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

EXTRACTS FROM THE GROUP'S MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

MS Industrie AG

There are mountains that you have to cross over, otherwise the path will not go on.

Ludwig Thoma

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Dear shareholders, employees and business partners of MS Industrie AG!

Armin Distel and Dr. Andreas Aufschnaiter
Executive Board of MS Industrie AG

In 2020, MS Industrie AG realised a total turnover of around **EUR 164.0 million.** Compared to the turnover of the previous year (EUR 226.4 million), this represents a reduction of around **-27,5%,** on the one hand as a result of the sale of production for the Daimler "world engine" in the USA at the beginning of the second quarter of 2019 (effect -9.4%), and on the other hand due to economic downturns in connection with the global **Covid-19-pandemic** (effect -18,1%).

The development of the various key earnings figures was correspondingly negative with a **consolidated** net **income** after taxes of **EUR -7.5 million** (previous year: EUR 16.7 million) and – despite the negative result – a slightly improved equity ratio from 37.1% to **40.0%.**

We would like to highlight for the readers of this annual report a few key milestones and developments that we believe are significant in assessing the 2020 financial year and the outlook for the future:

- Business development in the **MS Powertrain Technology Group** ("MS PTG") was already characterised by a strong decline in demand in Europe since the middle of 2019. The year 2020 also started at this low level (around 25% below the peak year 2018) and was exacerbated in the second quarter by a number of closure weeks at the main customers, which also had a significant impact on the **adjusted consolidated operating result (EUR -8.0 million).** In the second half of 2020, the market recovered noticeably and led to profitable monthly operating results at the main location in Trossingen.

- The effects from the **sale of the production** of the Daimler world engine at the Webberville / Michigan location to the American subsidiary of the Gnutti Carlo Group (Gnutti Carlo S.p.A., Maclodio / Italy) as of the beginning of April 2019 have an impact on the year-on-year comparison, both in the MS PTG segment and for the Group as a whole. In any case, the dependence on the global key account Daimler decreased in line with the strategy. At the same time, targeted marketing measures were launched in 2020 to **acquire new customers and series parts,** which are already bearing fruit.

- Starting in mid-2019, the MS PTG management has carried out a far-reaching internal **restructuring** at the two locations in **Trossingen** and **Zittau,** which – combined with machine relocations, machine automation and space consolidation – unfortunately also led to the closure of the Zittau location at the end of 2020. As a result, the break-even threshold of the business unit with full-year effect from January 2021 is now significantly below the previous level and leads to a significantly improved competitiveness in the coming years.

- In April 2019, the contract for the series production of valve train components for a **new engine platform** for heavy trucks of the Traton Group was successfully awarded. The organisational and mechanical preparations for the start of series production, which is now expected to be slightly delayed for 2022, are progressing according to plan.

- In the ultrasonic technology segment ("**MS Ultrasonic Technology Group**", also abbreviated to "MS UTG"), **special machine construction** for our customers in the passenger car industry in both Europe and North America declined significantly compared to previous years, as the number of orders decreased noticeably due to the change in product ranges at almost all passenger car manufacturers as a result of the new electric and hybrid drive systems. However, we expect a counteracting effect from mid-2021 onwards due to a series of new models whose market launch has been announced from 2023 onwards.

- In the MS UTG division, the new product range of **ultrasonic series machines** based on Industry 4.0 under the "**MS sonxTOP**" brand unfortunately only developed slightly positively, as all trade fairs worldwide were cancelled due to the measures to combat the Covid-19-pandemic and visits to customers and interested parties have been extremely limited. In sales, a series of new digital formats and communication channels were responded to with a very positive echo.

- Due to the pandemic, the MS UTG **Systems and Components** division for other machine manufacturers from a wide range of industries was able to record a significant **boom in** 2020 with sales of over EUR 5 million, including for the welding of mouth / nose masks and protective suits. This encouraged the management to strategically expand the very attractive market for nonwoven materials from 2021 onwards.

- The e-drive, developed at the **electric motor plant** in Grünhain (EMGR) under the "ERZMO" brand, which is used, among other things, for Deutsche Post delivery bikes, experienced a massive increase in unit sales for the first time in 2020, which was largely able to compensate for the slump in other products caused by the economic situation. As of **31 December 2020,** MS Industrie AG **sold a** total of 80.1% of the EMGR shares to the Austrian S.I.E. System Industrie Elektronik Holding AG as withdrew to a minority position. This step is intended to focus the forces for the two main segments MS PTG and MS UTG and their further growth.

At its low point in the summer of 2020, the **Group's order backlog** was around EUR 81 million and – after deconsolidation of the electric motor plant (with an order backlog of recently around EUR 7 million) – had recovered significantly to around **EUR 95 million** by the end of the first quarter of 2021. Despite the still unstable international economy as a result of the **Covid-19-pandemic,** we expect a **positive financial year 2021** for the business segments of the MS Industrie Group and on the basis of the optimization measures successfully implemented in 2020.

In 2020, the **MS Industrie share** price lost significantly in March in the general downward pull of the Covid-19-pandemic on the stock market and – also due to the negative consolidated result – unfortunately did not develop satisfactorily by a total of around -22% until December. With the positive business outlook, a noticeable recovery should be possible in the course of the 2021 financial year.

In our estimation, the MS Industrie Group will emerge significantly stronger from the crisis of 2020. We expect **steady and profitable organic growth** in the coming years due to the improved order situation and expanded technology offerings of the MS Industrie Group.

We would like to extend our special thanks to all employees of MS Industrie AG who, with consistency, steadfastness and team spirit, have jointly mastered the extraordinary challenges of 2020.

Yours sincerely,

Dr. Andreas Aufschnaiter   Armin Distel

Munich, 23 April 2021

A sense for craftsmanship since 1960

PRODUCTION LOCATIONS

Reputed customers around the world rely on us for our innovativeness, reliability and the premium quality of our products. We maintain production locations around the globe:

Production locations in **Germany:**
- MS Ultraschall Technologie GmbH
  in Spaichingen, Baden-Württemberg: 18,000 m²
- MS Powertrain Technologie GmbH
  in Trossingen-Schura, Baden-Württemberg: 16,000 m²
- MS PowerTec GmbH (until 31.12.2020)
  in Zittau, Sachsen: 5,000 m²
- Elektromotorenwerk Grünhain GmbH (until 31.12.2020)
  in Grünhain-Beierfeld, Sachsen: 17,000 m²

Production locations in the **United States:**
- MS Plastic Welders, L.L.C.
  in Webberville, Michigan: 2,700 m²

Production locations in **Brazil:**
- WTP MS Ultrasonics
  in Belo Horizonte: 900 m²

Production locations in **China:**
- Shanghai MS soniTEC Co., LTD.
  in Jiangyin: 4,000 m²

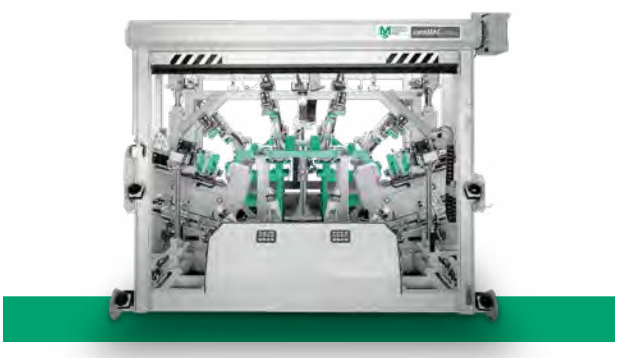
Production locations in **Bulgaria:**
- EMGR EAD (until 31.12.2020)
  in Gabrovo: 1,400 m²

PRODUCT AREA ULTRASONIC TECHNOLOGY

MS Ultraschall Technologie GmbH
MS Plastic Welders, L.L.C.
WTP MS Ultrasonics
Shanghai MS soniTEC Co., LTD.

Products:
- **Ultrasonic custom machines MS sonxMAC**
  for the automotive industry
- **Ultrasonic servo presses MS sonxTOP**
  for industry-independent ultrasonic applications
- **Ultrasonic systems MS sonxSYS**
  for customized ultrasonic solutions
- **Ultrasonic components MS sonxCOM**
  for industry-independent ultrasonic applications

Ultrasonic technology:
The MS Ultrasonic Technology Group operates globally and across all industries. As a leader in innovation in the area of ultrasonic technology, it provides customisable special machines, innovative servo presses, modular systems and efficient components as powerful integrated solutions in connection and processing technology for thermoplastic materials, films and textiles as well as for cutting food.



PRODUCT AREA POWERTRAIN TECHNOLOGY

MS Powertrain Technologie GmbH
MS PowerTec GmbH (until 31.12.2020)

Products:
- **Systems**
  complete valve trains, rocker arms
- **Components**
  Gear box housings, valve bodies
- **Development**
  innovative and targeted cost-related valve control and engine braking systems

Machining technology and module assembly:
The MS Powertrain Technology Group has extensive knowledge for perfectly customised solutions over the entire power train. It develops, manufactures, assembles and delivers powerful systems and components for and to many well-known automobile and commercial vehicle manufacturers as well as leading engine and gear manufacturers globally. MS does this by successfully combining many years of manufacturing experience with the latest processing technologies.

Elektromotorenwerk Grünhain GmbH (until 31.12.2020)
EMGR EAD (until 31.12.2020)

Products:
- **Electric motors**
  Capacitor motors, three phase A.C. motors, synchronous motors, rotors, stators, pedelec-drive for Cargo-e-mobility

Electric motor production:
At our electric motor company Elektromotorenwerk Grünhain (EMGR) we offer market-leading customised drive solutions for industrial applications. Our electric motors, which are produced based on a high vertical integration, are developed in cooperation with our customers based on their specific requirements. New energy-efficient motors, drive electronics, brakes, gear elements and aluminium die-cast components are being increasingly added to our motor range.

Annual consolidated financial statements 2020

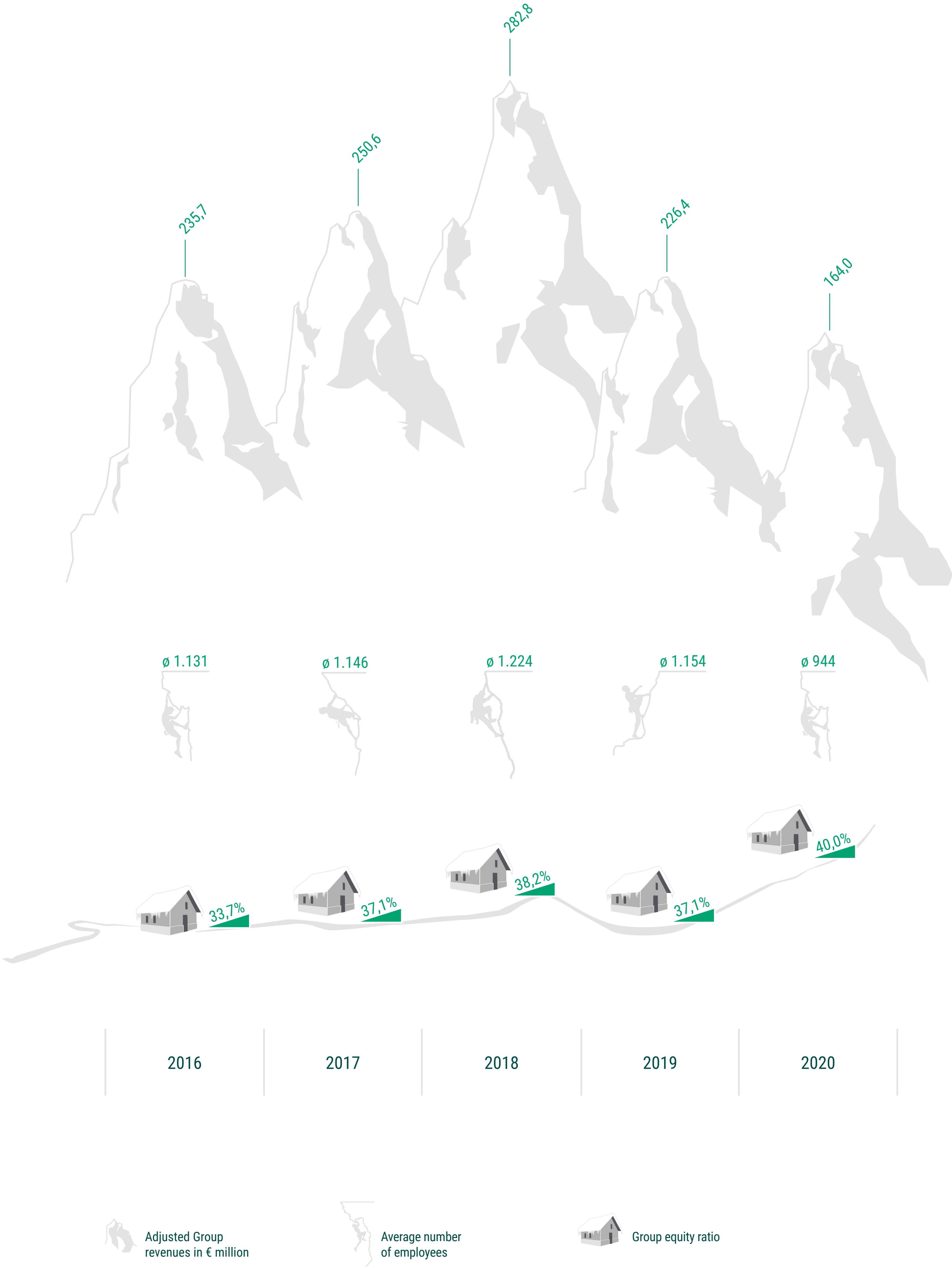
MS INDUSTRIE GRUPPE, ACCRODING TO IFRS, AUDITED, IN TEUR

Balance sheet key figures	31.12.2019	31.12.2020
Total assets	207.025	171.512
Equity and non-controlling interests	76.745	68.562
Equity ratio (%)	37,1%	40,0%
Trade receivables	40.180	23.013
Liquid funds (Cash and cash equivalents ./. Current accounts)	-1.297	-170
Net working capital (Inventories + Trade receivab. ./. Trade payables)	72.030	49.841

Cashflow key figures	2019	2020
Net cash generated from operating activities	6.048	18.231
Net cash used in investing activities	6.033	-613
Net cash used in financing activities	-9.350	-16.491

Income statement key figures	2019	2020
Revenues	226.400	164.037
Gross profit	137.794	89.208
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	32.670	4.246
Operating Profit (EBIT)	18.473	-9.179
Profit before income tax (EBT)	17.557	-10.543
Profit for the year after non-controlling interests (EAT)	16.717	-7.467
Consolidated earnings per share in EUR	0,56	-0,25

Income statement key figures (adjusted for Non-recurring items)	2019	2020
Revenues	226.400	164.037
Gross profit	116.460	88.683
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	12.116	3.721
Operating Profit (EBIT)	-2.081	-9.704
Profit before income tax (EBT)	-2.997	-11.068
Profit for the year after non-controlling interests (EAT)	-1.830	-7.992
Consolidated earnings per share in EUR	-0,06	-0,27



235,7
250,6
282,8
226,4
164,0
ø 1.131
ø 1.146
ø 1.224
ø 1.154
ø 944
33,7%
37,1%
38,2%
37,1%
40,0%
2016
2017
2018
2019
2020
Adjusted Group revenues in € million
Average number of employees
Group equity ratio

MS Industrie AG, Munich
Consolidated income statement for the financial year 2020

	2020 TEUR		2019 TEUR
Revenues			
a) Revenues from industrial and real estate business	163.891		226.258
b) Revenues from consulting and commissions	146		142
		164.037	226.400
Changes in inventory of work in process and finished goods		-2.089	1.818
Other income		6.345	26.411
		168.293	254.629
Cost of materials			
a) Costs of raw materials and consumables used and of goods purchased	72.462		108.410
b) Costs of services	6.623		8.425
		79.085	116.835
Personnel expense		58.004	69.815
Depreciation and amortisation expense			
a) Depreciation of property, plant and equipment and amortisation of intangible assets	13.342		14.197
b) Impairment losses	83		0
		13.425	14.197
Impairment Loss (-) / Income (+) IFRS 9		-238	-237
Other expense		26.720	35.072
		177.472	236.156
Operating Profit		-9.179	18.473
Finance income		1.062	1.151
Finance costs		2.546	2.645
Share of profit of investments accounted for using the equity method		120	578
Profit before income tax		-10.543	17.557
Income tax expense		-3.047	859
Profit for the year		-7.496	16.698
profit attributable to owners of the parent		-7.467	16.717
profit attributable to non-controlling interests		-29	-19
		-7.496	16.698
Consolidated earnings per share, in EUR			
basic, after non-controlling interests		-0,25	0,56
diluted, after non-controlling interests		-0,25	0,56
Number of shares, average weighting			
basic		29.847.260	29.903.682
diluted		29.847.260	29.903.682

MS Industrie AG, Munich, Consolidated statement of comprehensive income
for the financial year 2020

INDUSTRIE AG

	2020	2019
	TEUR	TEUR
Profit for the year	-7.496	16.698
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	-538	-2.471
	-538	-2.471
Items that will not be reclassified to profit or loss		
Fair value measurement of financial instruments and investments (IAS 39)	0	-253
Change in value of financial assets (IFRS 9)	-270	546
Remeasurements of post employment benefit obligations	-44	-39
Actuarial gains/losses	-64	-382
Income taxes recorded in other comprehensive income	30	117
	-348	-11
Other comprehensive income for the year, net of tax	-886	-2.482
Total comprehensive income for the year	-8.382	14.216
attributable to owners of the parent	-8.353	14.235
attributable to non-controlling interests	-29	-19
	-8.382	14.216
Consolidated earnings per share, in EUR		
basic, after non-controlling interests	-0,25	0,56
diluted, after non-controlling interests	-0,25	0,56
Number of shares, average weighting		
basic	29.847.260	29.903.682
diluted	29.847.260	29.903.682

MS Industrie AG, Munich

Consolidated balance sheet as at December 31, 2020

	31.12.2020 TEUR	31.12.2019 TEUR
ASSETS		
Intangible assets	2.300	2.817
Property, plant and equipment	31.308	33.260
Investment property	7.690	6.915
Right of use-assets according to IFRS 16	33.816	41.581
Investments	1.768	1.609
Investments in associates	3.924	3.806
Deferred income tax assets	3.051	62
Other non-current financial assets	9.655	14.464
Other non-current assets	344	387
Non-current assets	**93.856**	**104.901**
Inventories	30.702	37.108
Trade receivables	23.013	40.180
Cash and cash equivalents	4.460	9.181
Income tax assets	1.164	1.232
Contract assets	7.766	6.032
Other current financial assets	8.696	7.071
Other current assets	1.855	1.320
Current assets	**77.656**	**102.124**
TOTAL ASSETS	**171.512**	**207.025**
EQUITY AND LIABILITIES		
Ordinary Shares (30.00 million shares less 163,189 treasury shares)	29.837	29.859
Share premium	7.604	7.616
Statutory reserve	439	439
Retained earnings	3.901	3.897
Other reserves	-262	624
Consolidated profit	27.043	34.510
Non-controlling interests	0	-200
Equity and non-controlling interests	**68.562**	**76.745**
Non-current Borrowings	14.607	21.420
Provisions for pensions and similar obligations	1.727	1.940
Deferred income tax liabilities	0	145
Other non-current accruals	0	92
Other non-current financial liabilities	24.934	31.453
Other non-current liabilities	1.787	1.970
Non-current provisions and liabilities	**43.055**	**57.020**
Current Borrowings	26.240	35.112
Trade payables	11.640	11.290
Current accruals	1.665	729
Other current financial liabilities	8.078	11.320
Other current liabilities	12.272	14.809
Current provisions and liabilities	**59.895**	**73.260**
TOTAL EQUITY AND LIABILITIES	**171.512**	**207.025**

MS Industrie AG, Munich

Consolidated cash flow statement 2020

	2020 TEUR	2019 TEUR
Profit for the year	-7.496	16.698
Income tax expense (recognised through profit and loss)	-3.047	859
Finance income (recognised through profit and loss)	-1.062	-1.151
Finance costs (recognised through profit and loss)	2.546	2.645
Depreciation of property, plant and equipment and amortisation of intangible assets	13.342	14.197
Material non-cash other expenses (+) or income (-):		
- Impairment losses	83	0
- Depreciation of investment property	325	0
- Gains/losses on revaluation of investment property	-775	75
Losses/gains (-) on investments accounted for using the equity method	-120	-578
Losses/gains (-) on disposal of property, plant and equipment and intangible assets	42	-36
Losses/gains (-) on disposal of investments held for sale	-3	-1
Losses/gains (-) on deconsolidation	-525	-21.334
Decrease/increase (-) in inventories, trade receivables and other assets not assigned to investing or financing activities	12.970	-2.506
Increase/decrease (-) in trade payables and other liabilities not assigned to investing or financing activities	3.776	465
Interest received	236	271
Interest paid	-1.789	-1.855
Income tax received	118	255
Income tax paid	-390	-1.956
Net cash generated from operating activities	**18.231**	**6.048**
Proceeds from sale of property, plant and equipment and intangible assets	275	243
Purchases of property, plant and equipment and intangible assets	-7.569	-13.019
Purchases of investment property	0	-263
Proceeds from disposal of fully consolidated subsidaries less cash and cash equivalents transferred under the sale	6.897	17.860
Proceeds from disposals of investments held for sale	3	1.257
Purchase of investments	0	-35
Proceeds received from cashback of borrowings	92	0
Payments made for the granting of borrowings	-325	-22
Proceeds received from investments	14	12
Net cash used in investing activities	**-613**	**6.033**
Cash in from US-Paycheck Protection Program	620	0
Repayments of debt-equivalent bonds	-1.300	0
Proceeds from borrowings	1.700	11.547
Repayments of borrowings	-9.909	-13.256
Dividends paid	0	-2.692
Proceeds from finance lease transactions	1.433	3.804
Payments made for finance lease transactions	-8.974	-8.632
Purchase of treasury shares	-61	-121
Net cash used in financing activities	**-16.491**	**-9.350**
Net decrease in liquid funds	**1.127**	**2.731**
Exchange gains/losses on liquid funds	**0**	**0**
Liquid funds at beginning of period	-1.297	-4.028
Liquid funds at end of period	**-170**	**-1.297**

MS Industrie AG, Munich

EXTRACTS from the Group's management report for the financial year 2020

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1. Report on economic situation

1.a. Macroeconomic and industry-related environment

According to an evaluation of the "Federal Statistical Office, Wiesbaden" from January 2021, the German economy proved to be surprisingly stable in 2020 as a whole, with a price-adjusted decline in gross domestic product (GDP) of -5.0 % (compared to the previous year's increase in 2019 of +0.6 %) in view of the Covid 19-pandemic According to preliminary calculations, the overall decline was even less severe than in the financial crisis year of 2009 with -5.7 %.

The Covid 19-pandemic left clear traces in almost all economic sectors in 2020. Production was curtailed, in some cases massively, both in the service sectors and in the manufacturing industry. In the manufacturing sector excluding construction, which accounts for a good quarter of the overall economy, price-adjusted economic output fell by -9.7 % compared to 2019, according to provisional figures from the Federal Statistical Office, Wiesbaden ("Destatis"), and by as much as -10.4 % in the manufacturing sector. Industry was particularly affected by the consequences of the Covid 19-pandemic in the first half of the year, among other things due to the temporarily disrupted global supply chains. The economic slump over the year as a whole was particularly evident in the service sectors, some of which recorded the sharpest declines ever. An example of this is the combined economic sector of trade, transport and hotels and restaurants, whose economic output was -6.3% lower than in 2019 after price adjustments.

The effects of the Covid 19-pandemic were also clearly visible on the demand side. Unlike during the financial and economic crisis, when overall consumption supported the economy, private consumer spending in 2020 declined by -6.0 % year-on-year in price-adjusted terms, the largest decline ever. In contrast, government consumption expenditure had at least a partial stabilising effect, with a price-adjusted increase of +3.4%, even in the Covid 19-pandemic, helped by the procurement of protective equipment and hospital services, among other things. Gross fixed capital formation, adjusted for price, recorded the sharpest decline since the financial and economic crisis of 2008/2009 at -3.5 %, although construction investment bucked this trend, increasing by +1.5 %. In contrast, price-adjusted investments in equipment - mainly machinery and equipment as well as vehicles - were -12.5% lower in 2020 than in the previous year. According to initial estimates, investment in other equipment - which mainly includes investment in research and development - fell by -1.1% in price-adjusted terms. The Covid 19-pandemic also had a massive impact on foreign trade: Exports and imports of goods and services fell in 2020 for the first time since the financial and economic crisis in 2009, exports by -9.9% in price-adjusted terms, imports by -8.6%. [1]

In the course of 2020, during the first phase of Corona-related constraints, industrial production had fallen sharply year-on-year in April 2020 and May 2020, by -29.7% and -23.4%, respectively. In December 2020, the year-on-year shortfall in industrial production was only -1.5%. The decline in production in 2020 was particularly strong in the automotive industry: the manufacturers of motor vehicles and motor vehicle parts produced 25.0 % less overall in 2020 than in the previous year. The largest declines in the automotive industry occurred in April 2020 and May 2020, with -84.3 % and -52.7 % respectively compared to the respective months of the previous year. In December, the shortfall compared to the same period of the previous year was only -1.0 %. [2]

Gross domestic product (GDP) was almost unchanged in Q4 2020 compared to Q3 2020 - adjusted for price, seasonal and calendar effects - (+0.1 %). During the course of the year, the German economy had initially recovered in the summer

[1] Source: Federal Statistical Office, (Destatis) press release 020, of 14 January 2021.

[2] Source: Federal Statistical Office, (Destatis) press release 076, of 22 February 2021.

(+8.5 % in Q3) after the historic slump in GDP of -9.7 % in Q2 2020. In Q4, this recovery was slowed again by the second Covid 19 wave and the renewed lockdown at the end of the year. This particularly affected private consumption, while goods exports and construction investments supported the economy. According to the evaluations of the Federal Statistical Office, this results in a decline in GDP of -5.0 % (calendar-adjusted: -5.3 %) for 2020 as a whole. [3]

In the USA and Canada - with a total share of around 12.7% (previous year: 26.1%) of Group sales in 2020, still one of the most important sales markets of MS Industrie AG outside the EU - economic development was significantly above the level of Germany[4] with real GDP growth of around +4.0%, also due to the fact that in the USA, positive economic expectations in particular triggered purchase incentives for corporate investments. At the same time, after the slump in March and the lockdown low point in April 2020, there was again a massive increase in truck sales in the USA in the second half of 2020.

In this global economic environment, the exchange rate of the US dollar to the euro fluctuated between values of 1.09 US dollars and 1.23 US dollars in the course of 2020. At the end of the year, the euro exchange rate was significantly higher at 1.23 US dollars than at the beginning of the year at 1.12 US dollars.

Demand activity in the Powertrain Technology segment declined sharply in Europe in the course of 2020 with -27.3% overall, including -27.4% in Germany[5].

The international markets for heavy-duty vehicles over 6 tonnes have developed unevenly in the wake of the Covid 19-pandemic in 2020. Most local markets recorded a double-digit percentage decline in sales. In China, by far the largest truck market in the world, however, sales increased by more than a third.

The Covid 19-pandemic built on a broad-based cyclical downturn in Europe (EU, EFTA & UK) that started already in H2 2019. After the significant slump between March 2020 and June 2020, the European market saw a slight recovery in the second half of 2020. However, this was not able to compensate for the sharp decline in sales in 2020 as a whole. New registrations in the European market fell by -27 % to 272,000 vehicles. Among the major Western European markets, the decline in sales was sharpest in the United Kingdom (-34 %) and smallest in Italy (-14 %). In Germany (-25 %), France (-24 %) and Spain (-23 %) sales fell by a similar amount. In the USA, 410,000 heavy trucks were sold last year (-22 %). The market thus developed much more robustly than initially feared. After the year 2019 was the strongest in terms of volume since 2006 with 527,000 units sold, a double-digit decline in sales was assumed anyway. In China, the truck market developed strong momentum in 2020. Sales rose by +35 % to 1.78 million vehicles. The reason for this significant growth was a government fleet renewal programme that ran until the end of 2020. This gave China a truck world market share of 52 % - more than every second truck worldwide was sold in China last year. In Brazil, the truck business recorded a significant decline in 2020: new registrations fell by -12 % to 85,000 heavy commercial vehicles.

For the year 2021, the signs are largely pointing to recovery. For the truck market in Europe, the VDA expects sales to grow by +15 % to 312,000 vehicles. The US market is also expected to grow by +15 % to 472,000 vehicles. However, this will not yet compensate for the declines from last year, and the high levels from 2019 are still a long way off. For Brazil, the VDA expects sales to increase by 11 % to 94,000 heavy commercial vehicles. In China, on the other hand,

[3] Source: Federal Statistical Office, (Destatis) press release 040, of 29 January 2021.

[4] Source: "BEA" (Bureau of Economic Analyses), as of 1 February 2021.

[5] Source: "ACEA", Commercial vehicle registrations, 26 January 2021.

there is likely to be a significant market correction in 2021 - with a decline of -25 % to 1.33 million units. This results in a minus of -4 % for the world truck market - but an increase of +19 % for the world market without China. [6]

German machinery and plant manufacturers have drawn a mixed balance for 2020. Four out of five companies closed the 2020 business year with a decline in sales. Nevertheless, the share of companies that were able to avoid a decline in sales has risen from 13 % to 21 % since the end of September 2020. Numerous machinery and plant manufacturers benefited from the economic recovery in the fourth quarter of last year. As a result, around one in six companies was even able to close the financial year with an increase in turnover of between 0 % and 10 %. But even the companies with declining turnover reported lower losses than some feared last summer. However, based on the 2020 turnover figures available at the end of January 2021, 42 % of the companies report turnover losses of -10 % to -30 %. [7]

1.b. Business development

While the 2019 financial year for the MS Industrie Group was still predominantly characterised by the sale of a large part of the then existing "Powertrain" order backlog, more precisely: the sale of the long-term order for the production of valve train systems for the "World Engine" production of the Daimler Group at the US site "Webberville", the past 2020 financial year, especially from the second quarter of 2020 onwards, was significantly characterised by the economic effects of the Covid 19-pandemic.

The key data of the transaction, which dominated the previous year 2019 in terms of earnings and liquidity, can be briefly summarised as follows: The wholly owned subsidiary **MS Powertrain Technologie GmbH, Trossingen,** sold the production of valve train systems for the "Daimler World Engine" in the USA at the Webberville location (in 2018: sales of just under USD 100 million) with effect from 10 April 2019 by way of a share deal, together with all the associated machinery, current assets and employees, to the Gnutti Carlo Group, USA, for a purchase price of USD 40 million. USD 40 million, of which USD 16 million is spread over three interest-bearing annual instalments until April 2022; the sale resulted in a positive deconsolidation result totalling around EUR 21.3 million before tax in the previous year 2019, which was reported under other income in the previous year 2019. This strategic measure reduced the annual revenue of the MS Industrie Group by around EUR 80 million p.a. in the previous year, while at the same time reducing the dependence on the major global customer Daimler, which of course continues to be supplied in Europe with the usual quality and reliability, both with regard to the "global engine" and a range of other parts and components in the "Powertrain" segment. The MS Industrie Group continues to be present in the USA and will systematically expand its local business activities - especially in connection with the marketing of ultrasonic welding machines throughout the North American market. A new location in the USA is currently being sought for this purpose.

In the 2020 financial year, production for the Daimler global engine in Germany was concentrated at the Trossingen plant as planned in the Powertrain Technology segment as part of an internal restructuring and the number of employees at the Zittau plant was reduced to zero. The measures at the Trossingen-Schura site - as a result of the relocation of several machines (mainly milling) from the Zittau site, among others - essentially comprised a densification of space to increase the utilisation of the production hall, a significant reduction in personnel costs through clearer interfaces, new operator concepts, streamlined hierarchies and further automation, including through new "rotary indexing" technology from

[6] Source: "VDA", Truck fleet renewal slowed down in Europe, 4 February 2021.

[7] Source: "VDMA", Machinery and plant construction feels slight tailwind, 26 January 2021.

May 2020. In addition, a new logistics concept was developed to reduce external storage costs. In April 2019, the company was successful in winning the contract for the series production of valve train components for a new engine platform for heavy trucks from the Traton Group. The organisational and mechanical preparations for the start of series production, which is now expected to be slightly delayed for 2022, are progressing according to plan. When the full number of units is reached through gradual use in all of the customer's brands by 2026, the MS Industrie Group expects a target sales volume in the range of around EUR 25 million p.a. to EUR 30 million p.a.

Following the disposal of Daimler production in the USA in the previous year, the total number of employees in the MS Powertrain Technology division developed from around 450 employees (excluding temporary workers and apprentices) in mid-2019 to around 350 employees at the end of December 2020. As a result, the division's break-even threshold with full-year effect from January 2021 is now significantly below the previous level and should contribute to significantly improved competitiveness in the coming years. The measures outlined above covered the period July 2019 to December 2020 in total.

The Covid 19-pandemic, which has been rampant worldwide since the beginning of 2020, has also had a massive negative impact on the key financial figures for the MS Industrie-Group in the 2020 financial year. The following significant developments have occurred up to the time of the preparation of the management report:

Due to plant closures at the main customers, the Powertrain segment's production sites in Trossingen and Zittau, 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. Production was gradually ramped up again on 20 April 2020 and 23 April 2020, and at the time of preparing the financial statements, production of the Powertrain segment at the Trossingen site was running at full capacity again. At the Spaichingen production site of the Ultrasonic segment, the instrument of short-time work was used in phases in the 2020 financial year. The production site is currently operating at around 80 % of capacity. The site in Webberville, USA, on the other hand, was completely closed by government degree until 10 May 2020, with the prospect of a waiver of the support loans granted by the US government (so-called "Paycheck Protection Program").

The **(Ultrasonic) special machine construction sector** also had a predominantly poor business year. Since the beginning of 2019, the sector has had to contend with a sharp decline in enquiries from the entire passenger car industry. One of the main causes is the restructuring of the model ranges at almost all OEMs with regard to new drive systems (electric and hybrid). The production of "combustion engine"-models with low volumes is increasingly discontinued, face-lifts are stopped or postponed, for new models only basic versions are coming, but no derivatives yet. The automotive industry, which still accounts for more than 20 % of German mechanical engineering production, is undergoing a massive structural change that is clearly leaving its mark on the order books. This is because the uncertainty about tomorrow's drive systems and the future role of classic combustion engines put pressure on the willingness to invest in the past year. In addition, there have been "Corona-related" delays in incoming orders since the first quarter of 2020. The price level in Europe is tense, whereas in the USA it is more normal. The award potential in Europe was rather low, but with an upward trend, whereas in the USA it was at a more normal level. Operational management is result-oriented. The market expectation for 2021 is more positive again and the focus is increasingly on the American market; from 2022, the Executive Board expects stabilisation at the high level of 2018.

After a good start as planned at the beginning of the year with incoming orders averaging EUR 0.5 million per month, **(Ultrasonic) series machine manufacturing** has been struggling since March 2020 with significant restrictions in sales activities due to Covid 19. Trade fairs were cancelled or postponed; the in-house customer event "sonxDAYS" had to be cancelled. Alternatively, some online initiatives were set up to expand the customer interface. Unfortunately, it was therefore not possible to achieve the sales target for 2020 of around EUR 5 million. There is still a high level of demand, but with long evaluation times. Efforts are being made to further expand the technical lead through new concepts. In sales, a number of new digital formats and communication channels were introduced to a very positive response. Marketing offensives are pointedly placed. Through the sum of all measures, the goals for 2021 seem realistically attainable again.

In the product area **(Ultrasonic) systems and components,** there was a temporary boom due to the worldwide Covid 19-pandemic (systems and components for welding masks and protective suits). Due to the pandemic, there was a considerable boom in the business year with a turnover of over EUR 5 million, among others for the welding of mouth/nose masks and protective suits. This encouraged the management to strategically expand the very attractive market for flow materials from 2021 onwards. In addition, the first orders for new developments regarding systems and components for welding recyclable products (based on the new EU packaging legislation) have been received. As a result, an increase in personnel and further growth in this area from 2021 onwards are still in the planning stage. It can be stated that the trend in the packaging market for ultrasonic applications continues to be positive. In addition to the ongoing sales activities, marketing measures have been launched in all product areas in the direction of existing customers and new customers, and potential new customers have been evaluated. Furthermore, the expansion of system partnerships is being strived for.

The development of sales in the two main segments "**Powertrain Technology**" and "**Ultrasonic Technology**" therefore also varied considerably. External sales in the "**Powertrain**" segment are - due to Covid 19 and the previous year's transactions - around -30.7 % significantly below the previous year's sales. The external sales of the "**Ultrasonic**" segment are also significantly below the previous year's sales at around -19.0 %. Around -37 % of the total decline in sales of the MS Industrie Group in the 2020 financial year (around EUR -23 million) is due to the partial sale of the US activities in the previous year. In the 2020 financial year, sales in the Powertrain segment accounted for around 70 % (previous year: 74 %) and sales in the Ultrasonic segment accounted for around 30 % (previous year: 26 %) of consolidated group sales.

Order backlogs at the end of December 2020 totalled around EUR 92 million (previous year EUR 86 million), around 2% lower in the Ultrasonic segment and around 11% higher in the Powertrain segment, and on average around 6% higher than the average order backlogs of the previous year.

The majority (80.1%) of the 100.0% shares held by MS Industrie AG in Elektromotorenwerk Grünhain GmbH, Grünhain-Beierfeld, (19.9% as of 31 December 2020) were sold by MS Industrie AG in the 2020 financial year. The sale and deconsolidation resulted in a positive effect on earnings of EUR 525,000 in the Group in the financial year. 950,000 of the consideration received was due at the beginning of 2021 and was paid in cash. The remaining part of the consideration totalling EUR 835,000 is due in five equal instalments of EUR 167,000 from 2021 to 2025 and is also to be paid in cash.

The board of directors and the management of MS Powertrain Technologie GmbH have decided in 2020 to shut down the production of the subsidiary MS PowerTec GmbH in Zittau. This measure will affect around 60 jobs at the Zittau site. Since the middle of 2019, the market environment has already deteriorated considerably - mainly due to the ongoing "diesel discussions" - and made capacity adjustments necessary. The situation has recently been exacerbated by additional sales slumps as a direct result of the measures to combat the pandemic. The developments in the last months of the past financial year and the politically demanded upheaval in the automotive world unfortunately made this measure unavoidable for the MS Industrie Group. In addition, automation, digitalisation and consolidation of production space at the main site of MS Powertrain Technologie GmbH in Trossingen are being stepped up. In this way, the MS Industrie-

Group is consistently adapting its capacities and cost structures to the changed market environment in order to further secure profitability for the future. The company property in Zittau, which is owned by MS PowerTec GmbH, is to be offered to third parties for industrial use through rent or purchase from 2021.

Unfortunately, the operating earnings situation did not develop satisfactorily in the 2020 financial year 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"),** unadjusted and adjusted for one-off effects. In the 2020 financial year as a whole, demand in both the truck and passenger car sectors was significantly more subdued than expected at the beginning of the year, mainly due to the Covid 19-pandemic.

The Group's turnover also did not develop satisfactorily in the 2020 financial year. Total consolidated revenue in the 2020 financial year amounted to around EUR 164.0 million (previous year EUR 226.4 million), slightly above the revenue of around EUR 163 million forecast in spring 2020 after the first "lockdown", but significantly below the previous year's revenue. In addition, the adjusted earnings figures EBITDA (-69.3 %), EBIT (-366.3 %), EBT (-274.6 %), earnings per share (-334.6 %) and EBIT margin (-5.0 % points) also fell significantly, as forecast, but even more sharply than originally expected in spring. The gross profit margin (54.1%), on the other hand, increased by 2.6 percentage points. In addition to the reasons mentioned above, this is mainly due to high fluctuations in capacity utilisation and organisational restructuring. At the two German MS sites in Trossingen and Spaichingen, the equipment on machines continued to increase significantly over the course of 2020. However, these medium-term positive developments are not yet reflected in the key figures of the past financial year through corresponding volume growth.

As forecast, cash flow from investing activities in the 2020 financial year was significantly below the level of the previous year, while cash flow from operating activities was even higher than forecast due to working capital effects. Cash and cash equivalents in the corporate group decreased in the reporting period from EUR 9.2 million at the beginning of the financial year to EUR 4.5 million as at 31 December 2020. The decrease of EUR 4.7 million in the 2020 financial year is primarily due to a negative cash flow from financing activities and from investing activities.

In balance sheet terms, the change in group equity (-10.7 %) is significantly below the forecasts, in line with the development of results. However, the net gearing ratio (53.1 %) has decreased slightly, as expected.

With regard to the development of the non-financial performance indicators, it was forecast in the previous year's report that the MS Industrie Group would do everything in its power to continue to meet all relevant environmental standards and would continue, as it has done successfully in the past, to try to keep staff turnover as low as possible through staff retention concepts. Due to the originally planned moderate development of turnover, a further increase in personnel, especially in the area of specialists and managers, was not planned for 2020, but the continued employment of a corresponding number of temporary workers. Due to the sharp decline in volume, which was not originally foreseen in the 2020 annual planning, a significant reduction in staff, which was not originally planned, was implemented instead in the 2020 financial year, also in order to be able to react better and more promptly to the fluctuations in volume that are expected to continue in the future, at least in the short term. However, these measures are always taken against the background of counteracting a shortage of skilled workers and preparing future managers for demanding tasks in a targeted manner.

Ongoing, individual training and further education also continues to have a high priority in the Group. It was also planned to do everything possible to maintain customer satisfaction at least at the existing high level and to further increase the already very high innovative strength of the Group as well as to continue to ensure the ongoing ability to deliver in all business areas and product divisions. All of this has been implemented as planned; research and development expenses in the Group increased significantly from EUR 4.8 million to EUR 5.5 million in the financial year and thus remain at a very high level. The ability to deliver was always given in the reporting year and customer satisfaction remains very high.

1.c. Status of the Group

All figures have been calculated in accordance with IFRS as applicable in the EU.

Earnings situation

This section presents and explains the key figures of our Group's earnings situation compared to the previous year. Firstly, the key figures, unadjusted for the non-recurring items from the partial sale of Elektromotorenwerk Grünhain GmbH in the 2020 financial year and the "partial sale of Powertrain USA 2019" in the previous year.

Unadjusted for non-recurring items:	1.1. until 31.12.2020		1.1. until 31.12.2019		Changes	
	TEUR	%	TEUR	%	TEUR	%
Revenues	**164.037**	**100,0**	**226.400**	**100,0**	**-62.363**	**-27,5**
Other income	6.345	3,9	26.411	11,7	-20.066	-76,0
Cost of materials (incl. changes in inventory)	81.174	49,5	115.017	50,8	-33.843	-29,4
Gross profit	**89.208**	**54,4**	**137.794**	**60,9**	**-48.586**	**-35,3**
Personnel expense	58.004	35,4	69.815	30,8	-11.811	-16,9
Other expenses and impairment loss according to IFRS 9	26.958	16,4	35.309	15,6	-8.351	-23,7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**4.246**	**2,6**	**32.670**	**14,4**	**-28.424**	**-87,0**
Depreciation and amortisation expense	13.425	8,2	14.197	6,3	-772	-5,4
Operating profit (EBIT)	**-9.179**	**-5,6**	**18.473**	**8,2**	**-27.652**	**-149,7**
Finance costs, net	-1.484	-0,9	-1.494	-0,7	10	-0,7
Share of profit of investments accounted for u-sing the equity method	120	0,1	578	0,3	-458	-79,2
Consolidated profit before income tax (EBT)	**-10.543**	**-6,4**	**17.557**	**7,8**	**-28.100**	**-160,1**
Income taxes (income, prior year: expense)	-3.047	-1,8	859	0,4	-3.906	-454,7
Consolidated profit for the year before non-controlling interests (EAT)	**-7.496**	**-4,6**	**16.698**	**7,4**	**-24.194**	**-144,9**
Profit attributable to non-controlling interests	-29	0,0	-19	0,0	-10	52,6
Consolidated profit for the year after non-controlling interests (EAT)	**-7.467**	**-4,6**	**16.717**	**7,4**	**-24.184**	**-144,7**

Especially in the same period of the previous year, the key earnings figures were influenced by positive special items, the impact of which on the key figures is presented below.

The only "one-off effect" affecting the result in the 2020 financial year was the deconsolidation result from the sale of 80.1 % of the shares in Elektromotorenwerk Grünhain GmbH, Grünhain-Beierfeld, together with its subsidiaries, in the net amount of EUR +0.5 million, based on gross sales proceeds of around EUR 2 million.

The only "one-off effect" in the previous year that had a significant impact on earnings was the deconsolidation result from the sale of the production of valve train systems at the US site in Webberville in the 2019 financial year in the net amount of EUR +21.3 million, less the resulting Executive Board bonuses of EUR -0.8 million and income taxes of EUR -2.0 million, based on gross sales proceeds of around USD 40 million.

In the 2020 financial year, external sales of the "**Powertrain**" segment were around -14 % below the previous year's sales due to transactions in the previous year. The difference to the overall segment revenue decline of around -31 %, i.e. -17 %, is mainly due to the effects of the Covid 19-pandemic. The sales of the "Powertrain" segment include for the last time the sales of the Elektromotorenwerk Grünhain Group in the amount of EUR 18,648,000 (previous year: EUR 18,937,000).

The revenues of the "**Ultrasonic**" segment in the 2020 financial year were around -19% below the revenues of the previous year, as there was a large-scale delay in deliveries of machines in this segment in the 2020 financial year - due to Covid 19.

After a strong decline of around -20 % in the previous year, external turnover continued to fall significantly by around --28 % to around EUR 164.0 million in the reporting period. This means that the previous year's forecast of a significant decline in turnover of around -28.0 % to around EUR 163.0 million was unfortunately almost exactly fulfilled. About half of this significant decline in turnover (-14%) is due to the significantly weaker US business of the MS Industrie-Group - as expected after the previous year's US transaction - and especially the Powertrain segment. The difference to the overall decline in turnover of around -28 %, i.e. also -14 %, is essentially due to the effects of the Covid 19-pandemic.

Geographically, there have been again clear differences in the development of turnover: While the domestic market, which continues to be the strongest in terms of turnover, recorded a significant decline in industrial turnover of around -15.6 % and exports to the EU, the strongest foreign market in terms of turnover, again recorded a slight decline of around -9.0 % in the reporting year, the significant decline in turnover in the North America/Canada region, the second strongest foreign market for the first time with a consolidated share of turnover of 12.7 %, was around -64.8 %.

Revenues primarily include the revenues of the MS Powertrain Group (excluding the revenues of the Elektromotorenwerk Grünhain Group) of EUR 96,174,000 (previous year: EUR 147,790,000) and the MS Ultrasonic Group of EUR 48,578,000 (previous year: EUR 59,525,000). In addition, the sales revenues for the last time primarily include the sales revenues of the Elektromotorenwerk Grünhain Group in the amount of EUR 18,648,000 (previous year: EUR 18,937,000).

We are therefore anything but satisfied with the development of turnover in the financial year as a whole, as well as in relation to the regions. The operational development of the various profit levels is also still significantly below our expectations.

In the 2020 financial year, other income includes a net gain of EUR +0.5 million from the sale of 80.1% of the shares in Elektromotorenwerk Grünhain GmbH and its subsidiaries. In the previous year, other income also included a net gain of EUR 21.3 million from the sale of the production of valve train systems for the Daimler World Engine in the USA (see above). Other income also includes, in particular, income from the reversal of provisions and other accrued liabilities as well as other income unrelated to the accounting period totalling EUR 1,716,000 (previous year: EUR 1,589,000). Furthermore, exchange rate gains amounting to TEUR 585 (previous year: TEUR 806) are included.

The reconciliation from the unadjusted key figures to the adjusted key figures is as follows in the 2020 financial year:

	1.1. until 31.12.2020			
	Before Adjustments TEUR	Effect of Adjustments TEUR	Adjusted TEUR	Adjusted %
Revenues	**164.037**	**0**	**164.037**	**100,0**
Gross profit	**89.208**	**-525**	**88.683**	**54,1**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**4.246**	**-525**	**3.721**	**2,3**
Operating profit (EBIT)	**-9.179**	**-525**	**-9.704**	**-5,9**
Consolidated profit before income tax (EBT)	**-10.543**	**-525**	**-11.068**	**-6,7**
Consolidated profit for the year before non-controlling interests (EAT)	**-7.496**	**-525**	**-8.021**	**-4,9**
Consolidated profit for the year after non-controlling interests (EAT)	**-7.467**	**-525**	**-7.992**	**-4,9**

The reconciliation from the unadjusted key figures to the adjusted key figures is as follows in the 2019 financial year:

	1.1. until 31.12.2019			
	Before Adjustments TEUR	Effect of Adjustments TEUR	Adjusted TEUR	Adjusted %
Revenues	**226.400**	**0**	**226.400**	**100,0**
Gross profit	**137.794**	**-21.334**	**116.460**	**51,4**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**32.670**	**-20.554**	**12.116**	**5,4**
Operating profit (EBIT)	**18.473**	**-20.554**	**-2.081**	**-0,9**
Consolidated profit before income tax (EBT)	**17.557**	**-20.554**	**-2.997**	**-1,3**
Consolidated profit for the year before non-controlling interests (EAT)	**16.698**	**-18.547**	**-1.849**	**-0,8**
Consolidated profit for the year after non-controlling interests (EAT)	**16.717**	**-18.547**	**-1.830**	**-0,8**

The change in the key figures adjusted for the non recurring items ("one-off effects") is therefore summarised as follows for the respective financial years:

	1.1. until 31.12.2020		1.1. until 31.12.2019		Changes, adjusted	
	Adjusted	Ad-justed	Adjusted	Ad-justed	19 / 20	19 / 20
	TEUR	%	TEUR	%	TEUR	%
Revenues	**164.037**	**100,0**	**226.400**	**100,0**	**-62.363**	**-27,5**
Gross profit	**88.683**	**54,1**	**116.460**	**51,4**	**-27.777**	**-23,9**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**3.721**	**2,3**	**12.116**	**5,4**	**-8.395**	**-69,3**
Operating profit (EBIT)	**-9.704**	**-5,9**	**-2.081**	**-0,9**	**-7.623**	**-366,3**
Consolidated profit before income tax (EBT)	**-11.068**	**-6,7**	**-2.997**	**-1,3**	**-8.071**	**-269,3**
Consolidated profit for the year before non-controlling interests (EAT)	**-8.021**	**-4,9**	**-1.849**	**-0,8**	**-6.172**	**-333,8**
Consolidated profit for the year after non-controlling interests (EAT)	**-7.992**	**-4,9**	**-1.830**	**-0,8**	**-6.162**	**-336,7**

The adjusted gross profit margin (sales revenues including changes in inventories and other income less cost of materials), based on sales revenues, was 54.1% in the financial year (previous year: 51.4%). This, as well as the slight decline in the cost of materials ratio to 49.5 % (previous year: 50.8 %), is primarily due to the changed product mix with a higher proportion of „Ultrasonic Technology" and significantly lower group sales overall after the partial sale of the US production in the previous year - and there were also changes in the product mix in the "Powertrain Technology" segment in the financial year (decrease in material-intensive product groups).

Compared to the previous year, personnel expenses fell slightly by -16.9%, with an average headcount of 944 permanent employees, excluding temporary workers and apprentices (previous year: 1,154 employees), which is about -18.2% lower than in the previous year.

In the financial year, after a significant decrease in other expenses, which fell by a total of EUR 8.4 million to EUR 27.0 million, earnings before interest, taxes, depreciation and amortisation (EBITDA), adjusted for one-off effects, fell significantly to EUR 3.7 million (previous year: EUR 12.1 million).

As expected, scheduled depreciation fell significantly by TEUR 855 in the financial year, from TEUR 14,197 to TEUR 13,342, by around -6.0 %.

After lower personnel expenses and depreciation as well as significantly lower other expenses, earnings before interest and taxes (EBIT) adjusted for one-off effects amounted to EUR -9.7 million (previous year: EUR -2.1 million).

The adjusted EBIT margin, based on sales revenue, was around -5.9% in the financial year (previous year: -0.9%). The reasons for the significantly lower EBIT margin are, as already described above, primarily the effects of the Covid 19-pandemic as well as restructuring measures in the MS Powertrain Technology Group.

The financial result improved by around 0.7 % on balance compared to the previous year. The main reason for this is the lower net financial debt of the group. The financial result includes financial income of TEUR 1,062 (previous year: TEUR 1,151) and financial expenses of TEUR 2,546 (previous year: TEUR 2,645).

The financial income results in part in the amount of TEUR 302 (previous year: TEUR 280) from the market valuation of financial derivatives, in particular from the fair value measurement of interest rate swaps.

In the financial year, the result from associated companies resulted from the at-equity valuation of the Beno Immobilien Group, Starnberg, in the amount of EUR -125,000 (previous year: EUR +528,000), from the at-equity valuation of Shanghai MS soniTEC Co. China, and TEUR +262 (previous year: TEUR -47) from the at-equity valuation of WTP Ultrasonic lndustria e Comercio de Maquinas Ltda, Contagem City, Brazil.

Consolidated earnings before taxes (EBT) are significantly lower than in the previous year and amount to EUR -10.5 million. In the previous year, the Group achieved a positive pre-tax result of EUR 17.6 million. Adjusted consolidated earnings before taxes (EBT) are also significantly lower than in the previous year and amount to EUR -11.1 million (previous year: EUR -3.0 million).

The consolidated net income after minority interests (EAT) is also significantly lower than in the previous year and amounts to EUR -7.5 million (previous year: EUR 16.7 million). The adjusted consolidated net income after minority interests (EAT) is also significantly lower than in the previous year and amounts to EUR -8.0 million (previous year: EUR -1.8 million).

The unadjusted consolidated net income per share deteriorated significantly from EUR 0.56 per share in the previous year to EUR -0.25 per share in the financial year. The adjusted consolidated net income per share also deteriorated significantly from EUR -0.06 per share in the previous year to EUR -0.27 per share in the financial year.

Cash Situation

Principles and objectives of financial management

Ensuring financial flexibility is a top priority in the Group's financing strategy. This flexibility is achieved through a broad selection of financing instruments and a high diversification of investors and financial institutions. The maturity profile of the Group's debt shows a wide spread of maturities with a high proportion of medium and long-term financing. The selection of financing instruments takes into account market capacity, investor diversification, flexibility, credit covenants and the existing maturity profile.

Presentation and analysis of the financial position

	2020 TEUR	2019 TEUR
Net cash generated from operating activities	18.231	6.048
Net cash generated from/used in investing activities	-613	6.033
Net cash used in/ generated from financing activities	-16.491	-9.350
Net increase/decrease in liquid funds	1.127	2.731
Exchange gains/losses on liquid funds	0	0
Liquid funds at the beginning of the period	-1.297	-4.028
Liquid funds at the end of the period	**-170**	**-1.297**

The increase in liquid funds (cash and cash equivalents less current account liabilities) is primarily due to the positive cash flow from operating activities, which more than compensated for the negative cash flows from investing activities and financing activities. In addition, the sale and deconsolidation of Elektromotorenwerk Grünhain GmbH had a positive effect on cash and cash equivalents.

The increase in cash flow from operating activities primarily reflects the strong reduction in working capital. In the previous year, the positive cash flow from investing activities reflected in particular the proceeds from the sale of the existing long-term contract for the production of valve train systems for the Daimler Group's "World Engine" production at the US location "Webberville" to the Gnutti Carlo Group with effect from 10 April 2019. Part of the investments in the financial year were made through non-cash finance leases at the time of investment (EUR 2.5 million; previous year: EUR 5.7 million), as well as advance payments on a new "Rundtakter" machine of around EUR 3.3 million (previous year: EUR 3.5 million).

As of 31 December 2020, cash and cash equivalents amounted to EUR 4.5 million (previous year: EUR 9.2 million). In addition, free overdraft facilities of EUR 13.4 million (previous year: EUR 8.0 million) are available and current assets (EUR 77.7 million) exceed current liabilities (EUR 59.9 million) by EUR 17.8 million as of the balance sheet date.

Of the liabilities to banks of EUR 40.8 million as of the balance sheet date, EUR 29.8 million and of the open credit lines of EUR 13.4 million, EUR 12.1 million are subject to financial covenants.

Financial Situation

The following table shows the main changes in the Group's financial situation:

	31.12.2020		31.12.2019		Changes	
	TEUR	%	TEUR	%	TEUR	%
ASSETS						
Deferred income tax assets	3.051	1,8	62	0,0	2.989	4.821,0
Other non-current assets	90.805	52,9	104.839	50,7	-14.034	-13,4
Current assets	77.656	45,3	102.124	49,3	-24.468	-24,0
Total assets	**171.512**	**100,0**	**207.025**	**100,0**	**-35.513**	**-17,2**

	31.12.2020		31.12.2019		Changes	
	TEUR	%	TEUR	%	TEUR	%
EQUITY AND LIABILITIES						
Equity and minority interests	68.562	40,0	76.745	37,1	-8.183	-10,7
Deferred income tax liabilities	0	0,0	145	0,1	-145	-100,0
Other debt	102.950	60,0	130.135	62,8	-27.185	-20,9
Total equity and liabilities	**171.512**	**100,0**	**207.025**	**100,0**	**-35.513**	**-17,2**

The other non-current assets of our group decreased significantly by around -13.4 % in the financial year, but did not change significantly in relation to the balance sheet total with a share of around 52.9 % (previous year: around 50.7 %). The main reason for the decline in non-current assets in the financial year is essentially the scheduled amortisation of intangible assets, technical equipment and machinery as well as rights of use in accordance with IFRS 16, as well as the (partial) sale of investments that are no longer strategic, such as shares in Beno Holding AG, Starnberg, and the majority sale and deconsolidation of Elektromotorenwerk Grünhain GmbH, Grünhain-Beierfeld.

The strong decrease in current assets by around -24.0 % is mainly due to the significant decrease in trade receivables with significantly lower cash and cash equivalents and inventories. In relation to total assets, the percentage share of current assets declined slightly to around 45.3 % (previous year: around 49.3 %) at the end of the financial year. Here, too, the sale and deconsolidation of Elektromotorenwerk Grünhain GmbH, Grünhain-Beierfeld, with -5.0 %, plays a role in the decline.

Net working capital (inventories, contract assets and trade accounts receivables less trade accounts payables and contract liabilities) amounted to EUR 49.8 million as at 31 December 2020 (previous year: EUR 72.0 million) and thus decreased by around -30.8% compared to the previous year.

The decrease in equity by EUR -8.2 million in absolute terms compared to 31 December 2019, amounting to EUR 68.6 million (previous year: EUR 76.7 million), is mainly due to the negative consolidated comprehensive income of EUR -8.4 million (previous year: positive consolidated comprehensive income of EUR 14.2 million). The Group's equity ratio increased slightly compared to 31 December 2019 and, with total assets down by around -17.2%, was around 40.0% as at the balance sheet date (31 December 2019: 37.1%).

Other debt in the Group fell significantly by around -20.9% to EUR 103.0 million. The previous year's forecast of a reduction in the gearing ratio in the financial year was also confirmed, with a decrease in the balance sheet total of around -17.2%.

The Group's net gearing (defined as net debt/equity) decreased significantly from 61.7% at the end of 2019 to 53.1% at the end of the financial year. The net gearing ratio is calculated by comparing debt, defined as non-current and current financial liabilities (excluding derivatives and financial guarantees) less cash and cash equivalents and bank balances, to equity (the Group's subscribed capital and reserves).

Minority interests amounted to TEUR 0 as at 31 December 2020 (previous year: TEUR -200). In the previous year, the minority interests were entirely attributable to the former sub-group Elektromotorenwerk Grünhain GmbH.

General statement on business performance and financial situation

The 2020 financial year continued to be characterised by the concentration on the two business segments Powertrain Technology and Ultrasonic Technology and the further measures for the sale of the strategically no longer relevant investments.

The financial situation at the end of 2020 and the beginning of 2021 can still be described as orderly - with high freely available bank lines. All subsidiaries will continue to be able to meet their payment obligations from current business operations.

As no positive overall Group result could be achieved in the financial year, equity including minority interests fell in absolute terms. With a slightly increased equity ratio of 40.0 % (previous year: 37.1 %), the asset situation can still be described as orderly.

Although the development of business operations in the first half of 2021 was not yet satisfactory in some cases at all operating subsidiaries up to the time of preparation of the 2020 consolidated financial statements due to the Covid 19-pandemic, the net assets, financial position and results of operations were nevertheless in order at the time of preparation of the 2020 combined management report.

Munich, April 23, 2021

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