

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 2022**

MS Industrie AG





You can build stairs to heaven
out of stumbling blocks that are
put in your way.

Lilli U. Kreßner



Content

FOREWORD	IV
PRODUCT PORTFOLIO	VI
OVERVIEW OF KEY FIGURES	VIII

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



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

In 2022, MS Industrie AG realised a total turnover of around **EUR 206.2 million**. Compared to the turnover of the previous year (EUR 164.7 million), this represents a very pleasing increase of over **+25%**. This resulted in particular from a significantly strengthened business in the drive technology segment after the second wave of the Covid 19 pandemic and a revival of market demand in the ultrasonic technology segment.

The development of the various key earnings figures was largely according to plan, but was strongly affected by inflationary effects and supply chain problems in the mechanical engineering sector. The **consolidated annual result** after income taxes was **EUR 1.2 million** (previous year: EUR -4.0 million) with a slightly worsened equity ratio of **34.1%** (previous year: 37.0%) due to the increased balance sheet total.

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 2022 financial year and the outlook for the future:

- The business situation in the **Powertrain Technology** segment ("**MS Powertrain Technology Group**", also abbreviated to "MS PTG") developed very positively again from the middle of 2022. The massive supply chain problems at our main customers in the third quarter, as well as the Covid 19 wave in the first quarter and a few weeks of customer closures due to the Ukraine war, were overcome and PTG generated a positive operating result for the year that was exactly on target.
- In 2022, the MS PTG management succeeded in passing on the significant **cost increase and inflation effects** – especially for materials and energy – to customers in a comprehensible and timely manner.
- Operationally, the year was characterised by a number of **series start-ups of newly acquired products**. On the one hand, this involved the machining and assembly of high-precision system components for the truck industry, e.g. valve train components for heavy commercial vehicles of the TRATON Group, and the off-highway sector, and on the other hand the increase in the number of units of a housing for passenger car hybrid drives as a result of the switch to MS PTG as sole supplier.
- A major project in 2022 was the **hall expansion at the Trossingen site** by around 3,500 sqm of production space, which will be completed in April 2023, as well as the systematic continuation of automation in production.
- In the **ultrasonic technology** segment ("**MS Ultrasonic Technology Group**", also abbreviated to "MS UTG"), the area of **custom machines** for our customers in the passenger car industry recovered noticeably from around mid-2022. This led to a steadily increasing order backlog, which reached an all-time high at the end of the year. However, the difficulties in procuring components and purchased parts as well as the

problems with global transport logistics continued throughout the year and led to permanent delays in deliveries, as a result of which a sales volume of around 10 million euros was postponed until 2023.

- The business with **ultrasonic series machines** based on Industry 4.0 of the "MS sonxTOP" brand developed very positively with a doubling of the business volume – both in terms of incoming orders and turnover. The number of machines installed at customers' sites worldwide is rising steadily, leading to follow-up enquiries and increasing demand for service and tools. After the Covid 19 pandemic was largely overcome, various trade fairs were again held in Europe and North America, including the well-known "K trade fair" in Düsseldorf in October 2022.
- The **MS Competence Center** built for the **Ultrasonic Systems & Components** business unit at the Ettlingen site in the Karlsruhe district, with an area of around 1,800 sqm, develops customer-specific solutions for the continuous joining, embossing and perforating of **nonwovens** and the sealing of packaging. In 2022, the technology was significantly further developed and the first orders were successfully acquired. MS UTG will establish itself here as a technology partner for machine builders serving manufacturers of medical products, hygiene articles, wound dressings, etc. worldwide.
- In autumn 2022, we contributed our remaining minority interest in Elektromotorenwerk Grünhain GmbH to the newly founded **Deutsche Elektromotoren Holding GmbH**. This in turn acquired 100% of Dietz-Motoren GmbH in Dettingen u. Teck and will in future concentrate on the further expansion of the group for customer-specific electric motors with a sales volume soon to exceed 100 million euros.

At the beginning of 2022, the **Group's order backlog** amounted to around EUR 118 million and by December 2022 it had increased again significantly to around **EUR 144 million**, i.e. by around **+22%**. Despite the unstable international economy as a result of the massive upheavals from the escalated **Russia/Ukraine conflict**, we expect a **very positive development** overall for the business segments of the MS Industrie Group.

The price of the **MS Industrie share**, starting at a level of just under EUR 1.50/share, fell by up to -20% in the course of 2022, but recovered to the initial level by the end of the year. Currently, the share price has visibly improved again to an **average of +/- EUR**

1.60/share and should continue to develop positively against the background of the very positive long-term order situation of the MS Industrie Group.

Now that we have overcome the various crises and challenges of the last three years, we will concentrate on continuing our **steady, organic growth**. The best foundations and conditions for this have been created in both segments. We continue to view the war in Ukraine and the international, economic and political changes with concern. As a medium-sized company, we must always retain the flexibility to make adjustments in all directions, in order to be able to counteract any future risks through quick reactions and new entrepreneurial opportunities.

Our special thanks go to all employees of MS Industrie AG, who have once again overcome the challenges of 2022 together with a great deal of strength, perseverance and team spirit.

Yours sincerely,



Dr. Andreas Aufschnaiter



Armin Distel

Munich, 24 April 2023

A sense for technology since 1965

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
in Ettlingen, Baden-Württemberg: 1,800 m²
- **MS Powertrain Technologie GmbH**
in Trossingen-Schura, Baden-Württemberg: 19,500 m²

Production locations in the **United States**:

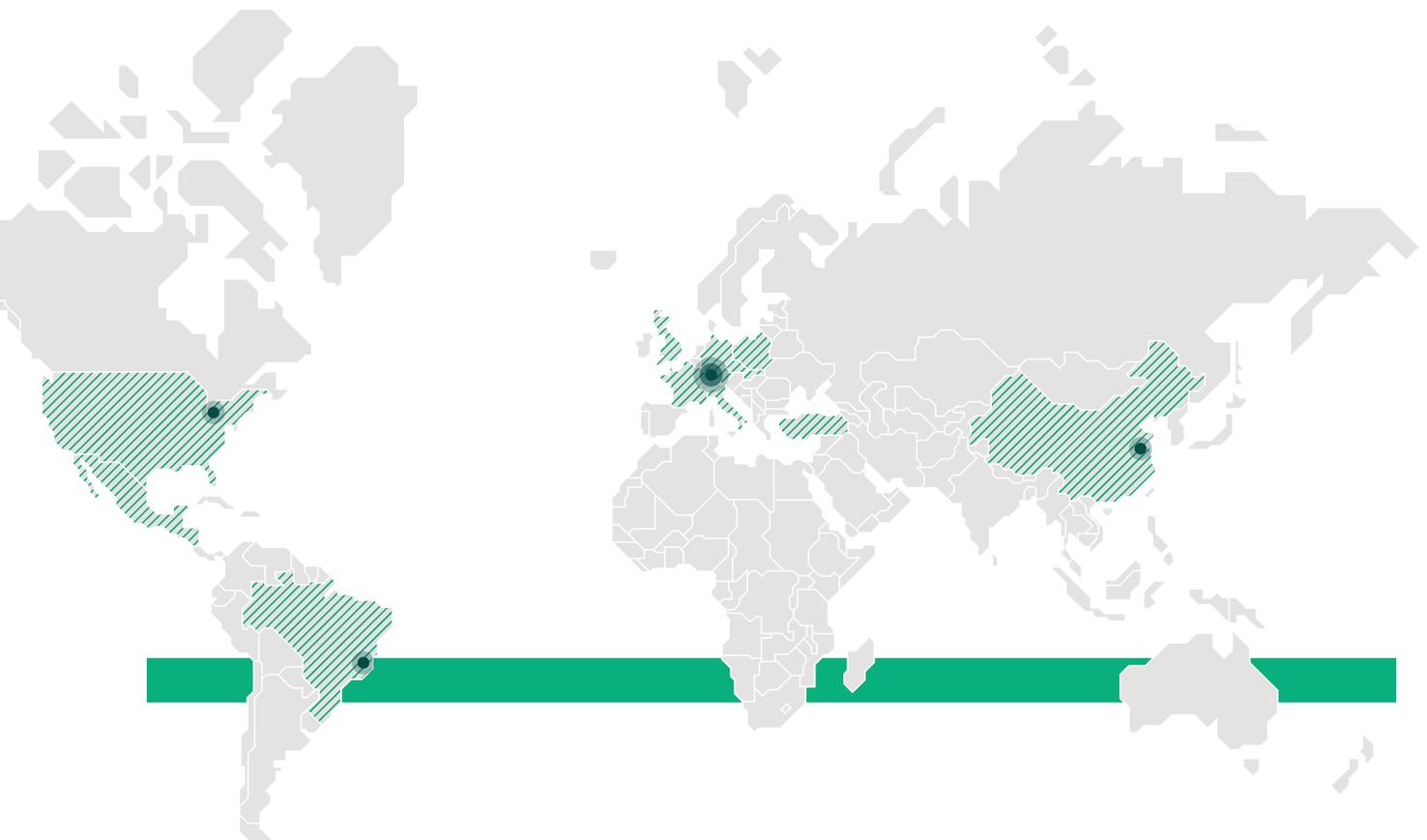
- **MS Ultrasonic Technology, L.L.C.**
in Howell, Michigan: 2,400 m²

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



PRODUCT AREA ULTRASONIC TECHNOLOGY

MS Ultraschall Technologie GmbH
 MS Ultrasonic Technology, 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

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.



Kennzahlenübersicht

Geschäftsbericht 2022

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

Balance sheet key figures

	31.12.2021	31.12.2022
Total assets	183.867	210.543
Equity and non-controlling interests	68.021	71.703
Equity ratio (%)	37,0%	34,1%
Trade receivables	23.454	30.701
Liquid funds (Cash and cash equivalents ./ Current accounts)	-18.758	-27.796
Net working capital (Inventories + Trade receivab. ./ Trade payables)	55.522	62.868

Cashflow key figures

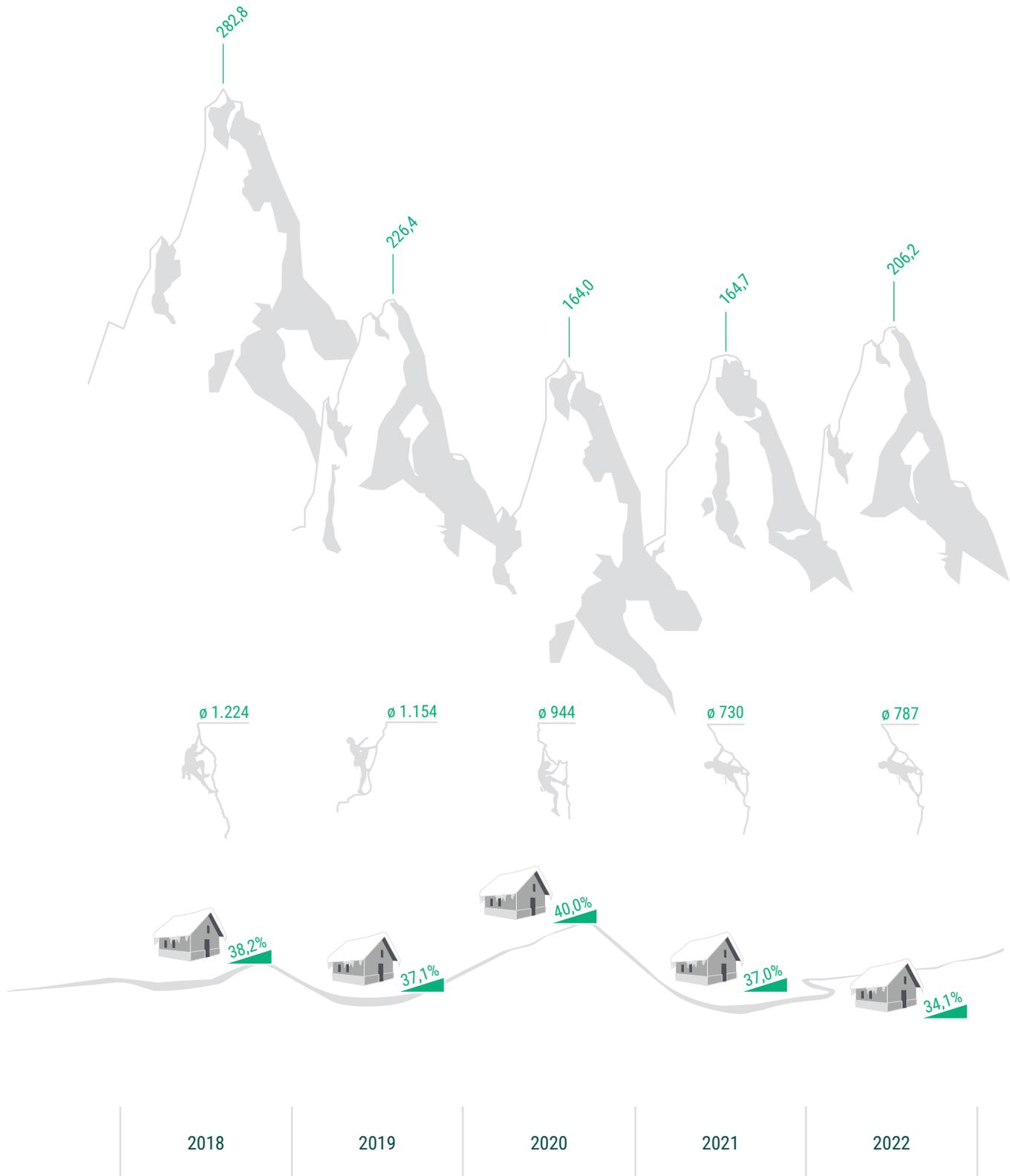
	2021	2022
Net cash generated from operating activities	-3.219	1.872
Net cash used in investing activities	1.433	-3.762
Net cash used in financing activities	-16.802	-7.148

Income statement key figures

	2021	2022
Revenues	164.666	206.157
Gross profit	88.087	104.021
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	9.117	15.079
Operating Profit (EBIT)	-4.431	2.726
Profit before income tax (EBT)	-6.290	980
Profit for the year after non-controlling interests (EAT)	-3.995	1.178
Consolidated earnings per share in EUR	-0,13	0,04

Income statement key figures (adjusted for Non-recurring items)

	2021	2022
Revenues	164.666	206.157
Gross profit	88.087	104.021
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	9.117	15.079
Operating Profit (EBIT)	-4.431	2.726
Profit before income tax (EBT)	-5.637	980
Profit for the year after non-controlling interests (EAT)	-2.506	1.178
Consolidated earnings per share in EUR	-0,08	0,04



 Adjusted Group revenues in € million

 Average number of employees

 Group equity ratio

MS Industrie AG, Munich
Consolidated income statement for the financial year 2022



	2022	2021
	TEUR	TEUR
Revenues		
a) Revenues from industrial and real estate business	206.157	164.544
b) Revenues from consulting and commissions	0	122
	206.157	164.666
Changes in inventory of work in process and finished goods	3.239	859
Other income	6.871	5.455
	<u>216.267</u>	<u>170.980</u>
Cost of materials		
a) Costs of raw materials and consumables used and of goods purchased	105.679	77.751
b) Costs of services	<u>6.567</u>	<u>5.142</u>
	112.246	82.893
Personnel expense		57.738
Depreciation and amortisation expense		
a) Depreciation of property, plant and equipment and amortisation of intangible assets	12.353	12.845
b) Impairment losses	0	703
	12.353	13.548
Impairment Loss (-) / Income (+) IFRS 9		-7
Other expense		<u>31.197</u>
	<u>213.541</u>	<u>175.411</u>
Operating Profit	2.726	-4.431
Finance income	921	794
Finance costs	2.980	2.910
Share of profit of investments accounted for using the equity method	313	257
Profit before income tax	980	-6.290
Income tax expense	<u>-198</u>	<u>-2.295</u>
Profit for the year	<u>1.178</u>	<u>-3.995</u>
profit attributable to owners of the parent	1.178	-3.995
profit attributable to non-controlling interests	<u>0</u>	<u>0</u>
	<u>1.178</u>	<u>-3.995</u>
Consolidated earnings per share, in EUR		
basic, after non-controlling interests	0,04	-0,13
diluted, after non-controlling interests	0,04	-0,13
Number of shares, average weighting		
basic	29.934.934	29.890.961
diluted	29.934.934	29.890.961

	Notes	2022 TEUR	2021 TEUR
Profit for the year		1.178	-3.995
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		564	636
		564	636
<i>Items that will not be reclassified to profit or loss</i>			
Fair value measurement of investment properties (IAS 40)		0	3.472
Change in value of financial assets (IFRS 9)		1.494	83
Remeasurements of post employment benefit obligations		-92	-49
Actuarial gains/losses		635	132
Income taxes recorded in other comprehensive income		-152	-936
		1.885	2.702
Other comprehensive income for the year, net of tax		2.449	3.338
Total comprehensive income for the year		3.627	-657
attributable to owners of the parent		3.627	-657
attributable to non-controlling interests		0	0
		3.627	-657

MS Industrie AG, Munich
Consolidated balance sheet as at Dec. 31, 2022



	31.12.2022	31.12.2021
	TEUR	TEUR
ASSETS		
Intangible assets	2.658	2.163
Property, plant and equipment	27.615	25.566
Investment property	21.857	20.847
Right of use-assets according to IFRS 16	39.258	33.180
Investments	3.386	1.851
Investments in associates	1.305	905
Deferred income tax assets	5.326	5.522
Other non-current financial assets	9.828	11.270
Other non-current assets	258	301
Non-current assets	111.491	101.605
Inventories	40.233	35.157
Trade receivables	30.701	23.454
Assets held for disposal	0	153
Cash and cash equivalents	2.347	6.482
Income tax assets	178	195
Contract assets	18.847	8.896
Other current financial assets	4.031	6.090
Other current assets	2.715	1.835
Current assets	99.052	82.262
TOTAL ASSETS	210.543	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	5.525	3.076
Consolidated profit	24.226	23.048
Equity	71.703	68.021
Non-current Borrowings	8.882	20.677
Provisions for pensions and similar obligations	535	1.426
Deferred income tax liabilities	0	273
Other non-current financial liabilities	30.253	23.349
Non-current income tax liabilities	5.973	5.973
Other non-current liabilities	1.469	1.993
Non-current provisions and liabilities	47.112	53.691
Current Borrowings	43.567	30.853
Trade payables	25.742	11.849
Current accruals	990	951
Contract liabilities	1.171	136
Other current financial liabilities	9.500	7.839
Other current liabilities	10.758	10.527
Current provisions and liabilities	91.728	62.155
TOTAL EQUITY AND LIABILITIES	210.543	183.867

Consolidated cash flow statement 2022

	2022 TEUR	2021 TEUR
Profit for the year	1.178	-3.995
Income tax expense (recognised through profit and loss)	-198	-2.295
Finance income (recognised through profit and loss)	-921	-794
Finance costs (recognised through profit and loss)	2.980	2.910
Depreciation of property, plant and equipment and amortisation of intangible assets	12.353	12.845
<i>Material non-cash other expenses (+) or income (-):</i>		
- Impairment losses	0	703
- Gains/losses on revaluation of investment property	-468	75
- Income from sale of investment property	-101	0
Losses/gains (-) on investments accounted for using the equity method	-313	-257
Losses/gains (-) on disposal of property, plant and equipment and intangible assets	-8	354
Losses/gains (-) on disposal of investments and associates	-18	-118
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	-24.089	-11.843
Increase/decrease (-) in trade payables and other liabilities not assigned to investing or financing activities	13.511	-246
Interest received	154	151
Interest paid	-2.143	-1.686
Income tax received	15	1.135
Income tax paid	-55	-158
Net cash generated from operating activities	1.872	-3.219
Proceeds from sale of property, plant and equipment and intangible assets	669	379
Purchases of property, plant and equipment, intangible assets and right of use-assets	-9.229	-10.192
Proceeds from disposal of fully consolidated subsidiaries less cash and cash equivalents transferred under the sale	4.294	6.164
Payments received from disposals of investments	182	3.401
Repayment mezzanine capital	225	0
Proceeds from disposals of investments held for sale	158	0
Purchase of investments	-205	-106
Proceeds received from cashback of borrowings	19	1.753
Payments made for the granting of borrowings	0	-70
Proceeds received from investments	125	104
Net cash used in investing activities	-3.762	1.433
Proceeds from issuance of debt-equivalent bonds	2.773	0
Proceeds from borrowings	1.934	11.682
Repayments of borrowings	-5.918	-21.609
Proceeds from finance lease transactions	2.508	1.197
Payments made for finance lease transactions	-8.445	-8.072
Net cash used in financing activities	-7.148	-16.802
Net decrease in liquid funds	-9.038	-18.588
Exchange gains/losses on liquid funds	0	0
Liquid funds at beginning of period	-18.758	-170
Liquid funds at end of period	-27.796	-18.758

MS Industrie AG, Munich**EXTRACTS from the Group's management report for the financial year 2022****Table of contents**

1. Economic report.....	2
1.a. Macroeconomic and sectoral framework conditions.....	2
1.b. Business performance.....	6
1.c. Situation of the Group	10
Earnings situation.....	10
Cash situation.....	14
Financial situation	16
General statement on the business development and the economic situation of the Group	17

1. Economic report

1.a. Macroeconomic and sectoral framework conditions

According to the preliminary evaluation of the "Federal Statistical Office, Wiesbaden" ("Destatis") of January 2023, the German economy performed well in the full year 2022 with a price- and calendar-adjusted increase in gross domestic product ("GDP") of +1.9 % (compared to the previous year's increase in 2021 of +2.6 %), despite increasing supply and material bottlenecks and extreme energy price increases as a result of the war in Ukraine, as well as the ongoing pandemic situation, albeit easing over the course of the year, once again held up well, with economic output overall reaching pre-crisis levels for the first time. Compared to 2019, the last year back before the start of the Covid 19 pandemic, GDP was +0.7% higher in 2022.

The development in the individual economic sectors was very different: Some service sectors benefited from catch-up effects after the abolition of almost all Covid 19 protection measures. The other service providers, which also include the creative and entertainment industry, grew particularly strongly (+6.3 %). The transport and hospitality sectors also benefited from the lifting of the safeguard measures, resulting in a strong increase in the combined sector of trade, transport and hospitality (+4.0%). Gross value added in trade, on the other hand, declined after having increased in the previous year. The information and communication sector continued its long history of growth, slowed only in the first Covid 19 year 2020, and also recorded a significant increase (+3.6 %). In contrast, in construction, which had come through the Covid 19 crisis comparatively well, shortages of materials and skilled labour, high construction costs and increasingly poor financing conditions led to a significant decline in gross value added (-2.3 %). High energy prices and the still limited availability of intermediate products also slowed down economic output in the manufacturing sector, which barely increased compared to the previous year (+0.2 %).

Accordingly, producer prices for intermediate goods continued their steady increase from 2021 until May 2022. In the middle of 2022, prices for intermediate goods stabilised. According to surveys by the "ifo Institute", the shortage of materials in the "manufacturing sector" has since decreased and is now hampering significantly fewer companies. As a result of the war in Ukraine, however, energy prices, which had already been rising since the end of 2021, rose massively at this time. This particularly affected those industries that have to produce in a very energy-intensive way. These include the chemical and metal industry, the production of paper and cardboard, as well as the production of glass, ceramics and the processing of stones and earths. Production in these energy-intensive industries reacted particularly strongly to the high energy prices and fell sharply accordingly. Triggered by rising energy prices, input and import prices, producer prices of industrial products increased by +34.1% on average from January to November 2022 compared to the same period of the previous year. They thus increased much more strongly than in the annual average for 2021 (+10.5 %).

Price increases at the producer level were not fully passed on to consumers. As the degree of processing increases, the price increases often become smaller. This can have different reasons. The decisive factor is whether and to what extent price increases can be implemented in the respective markets. In addition, the federal government's relief measures have had a dampening effect on consumer prices. In addition to the "9-Euro-Ticket", the "petrol discount" and the abolition of the "EEG levy", these also include the reduction of VAT on gas and district heating as well as the one-off assumption of the gas and heating bill for the month of December 2022. Nevertheless, the inflation rate - measured as the change in the consumer price index ("CPI") compared to the previous year - was probably +7.9% on average for the year 2022 and thus two and a half times as high as in 2021 (+3.1%). This historically high annual rate of inflation has been driven primarily by the extreme price increases for energy products and food since the start of the war in Ukraine.

On the demand side, private consumer spending was the main pillar of growth in the German economy in 2022. It increased by +4.6 % in price-adjusted terms compared to the previous year, almost reaching the pre-crisis level of 2019. This was due to catch-up effects in the wake of the lifting of almost all Covid 19 restrictions in spring 2022. Government consumption expenditure increased comparatively moderately by +1.1 % in 2022 after two years heavily influenced by Covid 19. The state spent significantly more money to feed and house the numerous people seeking protection from Ukraine and other states. On the other hand, government spending to combat the Covid 19 pandemic fell, even though extensive vaccines continued to be procured and financed. Construction spending decreased by -1.6 % in 2022, adjusted for prices. The lack of building materials and the shortage of skilled labour had a greater impact on residential construction (-2.0%) than on non-residential construction (-1.1%). Increasing cancellations of commercial and private construction projects in the wake of persistently high construction prices as well as rising construction interest rates reinforced the negative trend in construction investment in the course of 2022. By contrast, in equipment - i.e. primarily investments in machinery and equipment as well as vehicles - +2.5% more was invested in 2022 in price-adjusted terms than in the previous year. Car registration figures in particular had a positive influence on the result in the second half of the year. Alongside private consumer spending, investment in equipment was thus a growth driver of Germany's economic development in 2022.

Foreign trade increased despite strong price increases in 2022: Germany exported +3.2 % more goods and services in price-adjusted terms than in the previous year. At the same time, imports increased much more strongly by +6.7 % in price-adjusted terms. As a result, net exports had an overall negative impact on GDP growth.¹

Gross domestic product ("GDP") fell by -0.4% in Q4 2022 compared to Q3 2022 - adjusted for price, seasonal and calendar effects. After the German economy held up well despite difficult conditions in the first three quarters, economic output declined slightly in Q4 2022. In particular, price-, season- and calendar-adjusted private consumer spending, which had supported the German economy in the course of 2022 so far, was lower than in the previous quarter. In a year-on-year comparison, "GDP" in Q4 2022 was +0.9 % higher than in Q4 2021 after price and calendar adjustments.²

Import prices in December 2022 were +12.6 % higher than in December 2021. As reported by the Federal Statistical Office (Destatis), the year-on-year increase continued to weaken. In November 2022, the year-on-year rate of change was still +14.5 %, in October 2022 it was +23.5 %. Compared to the previous month of November 2022, import prices fell by -1.6 % in December 2022 and thus for the fourth time in a row. On average, import prices in 2022 were +26.3 % higher than in the previous year. This was the strongest year-on-year price increase since 1974 (+28.7 % compared to 1973).³

In addition to sharply increased producer prices, supply chain problems and the shortage of skilled workers, the industry had to cope with historically high energy costs last year. These high energy costs and concerns about a gas shortage prompted companies to reduce gas consumption in particular through conservation and substitution. Although the manufacturing sector consumed -25% less gas than in previous years, production in the manufacturing sector - excluding energy and construction - increased by about +0.6%. However, energy-intensive industries are a cause for concern, producing about -12.8 % less in November than in the previous year.

Recently, however, business expectations in the German economy have brightened somewhat, with the exception of the construction industry. However, expectations still tend to be significantly below the average of previous years. One of

¹ Source: Federal Statistical Office (Destatis), press releases 020/23, 13 January 2023 and 037/23, 30 January 2023.

² Source: Federal Statistical Office (Destatis), press release 037/23, 30 January 2023 and 070/23, 24 February 2023.

³ Source: Federal Statistical Office (Destatis), press release 038/23, 31 January 2023.

the reasons for this is the decline in incoming orders. In November, they were about -11 % below the previous year's level and also fell by more than -5 % compared to October 2022. The reason for this is the weakening demand from abroad. In particular, demand from the eurozone fell by -10.3 % compared to the previous month. Nevertheless, German industry is still sitting on a high backlog of orders that need to be worked off. Thus, the average range of the order backlog in industry was still 7.3 months in November. The order backlog remains at a high level. Disrupted supply chains as a result of the Russian war in Ukraine as well as ongoing dislocations due to the pandemic have led to delays in processing existing orders in many industries. According to the "Ifo Institute", around half of all industrial companies are still complaining about bottlenecks in the procurement of raw materials and intermediate products.

Despite the relatively robust development of industrial production in Germany, some companies had to pay tribute to the recent difficult global economic environment. The number of corporate insolvencies rose again last year for the first time since the financial crisis in 2009. In total, 14,700 companies filed for insolvency last year, about +4 % more than in the previous year. Nevertheless, it should be noted that the feared wave of insolvencies did not materialise. The insolvency volume remained at a low level despite the difficult environment. However, with around 175,000 employees, more people were affected by insolvencies in 2022 than in the previous year. The reason for this is numerous large insolvency cases. Compared to 2021, the number of insolvencies among companies with more than 250 employees was around +25 % higher last year. The strongest increase in insolvency cases last year was experienced by the construction industry with an increase of +17.3 %. The percentage increase in the manufacturing sector was also very high at +15.2 %. As in the previous year, however, most insolvencies were in the service sector. In trade, on the other hand, the number of insolvencies declined. Already today, around 20 % of companies in Germany do not have sufficient interest coverage. The ECB's more restrictive monetary policy will further increase financing costs for many companies, while earnings are likely to come under pressure due to the current crises. The trend in insolvencies could therefore be reversed after years of declining insolvencies.

The central banks in western industrialised countries have been raising interest rates at an enormous pace in the past year in order to curb the strong inflation. The US Federal Reserve Bank, for example, raised key interest rates from 0.25 % at the end of 2021 to 4.5 % now - and promised further interest rate steps. The European Central Bank has also changed its monetary policy course with some delay and initiated an interest rate turnaround. Here, interest rates rose from 0.0% to 2.5%. With the interest rate turnaround, the ECB thus stopped the decline of the euro against the US dollar and thus limited imported inflation via the exchange rate mechanism. Economists initially expect key interest rates to continue to rise in the current year. In the USA, slight interest rate cuts are not expected until the third quarter at the earliest; for the ECB, these are not expected before 2024.⁴

In the USA and Canada - with a total share of around 16.4% (previous year: 15.5%) of Group sales in 2022 still the most important sales market of MS Industrie AG outside the EU - economic development in 2022 was again slightly above the level of Germany⁵ with real "GDP" growth of around +2.1%, also due to the fact that in the USA positive economic expectations in particular triggered purchase incentives for corporate investments. At the same time, there was again a strong increase in truck sales in the USA in 2022.

In this global economic environment, the exchange rate of the US dollar to the euro fluctuated between values of 1.15 US dollars and 0.96 US dollars in the course of 2022. At the end of the year, the euro exchange rate was slightly lower at 1.07 US dollars than at the beginning of the year at 1.13 US dollars.

⁴ Source: Roland Berger, "The German economy 2023", 15 February 2023.

⁵ Source: "BEA" (Bureau of Economic Analyses), as of 26 Jan. 2023.

Demand activity in the Powertrain Technology segment developed positively overall in Europe in the course of 2022 at +6.5 %, of which slightly negatively in Germany at -0.9 %.⁶

The major international markets for heavy commercial vehicles (> 6 tonnes) developed unevenly in 2022. While Europe (EU, European Free Trade Association EFTA and United Kingdom), the USA and India were able to continue their recovery, China and Brazil recorded declines in the past year, some of which were considerable. With continued strong demand and pent-up demand, stronger growth would have been indicated in some heavy-duty vehicle markets in 2022. However, ongoing disruptions in the supply chains, but also different macroeconomic developments, ensured that the recovery potential could not be fully realised everywhere.

In Europe (EU, EFTA and UK), sales of heavy commercial vehicles increased by +5 % to around 335,800 trucks in 2022 compared to the previous year. Of the five largest individual European markets, the UK (+8 %; 40,200 units), Poland (+6 %; 33,200 units) and Italy (+1 %; 24,700 units) recorded positive growth rates. The French market stagnated (± 0 %; 43,600 units). The German market, on the other hand, suffered a setback (-2 %; 71,300 units), but still remains the largest single market in Europe.

The Western European submarket (EU14, EFTA and UK) grew by +3% compared to the previous year, slightly weaker than the European average. Looking at the Western European submarket (2022: 258,600 units), Spain is one of the five largest individual markets alongside Germany, France, the UK and Italy. In Spain, 22,800 heavy commercial vehicles were sold last year. This corresponds to a growth of 13 % compared to the previous year.

The US market continued its recovery last year, albeit at a slower pace. In 2022 as a whole, the US commercial vehicle market achieved an increase of +3% compared to 2021, corresponding to a sales volume of 476,000 units. The positive growth was driven by the heavy-duty segment (class 8 / > 15 tonnes), which recorded a significant increase compared to the previous year (+15 %). The heavy-duty segment accounted for a 53 % share of new registrations in the heavy commercial vehicle market in the USA. In contrast, sales in the medium-duty segment (weight classes 4-7 / 6.3-15 tonnes) declined by -7 % compared to 2021. In 2022, the US market for heavy commercial vehicles as a whole still fell short of the pre-crisis level of 2019 by -10 %.

After a significant recovery in 2021, the Brazilian market for heavy commercial vehicles experienced a countermovement last year. A total of around 119,100 heavy commercial vehicles were sold in 2022, a decline of a good -2 % compared to the previous year. The downward trend was driven by the decline in sales in the medium-duty segment (6 to < 15 tonnes) (-11 % compared to 2021). The heavy-duty segment (≥ 15 tonnes) stagnated (± 0 % compared to 2021).

After a significant correction in the two previous years, the "Verband deutscher Automobilindustrie" ("VDA") expects a significant growth again for China in 2023 (+10 %). For Europe (+4 %), India (+15 %) and the USA (+5 %), the "VDA" expects another year of positive growth. In the German market for heavy commercial vehicles, the "VDA" expects growth of +4 % and thus an increase in line with the European average. For the Brazilian market, however, the "VDA" forecasts a further decline for 2023 (-4 %).⁷

The machinery and plant engineering sector can look back on a mixed year in 2022. An initial double-digit increase in orders was reversed in the course of the year into an overall price-adjusted decline of -4 % compared to the previous year. Domestic orders declined by -5 % and foreign orders by -4 %. While the first three quarters of 2022 still saw growth

⁶ Source: "ACEA", Heavy commercial vehicle registrations, 25 January 2023.

⁷ Source: "VDA", International heavy commercial vehicle markets 2022 with mixed development, 2 February 2023.

in orders, demand for capital goods subsequently collapsed. For Q4 2022 as a whole, the decline in orders amounts to -16 % compared to the previous year. Domestic orders contracted by -10% and foreign orders by -18%. In December 2022 alone, the industry was down -18% year-on-year in real terms. Domestic orders were down -8% and foreign orders were down -22%. After the record level in December 2021, even numerous orders for large-scale plants at the end of 2022 could not turn the result into a plus.⁸

1.b. Business performance

While the previous year 2021 was still strongly characterised by the indirect effects of the Covid 19 pandemic for the MS Industrie Group, especially from the second quarter of 2021 onwards, the 2022 financial year was characterised by a significant economic recovery overall for the MS Industrie Group, despite the Russian/Ukraine war, massive inflationary 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 development of sales in the 2022 financial year was basically positive. At the end of the 2022 financial year, the external sales of the "**Powertrain**" segment are significantly higher than the sales of the previous year at around +30 %. The external sales of the "**Ultrasonic**" segment are also significantly above the previous year's sales at around +14%. In the financial year, sales in the "Powertrain" segment accounted for around 73 % (previous year: 70 %) and sales in the "Ultrasonic" segment accounted for around 27 % (previous year: 30 %) of consolidated Group sales. Although the development of sales in the Ultrasonic segment is significantly behind plan, overall it is on target across all segments. 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 has now - slightly delayed - taken place in 2022, have been carried out 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 an additional target sales volume in the range of around EUR 25 million to EUR 30 million per year.

Following the virtual elimination of the indirect Covid 19 effect, which in the previous year had contributed significantly to the total number of employees in the "Powertrain" segment falling from around 350 employees (excluding temporary workers and apprentices) at the end of 2020 to around 333 employees at the end of December 2021, the total number of employees in the "Powertrain" segment rose again significantly to 414 employees at the end of December 2022.

The "**Ultrasonic**" segment must be viewed in a very differentiated manner and is divided into the "Special Machines" segment and the two technology segments "Series Machines" and "Systems and Components". The latter mainly include applications for the packaging industry and industrial cutting and the newly established "Nonwovens" business field (rotary, continuous welding of all types of nonwovens, especially hygiene articles worldwide) as well as other "R+D" fields such as "Ultrasonic Cleaning" (especially 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 business year in 2022 due to supply chains and inflation. The core problem of the last three years was the restructuring and the associated significant reduction 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 was

⁸ Source: "VDMA", Press release: Significant minus at the end of the year, 2 February 2023.

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, which left clear traces not only in the order books of German mechanical engineering. Uncertainty about tomorrow's drive systems and the future role of classic combustion engines continued to depress the willingness to invest in the past year. In addition, there were "Corona-related" delays in order processing, mainly due to supply chain problems and delivery bottlenecks (e.g. in the area of semiconductors and microchips).

This structural change has now progressed significantly. Market demand and incoming orders have recovered significantly in the 2022 business year. It should be emphasised that the demand for "**(ultrasonic-)special machines**" is independent of the drive form as well as the quantities produced and is only dependent on the variety of new models. This led to a steadily increasing order backlog, which reached an all-time high at the end of the year. However, the difficulties in procuring components and purchased parts as well as the problems with global transport logistics continued throughout the year and led to permanent delivery delays in 2022, as a result of which a sales volume totalling approximately EUR 10 million was postponed to the 2023 financial year.

The other three business segments in the **Ultrasonic Technology Division** are developing positively throughout, although sales activities with visit and travel restrictions improved in the 2022 financial year, but have not yet returned to the old normal. These disadvantages were counteracted specifically and successfully through various online initiatives. It is and has been very positive that these products are experiencing high growth rates, especially in sectors outside the automotive industry (medicine, white goods, toys, consumer goods, etc.), and that the dependence on the automotive industry is thus being steadily reduced.

The business with **(ultrasonic) series machines** based on Industry 4.0 of the "**MS sonxTOP**" brand developed very positively with a doubling of the business volume - both in terms of incoming orders and turnover. The number of machines installed at customers' sites worldwide is rising steadily, leading to follow-up enquiries and increasing demand for service and tools. After the Covid 19 pandemic was largely overcome, various trade fairs were again held in Europe and North America, including the well-known "K trade fair" in Düsseldorf in October 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. The product range of fully recyclable plastics produced with our machines ranges from syringes, cannulas, dialysis filters to baby dummies, water tanks, nappies and electrical components such as battery packs. To the best of our knowledge, we offer the most efficient machines with the lowest energy consumption. Our machines can also be found in the packaging industry. We join and weld thermoplastic, recyclable films. These can be found in toothbrush blisters or films for food, among other things.

The centre of excellence built for the **(Ultrasonic) Systems & Components** business unit at the Ettlingen site in the Karlsruhe district, with an area of around 1,800 sqm, develops customer-specific solutions for the continuous joining, embossing and perforating of **nonwovens** and the sealing of packaging. In 2022, the technology was significantly further developed and the first orders were successfully acquired. "MS UTG" will establish itself as a technology partner for machine builders who serve manufacturers of medical products, hygiene articles, wound dressings, etc. worldwide. Due to the new packaging legislation in force since 2021 and the resulting need for new developments of ultrasonic systems for welding recyclable products, further growth is also expected here. Due to this, a further increase in personnel from 2023 onwards is still planned in this area. The Executive Board had already decided in the previous year to expand the ultrasonic technology area to include the "**Nonwovens**" business segment. In the previous year 2021, this already meant

massive investments in personnel (application technology, sales, service), in development (construction and development of a laboratory calender including ultrasonic welding units and control), in production (complex roll production) and in appropriate equipment. We expect the first material sales from this promising area as early as 2023.

In all product areas, in addition to ongoing sales activities, marketing measures were intensified in the direction of existing customers as well as new customers, and potential new customers were evaluated. Furthermore, the expansion of system partnerships is being strived for.

Order backlogs at the end of December 2022 totalled around EUR 144 million (previous year EUR 118 million) in the Ultrasonic segment, up around +56% on the previous year, and around +6% in the Powertrain segment, up around +22% on the previous year.

In the 2022 financial year, the Group's operating earnings position developed positively overall compared to the previous 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.

The Group's turnover also developed positively in the 2022 business year. Total consolidated revenue in the 2022 financial year amounted to around EUR 206.2 million (previous year EUR 164.7 million), slightly above the revenue of around EUR 200 million forecast in spring 2022 and significantly above the previous year's revenue. EUR 200 million, as well as significantly above the previous year's turnover. In addition, the adjusted earnings figures EBITDA (+65.4 %), EBIT +161.5 %), EBT (+117.4 %), earnings per share (EUR 0.04/share; previous year: EUR -0.08/share) and EBIT margin (+4.0 % points) developed significantly more positively than in the previous year, as forecast, but not as positively as originally expected in spring. The gross profit margin (50.5%), on the other hand, fell by -3.0 percentage points, contrary to the forecast in spring 2022. In addition to the reasons mentioned above, this is primarily due to supply bottlenecks, such as the microchip shortage, high fluctuations in capacity utilisation and future-oriented development investments in the "Ultrasonic" segment.

And all this despite the fact that the call-off figures of our major customer "MAN" were massively reduced in the first quarter of 2022 and "MAN" was forced to shut down engine production for six weeks in the first quarter of 2022 due to a shortage of parts (above all a shortage of cable harnesses from Ukraine). In the **Ultrasonic** segment, too, the situation remains difficult with regard to the procurement of bought-in parts and components, with prices rising at the same time. So far, our own value creation has not been significantly affected, but there could be further delays in the acceptance and delivery of machines in the future due to missing parts. The "Ultrasonic" management is therefore continuing to work at full speed on measures to remedy this situation.

At the two German MS sites in Trossingen and Spaichingen, the equipment of machines continued to increase significantly in the course of 2022. A major project in 2022 was also the hall expansion at the Trossingen site by around 3,500 sqm of production space, which will be completed in April 2023. However, these positive developments in the medium term are only partially already reflected in the key figures of the past financial year through corresponding volume growth.

The cash flow from operating activities in the 2022 financial year was - as forecast - significantly above the level of the previous year despite negative working capital effects, and the cash flow from financing activities was also within the forecasts. Cash and cash equivalents in the corporate group decreased in the reporting period from EUR 6.5 million at

the beginning of the financial year to EUR 2.3 million as at 31 December 2022. The decrease of EUR -4.2 million in the 2022 financial year is primarily due to the negative cash flow from financing activities.

In balance sheet terms, the change in group equity (+5.4 %) is within the forecasts, in line with the development of results. In contrast, the equity ratio decreased from 37.0 % to 34.1 %, contrary to the forecast, with total assets increasing from EUR 183.9 million to EUR 210.5 million. The net gearing ratio (previous year: 66.2 %) has unexpectedly increased slightly to 69.9 %.

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 development of turnover, no further increase in personnel was planned in 2022, especially in the area of technical and managerial staff, but depending on the further development of the Covid 19 pandemic, the continued employment of a corresponding number of temporary workers. Due to the disproportionately strong and sustained increase in volume, which was not originally foreseen in the annual planning for 2022, a significant increase in personnel, which was originally only partially planned, was instead implemented in the 2022 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 was implemented as planned; research and development expenses in the Group increased slightly from EUR 5.0 million to EUR 5.1 million in the financial year and thus remain at a very high level. With the exception of delays in the supply chain for purchased parts in mechanical engineering, the ability to deliver was always given in the reporting year and customer satisfaction remains very high.

1.c. Situation 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. First, the key figures unadjusted for special influences from the deferrals 2021 from the 2013-2016 tax audit in the previous year.

	1.1. until 31.12.2022		1.1. until 31.12.2021		Change	
	TEUR	%	TEUR	%	TEUR	%
Unadjusted for non-recurring items:						
Revenues	206.157	100,0	164.666	100,0	41.491	25,2
Other income	6.871	3,3	5.455	3,3	1.416	26,0
Cost of materials (incl. changes in inventory)	109.007	52,9	82.034	49,8	26.973	32,9
Gross profit	104.021	50,5	88.087	53,5	15.934	18,1
Personnel expenses	57.738	28,0	50.899	30,9	6.839	13,4
Other expenses and impairment result according to IFRS 9	31.204	15,1	28.071	17,0	3.133	11,2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	15.079	7,3	9.117	5,5	5.962	65,4
Depreciation and amortisation expense	12.353	6,0	13.548	8,2	-1.195	-8,8
Operating profit (EBIT)	2.726	1,3	-4.431	-2,7	7.157	161,5
Financial result	-2.059	-1,0	-2.116	-1,3	57	2,7
Result from associated companies	313	0,2	257	0,2	56	21,8
Consolidated earnings before taxes (EBT)	980	0,5	-6.290	-3,8	7.270	115,6
Income taxes (expense +, income -)	-198	-0,1	-2.295	-1,4	2.097	91,4
Group result before minority interests (EAT)	1.178	0,6	-3.995	-2,4	5.173	129,5
Minority interests in consolidated net profit	0	0,0	0	0,0	0	0,0
Group result after minority interests (EAT)	1.178	0,6	-3.995	-2,4	5.173	129,5

In the reporting period and in the previous year's period, the key earnings figures were influenced by special items, the impact of which on the key figures is presented below.

The only "one-off effect" in the financial year that affects the result, but is immaterial in the context of the Group, is the addition to a provision/receivable for interest on arrears or refunds from the tax audit for the financial years 2013-2016 of the wholly owned subsidiary MS Powertrain Technologie Group GmbH, Trossingen-Schura, extrapolated to the period 2013-2019 in the total net amount of EUR 0.1 million.

The only "one-off effect" affecting the result in the previous year was the addition to a provision for income taxes (corporate income tax and trade tax) as well as interest on back payments and refunds from the tax audit for the financial years 2013-2016 of the wholly owned subsidiary MS Powertrain Technologie Group GmbH, Trossingen-Schura, extrapolated to the period 2013-2019, which ended in the financial year 2022. EUR -1.5 million, based on a gross liability/provision of approximately EUR -6.6 million and a recovery claim against the US tax authorities under the double taxation agreement ("DTA") Germany-United States of America (USA) of approximately EUR +5.1 million.

In the 2022 financial year, external sales in the "**Powertrain**" segment were around +30.4 % higher than in the previous year. The sales of the "**Ultrasonic**" segment were also around +13.7 % higher than in the previous year, although there were again large-scale delays in the delivery of machines in this segment in the 2022 financial year - primarily due to supply chain problems.

After a slight increase of around +0.4% in the previous year, external turnover rose again significantly by around +25.2% to around EUR 206.2 million in the reporting period. This means that the previous year's forecast of a significant increase in turnover of around +21 % to around EUR 200.0 million was fulfilled. This strong increase in turnover is mainly due to the "Powertrain" segment and here - despite a Covid 19-related increase in sick leave - mainly to the increase in customer call-offs and the start of series production of new products ("Scania", "Liebherr", etc.).

Geographically, there were 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 increase in industrial turnover of around +23.0% and exports to the EU, the second strongest foreign market in terms of turnover, even recorded a significant increase of around +59.1% in the reporting year, the significant increase in turnover in the North America/Canada region, the strongest foreign market with a 16.4% consolidated share of turnover, also amounted to around +32.7%.

Sales primarily include external sales of the MS Powertrain Group amounting to EUR 149,762,000 (previous year: EUR 114,686,000) and the MS Ultrasonic Group amounting to EUR 57,414,000 (previous year: EUR 50,314,000).

We are therefore satisfied with the sales development of the MS Powertrain Group as a whole, as well as in terms of regions. However, we continue to be dissatisfied with the sales development of the MS Ultrasonic Group as a whole, as well as in terms of regions. The operating development of the various earnings levels across all segments is also still below our expectations in some cases.

Other income includes, in particular, income from the reversal of provisions and other accrued liabilities as well as other income unrelated to the accounting period totalling TEUR 2,381 (previous year: TEUR 1,495). In addition, exchange rate gains of TEUR 2,849 (previous year: TEUR 1,968) are included.

The reconciliation from the unadjusted key figures to the adjusted key figures is as follows in the 2022 financial year:

	1.1. until 31.12.2022			
	Unadjusted	Effect of Adjust-	Adjusted	Adjusted
	TEUR	ments TEUR	TEUR	%
Revenues	206.157	0	206.157	100,0
Gross profit	104.021	0	104.021	50,5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	15.079	0	15.079	7,3
Operating profit (EBIT)	2.726	0	2.726	1,3
Consolidated earnings before taxes (EBT)	980	0	980	0,5
Group result before minority interests (EAT)	1.178	0	1.178	0,6
Group result after minority interests (EAT)	1.178	0	1.178	0,6

The reconciliation from the unadjusted key figures to the adjusted key figures is as follows in the 2021 financial year:

	1.1. until 31.12.2021			
	Unadjusted	Effect of Adjust-	Adjusted	Adjusted
	TEUR	ments TEUR	TEUR	%
Revenues	164.666	0	164.666	100,0
Gross profit	88.087	0	88.087	53,5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	9.117	0	9.117	5,5
Operating profit (EBIT)	-4.431	0	-4.431	-2,7
Consolidated earnings before taxes (EBT)	-6.290	653	-5.637	-3,4
Group result before minority interests (EAT)	-3.995	1.489	-2.506	-1,5
Group result after minority interests (EAT)	-3.995	1.489	-2.506	-1,5

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

	1.1. until 31.12.2022		1.1. until 31.12.2021		Changes, adjusted	
	Adjusted	Ad-justed	Adjusted	Ad-justed	21 / 22	21 / 22
	TEUR	%	TEUR	%	TEUR	%
Revenues	206.157	100,0	164.666	100,0	41.491	25,2
Gross profit	104.021	50,5	88.087	53,5	15.934	18,1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	15.079	7,3	9.117	5,5	5.962	65,4
Operating profit (EBIT)	2.726	1,3	-4.431	-2,7	7.157	161,5
Consolidated earnings before taxes (EBT)	980	0,5	-5.637	-3,4	6.617	117,4
Group result before minority interests (EAT)	1.178	0,6	-2.506	-1,5	3.684	147,0
Group result after minority interests (EAT)	1.178	0,6	-2.506	-1,5	3.684	147,0

The adjusted gross profit margin (revenue including changes in inventory and other income less cost of materials), based on revenue, was 50.5% in the financial year (previous year: 53.5%). This, as well as the slight increase in the cost of materials ratio to 52.9 % (previous year: 49.8 %), is primarily due to the change in the product mix in the Ultrasonic segment with a significant overall increase in sales revenues, and there were also changes in the product mix in the Powertrain Technology segment in the financial year (increase in material-intensive product groups).

Personnel expenses increased significantly by around +13.4 % compared to the previous year, but largely in proportion to the likewise significant increase in the number of employees, with an average headcount of 787 permanent employees, excluding temporary workers and apprentices (same period in the previous year: 730 employees). The main reason for this is the increase in staff in the "Powertrain" segment.

In the business year, after a significant increase in other expenses, which rose by a total of EUR 3.1 million to EUR 31.2 million, earnings before interest, taxes, depreciation and amortisation (EBITDA) improved significantly to EUR 15.1 million (previous year: EUR 9.1 million).

As expected, scheduled depreciation fell slightly in the financial year from TEUR 12,845 to TEUR 12,353 by TEUR -492 by around -3.8 %.

After a significant increase in personnel expenses and a slight decrease in depreciation and amortisation as well as a disproportionately low increase in other expenses compared to turnover, the result for the financial year was a significantly improved, positive result before financial result and taxes (EBIT) of EUR +2.7 million (previous year: EUR- 4.4 million).

The adjusted EBIT margin, based on sales revenue, is positive and amounts to around +1.3% in the financial year (previous year: -2.7%). As described above, the massive improvement in the EBIT margin is primarily due to the increased sales revenues and the medium-term effects of the restructuring measures initiated in previous years and already implemented in the MS Powertrain Technology Group.

The financial result improved by around +2.7% on balance compared to the previous year. The main reason for this is the "one-off effect" in the previous year, which influenced the result, of the addition to a provision for interest on arrears in accordance with the tax code from the tax audit for the financial years 2013-2016 of the wholly owned subsidiary MS Powertrain Technologie Group GmbH, Trossingen-Schura, extrapolated to the period 2013-2019, which ended in the financial year 2021, totalling EUR 653,000. The financial result includes financial income of TEUR 921 (previous year: TEUR 794) and financial expenses of TEUR 2,980 (previous year: TEUR 2,910).

In the financial year, the result from associated companies resulted from the at-equity valuation of Shanghai MS soniTEC Co., Ltd., China, in the amount of KEUR -50 (previous year: KEUR -21) and from the at-equity valuation of WTP Ultrasonic Industria e Comercio de Maquinas Ltda, Contagem City, Brazil, in the amount of KEUR 363 (previous year: KEUR 278).

The consolidated annual result before income taxes (EBT) is clearly positive at EUR +1.0 million and has improved massively compared to the previous year. In the previous year, the group achieved a negative pre-tax result of EUR -6.3 million. Adjusted for one-off effects, the consolidated annual result before taxes on income (EBT) is also EUR +1.0 million (previous year: EUR -5.6 million).

The main "one-off effect" affecting earnings in the previous year is the addition to a provision for income taxes (corporate income tax and trade tax) from the tax audit for the financial years 2013-2016 of the wholly owned subsidiary MS Powertrain Technologie Group GmbH, Trossingen-Schura, extrapolated to the period 2013-2019 in the net amount of EUR million. EUR -0.8 million, based on a gross provision of approximately EUR -6.0 million and a claim for recovery from the US tax authorities under the double taxation agreement ("DTA") Germany-United States of America (USA) of approximately EUR +5.2 million.

The consolidated annual result after minority interests (EAT), unadjusted for the one-off effects described above, is considerably better than in the previous year and amounts to EUR +1.2 million (previous year: EUR -4.0 million). The consolidated annual result after minority interests (EAT) adjusted for one-off effects also amounts to EUR +1.2 million (previous year: EUR -2.5 million).

The unadjusted consolidated net income per share improved significantly from EUR -0.13 per share in the previous year to EUR +0.04 per share in the financial year. The adjusted consolidated annual result per share also improved from EUR -0.08 per share in the previous year to EUR +0.04 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. 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

	2022 TEUR	2021 TEUR
Net cash used in/generated from operating activities	1.872	-3.219
Net cash generated from/used in investing activities	-3.762	1.433
Net cash used in/generated from financing activities	-7.148	-16.802
Net increase/decrease in liquid funds	-9.038	-18.588
Exchange gains/losses on liquid funds	-18.758	-170
Liquid funds at the beginning of the period	-27.796	-18.758

The decrease in cash and cash equivalents (liquid funds less current account liabilities) is primarily due to the negative cash flows from investing activities and financing activities.

The improved and slightly positive cash flow from operating activities primarily reflects the positive annual result and the slight increase in working capital compared to the previous year. The negative cash flow from investing activities reflects in particular the payments for investments in property, plant and equipment and intangible assets in the 2022 financial year. Some of the investments in the financial year were again made through finance leases that were non-cash at the time of investment (EUR 12.0 million; previous year: EUR 6.5 million).

As of 31 December 2022, cash and cash equivalents amount to EUR 2.3 million (previous year: EUR 6.5 million). In addition, free current account credit lines of EUR 2.9 million (previous year: EUR 6.9 million) are available and current assets (EUR 99.1 million) exceed current liabilities (EUR 91.7 million) by EUR 7.4 million as of the balance sheet date.

Of the liabilities to banks of EUR 52.5 million as of the balance sheet date, EUR 38.5 million and of the open credit lines of EUR 2.9 million, EUR 2.3 million are subject to financial covenants. In this regard, we refer to the section "Financing risks" in chapter 5, Opportunities and risks report.

Financial situation

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

	31.12.2022		31.12.2021		Changes	
	TEUR	%	TEUR	%	TEUR	%
ASSETS						
Deferred tax assets	5.326	2,5	5.522	3,0	-196	-3,6
Other non-current assets	106.165	50,5	96.083	52,3	10.082	10,5
Current assets	<u>99.052</u>	<u>47,0</u>	<u>82.262</u>	<u>44,7</u>	<u>16.790</u>	<u>20,4</u>
Total assets	<u>210.543</u>	<u>100,0</u>	<u>183.867</u>	<u>100,0</u>	<u>26.676</u>	<u>14,5</u>
EQUITY AND LIABILITIES						
	31.12.2022		31.12.2021		Changes	
	TEUR	%	TEUR	%	TEUR	%
Equity and minority interests	71.703	34,1	68.021	37,0	3.682	5,4
Deferred tax liabilities	0	0,0	273	0,1	-273	-100,0
Other debt	<u>138.840</u>	<u>65,9</u>	<u>115.573</u>	<u>62,9</u>	<u>23.267</u>	<u>20,1</u>
Total equity and liabilities	<u>210.543</u>	<u>100,0</u>	<u>183.867</u>	<u>100,0</u>	<u>26.676</u>	<u>14,5</u>

The other non-current assets of our group increased significantly by around +10.5 % in the financial year, but did not change significantly in relation to the balance sheet total with a share of around 50.5 % (previous year: around 52.3 %). The main reason for the increase in non-current assets in the financial year is the addition to property, plant and equipment, intangible assets and rights of use totalling TEUR 21,216.

This is offset by the scheduled amortisation of intangible assets, technical equipment and machinery, and 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, Munich (formerly: Starnberg) and SK Immobilien GmbH, Munich.

The significant increase in current assets by around +20.4 % is based on significantly lower liquid funds, above all on significantly higher inventories with a simultaneous significant increase in trade receivables and contract assets. In relation to total assets, the percentage share of current assets increased slightly to around 47.0 % (previous year: around 44.7 %) at the end of the financial year.

Net working capital (inventories, contract assets and customer receivables less trade payables and contract liabilities) amounted to EUR 62.9 million as at 31 December 2022 (previous year: EUR 55.5 million) and thus again increased significantly by around +13.2 % compared to the previous year.

The increase in equity, which rose slightly by EUR +3.7 million in absolute terms compared to 31 December 2021 to EUR 71.7 million (previous year: EUR 68.0 million), resulted primarily from the positive consolidated comprehensive income of EUR +3.6 million (previous year: negative consolidated comprehensive income of EUR -0.7 million). The Group's equity

ratio fell slightly compared to 31 December 2021 and, with a significant increase of around +14.5% in total assets, was around 34.1% as at the balance sheet date (31 December 2021: 37.0%).

Other liabilities increased significantly by around +20.1% to EUR 138.8 million. Similarly, the previous year's forecast of a reduction in the gearing ratio in the financial year was unfortunately not confirmed with a significant increase in the balance sheet total of around +14.5 %.

The Group's net gearing ratio (defined as net debt/equity) deteriorated slightly from 66.2% at the end of 2021 to 69.9% at the end of the financial year. The net gearing ratio is calculated by comparing the debts, defined as non-current and current financial liabilities (excluding derivatives and financial guarantees) less cash and cash equivalents and bank balances, to the equity (subscribed capital and reserves of the Group).

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

The 2022 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.

Taking into account the binding amendment of the syndicated loan agreement in February 2023, the financial situation at the end of 2022 and at present - with sufficient freely available bank lines - can still be described as orderly. All subsidiaries can continue to meet their payment obligations from current business operations.

The continuation of the strong organic growth requires a longer-term orientation of the financing of the MS Industrie Group. Therefore, the Executive Board will continue the placement of the "6.25% MS Industrie Bond 2022/27" (ISIN: DE000A30VS72, WKN: A30VS7) issued in October 2022 in the coming months. The bond has a total volume of up to EUR 20 million. As of the balance sheet date, a nominal amount of EUR 3.1 million had been subscribed; at the time the balance sheet was prepared, a nominal amount of EUR 3.5 million had been subscribed and EUR 16.5 million was freely available.

As a positive overall Group result was again achieved in the financial year, the equity capital increased in absolute terms. With a slightly lower equity ratio of 34.1 % (previous year: 37.0 %), the asset situation can still be described as orderly.

Despite the continuing indirect effects of the Ukraine/Russia war, the operating business of all operating subsidiaries developed well in the first half of 2023 up to the time of preparation of the 2022 consolidated financial statements; moreover, the net assets, financial position and results of operations were in order at the time of preparation of the 2022 combined management report. Regarding the effects of the Covid 19 pandemic and the Ukraine/Russia conflict, we refer to the comments in the forecast report.

Munich, 24 April 2023

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