

MS INDUSTRIE AG

ISIN: DE0005855183

Voluntary Quarterly Release - Key Figures End of Quarter 3-2020

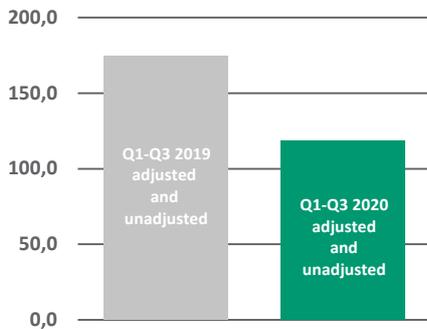
MS Industrie AG, Munich, Germany (ISIN: DE0005855183)

MS Industrie Group with adjusted EAT in Quarter 1 until 3 - 2020 amounting up to Mio. EUR -7,2 (-546%) - annual forecast negative

Overview of key figures Quarter 1 until 3 - 2020 and previous years period (for comparison purposes) [\(unadjusted and adjusted for non-recurring items\)](#)

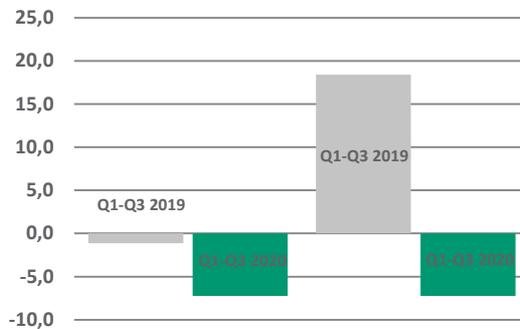
Group Sales

in Mio. EUR



Earnings after tax

after non-controlling-interests (EAT) in Mio. EUR



Munich, November 20th, 2020

Dear Shareholders, dear Employees and Business partners,

MS Industrie AG, Munich (ISIN: DE0005855183), based on the audited key figures of overall fiscal year 2019 and the unaudited key figures of 1st half of fiscal year 2020, published August 27, 2020, presents on a voluntary base, selected, unaudited, quarterly IFRS-figures for Q1-Q3-2020, according to which adjusted Q3 is showing expectedly a satisfactory development again, reflecting the impacts of the ongoing economic crisis, mainly caused by the Covid-19-Pandemic.

For the MS Industrie-Group, the first 9 months of 2020 were, as expected, already marked by significantly lower revenue compared with the prior-year period mainly due to the sale of a large part of the existing "Powertrain" order backlog, or more precisely: the sale of the existing long-term order for the production of valve train systems for the Daimler Group's "World Engine" production at the "Webberville" location in the US to the Gnutti Carlo Group (Gnutti Carlo S.p.A., Macclodio / Italy, or "Gnutti" for short) with effect from April 10, 2019. In the first 9 months of 2020 - following the partial sale of the US-activities as of April 10, 2019 - this applies in geographical terms primarily to the Group's US location and in segment terms to the "Powertrain" segment. In total, the sales revenues of the individual companies are around -32 % below the previous year's figures, primarily due to the economic impact of the Covid 19-Pandemic. Around 41 % (around Mio. EUR 23) of the decline in sales in the 1st 9 months of 2020 are due to the partial sale of the US activities in the previous year. In total, mainly due to the effects of Covid 19, the sales revenues of the individual companies are significantly lower than the planned figures.

Both in the **Powertrain Technology Group**, also briefly: "**Powertrain**", and in the **Ultrasonic Technology Group**, also briefly: "**Ultrasonic**", the sales development in Q1-Q3 was different. Turnover of business unit "**Powertrain**" on the one hand with a decrease of approximately -40,4% is significantly below the sales of the previous year's period. Turnover of business unit "**Ultrasonic**" with approximately -1,3 % is slightly below the sales of the previous year's period.

Sales revenues of business segment "Powertrain" made for a percentage of approximately 70 % and sales revenues of segment "Ultrasonic" made for a percentage of approximately 30 % to the consolidated group sales in Q1-Q3-2020.

Order backlogs end of September 2020 amounted to a total of around Mio. EUR 96,6 (i.e. around -11,1 % below the average order backlog in the previous year); thereof in the "Ultrasonic"-segment with around -15,6 % significantly and in the "Powertrain"-segment with around -8,8 % slightly below the average order backlog of the previous year.

The earnings performance of MS Industrie-Group in Q1-Q3-2020 was not satisfactory in terms of the essential earnings indicators, particularly earnings before interest, taxes, depreciation and amortization – **EBITDA** - , operating earnings before interest and tax - **EBIT** - , earnings before tax - **EBT** - , earnings after tax - **EAT** - and last but not least "**Earnings per Share**" – "**EPS**" - .

This is against the background of an European commercial vehicle market which, although developing positively again in the short term, with a year-on-year increase in registrations of +13,3 % in September 2020 (registrations in Germany: +17,6 %), but with a cumulative, Europe-wide decline of -24,5 % in the 1st-3rd quarter of 2020 compared to the same period of the previous year, as confirmed by the current, periodic evaluations, as of 23. October 2020 of the "ACEA" ("Association des Constructeurs Européens d'Automobiles", Brussels). The European market for heavy commercial vehicles over 16 tons has developed even less positively across Europe with a drop in registrations of -34,9 % in the 1st-3rd quarter of 2020 compared to the same period of the previous year (drop in registrations in Germany: -33,5 %) (source also: "ACEA", as of 23. October 2020). Although these figures are not yet positive, we expect a certain stabilisation of the truck economy at an actual level in the 4th quarter of 2020, provided there is no second large-scale "lockdown" for the production industry.

Key figures and developments are as follows:

Total consolidated revenues of MS Industrie-Group in the reporting period are at **Mio. EUR 118,3** (prev. Mio. EUR 174,7), and therefore significantly below the level of the previous year's revenues in Q1-Q3-period.

MS Industrie AG generated,

for **Q1-Q3 2020** in the Group:

- Accumulated earnings before interest, taxes, depreciation and amortization - **EBITDA** - in the amount of **Mio. EUR +1,2** (prev. adjusted Mio. EUR +11,2)

and for **Q3-2020**, only, in the Group:

- Earnings before interest, taxes, depreciation and amortization - **EBITDA** - amounting to **Mio. EUR +4,0** (prev. Mio. EUR +2,1).

Key figures for Q3-2020 (July to September 2020) are as follows:

In the actual reporting period Q3-2020 and in the previous year's period there have been no non-recurring items with a significant influence on profit and loss, therefore no adjustments have been made.

Total **consolidated revenues** for Q3 amount to **Mio. EUR 45,2** (prev. Mio. EUR 50,2), total **factory output** amounts to **Mio. EUR 44,6** (prev. Mio. EUR 55,0).

Earnings before interest, taxes, depreciation and amortization - **EBITDA** – in Q3 amount to **Mio. EUR +4,0** (prev. Mio. EUR +2,1). Operating earnings before interest and tax - **EBIT** - in Q3 amount to **Mio. EUR +0,6** (prev. Mio. EUR -1,3). Earnings before income tax - **EBT** - amount to **Mio. EUR 0,0** (prev. Mio. EUR -1,8) and the result after taxes and minority interests - **EAT** – amounts to around **Mio. EUR +0,5** (prev. Mio. EUR -1,7).

Key figures for the 1st 3 quarters of 2020 (January to September), in previous period substantially adjusted by non-recurring items of Q2-2019 period, as specifically described below, are as follows:

After concluding a purchase agreement on March 22, 2019, the wholly-owned Germany based subsidiary MS Powertrain Technologie GmbH, Trossingen, sold the production of the valve train systems for the Daimler "World engine" in the USA including all related machinery, current assets and employees to Gnutti Carlo Group, USA for a purchase price of USD 40 million, thereof USD 16 million to be paid by April 2022 in three annual instalments bearing interest; the sale has resulted in gains from deconsolidation of around EUR 19,5 million after tax in the second quarter of 2019, which were reported in other income. In the actual year's period there have been no non-recurring items with a significant influence on profit and loss, which had to be eliminated.

Cumulative **total revenues** in the 1st 3 quarters of 2020 amount to **Mio. EUR 118,3** (prev. Mio. EUR 174,7), with -32,3 % being significantly below the previous year's first 3 quarters and significantly below plan.

Total **factory output**, inclusive changes in inventory, totaling to around Mio. EUR 0,0 (prev. Mio. EUR 7,1), is **Mio. EUR 118,3** (prev. adjusted Mio. EUR 181,8) and with -34,9 % adjusted also significantly below previous year's period output as well.

In the regional sales market **USA / Canada ("North America")** the achieved revenues in Q1-Q3-2020 are totaling to around **Mio. EUR 13,4** (prev. Mio. EUR 47,2) in absolute terms. Thus, with a significant decrease still around **11 %** (prev. 27 %) of consolidated total revenues of the MS Industrie-Group in Q1-Q3-2020 have been achieved in the North-American market.

Gross profit amounts to **Mio. EUR 62,6** (prev. adjusted Mio. EUR 88,5) significantly below previous year's period. The adjusted **gross profit margin** has increased slightly by **2,3** percentage points from 50,6 % to **52,9 %**.

Earnings before interest, taxes, depreciation and amortization - **EBITDA** – in Q1-Q3 amount to **Mio. EUR +1,2** (prev. adjusted Mio. EUR +11,2), operating profits before interest and tax - **EBIT** - amount to **Mio. EUR -8,8** (prev. adjusted Mio. EUR 0,4). Profits before income tax - **EBT** – in the group in Q1-Q3 amount to around **Mio. EUR -10,4** (prev. adjusted Mio. EUR -1,3). The results after taxes and minority interests - **EAT** - in Q1-Q3 amount to around **Mio. EUR -7,2** (prev. adjusted Mio. EUR -1,1).

The difference between adjusted earnings before tax (EBT) and adjusted net profit after tax (EAT) in Q1-Q3 is primarily due to **deferred tax income** amounting to **Mio. EUR 3,1** (prev. **deferred** tax expense Mio. EUR -1,5).

Total Consolidated Comprehensive Income for Q1-Q3-2020 before adjustments amounts to **Mio. EUR -7,6** (prev. Mio. EUR +15,6). The difference between earnings after tax (EAT) and the **total comprehensive income after income tax** in Q1-Q3 primarily results from **foreign currency translation differences (EUR-USD)** recognized in other comprehensive income ("OCI") without profit impact in a total amount of **Mio. EUR -0,2** (prev. Mio. EUR -2,4) as well as **changes in the value of financial assets and investments** in a total amount of **Mio. EUR -0,2** (prev. Mio. EUR -0,3).

Adjusted **Earnings per share - "EPS"** - in Q1-Q3-2020 attributable to the shareholders of the parent company MS Industrie AG in accordance with IAS 33 amount to **EUR -0,24**, based on the weighted average number of shares issued until September 30, 2020 (29,8 million shares (basic and diluted)); in previous period adjusted earnings per share basic and diluted amounted to EUR -0,04 (based on the weighted average number of 29,9 million shares).

As at September 30, 2020, **Cash and cash equivalents** in the group amount to **Mio. EUR 6,7** (December 31, 2019: Mio. EUR 9,2). **Liquid funds** are positive and as at September 30, 2020 amount to **Mio. EUR 0,8** (December 31, 2019: Mio. EUR -1,3). This means an increase compared to the ending balance of 2019 by Mio. EUR -1,3. The increase in liquid funds is mainly due to positive cash flows generated from operating activities.

The Group's **equity ratio** has decreased slightly compared to December 31, 2019 and as at September 30, 2020 amounts to **36,7 %** (December 31, 2019: 37,1 %), while the total assets have been slightly decreasing by -9,0 %. The slightly decreased equity ratio is primarily due to the negative total consolidated comprehensive income. In absolute figures, **equity and non-controlling interests** have decreased by Mio. EUR -7,6 to **Mio. EUR 69,1** (December 31, 2019: Mio. EUR 76,7).

The **number of employees** in the group has been decreased down to **994 permanent employees** as at September 30, 2020, according to plan, compared to 1.093 permanent employees as at December 31, 2019.

The Covid 19-pandemic will have a negative impact on financial figures of the whole financial year 2020. Up to date, the following significant developments have been noted: Due to big customer plant closures, the Powertrain segment's production sites in Trossingen and Zittau, Germany, were also reduced to minimum operation from mid-March to mid-April 2020 and a large part of the workforce was on short-time working. On April 20 and 23, 2020 respectively, production was ramped up again, but not to full capacity. The Spaichingen production site of the Ultrasonic segment was affected to a lesser extent and is currently operating at around 90 % capacity. Only slight declines in demand have so far been recorded at the Grünhain-Beierfeld production site. In contrast, the site in Webberville/USA was closed by degree until May 10, 2020, with the prospect of subsidies from the US government ("Paycheck Protection Program").

Due to the effects of the Covid-19-pandemic, which has been rampant worldwide since the beginning of 2020, we expect significantly lower consolidated industrial sales of around EUR 163 million for the 2020 financial year - compared to the adjusted key figures for the previous year - with significantly lower operating EBITDA, EBIT and EBT, so that we ultimately expect consolidated net income for the year to be significantly below the level of the previous year. According to the consolidated projections, the gross profit margin (cost of materials as a percentage of sales revenues) should develop positively and the EBIT margin from current business should be clearly negative, with a significant deterioration in earnings per share. Based on the expected clearly negative consolidated net income for the year, a corresponding decrease in consolidated equity is expected for 2020. It is expected that the cash flow from operating activities will again develop significantly worse than in the previous year. With regard to the cash flow from investing activities, we expect significantly negative changes compared to 2019, in particular due to the discontinuation of the positive effects of the partial sale of the USA in the previous year (without the partial sale of the USA, no significant changes compared to the previous year). Due to the expected developments, the gearing ratio and the equity ratio will decrease slightly.

The Executive Board and the management of MS Powertrain Technologie GmbH have decided to shut down the production of the subsidiary MS PowerTec GmbH in Zittau. Around 60 jobs at the **Zittau** location will be affected by this measure. Since mid-2019, the market environment has already deteriorated considerably - mainly due to the ongoing "diesel discussions" - and capacity adjustments have become necessary. The situation has recently been exacerbated by additional slumps as a direct result of the measures taken to combat the pandemic. The developments of recent months and the politically demanded upheaval in the automotive world unfortunately make this measure unavoidable for the MS Industrie Group. In addition, the automation, digitalization and area densification of production at the main site of MS Powertrain Technologie GmbH in Trossingen are being driven forward more intensively. In this way, the MS Industrie Group is consistently adapting its capacities and cost structures to the changed market environment in order to secure its profitability for the future. The company property owned by MS PowerTec GmbH in Zittau is to be offered to third parties for industrial use from next year onwards. The subsidiary MS Ultraschall Technologie GmbH is not affected by the aforementioned capacity adjustment and is currently recording a stable order intake, which has recently started to increase again.

This voluntary quarterly release contains forward-looking statements based on current estimates of the management regarding future developments. Such statements are subject to uncertainties and risks which cannot be influenced by MS Industrie AG. If such risks or uncertainties materialize, or assumptions on which these forward-looking statements are based should prove incorrect, then actual results may be materially different from the results in these voluntary statements explicitly defined or implicitly contained. It is neither intended by MS Industrie AG, nor does MS Industrie AG assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of this voluntary quarterly release. Neither MS Industrie AG nor a company affiliated with MS Industrie AG nor directors, managing directors, board members, employees or consultants of the Company, nor any other person assumes express or implied representations or warranties as to the completeness of the data contained in this voluntary quarterly release. Neither MS Industrie AG nor one of its affiliated companies nor an aforementioned person shall have any liability whatsoever for any losses arising directly or indirectly from the use of this voluntary quarterly release. Possible errors or incompleteness of the information do not constitute warranties, either with regard to direct or indirect damage or consequential damages. While all reasonable care has been taken to ensure that the facts set out above are correctly, and views expressed herein are fair and reasonable, this voluntary interim report is selective. If information and statistics are quoted from external sources, such information and statistics are not to be interpreted that they were adopted or confirmed correct by the company. This voluntary document constitutes neither an offer to sell nor a solicitation of an offer to buy or subscribe for shares of MS Industrie AG.

MS Industrie AG, headquartered in Munich, Germany, is the listed holding company of a focused industrial group with two strategic core business areas: **Powertrain-Technology** ("MS-Powertrain Technology Group": Systems and components for heavy-duty diesel engines and custom electric motors) and **Ultrasonic-Technology** ("MS-Ultrasonic Technology Group": Special and standard machines and ultrasonic systems and components). The key customer industries include the global commercial vehicle and car industry, followed by the packaging machine industry and the general mechanical and plant engineering. As part of its strategy, MS Industrie AG concentrates primarily on organic growth and investments within the existing industrial core competencies, flanked by mainly minority involvements in the industrial real estate sector as well as complementary services.

Best regards

MS Industrie AG - The Executive Board

Brienner Straße 7

80333 Munich, Germany

Phone: +49. 89. 20 500 900

Fax: +49. 89. 20 500 999

Mail: info@ms-industrie.ag

Internet: www.ms-industrie.ag