profit before income tax (EBT)	**21.846**	**-21.334**	**512**	**0,4**
Profit for the year before non-controlling interests (EAT)	**20.066**	**-19.503**	**563**	**0,5**
Profit for the year after non-controlling interests (EAT)	**20.088**	**-19.503**	**585**	**0,5**

The change of the key figures from the relevant financial periods adjusted for by the non-recurring items is summarised as follows:

	01.01. to 30.06.2019		01.01. to 30.06.2018		Difference adjusted	
	Adjusted	Adjusted	Adjusted	Adjusted	18 / 19	18 / 19
	TEUR	%	TEUR	%	TEUR	%
Revenues	**124.419**	**100,0**	**140.319**	**100,0**	**-15.900**	**-11,3**
Gross profit	**61.534**	**49,5**	**67.794**	**48,3**	**-6.260**	**-9,2**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**9.115**	**7,3**	**11.855**	**8,4**	**-2.740**	**-23,1**
Operating profit (EBIT)	**1.719**	**1,4**	**5.747**	**4,1**	**-4.028**	**-70,1**
Profit before income tax (EBT)	**512**	**0,4**	**4.692**	**3,3**	**-4.180**	**-89,1**
Profit for the year before non-controlling interests (EAT)	**563**	**0,5**	**3.601**	**2,6**	**-3.038**	**-84,4**
Profit for the year after non-controlling interests (EAT)	**585**	**0,5**	**3.616**	**2,6**	**-3.031**	**-83,8**

The reconciliation of the unadjusted key figures with the adjusted key figures is as follows in the previous year´s period:

	01.01. to 30.06.2018			
	Before Adjustments	Effect of Adjustments	Adjusted	Adjusted
	TEUR	TEUR	TEUR	%
Revenues	**140.319**	**0**	**140.319**	**100,0**
Gross profit	**67.794**	**0**	**67.794**	**48,3**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**11.855**	**0**	**11.855**	**8,4**
Operating profit (EBIT)	**5.747**	**0**	**5.747**	**4,1**
Profit before income taxes (EBT)	**4.692**	**0**	**4.692**	**3,3**
Profit for the year before non-controlling interests (EAT)	**3.601**	**0**	**3.601**	**2,6**
Profit for the year after non-controlling interests (EAT)	**3.616**	**0**	**3.616**	**2,6**

In the USA/Canada ("North America") market, revenues of EUR 39,2 million in total were generated in the first half of 2019 (previous year: EUR 52,2 million). The North American market thus still accounted for around 31,5% (previous year: 37,2%) of the consolidated total revenues of the MS Industrie Group.

We are therefore entirely satisfied with the revenue trend in the first half of the year, both overall and by region. However, the operating performance at the different earnings levels is partially below what we are expecting. An effect of the transaction was that orders on hand as at the end of June were around 29% lower than the average in the first half of 2018 across all product groups. However, the order backlog will be sufficient until the end of the fourth quarter of 2019 both in the "Ultrasonic" and the "Powertrain" segment. With a three-shift production schedule, capacity utilisation is still good.

The revenues of the MS Industrie Group, which at the consolidated level strongly decreased in the reporting period, mainly comprise EUR 96,8 million (previous year: EUR 112,2 million) from the "Powertrain" segment and EUR 27,4 million (previous year: EUR 28,0 million) from the "Ultrasonic" segment (figures for segments after intercompany consolidation).

Personnel expenses rose year-on-year by around 1,3% in the first half, i.e. slightly more than proportionately to the decrease in headcount, with an average of 1.194 permanent employees (same period in the previous year: 1.207 employees).

The adjusted gross margin (revenues including changes in inventory plus other operating income minus cost of materials) in relation to revenues amounts to 49,5% in the first half of the year (previous year: 48,3%).

After a marked decline in other expenses, which - despite non-capitalised research and development costs of EUR 2,0 million (previous year: EUR 1,9 million) - decreased overall by EUR 4,0 million to EUR 17,5 million, earnings before interest, taxes, depreciation and amortisation (EBITDA) adjusted for non-recurring items were clearly down at around EUR 9,1 million (previous year: EUR 11,9 million).

After depreciation and amortisation, earnings before interest and taxes (EBIT) adjusted for non-recurring items were clearly down in the first half of 2019, amounting to EUR 1,7 million (previous year: EUR 5,8 million). Adjusted profit before taxes (EBT) also decreased significantly in the first half year and was EUR 0,5 million (previous year: EUR 4,7 million).

Profit after taxes (EAT) adjusted for non-recurring items amounted to around EUR 0,6 million (previous year: EUR 3,6 million). Adjusted profit after non-controlling interests also amounted to EUR 0,6 million (previous year: EUR 3,6 million).

Cash Situation

	1.1 to 30.06.2019 TEUR	**1.1 to 30.06.2018** TEUR
Net cash generated from / used in operating activities	1.992	-986
Net cash used in investing activities	7.190	-6.056
Net cash used in / generated from financing activities	-2.313	-5.260
Net decrease in cash and cash equivalents	**6.869**	**-12.302**
Liquid funds at beginning of period	-4.028	1.389
Liquid funds at end of period	**2.841**	**-10.913**

As at June 30, 2019, cash and cash equivalents came to EUR 11,2 million (December 31, 2018: EUR 8,9 million). In addition, current account credit facilities of EUR 9,9 million were available (December 31, 2018: EUR 11,8 million).

Liquid funds as of June 30, 2019 amounted to EUR 2,8 million (December 31, 2018: EUR -4,0 million) and thus increased by EUR 6,9 million compared to December 31, 2018. The increase in liquid funds is mainly due to the positive cash flow from investing activities.

Financial Situation

The essential changes to the Group's financial situation in the first half of 2019 compared to the previous year's balance sheet date can be seen in the following table:

	30.06.2019		31.12.2018		Difference	
	TEUR	%	TEUR	%	TEUR	%
ASSETS						
Deferred income tax assets	122	0,1	208	0,1	-86	-41,3
Other non-current assets	103.271	47,9	74.682	43,6	28.589	38,3
Current assets	112.148	52,0	96.180	56,3	15.968	16,6
Total assets	**215.541**	**100,0**	**171.070**	**100,0**	**44.471**	**26,0**

	30.06.2019		31.12.2018		Difference	
	TEUR	%	TEUR	%	TEUR	%
EQUITY AND LIABILITIES						
Equity and minority interests	80.044	37,1	65.313	38,2	14.731	22,6
Deferred income tax liabilities	508	0,2	1.706	1,0	-1.198	-70,2
Other debt	134.989	62,7	104.051	60,8	30.938	29,7
Total equity and liabilities	**215.541**	**100,0**	**171.070**	**100,0**	**44.471**	**26,0**

Non-current assets increased by around 38,3% in the first half of the year, but have barely changed as a percentage of total assets (around 47.9%). The increase is mainly due to the additions of right-of-use assets of around EUR 24,7 million resulting from the adoption of IFRS 16.

The increase in current assets by around 16,6% is especially attributable to growth in cash and cash equivalents and the remainder of receivables from the "Gnutti" sales transaction. The percentage ratio of non-current assets to total assets decreased slightly and was 52,0% as of the end of the first half year.

Compared to December 31, 2018, the Group's equity ratio fell slightly, particularly as a result of the increase in total assets by around 26% during the first six months of the year, and as of June 30, 2019 came to 37,1% (December 31, 2018: 38,2%). As a result of the Group's positive total comprehensive income, equity including non-controlling interests rose significantly in absolute terms by EUR 14,7 million to EUR 80,0 million in the first half year (December 31, 2018: EUR 65,3 million).

Although the Group's total comprehensive income is again positive, the equity ratio slightly decreased owing to the considerable expansion of working capital and especially as a result of the adoption of the new "leasing" accounting standard IFRS 16 with an effective date of January 1, 2019. The standard is a new approach to lease accounting from the perspective of the lessee. It replaces the previously valid IAS 17 and three associated interpretations. The application of IFRS 16 is mandatory for all IFRS users and is generally applicable to all leases. As the Group has decided to use the "modified retrospective method", it is not necessary to restate comparative numbers. The effect of the initial application of IFRS 16 is generally recognised in other group reserves as of January 1, 2019

The adoption of IFRS 16 led to a significant increase in assets and liabilities in the MS Industrie AG Group, causing the equity ratio to fall. However, regarding the Group's existing bank loans, the Managing Board is convinced that the reduced equity ratio will not impair compliance with any financial covenants relating to agreements on a minimum equity ratio.

The initial application of IFRS 16 in the consolidated financial statements of MS Industrie AG as of January 1, 2019 affecting the property, vehicle and IT leases formerly treated as operating leases will have the effect of extending the balance sheet by around EUR 24,7 million. Based on the interim consolidated financial statements as of June 30, 2019, this corresponds to an increase in total assets of around 13%. In line with expectations, the operating result increased by EUR 0,3 million following the adoption of IFRS 16, whereas the net financial result slightly deteriorated by EUR 0,4 million. Accordingly, the key figures EBIT and EBITDA showed a slight improvement.

Liabilities also showed a marked increase in absolute terms, especially because of the initial application of IFRS 16; however, as a percentage of total assets the increase was insignificant.

The Group's net debt ratio (short and long-term net bank liabilities/equity) significantly decreased from 79,7% as at the end of 2018 to 55,6% as at the end of the first half of 2019.

General statement on business performance and financial situation

The MS Industrie Group got off to a very good start in the first quarter 2019 and the first half year overall showed a noticeable upturn in demand, especially in the geographical sub-segment “Powertrain Europe”. The somewhat declining shipments of ultrasonic custom machines in the second quarter of 2019 and the stable order backlog for the rest of the year are reasons for the Managing Board to stay optimistic. The operating business in the current financial year developed largely according to plan for all subsidiary companies.

3. Information relevant to acquisitions and other reports

3.a. Risk report in relation to the use of financial instruments (Section 315 para. 2 no. 1 of the German Commercial Code - HGB)

Various bank liabilities of the MS Industrie Group continue to bear a variable interest rate. The Group is therefore exposed to an interest rate risk to this extent. This risk is partly neutralised through the use of interest rate swaps.

As of the interim reporting date, the Group had short-term bank loans of EUR 19,9 million, for which the interest rate is almost exclusively variable and linked to a EURIBOR rate plus margin. The Group held long-term interest rate swaps in the amount of EUR 7,0 million as of the interim reporting date to cover the interest rate risk. These interest rate swaps did not qualify as hedges for IFRS-accounting purposes. The negative cash value of these interest rate swaps as of the interim reporting date totaled EUR -0,5 million.

To hedge liquidity risks in relation to pension obligations in the MS Industrie Group, the relevant subsidiary companies took out partial reinsurance contracts and concluded a “Contractual Trust Arrangement” (“CTA”). The fair value of the claims under these insurance contracts and the contractual trust arrangement were deducted as plan assets from the present value of the obligation.

3.b. Report on the powers granted to the Managing Board of MS Industrie AG, especially in relation to the power to issue or buy back shares (Section 315a para. 1 no. 1 German Commercial Code - HGB)

Under a resolution of the shareholders' meeting as of June 29, 2016, the Managing Board is entitled for a period of five years from the registration of the relevant amendments to the Articles of Association in the Commercial Register on July 1, 2016, and subject to the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions by up to EUR 6.000.000,00 by issuing up to 6.000.000 new shares in return for cash or contributions in kind and, under certain circumstances, to exclude shareholders' subscription rights. The Authorised Capital 2016/I of MS Industrie AG at the time the interim financial statements were prepared thus totaled EUR 6.000.000 (December 31, 2018: EUR 6.000.000).

The Managing Board is further authorised by resolution of the shareholders' meeting as of June 28, 2017 to acquire, until June 27, 2022, treasury shares up to a portion of 10% of the Company's existing share capital of EUR 30.000.000 as at the time of the resolution. The buy-back of treasury shares is intended, among other things, to permit the use of all or a part of the shares thus acquired for share option schemes for members of the Managing Board, bodies and employees of the Company or its associated companies, for the acquisition of companies or holdings in companies or to smooth out peaks in subscription rights. Hence, at the time these interim financial statements were prepared the maximum number of shares that could be bought back was 3.000.000. As of the interim reporting date, MS Industrie AG held 91.320 treasury shares of which 91.320 had been acquired in previous years.

4. Forecast report

The uncertainty about future global economic trends has been persisting since the publication of our Annual Report 2018 in April 2019. It is currently impossible to predict how much the German real economy will be affected by the smoldering crisis in the eurozone with the still slow pace of Brexit negotiations and crises flaring up in various regions in the Middle East. The uncertainties regarding the impact of the future (economic) policy pursued by the USA also contribute to this scenario. There are also some positive effects such as the continued historically low German base rate and the low inflation rate as well as the persistent low oil price - all of which are factors outside the control of the German industry, however.

Despite the above-mentioned macroeconomic risks, we assume that business for the MS Industrie Group will continue to develop solidly during the second half of 2019 regarding the key revenues and earnings figures.

Provided that the global economy will remain stable at large, the Managing Board anticipates a solid order book and expects the Group to have a positive annual result for the full 2019 financial year. The originally planned investment volumes for 2019 for MS Technologie Group were set at a total of around EUR 15,8 million, with EUR 4,2 million accounted for by the "Powertrain" segment and EUR 11,4 million by the "Ultrasonic" segment (including purchase of the "Webberville" property). Of the planned total investment volume, EUR 8,3 million have already been invested in the first half of 2019. According to the current investment forecast for 2019, the remaining investment budget is EUR 6,5 million, of which EUR 1,4 million will probably have an effect on cash flow. In terms of volumes, the greatest long-term growth is expected in the "Powertrain" segment from systems and components for heavy diesel engines in Europe. In the "Ultrasonic" segment, the strongest percentage growth is expected in the fields of the new ultrasonic servo presses of the "MS soniTOP" brand and "Systems and components for customer-specific applications".

With its subsidiary "EMGR EAD", Bulgaria, Elektromotorenwerk Grünhain GmbH, Grünhain-Beierfeld, Germany ("EMGR") operates in the "**Powertrain / Electric motors"** sub-segment. The company is a successful manufacturer of customer-specific electric motors in a variety of different designs and of related products. EMGR is working towards entering the market for customer-specific electric motors for bicycles and tricycles (cargo sector / electro-mobility). After production of prototypes was successfully tested in 2013/2014, series production started in Germany in 2018. By consistently pursuing development projects initiated in previous years (new and more efficient drive systems for industrial and electro-mobility applications), EMGR is increasingly becoming a system provider. To this end, EMGR has enlarged its product portfolio by including transmissions and controls. The management of EMGR anticipates the business development to correspond more or less to the previous year with stable revenues and a break-even annual result.

In the “**Ultrasonic / Special purpose machines”** sub-segment the order book continues to be stable. Since capacity utilisation in this area is not directly dependent on the number of vehicles produced but primarily on new model launches by OEMs, this segment is considerably less cyclical than the “Powertrain” segment and has always been only slightly affected by crises. This is further enhanced by the policy of OEMs to offer a continuously increasing number of models and variants as well as their constant efforts to reduce vehicle costs through lightweight design, which is set to continue.

The packaging machine industry, which is a target market of the “**Ultrasonic / Systems & Components**” sub-segment – still the smallest in terms of revenues and headcount –, continues to show high growth rates due to the growing amount of plastic packaging in all areas of life worldwide. By rigorously pursuing our innovation strategy regarding new applications in the automotive, medical engineering, consumer goods and electronics industries we were able to showcase a new **servo press** for product lines at the “K-Messe” in Düsseldorf in autumn 2016. Even if the level of orders received in the previous years was rather modest because production was still in the start-up phase, we continue to expect disproportionately high growth rates in this highly innovative product area. In the first quarter, a key account and several new customers have already been won. Moreover, in the same quarter, „UTG” was invited to the “Global Tech. Meeting” of “Bosch Siemens Hausgeräte” to present the new servo press. In Brazil and China, orders received continued to develop positively in the first half of 2019. The new Brazilian 45%-owned subsidiary acquired in 2016 is working at full capacity with orders from the “UTG” segment, and the pipeline is full. For the second half of 2019, stands for the “UTG” segment have been booked at the major trade fair ”FachPack“ in Nuremberg from September, 24 to 26, 2019 and at the “K-Messe”in Düsseldorf, from October, 16 to 23, 2019. In the “Systems / Components” sub-segment, various research and cooperation projects to investigate into new product series were initiated together with renowned companies and (partner) institutes.

This Interim Management Report contains forward-looking statements and information, i.e. statements relating to events that will occur in the future and are not historical facts. Forward-looking statements can be identified by the fact that they use words such as ‘expect’, ‘anticipate’, ‘intend’ or other words of similar meaning. Such forward-looking statements are based on our current expectations and certain assumptions and are therefore subject to inherent risks and uncertainties. A multitude of factors, many of which are beyond the Company’s control, influence the business activities, success, business strategy and results of MS Industrie AG. These factors could cause our actual results, success and performance to differ materially from those expressed or implicitly contained in the forward-looking statements.

With kind regards

MS Industrie AG – The Managing Board

Dr Andreas Aufschnaiter (Chairman of the Managing Board)	Armin Distel

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