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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, 2022



Consolidated Financial Statements as of June 30, 2022 - Overview of key figures

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

Balance sheet key figures

	31.12.2021	30.06.2022
Total assets	183.867	203.181
Equity and non-controlling interests	68.021	71.133
Equity ratio (%)	37,0%	35,0%
Trade receivables	23.454	29.033
Liquid funds (Cash and cash equivalents ./ Current accounts)	-18.758	-22.395
Net working capital (Inventories + Trade receivab. ./ Trade payables)	55.522	64.072

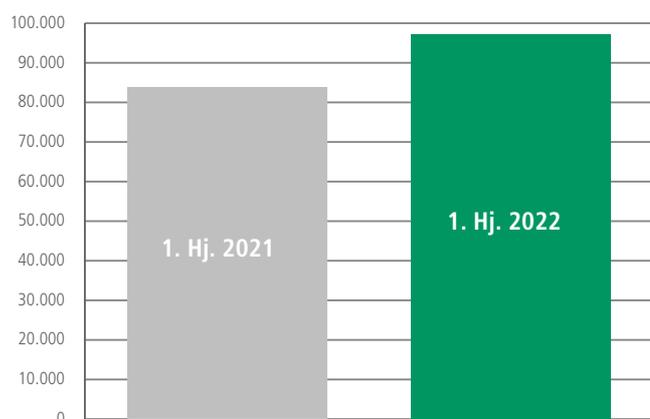
Cashflow key figures

	1. Hj. 2021	1. Hj. 2022
Cashflow from operating activities	-7.258	-465
Cashflow from investing activities	2.663	978
Cashflow from financing activities	-11.257	-4.150

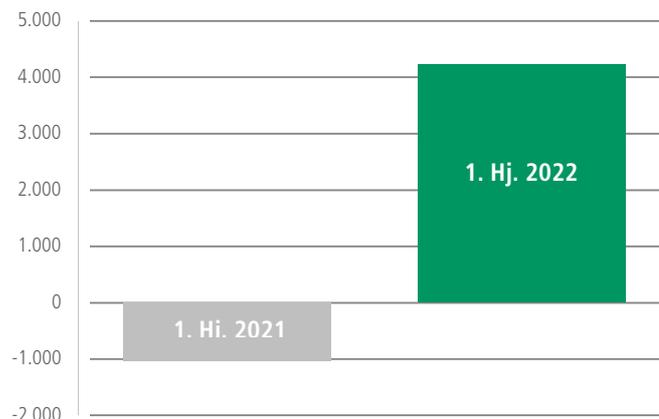
Income statement key figures

	1. Hj. 2021	1. Hj. 2022
Revenues	83.816	97.023
Other operating income	2.727	2.744
Cost of materials (incl. changes in inventories)	42.107	48.959
Gross profit	44.436	50.808
Personnel expense	25.272	27.507
Other operating expense and IFRS 9	13.121	13.273
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	6.043	10.028
Depreciation and amortisation expense	7.082	5.804
Operating Profit (EBIT)	-1.039	4.224
Finance costs, net	-959	-1.157
Profit before income tax (EBT)	-1.998	3.067
Profit for the year after non-controlling interests (EAT)	-950	2.537
Consolidated earnings per share in EUR	-0,03	0,08

Total revenues in TEUR



Operating Profit (EBIT) in TEUR



MS Industrie AG, Munich

Consolidated balance sheet as at June 30, 2022, unaudited



	30.06.2022 (Unaudited) TEUR	31.12.2021 (Audited) TEUR
ASSETS		
Intangible assets	2.626	2.163
Property, plant and equipment	26.026	25.566
Investment property	21.783	20.847
Right of use-assets according to IFRS 16	35.996	33.180
Investments	1.884	1.851
Investments in associates	789	905
Deferred income tax assets	4.676	5.522
Other non-current financial assets	11.256	11.270
Other non-current assets	279	301
Non-current assets	105.315	101.605
Inventories	40.783	35.157
Trade receivables	29.033	23.454
Assets held for disposal	0	153
Cash and cash equivalents	6.338	6.482
Income tax assets	208	195
Contract assets	16.715	8.896
Other current financial assets	2.523	6.090
Other current assets	2.266	1.835
Current assets	97.866	82.262
TOTAL ASSETS	203.181	183.867
EQUITY AND LIABILITIES		
Ordinary Shares (30.00 million shares less 64.189 treasury shares)	29.936	29.904
Share premium	7.592	7.596
Statutory reserve	439	439
Retained earnings	3.985	3.958
Other reserves	3.596	3.076
Consolidated profit	25.585	23.048
Non-controlling interests	0	0
Equity and non-controlling interests	71.133	68.021
Non-current Borrowings	18.240	20.677
Provisions for pensions and similar obligations	1.329	1.426
Deferred income tax liabilities	0	273
Other non-current financial liabilities	25.151	23.349
Non-current income tax liabilities	5.973	5.973
Other non-current liabilities	2.058	1.993
Non-current provisions and liabilities	52.751	53.691
Current Borrowings	34.056	30.853
Trade payables	22.403	11.849
Current accruals	882	951
Contract liabilities	56	136
Other current financial liabilities	9.724	7.839
Other current liabilities	12.176	10.527
Current provisions and liabilities	79.297	62.155
TOTAL EQUITY AND LIABILITIES	203.181	183.867

	01.01. - 30.06.2022	01.01. - 30.06.2021	Deviation	
	(January - June 2022)	(January - June 2021)	Jan.-Juni 22 - Jan.-Juni 21	
	"Six Months"		absolute	percentage
Revenues	97.023	83.816	13.207	+16%
a) Revenues from industrial and real estate business	97.023	83.754	13.269	+16%
b) Revenues from consulting and commissions	0	62	-62	-100%
Changes in inventory of work in process and finished goods	3.051	806	2.245	+279%
Other income	2.744	2.727	17	+1%
Total income	102.818	87.349	15.469	+18%
Cost of materials	52.010	42.913	9.097	+21%
Personnel expense	27.507	25.272	2.235	+9%
Depreciation and amortisation expense				
a) Depreciation of property, plant and equipment,				
investment property and amortisation of intangible assets	5.804	6.452	-648	-10%
b) Impairment losses	0	630	-630	-100%
Other expense	13.273	13.121	152	+1%
Total expenses	98.594	88.388	10.206	+12%
Operating Profit	4.224	-1.039	5.263	+507%
Finance costs, net	-1.041	-886	-155	-17%
Share of profit of investments acc. for using the equity method	-116	-73	-43	-59%
Profit before income tax	3.067	-1.998	5.065	+254%
Income tax expense	530	-1.048	1.578	+151%
Profit for the year	2.537	-950	3.487	+367%
attributable to				
owners of the parent	2.537	-950	3.487	+367%
non-controlling interests	0	0	0	
	2.537	-950	3.487	+367%
Consolidated earnings per share, in EUR				
basic, after non-controlling interests	0,08	-0,03		
diluted, after non-controlling interests	0,08	-0,03		
Number of shares, average weighting				
basic	29.934.033	29.877.755		
diluted	29.934.033	29.877.755		

MS Industrie AG, Munich, Consolidated statement of comprehensive income
for the 1st half of the financial year 2022, unaudited



	01.01. - 30.06.2022 (January - June 2022)	01.01. - 30.06.2021 (January - June 2021) "Six Months"
Profit for the year	<u>2.537</u>	<u>-950</u>
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>615</u>	<u>103</u>
<i>Items that will not be reclassified to profit or loss</i>	<u>615</u>	<u>103</u>
Remeasurements of post employment benefit obligations	-20	-19
Change in value of financial assets (IFRS 9)	-2	0
Income taxes recorded in other comprehensive income	<u>-73</u>	<u>5</u>
	<u>-95</u>	<u>-14</u>
Other comprehensive income for the year, net of tax	<u>520</u>	<u>89</u>
Total comprehensive income for the year	<u>3.057</u>	<u>-861</u>
attributable to owners of the parent	3.057	-861
attributable to non-controlling interests	<u>0</u>	<u>0</u>
	<u>3.057</u>	<u>-861</u>

MS Industrie AG, Munich, Consolidated cash flow statement for the period 01.01.-30.06.2022,
previous year's period for comparison purposes (unaudited)



	01.01. - 30.06.2022 TEUR	01.01. - 30.06.2021 TEUR
Result for the period	2.537	-950
Income tax expense (recognised through profit and loss)	530	-1.048
Finance income (recognised through profit and loss)	-202	-151
Finance costs (recognised through profit and loss)	1.243	1.037
Depreciation of property, plant and equipment and amortisation of intangible assets	5.804	6.452
<i>Material non-cash other expenses (+) or income (-):</i>		
- Impairment losses	0	630
- Gains/losses on revaluation of investment property	38	38
Losses/gains (-) on investments accounted for using the equity method	116	73
Losses/gains (-) on disposal of property, plant and equipment and intangible assets	-63	-14
Losses/gains (-) on disposal of investments and associates	-18	0
Losses/gains (-) on disposal of investments held for sale	-5	0
Decrease/increase (-) in inventories, trade receivables and other assets not assigned to investing or financing activities	-19.604	-11.630
Increase/decrease (-) in trade payables and other liabilities not assigned to investing or financing activities	10.083	-2.087
Interest received	87	59
Interest paid	-951	-766
Income tax received	0	1.135
Income tax paid	-59	-35
Net cash used in operating activities	-465	-7.258
Proceeds from sale of property, plant and equipment and intangible assets	123	174
Purchases of property, plant and equipment and intangible assets	-3.094	-4.343
Proceeds from disposal of fully consolidated subsidiaries less cash and cash equivalents transferred	3.683	5.997
Proceeds from disposal of available-for-sale financial assets	182	10
Proceeds from disposals of investments held for sale	158	0
Purchase of investments	-199	-106
Proceeds received from the payback of borrowings	9	928
Payments made for the granting of borrowings	0	-70
Proceeds received from investments	116	73
Net cash generated from investing activities	978	2.663
Proceeds from borrowings	106	11.602
Repayments of borrowings	-2.833	-18.729
Proceeds from finance lease transactions	2.884	0
Payments made for finance lease transactions	-4.307	-4.130
Net cash used in financing activities	-4.150	-11.257
Net decrease in liquid funds	-3.637	-15.852
Liquid funds at beginning of period	-18.758	-170
Liquid funds at end of period	-22.395	-16.022

MS Industrie AG, Munich**EXTRACTS from the group's interim management report as of June 30, 2022****Table of Contents**

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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 fiscal year 2021 were still strongly marked by the indirect effects of the Covid 19 pandemic for the MS Industrie-Group, especially from Q2 2021 onwards, the 1st half of 2022 was characterized by significant economic recovery for the MS Industrie-Group, despite the Russia/Ukraine war, massive cost increases for energy and raw materials, supply chain problems, and Covid 19-related sick leave.

In the two main operating segments "**Powertrain Technology Group**", also abbreviated to "**Powertrain**", and "**Ultrasonic Technology Group**", also abbreviated to "**Ultrasonic**", the sales trend in the 1st half was generally positive. At the end of the 1st half of 2022, external sales of the "**Powertrain**" segment were significantly higher than the previous year at around +15%. External sales of the "**Ultrasonic**" segment are also significantly higher than the previous year at around +18%. In the 1st half of the year, sales of the "Powertrain" segment accounted for around 72% (previous year: 72%) and sales of the "Ultrasonic" segment for around 28% (previous year: 28%) of consolidated Group sales. Overall, sales development across all segments is on target.

Order backlogs at the end of June 2022 totaled around EUR 131 million (previous year: EUR 104 million), a significant increase of around +86% in the Ultrasonic segment and a slight increase of around +4% in the Powertrain segment, thus significantly exceeding the order backlogs at June 30 of the previous year by an average of around +26% overall.

In the 1st half of the current fiscal year 2022, the earnings situation again improved massively and thus developed positively overall with regard to the key earnings indicators, in particular earnings before interest, taxes, depreciation and amortization - **EBITDA** -, operating earnings before interest and taxes - **EBIT** -, **earnings before taxes** - **EBT** -, **earnings after taxes** - **EAT** - and **earnings per share** - **EpS**.

The European market for **heavy commercial vehicles over 16 tons** has been stable throughout Europe with a moderate increase in registrations of +0.4 % in the 1st half of 2022 compared to the previous year (slight decrease in registrations in Germany: - 3.3 %) - and thus significantly more positive than the commercial vehicle sector as a whole (source: "ACEA" - "Association des Constructeurs Européens d'Automobiles", Brussels, as of July 27, 2022). As the market for heavy commercial vehicles over 16 tons is the really relevant sales market for the "Powertrain" segment of the MS Industrie-Group, these figures are fundamentally positive; we therefore also expect a further increase in truck registration figures in the heavy-duty sector again in the 2nd half of 2022. The very good market demand at the OEMs led to massively increased order backlogs as well as delivery times of more than one year in the 1st half of 2022; only the supply chain problems and the partly difficult availability of pre-products and raw materials have led to delayed deliveries in the industry and consequently to subdued registration figures.

The "**Ultrasonic**" segment must basically be viewed in a very differentiated manner and is divided into the "Special Machines" area and the two technology areas "Series Machines" and "Systems and Components". The latter mainly include applications for the packaging industry and industrial cutting and the newly established business area "Nonwovens" (rotary, continuous welding of all types of nonwovens, in particular hygiene articles worldwide) as well as other R&D fields such as "Ultrasonic Cleaning" (in particular component excitation), metal welding, etc.).

The (**ultrasonic**) **special machines** segment - which still accounts for the largest and most important share of the segment - had a rather difficult first half-year due to supply chains and inflation. The key issue over the past two and a half years has been the restructuring and associated significant reduction in the model ranges of almost all OEMs with regard to new drive systems (electric and hybrid). The production of "combustion engine" models with low volumes was increasingly discontinued, face-lifts

were stopped or postponed, for new models initially only basic versions came, but no derivatives yet. The automotive industry, which still accounts for more than 20% of German mechanical engineering production, was in the midst of a massive structural change that left clear traces not only in the order books of the German mechanical engineering industry.

This structural change is now well advanced. Market demand and order intake recovered significantly in the 1st half of the year. It should be emphasized that the demand for "(ultrasonic) special machines" is independent of the drive form as well as the quantities produced and depends only on the variety of new models.

The other three business areas in the "**Ultrasonic Technology**" segment are developing positively throughout, although sales activities with visit and travel restrictions improved in the 1st half, but have not yet returned to the old normal. These disadvantages are being counteracted specifically and successfully by various online initiatives. A very positive factor is, that these products are recording high growth rates, particularly in sectors outside the automotive industry (medicine, white goods, toys, consumer goods, etc.), thus further reducing dependence on the automotive industry.

Sales of **(ultrasonic) series machines** are expected to double in 2022. Due to the technological market leadership with many unique selling points in this product area, we expect the strong growth to continue, increasingly also in the service/spare parts area due to the steadily increasing base of installed machines.

We also expect a significant increase in sales of **(ultrasonic) systems and components**. 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 Management Board decided in the previous year to expand the ultrasonic technology area to include the "**Nonwovens**" business area. In the previous year 2021, this already meant massive investments in personnel (application technology, sales, service), in development (construction and development of a laboratory calander with an output of up to 800 meters per minute including ultrasonic welding units and control), in production (complex roll production), and in appropriate equipment (equipping a rented competence center in Ettlingen/Karlsruhe with high-quality workstations and laboratories). We expect the first sales from this promising area as early as 2022.

Against this background, the consolidated sales of MS Industrie AG improved significantly in the 1st half of 2022 and continued the positive trend. Total consolidated sales in the 1st half of 2022 amounted to around EUR 97.0 million (previous year: EUR 83.8 million) and are thus around +16 % higher in the 1st half of 2022 than in the same period of the previous year.

At the end of the first half of the year, earnings before interest, taxes, depreciation and amortization (EBITDA) improved significantly to EUR 10.0 million (previous year: EUR 6.0 million) and operating earnings before interest and taxes (EBIT) also improved significantly to EUR 4.2 million (previous year: EUR -1.0 million).

As a result, the positive earnings before tax (EBT) improved by EUR +5.1 million and amounted to EUR 3.1 million (previous year: EUR -2.0 million). The positive Group result after income taxes (EAT) amounts to EUR 2.5 million in H1 2022 (previous year: EUR -1.0 million) and is thus EUR +3.5 million better than in the same period of the previous year.

Cash and cash equivalents in the Group decreased slightly in the reporting period from EUR 6.5 million at the beginning of H1 2022 to EUR 6.3 million as of June 30, 2022. The slight decrease of EUR 0.2 million in H1 2022 is primarily due to the negative cash flow from financing activities.

The 2nd quarter of 2022 was very positive overall compared to the 1st quarter with a significantly higher EBITDA of EUR 5.3 million (1st quarter of 2022: EUR 4.7 million), earnings before interest and taxes (EBIT) of EUR 2.3 million (1st quarter of 2022: EUR 1.9 million), which was also significantly higher, and earnings before taxes (EBT) of EUR 1.8 million (1st quarter of 2022: EUR 1.2 million).

The Executive Board again expects the greatest organic growth in the current fiscal year 2022 to be in the Powertrain business unit, where customer call-offs in the 2nd half are higher than in the 1st half. In the Ultrasonic business, too, sales in the 2nd half of the year should again increase significantly compared to the 1st half, despite the continuing supply chain delays. In this respect the Executive Board expects sales and earnings figures to improve again in the 2nd half, provided the negative situation in materials supply does not worsen significantly.

As described in the Annual Report 2021, the Executive Board continues to assume that the business of the MS Industrie-Group for the full year 2022 will be as follows:

For the 2022 financial year - compared with the adjusted prior-year figures and excluding effects from the Ukraine/Russia war that cannot be foreseen at present - significantly higher consolidated industrial sales of around EUR 200 million are again expected, with operating EBITDA rising significantly, while operating EBIT and EBT should also improve significantly, so that we ultimately expect positive consolidated operating profit for the year significantly above the level of the previous year. According to the Group's projections, the gross profit margin (cost of materials as a percentage of sales) should be neutral and the EBIT margin from continuing operations clearly positive, with significantly improved, positive operating earnings per share. Based on the expected positive annual result, Group equity is expected to increase slightly in 2022. Cash flow from operating activities is expected to develop significantly better compared to the previous year despite growth-related working capital build-up. With regard to cash flow from financing activities, we also expect significantly positive changes compared with 2021. Based on the expected developments, the gearing ratio should remain stable and the equity ratio increase slightly.

2. Economic Report

2.a. General conditions and business performance in the 1st half of 2022

The industrial business performed positively overall in the 1st half. At the time of preparing the interim management report, the financial situation is in order. Business in the 1st half of 2022 was in line with expectations at all subsidiaries. In summary, the economic situation of the MS Industrie-Group and thus also of MS Industrie AG at the interim balance sheet date and at the interim balance sheet preparation date is stable and continues to show extremely positive prospects.

2.b. Situation of the Group as of June 30, 2022

Earnings situation

This shows the main changes in earnings in the 1st half of 2022 compared with the same period of the previous year.

	1.1. until 30.06.2022		1.1. until 30.06.2021		Changes	
	TEUR	%	TEUR	%	TEUR	%
Revenues	97.023	100,0	83.816	100,0	13.207	15,8
Other income	2.744	2,8	2.727	3,3	17	0,6
Cost of materials (incl. changes in inventories)	48.959	50,5	42.107	50,2	6.852	16,3
Gross profit	50.808	52,3	44.436	53,1	6.372	14,3
Personnel expenses	27.507	28,4	25.272	30,2	2.235	8,8
Other expense and impairment loss in accordance with IFRS 9	13.273	13,7	13.121	15,7	152	1,2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	10.028	10,2	6.043	7,2	3.985	65,9
Depreciation	5.804	6,0	7.082	8,4	-1.278	-18,0
Profit from ordinary activities (EBIT)	4.224	4,2	-1.039	-1,2	5.263	506,5
Financial result	-1.041	-1,1	-886	-1,1	-155	-17,5
Result from associated companies	-116	-0,1	-73	-0,1	-43	-58,9
Consolidated earnings before taxes (EBT)	3.067	3,2	-1.998	-2,4	5.065	253,5
Income taxes (expense +, income -)	530	0,5	-1.048	-1,2	1.578	150,6
Net income (EAT)	2.537	2,6	-950	-1,1	3.487	367,1

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, the supply chain issue and the Russia/Ukraine war, which cannot be quantified exactly) were not affected by any significant special items, so no adjustment was necessary.

In the 1st half of 2022, external sales of the "**Powertrain**" segment were around +15% higher than a year earlier. The increase in segment sales - despite a Covid 19-related increase in sickness absence - is mainly due to the rise in customer call-offs and the start of series production of new products ("Scania," "Liebherr," etc.).

In the sales market USA/Canada ("North America"), sales totaling EUR 13.3 million (previous year: EUR 12.8 million) were generated in the first half of 2022. Thus, around 13.7 % (previous year: 15.3 %) of the consolidated total sales of the MS Industrie-Group were generated in the North American market in the first half of 2022.

Taking into account the indirect effects of the Covid 19-pandemic (supply chain problems, etc.), we are more than satisfied with the development of sales in the first half of the year, both overall and by region. However, the operational development of the various earnings levels is still partly below our expectations. Order backlogs at the end of June across all product groups were around +26% higher than at June 30 of the previous year. For the "Powertrain" segment, this means full order books for the coming years. In the Ultrasonic segment, the order backlog extends into the 2nd quarter of 2023.

The sales of the 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 69.9 million (previous year: EUR 60.7 million) and from the Ultrasonic segment in the amount of EUR 26.9 million (previous year: EUR 22.9 million) (segment figures after intersegment consolidation).

Personnel expense increased slightly by around +8.8% year-on-year in the 1st half, but almost in proportion to the slight increase in the average number of employees, with an average headcount of 764 permanent employees (prior-year period: 721 employees). The main reason for this is the planned increase in the workforce, particularly in the Powertrain segment.

The gross profit margin (sales including changes in inventories and other operating income less cost of materials), based on sales, was 52.3% in the first half of the year (previous year: 53.1%).

After virtually unchanged other expenses (including impairment losses in accordance with IFRS 9), which increased by a total of EUR 0.2 million to EUR 13.3 million, there was a significant improvement in earnings before interest, taxes, depreciation and amortization (EBITDA) to around EUR 10.0 million (previous year: EUR 6.0 million).

After depreciation and amortization, this results in massively improved, positive earnings before interest and taxes (EBIT) of EUR 4.2 million in the first half of 2022 (previous year: EUR -1.0 million). Consolidated earnings before taxes (EBT) also improved massively in the first half of the year to EUR 3.1 million (previous year: EUR -2.0 million).

The positive Group result after income taxes (EAT) amounts to approximately EUR 2.5 million (previous year: EUR -1.0 million).

Financial situation

	HY.1-2022 TEUR	HY.1-2021 TEUR
Cash flow used in operating activities	-465	-7.258
Cash flow generated from investing activities	978	2.663
Cash flow used in financing activities	-4.150	-11.257
Change in liquid funds	-3.637	-15.852
Liquid funds at the beginning of the period	-18.758	-170
Liquid funds at the end of the period	-22.395	-16.022

As of June 30, 2022, cash and cash equivalents amount to EUR 6.3 million (December 31, 2021: EUR 6.5 million). In addition, free credit lines amounting to EUR 3.6 million (December 31, 2021: EUR 6.9 million) are available.

Liquid funds amount to EUR -22.4 million as of June 30, 2022 (December 31, 2021: EUR -18.8 million) and thus decreased by EUR -3.6 million compared to December 31, 2021. The decrease in liquid funds is primarily due to the negative cash flow from financing activities in the 1st half of the year.

Net assets

The following table shows the main changes in the Group's net assets in the 1st half of 2022 compared with the prior-year balance sheet date:

	30.06.2022		31.12.2021		Changes	
	TEUR	%	TEUR	%	TEUR	%
ACTIVA						
Deferred tax assets	4.676	2,3	5.522	3,0	-846	-15,3
Other non-current assets	100.639	49,5	96.083	52,3	4.556	4,7
Current assets	<u>97.866</u>	<u>48,2</u>	<u>82.262</u>	<u>44,7</u>	<u>15.604</u>	<u>19,0</u>
Total assets	<u>203.181</u>	<u>100,0</u>	<u>183.867</u>	<u>100,0</u>	<u>19.314</u>	<u>10,5</u>
PASSIVA						
	30.06.2022		31.12.2021		Changes	
	TEUR	%	TEUR	%	TEUR	%
Equity and minority interests	71.133	35,0	68.021	37,0	3.112	4,6
Deferred tax liabilities	0	0,0	273	0,1	-273	-100,0
Other liabilities	<u>132.048</u>	<u>65,0</u>	<u>115.573</u>	<u>62,9</u>	<u>16.475</u>	<u>14,3</u>
Total liabilities	<u>203.181</u>	<u>100,0</u>	<u>183.867</u>	<u>100,0</u>	<u>19.314</u>	<u>10,5</u>

Other non-current assets increased by around +4.7% in the first half of the year, but did not change significantly compared to total assets, which accounted for by around 49.5% of total assets. The main reason for the slight increase are the scheduled investments in non-current assets amounting to around EUR 9.3 million less scheduled depreciation.

The significant increase in current assets of around +19.0% is mainly due to the expansion of inventories and trade accounts receivable. In percentage terms, the share of current assets in total assets increased only slightly to around 48.2% at the end of the 1st half.

Despite the positive overall Group result, the equity ratio in the Group fell slightly compared with December 31, 2021 due to the increase in total assets by around +10.5% in the first half of the year and amounted to 35.0% as of June 30, 2022 (December 31, 2021: 37.0%). In absolute terms, equity increased slightly by a total of EUR +3.1 million to a total of EUR 71.1 million (December 31, 2021: EUR 68.0 million) due to the positive overall Group result in the 1st half of the year.

Primarily as a result of the increase in trade accounts payable, debt increased significantly in absolute terms in the Group, but only slightly as a percentage of the significantly increased balance sheet total.

The Group's net gearing ratio (net current and non-current liabilities to banks/equity) improved slightly from 66.2% at year-end 2021 to now 64.6% at the end of the 1st half.

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

For the MS Industrie-Group, the 1st half of 2022 was positive overall. The "Powertrain" segment was characterized by very high market demand for heavy trucks, which led to high order backlogs at OEMs and unusually long delivery times of more than a year. The supply chains in the truck sector are stabilizing visibly and leading to gradually increasing production figures. In addition, there are initial effects from the ramp-up of newly acquired powertrain series orders. In the "Ultrasonic" segment, there was a very pleasing, significant increase in orders received in all business areas, although operating performance was still severely impacted by price increases and availability of purchased parts. As expected, the supply chain problems will continue for some months and may also lead to delivery delays in the 2nd half. However, due to the high and stable order backlog, the Executive Board is very confident for the rest of the current year.

3. Takeover-related disclosures and other reporting

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

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

In order to hedge liquidity risks relating to pension obligations in the MS Industrie-Group, the subsidiaries concerned have concluded reinsurance policies and a contractual trust arrangement ("CTA"). The fair value of the claims arising 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, 2022, the subscribed capital of MS Industrie AG continues to consist of 30,000,000 (December 31, 2021: 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 percent of the voting rights (Section 315a (1) No. 3 HGB)

According to 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, 2022 or as of the date of preparation of the interim financial statements:

- MS ProActive Verwaltungs GmbH, Spaichingen (15.63 %)

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

By resolution of the Annual General Meeting on July 1, 2021, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital on one or more occasions on or before 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 in return for cash contributions and/or contributions in kind, whereby the shareholders' statutory subscription rights may be excluded with the approval 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 as of the date of preparation of these interim financial statements (December 31, 2021: Authorized Capital 2021/I: EUR 6,000,000).

By resolution of the Annual General Meeting on July 06, 2022, the Executive Board was further authorized until July 05, 2024 to acquire treasury shares up to a maximum of 10% of the Company's capital stock existing at the time the resolution is adopted or - if lower - at the time the authorization is exercised. The shares acquired on the basis of this authorization together with other shares in the Company which the Company has already acquired and still holds or which are attributable to the Company

in accordance with sections 71d and 71e of the German Stock Corporation Act (AktG) may at no time exceed 10% of the respective capital stock. 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, corporate bodies and employees of the Company or its affiliated companies, for the acquisition of companies or shareholdings in companies, and for the avoidance of subscription right peaks. As of the date of preparation of these interim financial statements, a total of up to 3,000,000 shares may therefore be repurchased by the Company. As of the interim balance sheet date, MS Industrie AG holds 64,189 treasury shares, of which 64,189 were acquired in previous years.

4. Opportunities and risk report

The general statements on the subject of "opportunities and risks" in the combined management report as of December 31, 2021 essentially remain valid; we refer to the detailed presentation in the Annual Financial Report 2021, which is available on the Company's website 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, adapting (IT) structures, etc. Based on the experience gained in the past, we try to overcome these typical challenges in the development of a company. The opportunities are somewhat differentiated in the two segments: In the "Powertrain" segment - in addition to catch-up effects - a further increase in demand for heavy trucks is expected, flanked by an increase in volume parts for alternative and/or offroad drive solutions. In addition, the strategy of flexible automation of production will be conducive to future profitability and will be able to extend the competitive edge. In the "Ultrasonic" segment, the very good order situation in the area of special machines for the global passenger car industry is unfortunately still hampered in the short term by supply chain problems for purchased parts. A recovery in this area should occur in the course of 2023 at the latest. We continue to see outstanding opportunities in the ultrasonic technology sector (series machines, systems/components, nonwovens), where new fields of application are constantly being developed in a wide range of industries.

5. Forecast report

Since the publication of the Annual Financial Report 2021 in April 2022, there has been a general uncertainty about future global economic developments against the backdrop of the predominantly indirect effects of the Covid 19-pandemic and the ongoing Ukraine/Russia war. The extent to which the global economic crisis, which is latently smoldering due to the effects of the ongoing Ukraine/Russia war and the Covid 19-pandemic, will continue to impact the German real economy in the future cannot yet be definitively predicted.

Provided the global economy remains broadly stable, the Executive Board continues to expect a stable order situation for the full fiscal year 2022 and continues to anticipate a clearly positive annual result for the Group.

The originally planned investment volume in 2022 (excluding excess effects of around EUR 3.5 million from the previous year) amounts to a total of around EUR 16.8 million in the MS Industrie-Group, of which EUR 15.4 million is attributable to the "Powertrain" segment and EUR 1.4 million to the "Ultrasonic" segment. Of the originally planned total investment volume in 2022, around 51% (EUR 8.5 million) was already invested in the first half of 2022.

In absolute terms, the highest long-term growth is still expected in the "Powertrain" segment with systems and components for heavy combustion engines in Europe. The focal points for 2022 in this segment are: the production ramp-up of the new orders ("Scania", "Liebherr" etc.), the continuation of the flexible automation strategy and the preparation of a production facility in the USA from 2023. The subsidiary MS Powertrain Technologie GmbH informed at the beginning of August that the production area at the Trossingen/Schura location will be expanded by 3,500 square meters as part of the strategic development. The official groundbreaking ceremony in connection with the start of construction work took place on August 4, 2022. The extension will

create space for state-of-the-art machinery in order to be able to handle the steadily increasing customer call-offs in the coming years as well as newly acquired series orders.

Overall, MS Powertrain Technologie GmbH is expected to generate sales of more than EUR 130 million in the current fiscal year 2022. Due to the positive order situation, the business volume is expected to grow to well over EUR 150 million per year in the next few years. Based on the current market situation, the total volume of all long-term contracts in the Powertrain segment for the coming contract years amounts to EUR 845 million up to and including 2027.

In percentage terms, the field of series machines and "systems and components for customer-specific applications" is developing most strongly in the "Ultrasonic" segment. In this segment, the focus in 2022 will be on stepping up sales, particularly in the area of series machines, and further expansion of the "Systems and Components" business area, especially in the area of processing nonwoven materials.

In the "**Ultrasonic/Special Machinery**" subsegment, the order situation is again very positive. As 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 area is generally more resistant to economic cycles than the "Powertrain" segment and has always been susceptible to crises only to a limited extent. This is favored by the current progressive growth in the OEMs' model policy (electric, hybrid) 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 - 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 Centers" are operated in Germany, Italy, Poland and the Czech Republic.

This interim management report contains forward-looking statements and information - that is, statements about future, not past, events. These forward-looking statements can be identified by formulations such as "expect," "anticipate," "seek," or similar expressions. 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, performance, 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 19, 2022

MS Industrie AG - The Executive Board

Dr. Andreas Aufschneider
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