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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

MS INDUSTRIE AG

Extracts from the Group's Interim Management Report as of June 30, 2021



Consolidated Financial Statements as of June 30, 2021 - Overview of key figures

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

Balance sheet key figures

	31.12.2020	30.06.2021
Total assets	171.512	181.495
Equity and non-controlling interests	68.562	67.817
Equity ratio (%)	40,0%	37,4%
Trade receivables	23.013	30.486
Liquid funds (Cash and cash equivalents ./ Current accounts)	-170	-16.022
Net working capital (Inventories + Trade receivab. ./ Trade payables)	49.841	62.156

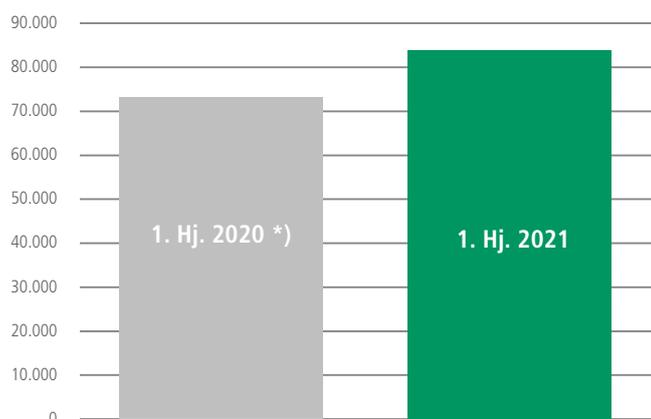
Cashflow key figures

	1. Hj. 2020	1. Hj. 2021
Cashflow from operating activities	6.338	-7.258
Cashflow from investing activities	1.028	2.663
Cashflow from financing activities	-5.812	-11.257

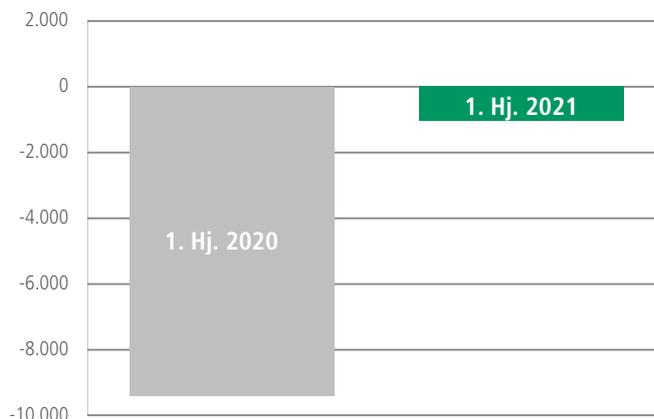
Income statement key figures

	1. Hj. 2020	1. Hj. 2021
Revenues	73.061	83.816
Other operating income	2.083	2.727
Cost of materials (incl. changes in inventories)	37.277	42.107
Gross profit	37.867	44.436
Personnel expense	29.146	25.272
Other operating expense and IFRS 9	11.515	13.121
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-2.794	6.043
Depreciation and amortisation expense	6.612	7.082
Operating Profit (EBIT)	-9.406	-1.039
Finance costs, net	-1.003	-959
Profit before income tax (EBT)	-10.409	-1.998
Profit for the year after non-controlling interests (EAT)	-7.758	-950
Consolidated earnings per share in EUR	-0,26	-0,03

Total revenues in TEUR



Operating Profit (EBIT) in TEUR



*) Incl. Mio. EUR 9,6 EMGR in prev. year 2020

MS Industrie AG, Munich

Consolidated balance sheet as at June 30, 2021, unaudited



	30.06.2021 (Unaudited) TEUR	31.12.2020 (Audited) TEUR
ASSETS		
Intangible assets	2.738	2.300
Property, plant and equipment	31.750	31.308
Investment property	7.653	7.690
Right of use-assets according to IFRS 16	33.718	33.816
Investments	1.768	1.768
Investments in associates	3.948	3.924
Deferred income tax assets	4.108	3.051
Other non-current financial assets	6.137	9.655
Other non-current assets	322	344
Non-current assets	92.142	93.856
Inventories	33.829	30.702
Trade receivables	30.486	23.013
Cash and cash equivalents	7.759	4.460
Income tax assets	147	1.164
Contract assets	9.331	7.766
Other current financial assets	5.923	8.696
Other current assets	1.878	1.855
Current assets	89.353	77.656
TOTAL ASSETS	181.495	171.512
EQUITY AND LIABILITIES		
Ordinary Shares (30.00 million shares less 96,189 treasury shares)	29.904	29.837
Share premium	7.596	7.604
Statutory reserve	439	439
Retained earnings	3.958	3.901
Other reserves	-173	-262
Consolidated profit	26.093	27.043
Non-controlling interests	0	0
Equity and non-controlling interests	67.817	68.562
Non-current Borrowings	23.737	14.607
Provisions for pensions and similar obligations	1.662	1.727
Other non-current financial liabilities	23.996	24.934
Other non-current liabilities	1.587	1.787
Non-current provisions and liabilities	50.982	43.055
Current Borrowings	29.134	26.240
Trade payables	11.490	11.640
Current accruals	1.066	1.665
Other current financial liabilities	9.571	8.078
Other current liabilities	11.435	12.272
Current provisions and liabilities	62.696	59.895
TOTAL EQUITY AND LIABILITIES	181.495	171.512

	01.01. - 30.06.2021 (January - June 2021) "Six Months"	01.01. - 30.06.2020 (January - June 2020)	Deviation	
			Jan.-June 21 - Jan.-June 20 absolute	percentage
Revenues	83.816	73.061	10.755	+15%
a) Revenues from industrial and real estate business	83.754	73.018	10.736	+15%
b) Revenues from consulting and commissions	62	43	19	+44%
Changes in inventory of work in process and finished goods	806	542	264	+49%
Other income	2.727	2.083	644	+31%
Total income	87.349	75.686	11.663	+15%
Cost of materials	42.913	37.819	5.094	+13%
Personnel expense	25.272	29.146	-3.874	-13%
Depreciation and amortisation expense				
a) Depreciation of property, plant and equipment, investment property and amortisation of intangible assets	6.452	6.612	-160	-2%
b) Impairment losses	630	0	630	
Other expense	13.121	11.515	1.606	+14%
Total expenses	88.388	85.092	3.296	+4%
Operating Profit	-1.039	-9.406	8.367	+89%
Finance costs, net	-886	-1.003	117	+12%
Share of profit of investments acc. for using the equity method	-73	0	-73	
Profit before income tax	-1.998	-10.409	8.411	+81%
Income tax expense	-1.048	-2.631	1.583	+60%
Profit for the period	-950	-7.778	6.828	+88%
attributable to				
owners of the parent	-950	-7.758	6.808	+88%
non-controlling interests	0	-20	20	+100%
	-950	-7.778	6.828	+88%
Consolidated earnings per share, in EUR				
basic, after non-controlling interests	-0,03	-0,26		
diluted, after non-controlling interests	-0,03	-0,26		
Number of shares, average weighting				
basic	29.877.755	29.844.521		
diluted	29.877.755	29.844.521		

MS Industrie AG, Munich, Consolidated statement of comprehensive income
for the 1st half of the financial year 2021, unaudited



	01.01. - 30.06.2021 (January - June 2021)	01.01. - 30.06.2020 (January - June 2020) "Six Months"
Profit for the period	<u><u>-950</u></u>	<u><u>-7.778</u></u>
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>103</u>	<u>-9</u>
<i>Items that will not be reclassified to profit or loss</i>	<u>103</u>	<u>-9</u>
Remeasurements of post employment benefit obligations	-19	-39
Change in value of financial assets (IFRS 9)	0	-151
Income taxes recorded in other comprehensive income	<u>5</u> <u>-14</u>	<u>10</u> <u>-180</u>
Other comprehensive income for the period, net of tax	<u><u>89</u></u>	<u><u>-189</u></u>
Total comprehensive income for the period	<u><u>-861</u></u>	<u><u>-7.967</u></u>
attributable to owners of the parent	-861	-7.947
attributable to non-controlling interests	<u>0</u>	<u>-20</u>
	<u><u>-861</u></u>	<u><u>-7.967</u></u>
Consolidated earnings per share, in EUR		
basic, after non-controlling interests	-0,03	-0,26
diluted, after non-controlling interests	-0,03	-0,26
Number of shares, average weighting		
basic	29.877.755	29.844.521
diluted	29.877.755	29.844.521

MS Industrie AG, Munich, Consolidated cash flow statement for the period 01.01.-30.06.2021,
previous year's period for comparison purposes (unaudited)



	01.01. - 30.06.2021 TEUR	01.01. - 30.06.2020 TEUR
Profit for the period	-950	-7.778
Income tax expense (recognised through profit and loss)	-1.048	-2.631
Finance income (recognised through profit and loss)	-151	-281
Finance costs (recognised through profit and loss)	1.037	1.284
Depreciation of property, plant and equipment and amortisation of intangible assets	6.452	6.612
<i>Material non-cash other expenses (+) or income (-):</i>		
- Impairment losses	630	0
- Gains/losses on revaluation of investment property	38	38
Losses/gains (-) on investments accounted for using the equity method	73	0
Losses/gains (-) on disposal of property, plant and equipment and intangible assets	-14	-102
Decrease/increase (-) in inventories, trade receivables and other assets not assigned to investing or financing activities	-11.630	8.919
Increase/decrease (-) in trade payables and other liabilities not assigned to investing or financing activities	-2.088	1.431
Interest received	59	47
Interest paid	-766	-811
Income tax received	1.135	0
Income tax paid	-35	-390
Net cash from operating activities	-7.258	6.338
Proceeds from sale of property, plant and equipment and intangible assets	174	275
Purchases of property, plant and equipment and intangible assets	-4.343	-4.769
Proceeds from disposal of fully consolidated subsidiaries less cash and cash equivalents transferred	5.997	5.522
Proceeds from disposal of investments accounted for using the equity method	10	0
Purchase of investments	-106	0
Proceeds received from the payback of borrowings	928	0
Payments made for the granting of borrowings	-70	0
Proceeds received from investments	73	0
Net cash from investing activities	2.663	1.028
Proceeds from borrowings	11.602	1.200
Repayments of borrowings	-18.729	-4.290
Proceeds from finance lease transactions	0	647
Payments made for finance lease transactions	-4.130	-3.334
Purchase of treasury shares	0	-35
Net cash used in financing activities	-11.257	-5.812
Net decrease in liquid funds	-15.852	1.554
Liquid funds at beginning of period	-170	-1.297
Liquid funds at end of period	-16.022	257

MS Industrie AG, Munich**EXTRACTS from the group's interim management report as of June 30, 2021****Table of Contents**

1.	Highlights on the development of the 1st half-year	2
2.	Economic Report	4
3.	Takeover-relevant information and other reporting	8
4.	Opportunities and risk report	9
5.	Forecast report	9

MS Industrie AG, Munich

1. Highlights on the development of the 1st half-year

Dear shareholders, employees and business partners,

while the first six months of the past financial year 2020 for the MS Industrie-Group were predominantly marked by the economic impact of the Covid 19-pandemic, especially from the 2nd quarter of 2020 onwards, the 1st half of 2021, especially from the 2nd quarter of 2021 onwards, was predominantly marked by signs of economic recovery.

The Covid 19-pandemic had a massive negative impact on the key financial figures in the 1st half of the previous year. The following significant developments were recorded in the same period of the previous year: Due to plant closures at the main customers, the Powertrain segment's production sites in Trossingen and Zittau, both located in Germany, were reduced to minimum operations from mid-March to mid-April 2020, and a large part of the workforce was on short-time working at this time. On April 20, 2020, production was gradually ramped up again. The Spaichingen production site of the "Ultrasonic" segment was affected to a somewhat lesser extent. The "Ultrasonic" site in "Webberville"/USA was completely closed by government decree until May 10, 2020.

In the two main operating segments "**Powertrain Technology Group**", also abbreviated to "**Powertrain**", and "**Ultrasonic Technology Group**", also abbreviated to "**Ultrasonic**", the development of sales in the first half of the year was again very different. At the end of the first half of 2021, the external sales of the "**Powertrain**" segment were significantly higher than the sales of the previous year at around +47% (adjusted for the Grünhain electric motor plant group sold in the previous year). External sales of the "**Ultrasonic**" segment, on the other hand, were only slightly above the previous year's sales at around +5%. In the 1st half of the year, sales of the "Powertrain" segment accounted for around 72% (previous year: 70%) and sales of the "Ultrasonic" segment accounted for around 28% (previous year: 30%) of consolidated Group sales.

Order backlogs at the end of June 2021 totalled around EUR 104 million (previous year EUR 86 million), in the Ultrasonic segment down around -2% on the previous year, but up around +32% in the Powertrain segment, and thus on average around +21% higher than the average order backlogs in the previous year (also adjusted for the Grünhain electric motor group sold in the previous year on December 31, 2020).

In the first half of the current financial year 2021, the operating earnings situation has improved massively with regard to the key earnings figures, in particular earnings before interest, taxes, depreciation and amortisation - **EBITDA** -, operating earnings before interest and taxes - **EBIT** -, earnings before taxes - **EBT** -, earnings after taxes - **EAT** - and earnings per share - "**Eps**" ("**Earnings per Share**"), but has not yet developed satisfactorily.

This against the background of a robust European **commercial vehicle market** with a registration increase of +36,9% in the 1st half of 2021 compared to the previous year (increase in Germany: **+21,7%**) and of +12,4% in June 2021 compared to the same month of the previous year, as confirmed by the latest periodic evaluation, as of July 28, 2021, of the "ACEA" ("Association des Constructeurs Européens d'Automobiles", Brussels). The European market for heavy commercial vehicles over 16 tonnes has even developed slightly better across Europe with a registration increase of +39,3% in the 1st half of 2021, compared to the previous year (increase in registrations in Germany: **+23,2%**) (source also: "ACEA", as of July 28, 2021). These figures are basically positive, even if the growth rates could not fully compensate for the strong Covid 19-related declines in the 1st half of 2020 in percentage terms; however, we expect the truck economy in Europe to pick up again in the 2nd half of 2021.

The "**Ultrasonic**" segment must be viewed in a very differentiated way and is divided into the areas of special machines and the three technology areas of series machines, systems and components (primarily for the packaging industry) and the newly established "Nonwovens" business area (nonwovens for hygiene articles, medical products, technical applications, etc.).

The **special (ultrasonic) machinery** sector - which still has the largest and most important share within the segment - is struggling with a massive drop in sales as a result of the restructuring and thus the significant reduction in the model ranges of almost all OEMs with regard to new drives (electric and hybrid). Many models have been cancelled or discontinued without replacement, facelifts are being stopped or postponed, and new models will initially only come in basic versions, but not yet in derivatives. The automotive industry, which still represents more than 20% of German industry, is in the midst of a massive structural change, which is having a corresponding effect not only on the order books of the mechanical engineering industry.

This structural change, which has already led to a reduction in enquiry volume of around 40% since the beginning of 2019, is still in full swing. However, the Executive Board expects that the market has bottomed out and will gradually recover. It should be emphasized that the demand for (ultrasonic) special machines is independent of the type of drive and the number of units produced and is only dependent on the variety of new models.

It should also be mentioned that - due to the restrictions as a result of the Covid 19-pandemic - both sales (no trade fairs, no trips or visits) and, above all, worldwide service had to accept considerable losses or additional expenses due to radical travel restrictions.

The sales gap of around EUR 10 million compared to the internal plan was countered in the first half of the year with short-time work, among other measures. Due to a renewed increase in incoming orders, short-time work is currently suspended and will probably no longer be needed in the second half of the year. At the same time, the range of (ultrasonic) special machines was expanded to include additional automation solutions in order to increase market potential.

The other three **ultrasonic technology divisions** are developing positively throughout, although sales activities with visit and travel restrictions as well as missing trade fairs will improve in the 2nd half of the year, but will not yet return to the old normality. These disadvantages are being counteracted specifically and successfully through various online initiatives. A very positive factor is that these products are experiencing high growth rates, especially in sectors outside the automotive industry (medicine, white goods, toys, consumer goods, etc.), thus reducing the dependence on the automotive industry.

Sales of **(ultrasonic) series machines** are expected to almost double in 2021. Due to the technological market leadership with many unique selling points in this product area, we expect the strong growth to continue, accompanied by the expansion of sales activities and laboratory capacities.

For **(ultrasonic) systems and components**, we also expect a doubling of turnover (excluding the special effect of the Covid 19-mask business in 2020). Due to the new packaging legislation and the resulting need for new developments of ultrasonic systems for welding recyclable products, further growth is also expected here.

In addition, the Executive Board has decided to expand the ultrasonic technology division to include the "**Nonwovens**" business segment. For 2021, this means massive investments in personnel (application technology, sales, service), in development (construction and development of a laboratory calander with a capacity of up to 800 metres per minute including ultrasonic welding units and control), in production (complex roll production) as well as in adequate equipment (equipping a rented competence-centre in Ettlingen/Karlsruhe with high-quality workstations and laboratories). Already in October we will present the new products at the INDEX trade fair in Geneva (19 to 22 October 2021) and expect first sales in 2022. The Executive Board is convinced, that these products offer considerable future opportunities for the ultrasonic sector.

Against this backdrop, the consolidated revenues of MS Industrie AG improved significantly in the first half of 2021, but did not yet develop satisfactorily. Total consolidated sales in the first half of 2021 amounted to around EUR 83,8 million (previous

year: adjusted EUR 63,5 million) and were thus around +32% higher in the first half of 2021 than in the same period of the previous year - adjusted for the previous year's sales of the Elektromotorenwerk Grünhain-Group.

At the end of the first half of the year, there was a significantly improved, positive result before financial result, taxes, depreciation and amortisation (EBITDA) of EUR 6,0 million (previous year: EUR -2,8 million) and a likewise significantly improved operating result before financial result and taxes (EBIT) of EUR -1,0 million (previous year: EUR -9,4 million).

As a result, earnings before tax (EBT) improved by EUR +8,4 million and amounted to EUR -2,0 million (previous year: EUR -10,4 million). The Group result after income taxes (EAT) in the first half of 2021 was EUR -1,0 million (previous year: EUR -7,8 million) and thus EUR +6,8 million better than in the same period of the previous year.

Cash and cash equivalents in the Group increased during the reporting period from EUR 4,5 million at the beginning of Hj.1-2021 to EUR 7,8 million as at June 30, 2021. The increase of EUR 3,3 million in Hj.1-2021 is primarily due to positive cash flows from investing activities.

The **second quarter of 2021** was not satisfactory, compared to the first quarter, with a significantly lower EBITDA of EUR 1,4 million (first quarter of 2021: EUR 4,7 million), earnings before interest and taxes (EBIT) of EUR -2,0 million (first quarter of 2021: EUR 0,9 million), and earnings before tax (EBT) of EUR -2,5 million (first quarter of 2021: EUR 0,5 million).

The Executive Board expects the greatest organic growth in the current 2021 financial year in the "Powertrain" division, where customer call-offs in the second half of the year are in the double-digit percentage range above the first half of the year. In the "Ultrasonic" division, sales should also increase in the double-digit range in the second half of the year compared to the first half. In this respect, the Executive Board assumes that the turnover and earnings figures will improve significantly in the second half of the year.

As described in the 2020 Annual Report, the Executive Board continues to assume that the MS Industrie-Group's business for the full year 2021 will be as follows:

For the 2021 financial year, significantly higher industrial Group revenue of around EUR 180 million is expected - compared to the adjusted figures for the previous year - with a significant increase in operating EBITDA, while operating EBIT and EBT should also increase significantly, so that we ultimately expect a positive operating Group result for the year, significantly above the level of the previous year. According to the Group's projections, the gross profit margin (cost of materials in % of revenue) should develop slightly positively and the EBIT margin from ongoing business significantly positive, with significantly improved, positive operating earnings per share. Based on the expected positive annual result, a slight increase in Group equity is expected for 2021. Cash flow from operating activities is expected to develop significantly worse than in the previous year due to the growth-related increase in working capital. With regard to cash flow from financing activities, we expect slightly positive changes compared to 2020. Based on the expected developments, the leverage ratio should decrease further and the equity ratio should increase slightly.

2. Economic Report

2.a. General conditions and business development in the 1st half of 2021

Industrial business was only partially satisfactory in the first half of the year. This is mainly due to the still unsatisfactory order situation in the "**Ultrasonic**" segment, which continues to be negatively affected by the effects of the current restructuring and upheavals (keyword: "e-mobility") in the Automotive business, which nevertheless continues to have positive prospects in the medium and long term. At the time of the preparation of the interim management report, the financial situation is in order. However, the business development of the subsidiaries in the first half of 2021 was unfortunately not entirely as expected. In the first half of the year, some of the employees in the "**Ultrasonic**" segment were still on short-time working. In summary,

however, it can be stated that the economic situation of the MS Industrie-Group and thus also of MS Industrie AG is stable as of the interim balance sheet date and as of the balance sheet preparation date.

2.b. Situation of the Group as at June 30, 2021

Earnings situation

This shows the main changes in the earnings situation in the first half of 2021 compared to the same period of the previous year.

	1.1. until 30.06.2021		1.1. until 30.06.2020		Difference	
	TEUR	%	TEUR	%	TEUR	%
Revenues	83.816	100,0	73.061	100,0	10.755	14,7
Other income	2.727	3,3	2.083	2,9	644	30,9
Cost of materials (incl. changes in inventory)	42.107	50,2	37.277	51,0	4.830	13,0
Gross profit	44.436	53,1	37.867	51,9	6.569	17,3
Personnel expenses	25.272	30,2	29.146	39,9	-3.874	-13,3
Other expenses and impairment result according to IFRS 9	13.121	15,7	11.515	15,8	1.606	13,9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	6.043	7,2	-2.794	-3,8	8.837	316,3
Depreciation and amortisation expenses	7.082	8,4	6.612	9,0	470	7,1
Result from ordinary activities (EBIT)	-1.039	-1,2	-9.406	-12,8	8.367	89,0
Financial result	-886	-1,1	-1.003	-1,4	117	11,7
Result from associated companies	-73	-0,1	0	0,0	-73	100,0
Consolidated earnings before taxes (EBT)	-1.998	-2,4	-10.409	-14,2	8.411	80,8
Income taxes (expense +, income -)	-1.048	-1,3	-2.631	-3,6	1.583	60,2
Group result before minority interests (EAT)	-950	-1,1	-7.778	-10,6	6.828	87,8
Minority interests in consolidated profit	0	0,0	-20	0,0	20	-100,0
Group result after minority interests (EAT)	-950	-1,1	-7.758	-10,6	6.808	87,8

In the reporting period and in the previous year's reporting period, the key earnings figures (with the exception of the direct and indirect effects of the Covid 19-pandemic, which cannot be quantified exactly) were not affected by significant special influences, so that an adjustment was not necessary.

In the first half of 2021, external sales of the "Powertrain" segment were around +47% higher than in the previous year (excluding the Elektromotorenwerk Grünhain-Group sold in the previous year). The segment revenue increase of around +19% is mainly due to the absence of the negative effects of the Covid 19-pandemic from the previous year.

In the sales market USA/Canada ("North America"), sales revenues totaling EUR 12,8 million (previous year: EUR 7,7 million) were generated in the first half of 2021. This means that in the first half of 2021, around 15,3 % (previous year: 10,5 %) of the MS Industrie-Group's consolidated total revenue was again generated in the North American market.

Taking into account the effects of the Covid 19-pandemic and the politically induced structural change, we are reasonably satisfied with the development of sales in the first half of the year, both overall and by region. However, the development of

the various operational result levels is still clearly below our expectations. As of the end of June, the order backlog across all product groups is around 21% above the previous year's average for the 2020 financial year. For the "Powertrain" segment, this means full order books until the end of the year with three-shift operation and additional weekend shifts. In the "Ultrasonic" segment, the order book extends into the fourth quarter.

The sales revenues of MS Industrie-Group, which increased significantly on a consolidated basis in the reporting period, continue to result primarily from the "Powertrain" segment in the amount of EUR 60,7 million (previous year: EUR 51,0 million) and from the "Ultrasonic" segment in the amount of EUR 22,9 million (previous year: EUR 21,7 million) (segment figures after inter-segment consolidation).

Personnel expenses in the first half of the year again fell significantly by around -13,3% compared to the same period in the previous year, but at a lower rate than the sharp drop in the average number of employees, with an average headcount of 721 permanent employees (same period in the previous year: 1.016 employees). The three main reasons for this are, on the one hand, the effects of the planned staff reduction, especially in the "Powertrain" segment and here again primarily at the Zittau site. The second main reason is the impact of short-time working, especially in the "Ultrasonic" segment in the months of January - June 2021 and in the same period of the previous year. The third main reason is the positive effect due to the deconsolidation of the Elektromotorenwerk Grünhain-Group in the previous year as of December 31, 2020.

The gross profit margin (sales revenue including changes in inventory and other operating income less cost of materials), based on sales revenue, was 53,1% in the first half of the year (previous year: 51,9%).

After a significant increase in other expenses (including the impairment result according to IFRS 9), which rose by a total of EUR 1,6 million to EUR 13,1 million, the result was a significantly improved, positive earnings before interest, taxes, depreciation and amortisation (EBITDA) of around EUR 6,0 million (previous year: EUR -2,8 million).

After depreciation, earnings before interest and taxes (EBIT) improved significantly in the first half of 2021 to EUR -1,0 million (previous year: EUR -9,4 million). Consolidated earnings before taxes (EBT) also improved significantly in the first half of the year to EUR -2,0 million (previous year: EUR -10,4 million).

The consolidated result after income taxes (EAT) was around EUR -1,0 million (previous year: EUR -7,8 million).

Cash Situation

	HY1-2021 TEUR	HY1-2020 TEUR
Cash flow from operating activities	-7.258	6.338
Cash flow from investing activities	2.663	1.028
Cash flow from financing activities	-11.257	-5.812
Change in liquid funds	-15.852	1.554
Liquid funds at the beginning of the period	-170	-1.297
Liquid funds at the end of the period	-16.022	257

As at June 30, 2021, cash and cash equivalents amount to EUR 7,8 million (December 31, 2020: EUR 4,5 million). In addition, free credit lines, amounting to EUR 10,1 million (December 31, 2020: EUR 13,4 million), are available.

Liquid funds amount to EUR -16,0 million as at June 30, 2021 (December 31, 2020: EUR -0,2 million), a decrease of EUR -15,8 million compared to December 31, 2020. The decrease in liquid funds is primarily due to the negative cash flows from operating activities and financing activities in the first half of the year.

Financial Situation

The following table shows the main changes in the Group's net assets in the first half of 2021 compared to the previous year's balance sheet date:

	30.06.2021		31.12.2020		Changes	
	TEUR	%	TEUR	%	TEUR	%
ASSETS						
Deferred tax assets	4.108	2,3	3.051	1,8	1.057	34,7
Other non-current assets	88.034	48,5	90.805	52,9	-2.771	-3,1
Current assets	<u>89.353</u>	<u>49,2</u>	<u>77.656</u>	<u>45,3</u>	<u>11.697</u>	<u>15,1</u>
Total assets	<u>181.495</u>	<u>100,0</u>	<u>171.512</u>	<u>100,0</u>	<u>9.983</u>	<u>5,8</u>
EQUITY AND LIABILITIES						
	30.06.2021		31.12.2020		Changes	
	TEUR	%	TEUR	%	TEUR	%
Equity and minority interests	67.817	37,4	68.562	40,0	-745	-1,1
Deferred tax liabilities	0	0,0	0	0,0	0	0,0
Other borrowed capital	<u>113.678</u>	<u>62,6</u>	<u>102.950</u>	<u>60,0</u>	<u>10.728</u>	<u>10,4</u>
Total equity and liabilities	<u>181.495</u>	<u>100,0</u>	<u>171.512</u>	<u>100,0</u>	<u>9.983</u>	<u>5,8</u>

Non-current assets fell by around 3,1% in the first half of the year, but did not change significantly compared to the balance sheet total with a share of around 48,5%. The main reason for the decrease is the scheduled depreciation of fixed assets in the amount of approximately EUR 6,5 million.

The increase in current assets by around 15,1% is mainly due to the expansion of inventories and trade receivables. In percentage terms, the share of current assets in total assets increased slightly to around 49,2% at the end of the first half of the year.

The equity ratio in the Group fell slightly compared to December 31, 2020, primarily due to the slightly negative overall Group result and the slight increase in total assets by around 5,8% in the first half of the year, and amounts to 37,4% as at June 30, 2021 (December 31, 2020: 40,0%). In absolute terms, equity fell slightly by a total of EUR 0,7 million to a total of EUR 67,8 million (December 31, 2020: EUR 68,6 million), primarily as a result of the negative overall Group result in the first half of the year. However, the Executive Board assumes that a reduction in the equity ratio for the existing bank loans would not result in the inability to comply with agreements on the minimum equity ratio in the context of financial covenants in the future.

Mainly due to the increase in bank liabilities, the Group's debt capital increased significantly in absolute terms, but only slightly as a percentage of the significantly increased balance sheet total.

However, the Group's net gearing ratio (current and non-current borrowings/equity) changed significantly from 53,1% at the end of 2020 to 66,5% at the end of the first half of the year.

Overall statement on the business development and the economic situation of the Group

For the MS Industrie-Group, the start in the first half of 2021 was unfortunately still somewhat restrained, but towards the end of the first half of the year a strong recovery in demand can be observed, particularly in the geographical sub-segment "Powertrain Europe". Despite the ongoing Covid 19-pandemic, the operating performance of the current financial year was largely on target at most subsidiaries, with the exception of the "Ultrasonic Europe" geographical sub-segment. The second quarter of 2021, which was again positively characterised by higher deliveries of ultrasonic systems and components, especially towards the end, continues to give the Executive Board confidence for the rest of the year in conjunction with the stable order backlog.

3. Takeover-relevant information and other reporting

3.a. Risk reporting in relation to the use of financial instruments (Section 315 (2) No. 1 HGB)

Various bank liabilities of MS Industrie-Group continue to be subject to variable interest rates. In this respect, the Group is exposed to an interest rate risk.

In order to hedge against liquidity risks in relation to the pension obligations of MS Industrie-Group, some of the subsidiaries concerned, have taken out reinsurance policies and a contractual trust arrangement ("CTA"). The fair value of the claims from these insurance policies and the contractual trust arrangement is deducted as plan assets from the present value of the obligation.

3.b. Reporting on the composition of the subscribed capital of MS Industrie AG (Section 315a (1) No. 1 HGB)

As of June 30, 2021, the subscribed capital of MS Industrie AG continues to consist of 30.000.000 (December 31, 2020: 30.000.000) no-par value ordinary shares with a notional interest in the share capital of EUR 1,00 per share. The company has been listed on the stock exchange since May 29, 2001; its shares are traded in the "General Standard".

3.c. Reporting of direct or indirect shareholdings in the capital of MS Industrie AG exceeding 10 per cent of the voting rights (Section 315a (1) No. 3 HGB)

According to the notifications received from the company, the following persons and companies held more than 10% of the voting rights in MS Industrie AG as of June 30, 2021 or at the time, the interim financial statements were prepared:

- MS ProActive Verwaltungs GmbH, Spaichingen (21,07%)

3.d. Reporting on the powers of the Executive Board of MS Industrie AG, in particular with regard to the power of issuing or buying back shares (Section 315a (1) No. 7 HGB)

By resolution of the Annual General Meeting of July 1, 2021, the Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital on one or more occasions until June 30, 2026 by up to a total of EUR 6.000.000,00 by issuing up to 6.000.000 new no-par value bearer shares against cash and/or non-cash contributions, whereby the shareholders' statutory subscription rights may be excluded with the consent of the Supervisory Board (Authorized Capital 2021/I). No use has yet been made of this authorization. The Authorized Capital 2021/I of MS Industrie AG thus amounts to EUR 6.000.000 at the time of preparation of these interim financial statements (December 31, 2020: Authorized Capital 2016/I: EUR 6.000.000).

The Executive Board is also authorized by resolution of the Annual General Meeting of June 28, 2017 to acquire own shares up to a proportion of 10% of the share capital of the Company existing at the time of the resolution in the amount of EUR 30.000.000 until June 27, 2022. The share buyback is intended, among other things, to open up the possibility of using the acquired shares in whole or in part for stock option programs for members of the Executive Board, executive bodies and

employees of the Company or its affiliated companies, the acquisition of companies or participations in companies, as well as for the avoidance of subscription right peaks. A total of up to 3.000.000 shares can therefore be repurchased by the company as of the date of preparation of these interim financial statements. As of the interim balance sheet date, MS Industrie AG holds 96.189 of its own shares, of which 96.189 shares have been acquired in previous years.

4. Opportunities and risk report

The general statements on the topic of "opportunities and risks" in the combined management report as at December 31, 2020 essentially remain valid; we refer to the detailed presentation in the annual financial report 2020, which is available on the company's Internet homepage at the following Internet address: <https://www.ms-industrie.de/investor-relations/finanzberichte/>.

The continued planned organic growth regularly confronts our group with typical, new challenges such as recruiting qualified junior staff, change management, adaptation of (IT) structures, etc. Based on the experience gained in the past, we try to overcome these typical challenges in the development of a company. Due to the - notwithstanding the direct and indirect effects of the Covid 19-pandemic - generally relatively strong domestic economy in Europe at present, we continue to draw the conclusion to focus even more strongly than before on cutting-edge technology, especially in the (special) mechanical engineering business area. The generally advancing digitalization in the area of industrial automation, also known as Industry 4.0, should also open up new business opportunities for us.

5. Forecast report

Since the publication of the Annual Financial Report 2020 in April 2021, and against the background of the effects of the Covid 19-pandemic, there has been a general uncertainty about the further global economic development. The extent to which the global economic crisis, which is latently smouldering, due to the effects of the Covid 19-pandemic, will continue to influence the German real economy in the future, cannot yet be definitively foreseen.

Despite the general economic risks listed above, we assume that the business of MS Industrie-Group will develop even more positively in the second half of 2021 than in the first half with regard to the key figures of sales and earnings. In its current forecast for the Group, the Executive Board therefore expects clearly positive earnings figures across all business segments for the second half of 2021.

For the full financial year 2021, the Executive Board continues to expect a stable order situation, provided that the global economy remains broadly stable, and continues to anticipate a positive annual result in the Group.

The originally planned investment volume in 2021 (excluding excess effects of around EUR 0,7 million from the previous year) is around EUR 13,3 million in total for the MS Industrie-Group, of which EUR 7,6 million is attributable to the "Powertrain" segment and EUR 5,7 million to the "Ultrasonic" segment. Of the originally planned total investment volume for 2021, around 42% (EUR 5,6 million) was already invested in the first half of 2021.

In terms of volume, the largest long-term growth is still expected in the "Powertrain" segment with systems and components for heavy combustion engines in Europe. The focal points for 2021 in this segment are: preparations for the start of production of the new orders in the "pipeline" (SCANIA from Q.1-2022, Liebherr from Q.2-2022), the continuation of the flexible automation strategy and the optimization of parts logistics. In percentage terms, the field of series machines and "systems and components for customer-specific applications" is developing most strongly in the "Ultrasonic" segment. The focal points for 2021 in this segment are: the promotion of sales, especially in the area of series machines, the further expansion of the

"Systems and Components" business field, especially in the area of processing nonwoven materials, the opening of a new "Competence-Centre" in Ettlingen and the deepening of possible strategic partnerships at home and abroad.

The order situation in the "**Ultrasonic / Special Machines**" sub-segment remains subdued. Since capacity utilization here does not depend directly on the number of vehicles produced, but predominantly on the introduction of new models by vehicle manufacturers, this segment is generally much more resistant to economic cycles than the "Powertrain" segment and has always been susceptible to crises only to a limited extent. This is favoured by the OEMs' growing model policy (electric, hybrid) from 2022 onwards and the constant striving for cost-optimized lightweight vehicle construction.

The packaging machinery industry as a key target group of the "**Ultrasonic / Systems & Components**" sub-segment - which is still the smallest in terms of sales and number of employees - continues to experience strong growth rates due to the increasing share of recyclable packaging in all areas of life worldwide. In addition, "Technology-Centres" are operated in Germany, Italy, Poland and the Czech Republic.

This interim management report contains forward-looking statements and information - i.e. statements about future, not past, events. These forward-looking statements can be identified by formulations such as "expect", "assume", "endeavour" or similar terms. Such forward-looking statements are based on our current expectations and certain assumptions. They therefore involve a number of risks and uncertainties. A variety of factors, many of which are beyond MS Industrie AG's control, affect MS Industrie AG's business activities, success, business strategy and results. These factors could cause the actual results, performance or achievements of MS Industrie AG to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Munich, August 24, 2021

MS Industrie AG - The Executive Board

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