



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

# MS INDUSTRIE AG

Extracts from the Group's Interim Management Report as of June 30, 2020



# Consolidated Financial Statements as of June 30, 2020 - Overview of key figures

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

## Balance sheet key figures

	31.12.2019	30.06.2020
Total assets	207.025	193.721
Equity and non-controlling interests	76.745	68.743
Equity ratio (%)	37,1%	35,5%
Trade receivables	40.180	28.666
Liquid funds (Cash and cash equivalents ./ Current accounts)	-1.297	257
Net working capital (Inventories + Trade receivab. ./ Trade payables)	72.030	55.684

## Cashflow key figures

	1. Hj. 2019	1. Hj. 2020
Net cash generated from operating activities	1.992	6.007
Net cash used in investing activities	7.190	1.359
Net cash used in financing activities	-2.313	-5.812

## Income statement key figures

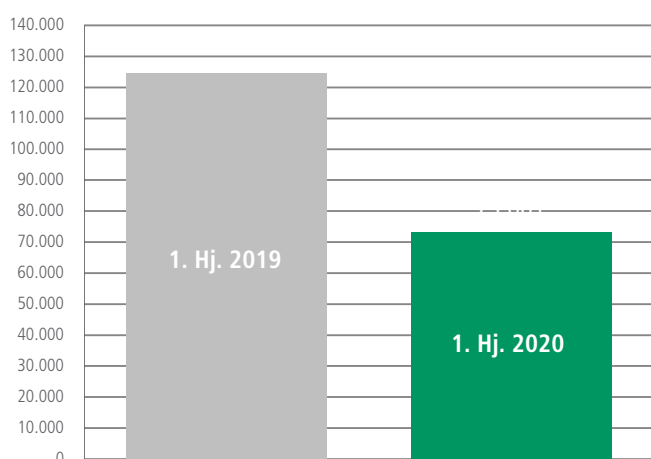
	1. Hj. 2019	1. Hj. 2020
Revenues	124.419	73.061
Gross profit	82.868	37.867
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	30.449	-2.794
Operating Profit (EBIT)	23.053	-9.406
Profit before income tax (EBT)	21.846	-10.409
Profit for the year after non-controlling interests (EAT)	20.088	-7.758
Consolidated earnings per share in EUR	0,67	-0,26

## Income statement key figures (adjusted for non-recurring items)

	1. Hj. 2019	1. Hj. 2020
Revenues	124.419	73.061
Gross profit	61.534	37.867
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	9.115	-2.794
Operating Profit (EBIT)	1.719	-9.406
Profit before income tax (EBT)	512	-10.409
Profit for the year after non-controlling interests (EAT)	585	-7.758
Consolidated earnings per share in EUR	0,02	-0,26

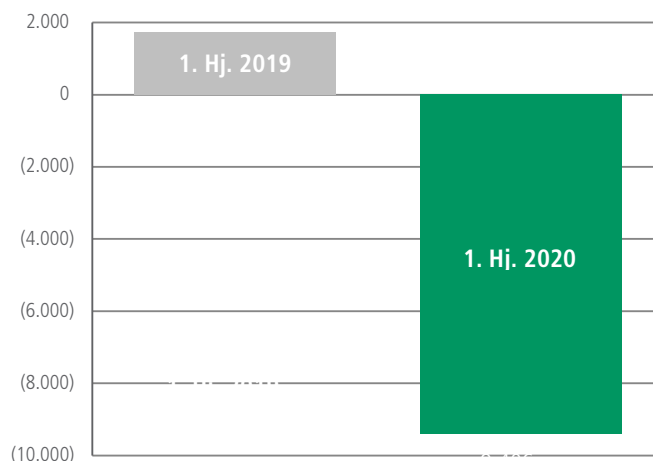
## Total revenues

in TEUR



## Operating Profit, adjusted for non-recurring items

(EBIT) in TEUR



	30.06.2020	31.12.2019
	TEUR	TEUR
<b>ASSETS</b>		
Intangible assets	2.791	2.817
Property, plant and equipment	33.917	33.260
Investment property	6.879	6.915
Right of use-assets according to IFRS 16	39.095	41.581
Investments	1.458	1.609
Investments in associates	3.806	3.806
Deferred income tax assets	2.574	62
Other non-current financial assets	9.761	14.464
Other non-current assets	365	387
<b>Non-current assets</b>	<b>100.646</b>	<b>104.901</b>
Inventories	37.509	37.108
Trade receivables	28.666	40.180
Cash and cash equivalents	9.852	9.181
Income tax assets	1.237	1.232
Contract assets	7.904	6.032
Other current financial assets	6.382	7.071
Other current assets	1.525	1.320
<b>Current assets</b>	<b>93.075</b>	<b>102.124</b>
<b>TOTAL ASSETS</b>	<b>193.721</b>	<b>207.025</b>
<b>EQUITY AND LIABILITIES</b>		
Ordinary Shares (30.00 million shares less 169.457 treasury shares)	29.831	29.859
Share premium	7.616	7.616
Statutory reserve	439	439
Retained earnings	3.890	3.897
Other reserves	435	624
Consolidated profit	26.752	34.510
Non-controlling interests	-220	-200
<b>Equity and non-controlling interests</b>	<b>68.743</b>	<b>76.745</b>
Non-current Borrowings	18.448	21.420
Provisions for pensions and similar obligations	1.849	1.940
Deferred income tax liabilities	0	145
Other non-current provisions and accruals	1.516	1.617
Other non-current financial liabilities	28.341	31.453
Other non-current liabilities	600	445
<b>Non-current provisions and liabilities</b>	<b>50.754</b>	<b>57.020</b>
Current Borrowings	34.107	35.112
Trade payables	10.491	11.290
Current provisions and accruals	7.649	9.435
Other current financial liabilities	13.237	11.320
Other current liabilities	8.740	6.103
<b>Current provisions and liabilities</b>	<b>74.224</b>	<b>73.260</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>193.721</b>	<b>207.025</b>

	01.01. - 30.06.2020	01.01. - 30.06.2019	Deviation	
	(January - June 2020)	(January - June 2019)	Jan.-June 20	Jan.-June 19
	<i>"Six Months"</i>		absolute	percentage
<b>Revenues</b>	73.061	124.419	-51.358	-41%
a) Revenues from industrial and real estate business	73.018	124.389	-51.371	-41%
b) Revenues from consulting and commissions	43	30	13	+43%
Changes in inventory of work in process and finished goods	542	2.350	-1.808	-77%
Other income	2.083	23.247	-21.164	-91%
<b>Total income</b>	<b>75.686</b>	<b>150.016</b>	<b>-74.330</b>	<b>-50%</b>
Cost of materials	37.819	67.148	-29.329	-44%
Personnel expense	29.146	34.938	-5.792	-17%
Depreciation and amortisation expense				
a) Depreciation of property, plant and equipment, investment property and amortisation of intangible assets	6.612	7.396	-784	-11%
Other expense and Impairment Loss (-) / Income (+) IFRS 9	11.515	17.481	-5.966	-34%
<b>Total expenses</b>	<b>85.092</b>	<b>126.963</b>	<b>-41.871</b>	<b>-33%</b>
<b>Operating Profit</b>	<b>-9.406</b>	<b>23.053</b>	<b>-32.459</b>	<b>-141%</b>
Finance costs, net	-1.003	-1.207	204	+17%
<b>Profit before income tax</b>	<b>-10.409</b>	<b>21.846</b>	<b>-32.255</b>	<b>-148%</b>
Income tax expense	-2.631	1.780	-4.411	-248%
<b>Profit for the year</b>	<b>-7.778</b>	<b>20.066</b>	<b>-27.844</b>	<b>-139%</b>
attributable to				
owners of the parent	-7.758	20.088	-27.846	-139%
non-controlling interests	-20	-22	2	+9%
	<b>-7.778</b>	<b>20.066</b>	<b>-27.844</b>	<b>-139%</b>
Consolidated earnings per share, in EUR				
basic, after non-controlling interests	-0,26	0,67		
diluted, after non-controlling interests	-0,26	0,67		
Number of shares, average weighting				
basic	29.844.521	29.908.680		
diluted	29.844.521	29.908.680		

**MS Industrie AG, Munich, Consolidated statement of comprehensive income  
for the 1st half of the financial year 2020, unaudited**

	01.01. - 30.06.2020 (January - June 2020)	01.01. - 30.06.2019 (January - June 2019)
	<i>"Six Months"</i>	
<b>Profit for the year</b>	<b>-7.778</b>	<b>20.066</b>
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	-9	-2.477
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of post employment benefit obligations	-39	-18
Change in value of financial assets (IFRS 9)	-151	-153
Income taxes recorded in other comprehensive income	10	5
Other comprehensive income for the year, net of tax	-189	-2.643
<b>Total comprehensive income for the year</b>	<b>-7.967</b>	<b>17.423</b>
attributable to owners of the parent	-7.947	17.445
attributable to non-controlling interests	-20	-22
Consolidated earnings per share, in EUR		
basic, after non-controlling interests	-0,26	0,67
diluted, after non-controlling interests	-0,26	0,67
Number of shares, average weighting		
basic	29.844.521	29.908.680
diluted	29.844.521	29.908.680

**Consolidated cash flow statement for the period 01.01.-30.06.2020, unaudited**

	01.01. - 30.06.2020 TEUR	01.01. - 30.06.2019 TEUR
Profit for the year	-7.778	20.066
Income tax expense (recognised through profit and loss)	-2.631	1.780
Finance income (recognised through profit and loss)	-281	-212
Finance costs (recognised through profit and loss)	1.284	1.419
Depreciation of property, plant and equipment and amortisation of intangible assets	6.612	7.396
<i>Material non-cash other expenses (+) or income (-):</i>		
- Gains/losses on revaluation of investment property	38	38
Losses/gains (-) on disposal of property, plant and equipment and intangible assets	-102	84
Losses/gains (-) on deconsolidation	0	-21.334
Decrease/increase (-) in inventories, trade receivables and other assets not assigned to investing or financing activities	8.588	-24.483
Increase/decrease (-) in trade payables and other liabilities not assigned to investing or financing activities	1.431	19.219
Interest received	47	102
Interest paid	-811	-982
Income tax received	0	89
Income tax paid	-390	-1.190
<b>Net cash generated from operating activities</b>	<b>6.007</b>	<b>1.992</b>
Proceeds from sale of property, plant and equipment and intangible assets	275	16
Purchases of property, plant and equipment and intangible assets	-4.769	-11.208
Purchases of investment property	0	-265
Proceeds from disposal of fully consolidated subsidiaries less cash and cash equivalents transferred under the sale	5.853	17.675
Proceeds from disposals of investments held for sale	0	1.257
Purchase of investments	0	-140
Payments made for the granting of borrowings	0	-145
<b>Net cash generated from investing activities</b>	<b>1.359</b>	<b>7.190</b>
Proceeds from borrowings	1.200	8.693
Repayments of borrowings	-4.290	-9.122
Proceeds from finance lease transactions	647	2.168
Payments made for finance lease transactions	-3.334	-4.052
Purchase of treasury shares	-35	0
<b>Net cash used in financing activities</b>	<b>-5.812</b>	<b>-2.313</b>
<b>Net decrease in liquid funds</b>	<b>1.554</b>	<b>6.869</b>
Liquid funds at beginning of period	-1.297	-4.028
<b>Liquid funds at end of period</b>	<b>257</b>	<b>2.841</b>

**MS Industrie AG,  
Munich**

**EXTRACTS from the Group's interim management report for the 1<sup>st</sup> half of financial year 2020**

1.	Highlights of the first half year	2
2.	Report on the economic situation	5
3.	Information relevant to acquisitions and other reports	11
4.	Opportunities and Risk Report	12
5.	Forecast report	12

## MS Industrie AG, Munich

### 1. Highlights of the first half year

Dear shareholders, Dear Colleagues and Business Partners.

While the first six months of the past financial year 2019 for the MS Industrie-Group were marked by the sale of a large part of the existing "Powertrain" order backlog, or more precisely by the sale of the long-term order for the production of valve train systems for the Daimler Group's "World Engine" production at the US location "Webberville" with effect from April 10, 2019, the first half of 2020, particularly from the second quarter of 2020 onwards, was mainly affected by the economic impact of the Covid-19 pandemic.

In the first quarter of 2020, production for the Daimler "World Engine" was concentrated at the Trossingen plant as planned and the number of employees at the Zittau plant was significantly reduced. The measures at the Trossingen-Schura location - as a result of the relocation of several machines (mainly milling machines) from the Zittau location - mainly comprised the consolidation of areas for higher utilization of the production hall, a significant reduction in personnel costs through clearer interfaces, new operator concepts, streamlined hierarchies and further automation, including a new "rotary transfer" technology from May 2020. In addition, a new logistics concept was developed to reduce external storage costs.

Following the sale of Daimler's production facilities in the U.S., the total number of employees in the Powertrain division (including contract workers and apprentices) decreased from approximately 550 in mid-2019 to approximately 390 at the end of June 2020. As a result of all the restructuring measures, the break-even point of the Powertrain division will be reduced by approximately 20%. The measures described above covered the period from July 2019 to May 2020.

The Covid-19 pandemic had a massive negative impact on the financial figures in the first half of 2020. Up to the time of preparation of the interim management report, the following significant developments have been noted:

Due to plant closures at the main customers, the production sites in Trossingen and Zittau in Germany in the Powertrain segment were also reduced to a minimum operation from mid-March to mid-April 2020, and a large part of the workforce was on short-time working at this time. On April 20, 2020, and April 23, 2020, respectively, production was successively ramped up again, but not to full capacity by the time the interim financial statements were prepared. The Spaichingen production site of the "Ultrasonic" segment was affected to a somewhat lesser extent and is currently working at around 90% capacity. So far, only slight declines in demand have been recorded at the Grünhain-Beierfeld production site. In contrast, the site in "Webberville", USA, was completely closed by government decree until May 10, 2020, with the prospect of subsidies from the US government (so-called "Paycheck Protection Program").

In the two main operating segments "**Powertrain Technology Group**", also abbreviated to "**Powertrain**", and "**Ultrasonic Technology Group**", also abbreviated to "**Ultrasonic**", the sales development was therefore also very different. At the end of the first half of the year, external sales in the "**Powertrain**" segment - Covid-19 and previous year's transaction-related - were around -47%, significantly below the sales of the previous year. External sales in the "**Ultrasonic**" segment are also significantly lower than in the previous year at around -20%. Around -45% of the decline in sales in H1 2020 (around EUR -23 million) is due to the partial sale of the US activities in the previous year. In the first half of the year, sales in the "Powertrain" segment contributed around 70 % (previous year: 78 %) and sales in the "Ultrasonic" segment around 30 % (previous year: 22 %) to consolidated Group sales.

At the end of June 2020, orders on hand totaled around EUR 89 million (previous year: EUR 106 million), down by around -18% in the "Ultrasonic" segment - Covid-19-related - and by around -18% in the "Powertrain" segment - Covid-19-related



and previous year's transaction-related - and thus overall, on average, around -18% below the average order backlog of the previous year.

The operating results in the first half of the current fiscal year 2020 have therefore developed anything but satisfactorily with respect to the key earnings figures, in particular earnings before interest, taxes, depreciation and amortization - **EBITDA** -, earnings before interest and taxes - **EBIT** -, earnings before taxes - **EBT** -, earnings after taxes - **EAT** - and **earnings per share** - "**Eps**".

This against the background of an extremely weak European **commercial vehicle market** with a drop in registrations of -33,7% in the first half of 2020 compared to the previous year (decline in Germany: **-28,6%**) and of -20,3% in June 2020 compared to the same month of the previous year, as the current periodic evaluation, status: July 23, 2020, by the "ACEA" ("Association des Constructeurs Européens d'Automobiles", Brussels), once again confirms. The European market for heavy commercial vehicles over 16 tons has developed only slightly better throughout Europe with a decline in registrations of -44,2% in the first half of 2020 compared to the previous year (decline in registrations in Germany: **-41,3%**) (source also: "ACEA", as of July 23, 2020). Although these figures are not generally positive, we expect the European truck market to pick up again from the second half of 2020 onwards, albeit at a low level.

The **(Ultrasonic) special-purpose machine construction** also had a predominantly poor first half of the year. Since the beginning of 2019, the sector has been struggling with a sharp decline in inquiries from the entire passenger car industry. One of the main reasons is the conversion of model ranges at almost all OEMs with regard to new drives (electric and hybrid). The production of "combustion" models with low volumes is increasingly being discontinued, face-lifts are being stopped or postponed, and only basic versions are being produced for new models, but no derivatives yet. The automotive industry, which still accounts for more than 20% of German mechanical engineering production, is undergoing massive structural change, which is leaving a clear mark on its order books. This is because the uncertainty about tomorrow's drive systems and the future role of classic combustion engines is putting pressure on the willingness to invest. In addition, since the 1st quarter of 2020 there have been additional "corona-related" delays in incoming orders. The total decline in sales in 2020 is currently still difficult to estimate (EUR 10 to 15 million), and operational management is based on results. Market expectations for 2021 are more positive again; from 2022 onwards, the Management Board expects the situation to stabilize at a slightly reduced level. Current capacity utilization is around 90%; selected departments are currently still on short-time working.

After a good start as planned at the beginning of the year with incoming orders averaging EUR 0,5 million per month, the **(Ultrasonic) series machine manufacturing** has been struggling with significant restrictions in sales activities due to Covid-19 since March 2020. Trade fairs were cancelled or postponed; the in-house customer event "sonxDAYS" had to be cancelled. Alternatively, some online initiatives to expand the customer interface were set up. An achievement of the sales target for 2020 of around EUR 5 million is currently still possible, but cannot yet be realistically estimated.

In the **(Ultrasonic) systems and components** product area, the worldwide Covid-19 pandemic led to a special boom (systems and components for welding masks and protective suits). In addition, the first orders for new developments in systems and components for welding recyclable products (based on the new packaging legislation) were received. As a result, an increase in personnel and further growth from 2021 onwards in this area are still planned in principle.

In addition to the ongoing sales activities, marketing measures were launched in all product areas towards existing customers and new customers, and potential new customers were evaluated. Since mid-June, the volume of inquiries has already reached a mid double-digit million euro volume.

Against this background, the sales of MS Industrie AG in the first half of 2020 have not developed satisfactorily overall. Total consolidated sales in the 1st half of 2020 amounted to around EUR 73,1 million (previous year, adjusted EUR 101,5 million)

and were thus around -28,0 % lower in the 1st half of 2020 than in the same period of the previous year, adjusted for the previous year's sales at the US location until the partial sale at the beginning of April 2019.

Adjusted for non-recurring items from the partial disposal in the USA in the previous year, earnings before interest, taxes, depreciation and amortization (EBITDA) fell significantly to EUR -2,8 million (previous year: EUR 9,1 million) and earnings before interest and taxes (EBIT) also fell significantly to EUR -9,4 million (previous year: EUR 1,7 million).

Adjusted earnings before taxes (EBT) therefore fell by EUR -10,9 million to EUR -10,4 million (previous year: EUR 0,5 million). Adjusted consolidated earnings after taxes (EAT) for the first half of 2020 amount to EUR -7,8 million (previous year: EUR 0,6 million) and are thus EUR -8,3 million lower than in the same period of the previous year.

Cash and cash equivalents in the Group increased in the reporting period from EUR 9,2 million at the beginning of H1 2020 to EUR 9,9 million as at June 30, 2020. The increase of EUR 0,7 million in H1 2020 is mainly due to a positive cash flow from operating activities.

Compared to the first quarter, **Q2 2020 was characterized by** a significantly lower EBITDA of EUR -3,4 million (Q1 2020: EUR 0,6 million), an also significantly lower adjusted earnings before interest and taxes (EBIT) of EUR -3,4 million (Q1 2020: EUR 0,6 million) and a significantly lower adjusted earnings before interest and taxes (EBIT) of EUR -3,4 million (Q1 2020: EUR 0,6 million), EUR -6,7 million (Q1 2020: EUR -2,7 million), as well as significantly lower adjusted earnings before taxes (EBT) in the amount of EUR -7,2 million (Q1 2020: EUR -3,2 million).

Despite the Covid-19 pandemic, the Management Board expects the largest organic growth in percentage terms in the current fiscal year 2020 to be in the "Ultrasonic Systems and Components" division.

As described in the 2019 Annual Report, the Executive Board continues to assume that the business of the MS Industrie-Group will be as follows for 2020 as a whole:

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 fiscal year 2020 compared to the adjusted key figures for the previous year, with significantly declining operating EBITDA, EBIT and EBT. According to the consolidated projections, the gross profit margin (cost of materials in % of sales revenues) should develop neutrally and the EBIT margin from ongoing business should be clearly negative, with a significant deterioration in earnings per share. Based on the expected significantly negative consolidated net profit, 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 cash flow from investing activities, we expect significantly negative changes compared to 2019, especially due to the predominant loss of the positive effects from the partial sale in the U.S. in the previous year (without partial sale U.S. no significant changes compared to the previous year). Due to the expected developments, the gearing ratio and the equity ratio will decrease slightly.

This forecast is based on market assumptions and company estimates at the beginning of 2020 and was revised with regard to the effects of the Covid-19 pandemic on April 9, 2020 and reviewed for timeliness on August 3, 2020: Due to the continuing rapid spread of the Covid-19 pandemic, particularly in recent weeks, the associated crisis measures taken by the respective countries and their drastic effects on the economy, it is unfortunately not possible at present to make a reliable estimate of the course of our business development for the 2020 financial year. This means that the above forecast for the 2020 financial year, which MS Industrie AG already gave in the 2019 Annual Report, is also only valid to a limited extent. However, MS Industrie AG has reacted to the crisis with extensive measures. In addition to setting up emergency plans and temporary production stops in conjunction with short-time working, these include safeguarding the company's liquidity.

## 2. Report on the economic situation

### 2.a. Macroeconomic and industry-related environment in first half of 2020

The industrial business did not perform satisfactorily in the first half of the year. This is due to the continuing unsatisfactory order situation in the two industrial segments "MS-Powertrain" and "MS-Ultrasonic", still negatively affected above all by the effects of the Covid-19 pandemic, as well as a continuing flat sales situation in the commercial vehicle market for heavy trucks, which nevertheless continues to show positive prospects in the medium and long term. At the time of preparation of the interim management report, the financial position is sound. However, due to the Covid-19 pandemic, the business development of the subsidiaries in the first half of 2020 unfortunately did not proceed as expected. Currently, the majority of the Group's employees are no longer on short-time work. In summary, it can be stated that the economic situation of the MS Industrie-Group and thus also of MS Industrie AG is nevertheless stable as of the interim balance sheet date.

## 2.b. Status of the Group as of June 30, 2020

### Earnings situation

The main changes in earnings in the first half of 2020 compared with the same period of the previous year are presented below. First, the key figures unadjusted for non-recurring items from the "partial sale of Powertrain USA 2019" in the previous year.

<b>Unadjusted for non-recurring items:</b>	<b>1.1. to 30.06.2020</b>		<b>1.1. to 30.06.2019</b>		<b>Difference</b>	
	TEUR	%	TEUR	%	TEUR	%
<b>Revenues</b>	<b>73.061</b>	<b>100,0</b>	<b>124.419</b>	<b>100,0</b>	<b>-51.358</b>	<b>-41,3</b>
Other income	2.083	2,9	23.247	18,7	-21.164	-91,0
Cost of materials (incl. changes in inventory)	37.277	51,0	64.798	52,1	-27.521	-42,5
<b>Gross profit</b>	<b>37.867</b>	<b>51,8</b>	<b>82.868</b>	<b>66,6</b>	<b>-45.001</b>	<b>-54,3</b>
Personnel expense	29.146	39,9	34.938	28,1	-5.792	-16,6
Other expense and impairment loss according to IFRS 9	11.515	15,8	17.481	14,1	-5.966	-34,1
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>-2.794</b>	<b>-3,8</b>	<b>30.449</b>	<b>24,5</b>	<b>-33.243</b>	<b>-109,2</b>
Depreciation and amortization expense	6.612	9,0	7.396	5,9	-784	-10,6
<b>Operating profit (EBIT)</b>	<b>-9.406</b>	<b>-12,9</b>	<b>23.053</b>	<b>18,5</b>	<b>-32.459</b>	<b>-140,8</b>
Finance costs, net	-1.003	-1,4	-1.207	-1,0	204	-16,9
<b>Profit before income taxes (EBT)</b>	<b>-10.409</b>	<b>-14,2</b>	<b>21.846</b>	<b>17,6</b>	<b>-32.255</b>	<b>-147,6</b>
Income tax	-2.631	-3,6	1.780	1,4	-4.411	-247,8
<b>Profit for the period before non-controlling interests (EAT)</b>	<b>-7.778</b>	<b>-10,6</b>	<b>20.066</b>	<b>16,1</b>	<b>-27.844</b>	<b>-138,8</b>
Profit attributable to non-controlling interests	-20	0,0	-22	0,0	2	-9,1
<b>Profit for the period after non-controlling interests (EAT)</b>	<b>-7.758</b>	<b>-10,6</b>	<b>20.088</b>	<b>16,1</b>	<b>-27.846</b>	<b>-138,6</b>

In the previous year's reporting period, the key earnings figures in particular were influenced by positive non-recurring items, the impact of which on the key figures is shown below.

The only - but all the more significant - "non-recurring effect" with an influence on profit or loss in the first half of 2019 related to the gains from deconsolidation arising from the sale of the valve train system production at the US "Webberville" site. Based on gross proceeds from the sale of USD 40 million, these gains amounted to EUR +21,3 million net in the first half of 2019 (see also above under 1.).

In the first half of 2020, external revenues in the **Powertrain** segment were around -31 % below the revenues of the previous year due to transactions in the previous year. The difference to the overall decline in segment revenues of around -47 % is mainly due to the effects of the Covid-19 pandemic.

The reconciliation of the unadjusted key figures with the adjusted key figures is as follows in the period:

	01.01. to 30.06.2020			
	Before Adjustments	Effect of Adjustments	Adjusted	Adjusted
	TEUR	TEUR	TEUR	%
<b>Revenues</b>	<b>73.061</b>	<b>0</b>	<b>73.061</b>	<b>100,0</b>
<b>Gross profit</b>	<b>37.867</b>	<b>0</b>	<b>37.867</b>	<b>51,8</b>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>-2.794</b>	<b>0</b>	<b>-2.794</b>	<b>-3,8</b>
<b>Operating profit (EBIT)</b>	<b>-9.406</b>	<b>0</b>	<b>-9.406</b>	<b>-12,9</b>
<b>Profit before income tax (EBT)</b>	<b>-10.409</b>	<b>0</b>	<b>-10.409</b>	<b>-14,2</b>
<b>Profit for the year before non-controlling interests (EAT)</b>	<b>-7.778</b>	<b>0</b>	<b>-7.778</b>	<b>-10,6</b>
<b>Profit for the year after non-controlling interests (EAT)</b>	<b>-7.758</b>	<b>0</b>	<b>-7.758</b>	<b>-10,6</b>

The reconciliation of the unadjusted key figures with the adjusted key figures is as follows in the previous year's period:

	01.01. to 30.06.2019			
	Before Adjustments	Effect of Adjustments	Adjusted	Adjusted
	TEUR	TEUR	TEUR	%
<b>Revenues</b>	<b>124.419</b>	<b>0</b>	<b>124.419</b>	<b>100,0</b>
<b>Gross profit</b>	<b>82.868</b>	<b>-21.334</b>	<b>61.534</b>	<b>49,5</b>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>30.449</b>	<b>-21.334</b>	<b>9.115</b>	<b>7,3</b>
<b>Operating profit (EBIT)</b>	<b>23.053</b>	<b>-21.334</b>	<b>1.719</b>	<b>1,4</b>
<b>Profit before income tax (EBT)</b>	<b>21.846</b>	<b>-21.334</b>	<b>512</b>	<b>0,4</b>
<b>Profit for the year before non-controlling interests (EAT)</b>	<b>20.066</b>	<b>-19.503</b>	<b>563</b>	<b>0,5</b>
<b>Profit for the year after non-controlling interests (EAT)</b>	<b>20.088</b>	<b>-19.503</b>	<b>585</b>	<b>0,5</b>

The change of the key figures from the relevant financial periods adjusted for by the non-recurring items is summarised as follows:

	01.01. to 30.06.2020		01.01. to 30.06.2019		Difference, adjusted	
	Adjusted	Adjusted	Adjusted	Adjusted	19 / 20	19 / 20
	TEUR	%	TEUR	%	TEUR	%
<b>Revenues</b>	<b>73.061</b>	<b>100,0</b>	<b>124.419</b>	<b>100,0</b>	<b>-51.358</b>	<b>-41,3</b>
<b>Gross profit</b>	<b>37.867</b>	<b>51,8</b>	<b>61.534</b>	<b>49,5</b>	<b>-23.667</b>	<b>-38,5</b>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>-2.794</b>	<b>-3,8</b>	<b>9.115</b>	<b>7,3</b>	<b>-11.909</b>	<b>-130,7</b>
<b>Operating profit (EBIT)</b>	<b>-9.406</b>	<b>-12,9</b>	<b>1.719</b>	<b>1,4</b>	<b>-11.125</b>	<b>-647,2</b>
<b>Profit before income tax (EBT)</b>	<b>-10.409</b>	<b>-14,2</b>	<b>512</b>	<b>0,4</b>	<b>-10.921</b>	<b>-2133,0</b>
<b>Profit for the year before non-controlling interests (EAT)</b>	<b>-7.778</b>	<b>-10,6</b>	<b>563</b>	<b>0,5</b>	<b>-8.341</b>	<b>-1481,9</b>
<b>Profit for the year after non-controlling interests (EAT)</b>	<b>-7.758</b>	<b>-10,6</b>	<b>585</b>	<b>0,5</b>	<b>-8.343</b>	<b>-1426,5</b>

In the sales market USA/Canada ("North America"), sales revenues totaling EUR 7,7 million (prior year: EUR 16,2 million (adjusted for US-Powertrain revenues of about EUR 2,9 million in Q1 2019)) were generated in H1 2020. This means that in the 1st half of 2020, around 10,5% (previous year: adjusted 16,0%) of the consolidated total revenues of the MS Industrie-Group were still generated in the North American market.

Of course, we are not satisfied with the development of sales in the first half of the year as a whole and in terms of regions. The operating performance of the various earnings levels is also significantly below our expectations. As a result of transactions from previous years period, orders on hand at the end of June are around -18% below the previous year's average for the 1st half of 2019 across all product groups, but in the "Ultrasonic" and "Powertrain" segments they will last at least until the end of the 4th quarter of 2020. At the time of preparing the interim financial statements, capacity utilization is still low and is again predominantly characterized by three-shift operation.

The sales revenues of the MS Industrie-Group, which have decreased significantly in the reporting period - adjusted for the previous year's sales revenues of the "World Engine" production USA, sold in the previous year, as well as unadjusted - result primarily in the amount of EUR 51,0 million (previous year: EUR 96,8 million) from the "Powertrain" segment and in the amount of EUR 21,7 million (previous year: EUR 27,4 million) from the "Ultrasonic" segment (segment figures after inter-segment consolidation).

Personnel expenses in the first half of the year decreased by around 16,6% year-on-year, slightly disproportionately compared to the reduced number of employees, with an average of 1.016 permanent employees (prior-year period: 1.194 employees). The two main reasons for this are the effects of the planned reduction in personnel, especially in the "Powertrain" segment and here again mainly at the Zittau location. The second main reason is the effect of short-time working, especially in the months of March / April 2020.

The gross profit margin (sales revenues including changes in inventories and other operating income less cost of materials), based on sales revenues, amounted to 51,8% in the first half of the year (previous year, adjusted: 49,5%).

After a significant reduction in other expenses, which - despite non-capitalized research and development costs of EUR 2,4 million (prior year: EUR 2,0 million) - fell by a total of EUR -6,0 million to EUR 11,5 million, earnings before interest, taxes, depreciation and amortization (EBITDA) fell sharply by around EUR -2,8 million (adjusted prior year: EUR 9,1 million).

After depreciation and amortization, earnings before interest and taxes (EBIT) for the first half of 2020 were significantly lower at EUR -9,4 million (adjusted previous year: EUR 1,7 million). Consolidated earnings before taxes (EBT) also fell sharply in the first half of the year to EUR -10,4 million (previous year, adjusted: EUR 0,5 million).

Consolidated earnings after income taxes (EAT) amount to around EUR -7,8 million (prior year, adjusted: EUR 0,6 million). Consolidated net loss after minority interests also amounts to EUR -7,8 million (adjusted prior year: EUR 0,6 million).

## Cash Situation

	Hj.1-2020 TEUR	Hj.1-2019 TEUR
Net cash generated from operating activities	6.007	1.992
Net cash generated from investing activities	1.359	7.190
Net cash used in financing activities	-5.812	-2.313
<b>Net decrease in cash and cash equivalents</b>	<b>1.554</b>	<b>6.869</b>
Liquid funds at beginning of period	-1.297	-4.028
<b>Liquid funds at end of period</b>	<b>257</b>	<b>2.841</b>

At June 30, 2020, cash and cash equivalents amounted to EUR 9,9 million (December 31, 2019: EUR 9,2 million). In addition, free credit lines in the amount of EUR 9,0 million (December 31, 2019: EUR 8,0 million) are available.

Liquid funds at June 30, 2020, amount to EUR 0,3 million (December 31, 2019: EUR -1,3 million) and thus increased by EUR 1,6 million compared to December 31, 2019. The increase in cash and cash equivalents is mainly due to the positive cash flow from operating activities as well as the low level of investing activities.

## Financial Situation

The essential changes to the Group's financial situation in the first half of 2020 compared to the previous year's balance sheet date can be seen in the following table:

	30.06.2020		31.12.2019		Difference	
	TEUR	%	TEUR	%	TEUR	%
<b>ASSETS</b>						
Deferred income tax assets	2.574	1,3	62	0,0	2.512	4.051,9
Other non-current assets	98.072	50,7	104.839	50,6	-6.767	-6,5
Current assets	<u>93.075</u>	<u>48,0</u>	<u>102.124</u>	<u>49,3</u>	<u>-9.049</u>	<u>-8,9</u>
<b>Total assets</b>	<b><u>193.721</u></b>	<b><u>100,0</u></b>	<b><u>207.025</u></b>	<b><u>100,0</u></b>	<b><u>-13.304</u></b>	<b><u>-6,4</u></b>
<b>EQUITY AND LIABILITIES</b>						
Equity and minority interests	68.743	35,5	76.745	37,1	-8.002	-10,4
Deferred income tax liabilities	0	0,0	145	0,1	-145	-100,0
Other debt	<u>124.978</u>	<u>64,5</u>	<u>130.135</u>	<u>62,8</u>	<u>-5.157</u>	<u>-4,0</u>
<b>Total equity and liabilities</b>	<b><u>193.721</u></b>	<b><u>100,0</u></b>	<b><u>207.025</u></b>	<b><u>100,0</u></b>	<b><u>-13.304</u></b>	<b><u>-6,4</u></b>

Non-current assets fell by around 4,1 % in the first half of the year, but did with 52,0 % of total assets not change significantly compared with the balance sheet total. The main reason for the decrease is the scheduled depreciation of fixed assets of around EUR 6,6 million.

The decrease in current assets by around 8,9% is mainly due to the reduction of trade receivables. In percentage terms, the share of current assets in total assets fell slightly to around 48,0% at the end of the first half of the year.

Compared to December 31, 2019, the Group's equity ratio decreased slightly compared to the previous year's figure as of June 30, 2020, to 35,5% (December 31, 2019: 37,1%), among other things due to the clearly negative total comprehensive income, despite the slight decrease in total assets by about 6,4% in the first half of the year. In absolute terms, shareholders' equity including minority interests decreased significantly by EUR 8,0 million to EUR 68,7 million (December 31, 2019: EUR 76,7 million) due to the negative total comprehensive income for the first half of the year. However, the Management Board assumes that the reduction of the equity ratio for the existing bank loans will not lead to the fact that agreements on the minimum equity ratio within the scope of so-called "financial covenants" cannot be met in the future.

Mainly due to the decrease in bank liabilities and finance lease liabilities in accordance with IFRS 16, the Group's debt capital fell slightly in absolute terms, but actually rose slightly as a percentage of the reduced balance sheet total.

The Group's net gearing ratio (current and non-current net bank liabilities/equity) changed only slightly from 61,7% at the end of 2019 to 62,1% at the end of the first half of the year.



## General statement on business performance and financial situation

For the MS Industrie-Group, the start in the 1st quarter of 2020 was a disappointment, but towards the end of the 1st half of the year, a slight upturn in demand can be observed, particularly in the geographical sub-segment Powertrain Europe. Due to Covid-19, the operating business of not one single subsidiary developed according to plan in the current fiscal year. However, the 2nd quarter of 2020, which was again positively characterized by slightly higher deliveries of ultrasonic systems and components, especially towards the end of the quarter, in conjunction with the stable order backlog, makes the Executive Board confident again for the rest of the year.

### 3. Information relevant to acquisitions and other reports

#### 3.a. Risk report in relation to the use of financial instruments (Section 315 para. 2 no. 1 of the German Commercial Code - HGB)

Various bank liabilities in the MS Industrie-Group continue to carry a variable interest rate. In this respect, the Group is exposed to an interest rate risk. This risk is partially neutralized by the use of interest rate swaps.

As of the interim balance sheet date, the Group had short-term bank loans of EUR 20,9 million, almost all of which bear variable interest rates based on an EURIBOR interest rate plus margin. The Group held long-term interest rate swaps in the amount of EUR 7,0 million as of the interim balance sheet date to cover the interest rate risk. These interest rate swaps did not qualify as hedges for IFRS-accounting purposes. The negative present values of these interest rate swaps amount to an aggregate EUR -0,2 million as of the interim balance sheet date.

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

#### 3.b. Report on the powers granted to the Executive Board of MS Industrie AG, especially in relation to the power to issue or buy back shares (Section 315a para. 1 no. 7 of the German Commercial Code - HGB)

Under a resolution of the shareholders' meeting as of June 29, 2016, the Executive Board is entitled for a period of five years from the registration of the relevant amendments to the Articles of Association in the Commercial Register on July 1, 2016, and subject to the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions by up to EUR 6.000.000,00 by issuing up to 6.000.000 new shares in return for cash or contributions in kind and, under certain circumstances, to exclude shareholders' subscription rights. The Authorised Capital 2016/I of MS Industrie AG at the time the interim financial statements were prepared thus totaled EUR 6.000.000 (December 31, 2019: EUR 6.000.000).

The Executive Board is further authorised by resolution of the shareholders' meeting as of June 28, 2017 to acquire, until June 27, 2022, treasury shares up to a portion of 10% of the Company's existing share capital of EUR 30.000.000 as at the time of the resolution. The buy-back of treasury shares is intended, among other things, to permit the use of all or a part of the shares thus acquired for share option schemes for members of the Executive Board, bodies and employees of the Company or its associated companies, for the acquisition of companies or holdings in companies or to smooth out peaks in subscription rights. Hence, at the time these interim financial statements were prepared the maximum number of shares that could be bought back was 3.000.000. As of the interim reporting date, MS Industrie AG held 169.457 treasury shares of which 140.889 had been acquired in previous years.

#### 4. Opportunities and Risk Report

The general comments on the topic of "Opportunities and Risks" in the consolidated management report as of December 31, 2019, are essentially valid; we refer to the detailed presentation in the Consolidated Annual Financial Report 2019, which is available on the Company's website at the following Internet address: <https://www.ms-industrie.de/investor-relations/finanzberichte/>.

For years now, the planned organic growth has regularly confronted our Group with typical new challenges such as recruiting qualified junior staff, change management, adapting (IT) structures, etc. On the basis of the experience gained in the past, we try to master these typical challenges in the development of a company. In view of the fact that - irrespective of the direct and indirect effects of the Covid-19 pandemic - the domestic economy in Europe is generally still relatively strong and is already picking up again slightly, we continue to conclude that we should focus even more strongly than before on cutting-edge technology, particularly in the (special) engineering sector. The generally advancing digitalization in the field of industrial automation, also known as Industry 4.0, should also open up new business opportunities for us.

#### 5. Forecast report

Since the publication of the Consolidated Annual Financial Report 2019 in April 2020, there has been ongoing uncertainty about the further global economic development against the background of the effects of the Covid-19 pandemic. It is currently not yet possible to predict the extent to which the latent global economic crisis, which is smouldering due to the effects of the Covid-19 pandemic, will continue to affect the German real economy in the future. The historically low (German) prime rate and low inflation rate as well as the still low oil price remain positive factors, but German industry has no direct influence on these.

However, despite the above-mentioned general economic risks, we assume that the business of the MS Industrie-Group will develop more positively again in the second half of 2020 in terms of the key figures of sales and earnings. In its current forecast for the 2nd half of 2020, the Executive Board therefore expects at least break-even results across all business segments.

For fiscal year 2020 as a whole, the Executive Board continues to expect a stable order situation, assuming the global economy remains generally stable, but still expects a significantly negative annual result for the Group.

The originally planned investment volume for 2020 (excluding backlog effects of around EUR 7,7 million from the previous year) is around EUR 4,3 million in total for the MS Industrie-Group, of which EUR 2,7 million is attributable to the "Powertrain" segment and EUR 1,6 million to the "Ultrasonic" segment. Of the total investment volume originally planned for 2020, around 90 % (EUR 3,9 million) was already invested in the first half of 2020.

In terms of volume, the greatest long-term growth is still expected in the "Powertrain" segment with systems and components for heavy diesel engines in Europe. In percentage terms, the "Ultrasonic" segment will see the strongest growth in the field of "series machines" and "systems and components for customer-specific applications".

Elektromotorenwerk Grünhain GmbH, Grünhain-Beierfeld, ("EMGR") is active in the subsegment "**Powertrain / Electric motors**" with its subsidiary "EMGR EAD, Bulgaria". It is an established manufacturer of customized electric motors in various designs and related products. EMGR is preparing to expand its market activities in the market segment of customer-specific electric motors for two and three-wheelers (cargo area / electric mobility). In consequent continuation of the developments of the previous years (new more efficient drive technology for industry and electric mobility) EMGR has increasingly developed into a system supplier in the last years. For this purpose, the product range has been extended by transmissions and control systems. The management of EMGR expects stable revenues for the full fiscal year, but

a clearly negative annual result. Since mid-June short-time working has been in place in some departments. Since the end of June, the sales department has again been able to make its first appointments with customers.

The order situation in the subsegment **"Ultrasonic / Special purpose machines"** remains subdued. Since capacity utilization here does not depend directly on the number of vehicles produced, but mainly on the introduction of new models by vehicle manufacturers, this area is fundamentally much more resistant to economic cycles than the "Powertrain" segment and has always been only partially susceptible to crises. This is favored by the OEMs' model policy (electric, hybrid), which will grow again from 2021 onwards, and by the constant efforts to achieve cost-optimized lightweight vehicle construction.

The packaging machinery industry as a key target group of the - in terms of sales and number of employees proportionally still smallest - subsegment **"Ultrasonic / Systems & Components"**. This subsegment continues to experience strong growth rates due to the increasing share of recyclable packaging in all areas of life worldwide. In addition, there is currently a special boom for protective masks in connection with Covid-19, and "technology centers" are currently being established in Germany, Italy, Poland and the Czech Republic.

This interim management report contains forward-looking statements and information - that is, statements about future, not past, events. These forward-looking statements can be identified by formulations such as "expect", "assume", "aim to achieve" or similar terms. Such forward-looking statements are based on our current expectations and certain assumptions. They therefore involve a number of risks and uncertainties. A large number of factors, many of which are outside the sphere of influence of MS Industrie AG, influence the business activities, success, business strategy and results of MS Industrie AG. These factors can lead to the fact that the actual results, successes and performances of MS Industrie AG can deviate substantially from the information on results, successes or performances expressly or implicitly contained in the future-oriented statements.

Munich, August 27, 2020

With kind regards

MS Industrie AG

The Executive Board

Dr Andreas Aufschneider  
(Chairman of the Executive Board)

Armin Distel



**MS INDUSTRIE AG**

Brienner Straße 7  
80333 Munich, Germany

Tel. +49 89 20 500 900  
Fax +49 89 20 500 999

[info@ms-industrie.ag](mailto:info@ms-industrie.ag)  
[www.ms-industrie.ag](http://www.ms-industrie.ag)