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 2021

MS Industrie AG

When all paths are blocked,
only the way up remains.

Franz Werfel

Content

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

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

In 2021, MS Industrie AG realised a total turnover of around **EUR 164.7 million.** Compared to the previous year's turnover (EUR 164.0 million), this represents only a slight increase, but adjusted for the turnover of Elektromotorenwerk Grünhain GmbH, which was deconsolidated at the end of 2020 (around EUR 19.0 million in the previous year), it represents organic growth of **+13%.** This resulted in particular from a revived business in the powertrain technology segment after the first Covid 19 pandemic wave, although massive supply chain problems impaired the second half of 2021.

The development of the various key earnings figures therefore unfortunately did not yet develop according to plan. The **consolidated annual result** after income taxes was **EUR -4.0 million** (previous year: EUR -7.5 million) with a slightly worsened equity ratio of **37%** (previous year: 40%) due to the increased balance sheet total.

We would like to highlight a few key milestones and developments for the readers of this annual report that we believe are important in assessing the 2021 financial year and the outlook for the future:

- The order situation in the powertrain segment **("MS Powertrain Technology Group",** also abbreviated to "MS PTG") developed very positively again, especially at the beginning of 2021. However, the supply chain problems that came to light on a massive scale in the third quarter of 2021 led to several shutdown days at our main customers, as a result of which a positive, but significantly lower than planned, operating segment result was generated.

- MS PTG management successfully completed a far-reaching internal **restructuring** at the end of 2020 and concentrated all activities at the **Trossingen** site. Following machine relocations, mechanical automation and a consolidation of space, it was possible to discontinue production at the former second location in Zittau and thus significantly reduce the business unit's break-even threshold.

- As a result of the accelerated campaigns to win **new business,** it was possible to acquire four new series orders from four different customers in 2021 – three of them new customers with further potential. These are the machining and assembly of high-precision system components for the truck/construction industry and the off-highway sector, a mechatronics cover, and an increase in the number of units of a housing for passenger car hybrid drives as a result of the conversion to MS PTG as the future sole supplier. The start-of-production ("SOP") dates fall in 2022 and we expect an additional series sales volume of around EUR 9 million per year after the start-up phase from 2023.

- Due to the SOP of the order for a new platform engine for heavy commercial vehicles of the **TRATON Group,** which will now take place in 2022, the organic growth of the MS PTG segment will thus be further strengthened and the dependence on individual major customers will be steadily reduced.

- In the ultrasonic technology segment **("MS Ultrasonic Technology Group",** also abbreviated to "MS UTG"), **custom machine construction** for our customers in the passenger car industry initially recovered in North America, but is still well below the level of 2019. The changeover of the product ranges at almost all car manufacturers as a result of the new electric and hybrid drive systems has not yet been completed. However, for a good six months now we have been experiencing a clear upturn in enquiries for new models and are currently recording an order backlog that is a good third above the level at the beginning of 2021. The difficulties in procuring components and purchased parts as well as the problems in worldwide transport logistics continue and unfortunately lead to further delays in deliveries.

- Sales of **ultrasonic series machines** based on Industry 4.0 of the **"MS sonxTOP"** brand developed very positively with a doubling of the business volume, although many trade fairs were still cancelled worldwide as a result of the Covid 19 pandemic and visits to customers and interested parties were limited. The situation should now improve strongly again and we expect important impulses from a wide variety of trade fairs in Europe and North America, including the "K-Messe" in Düsseldorf in October 2022.

- The boom in **systems and components** for welding masks and protective suits encouraged us to strategically expand. At the beginning of 2022, a new competence centre with an area of around 1,800 square metres was opened at **Ettlingen** in the Karlsruhe district, where a dedicated team is developing customer-specific solutions for the continuous joining, embossing and perforating of **nonwovens** and the sealing of packaging. The MS UTG product range is thus technologically expanded and is intended to open up interesting sectors beyond the automotive industry.

- In November 2021, we succeeded in selling the remaining stake in **Beno Immobilien Group** in order to be able to use the funds generated from this for the growth of the two industrial segments MS PTG and MS UTG.

The Group's **order backlog** was around EUR 86 million at the beginning of 2021 and recovered significantly in the first quarter of 2022 to around **EUR 124 million,** an increase of around **+44%.** Despite the still fragile international economy as a result of the **Covid 19 pandemic** and the massive upheavals from the escalated **Russia/Ukraine conflict,** we expect an overall **positive development** for the business segments of the MS Industrie Group.

In the first half of 2021, the price of the **MS Industrie share** had risen from EUR 1.54/share to EUR 2.30/share in the first half of 2021. However, by the end of the year it had fallen to EUR 1.43/share with revised sales guidance and a disappointing Q3 result. Currently, the price level is somewhat more stable again at an **average of EUR 1.60/share** and should be able to recover significantly in the course of the 2022 financial year due to the positive business outlook.

In our opinion, the MS Industrie Group is fundamentally very well positioned after overcoming the Covid 19 pandemic and expects **steady organic growth** in both segments in the coming years. We are currently observing the war in Ukraine and the closure of Chinese ports due to the local zero covid strategy with great concern and fear ongoing problems with regard to **supply chains** and the **price development** of all materials and energy sources in the coming months. We will react as flexibly as possible to these changes and enforce all appropriate measures with the necessary consistency.

We would like to extend our special thanks to all employees of MS Industrie AG who, with a great deal of strength, perseverance and team spirit, have jointly mastered the challenges of the year 2021.

Yours sincerely,

Dr. Andreas Aufschnaiter   Armin Distel

Munich, 25 April 2022

A sense for craftsmanship since 1960

PRODUCTION LOCATIONS

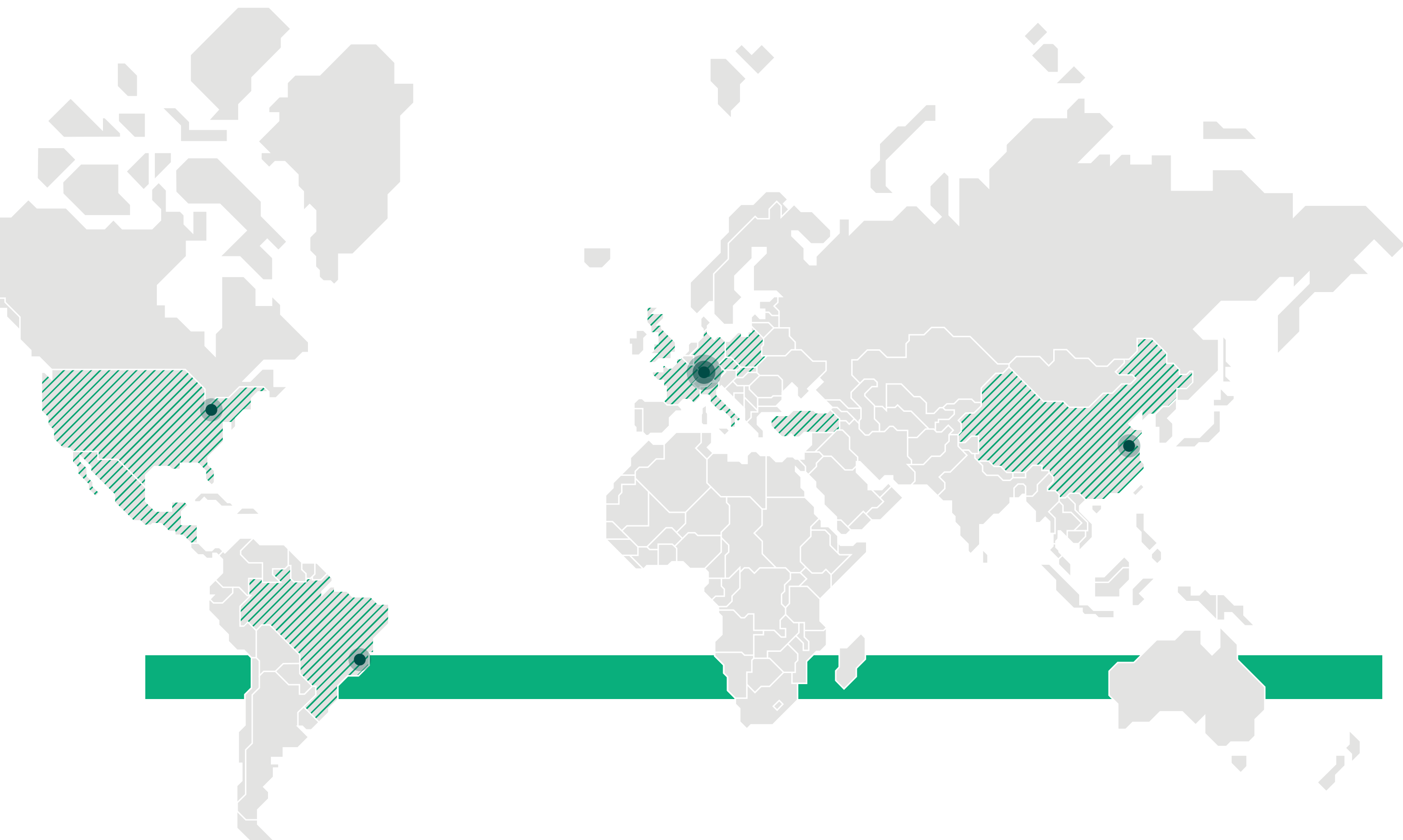
Reputed customers around the world rely on us for our innovativeness, reliability and the premium quality of our products. We maintain production locations around the globe:

Production locations in **Germany:**
- MS Ultraschall Technologie GmbH
  in Spaichingen, Baden-Württemberg: 18,000 m²
  in Ettlingen, Baden-Württemberg: 1,800 m²
- MS Powertrain Technologie GmbH
  in Trossingen-Schura, Baden-Württemberg: 16,000 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



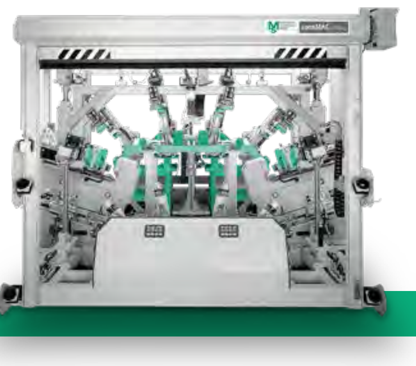
PRODUCT AREA ULTRASONIC TECHNOLOGY

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.

Annual consolidated financial statements 2021

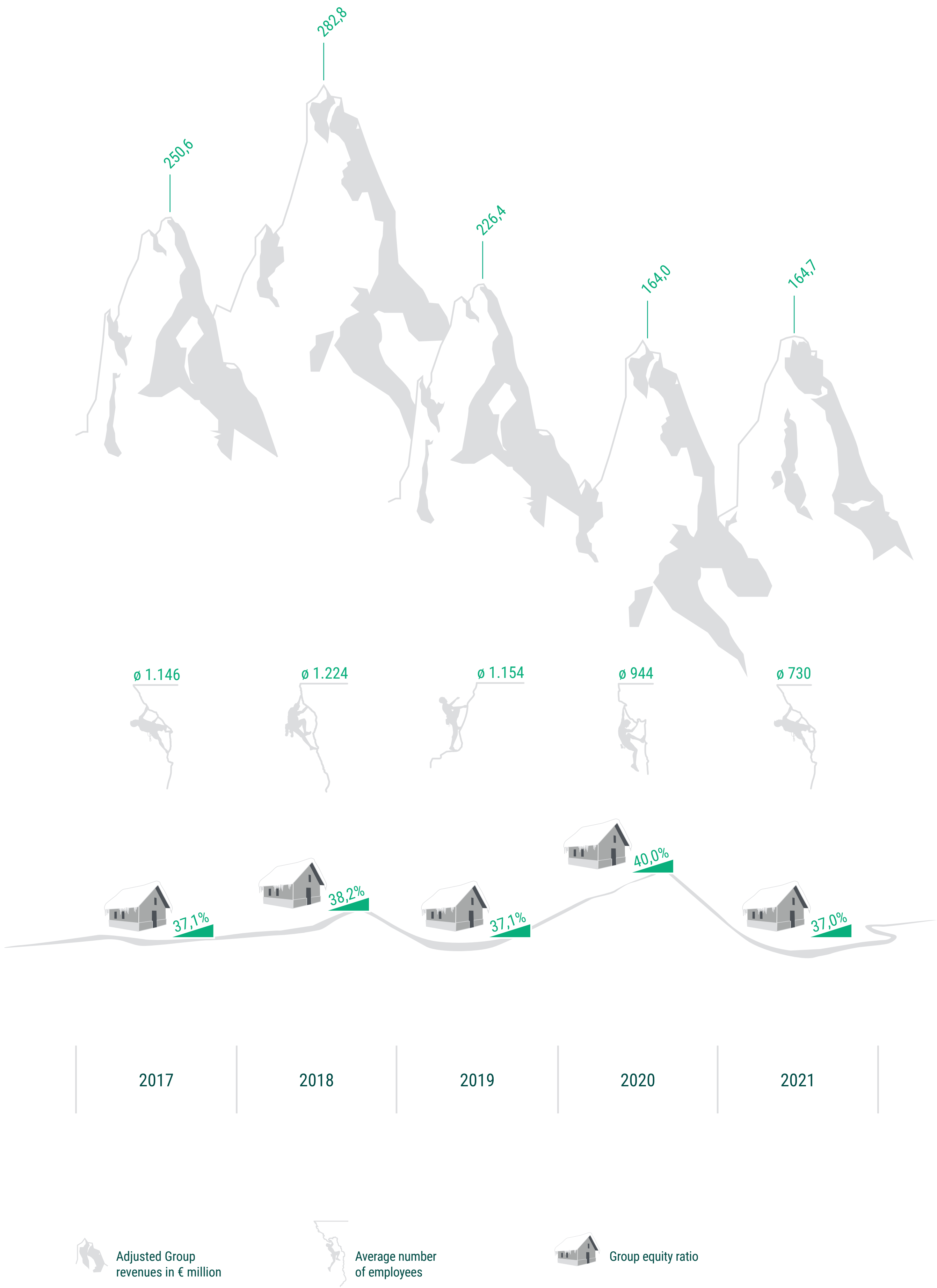
MS INDUSTRIE GRUPPE, ACCRODING TO IFRS, AUDITED, IN TEUR

Balance sheet key figures	31.12.2020	31.12.2021
Total assets	171.512	183.867
Equity and non-controlling interests	68.562	68.021
Equity ratio (%)	40,0%	37,0%
Trade receivables	23.013	23.454
Liquid funds (Cash and cash equivalents ./. Current accounts)	-170	-18.758
Net working capital (Inventories + Trade receivab. ./. Trade payables)	49.841	55.522

Cashflow key figures	2020	2021
Net cash generated from operating activities	18.231	-3.219
Net cash used in investing activities	-613	1.433
Net cash used in financing activities	-16.491	-16.802

Income statement key figures	2020	2021
Revenues	164.037	164.666
Gross profit	89.208	88.087
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	4.246	9.117
Operating Profit (EBIT)	-9.179	-4.431
Profit before income tax (EBT)	-10.543	-6.290
Profit for the year after non-controlling interests (EAT)	-7.467	-3.995
Consolidated earnings per share in EUR	-0,25	-0,13

Income statement key figures (adjusted for Non-recurring items)	2020	2021
Revenues	164.037	164.666
Gross profit	88.683	88.087
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	3.721	9.117
Operating Profit (EBIT)	-9.704	-4.431
Profit before income tax (EBT)	-11.068	-5.637
Profit for the year after non-controlling interests (EAT)	-7.992	-2.506
Consolidated earnings per share in EUR	-0,27	-0,08


250,6
282,8
226,4
164,0
164,7
ø 1.146
ø 1.224
ø 1.154
ø 944
ø 730
37,1%
38,2%
37,1%
40,0%
37,0%
2017
2018
2019
2020
2021
Adjusted Group revenues in € million
Average number of employees
Group equity ratio

MS Industrie AG, Munich
Consolidated income statement for the financial year 2021

	2021 TEUR		2020 TEUR
Revenues			
a) Revenues from industrial and real estate business	164.544		163.891
b) Revenues from consulting and commissions	122		146
		164.666	164.037
Changes in inventory of work in process and finished goods		859	-2.089
Other income		5.455	6.345
		170.980	168.293
Cost of materials			
a) Costs of raw materials and consumables used and of goods purchased	77.751		72.462
b) Costs of services	5.142		6.623
		82.893	79.085
Personnel expense		50.899	58.004
Depreciation and amortisation expense			
a) Depreciation of property, plant and equipment and amortisation of intangible assets	12.845		13.342
b) Impairment losses	703		83
		13.548	13.425
Impairment Loss (-) / Income (+) IFRS 9		-151	-238
Other expense		27.920	26.720
		175.411	177.472
Operating Profit		-4.431	-9.179
Finance income		794	1.062
Finance costs		2.910	2.546
Share of profit of investments accounted for using the equity method		257	120
Profit before income tax		-6.290	-10.543
Income tax expense		-2.295	-3.047
Profit for the year		-3.995	-7.496
profit attributable to owners of the parent		-3.995	-7.467
profit attributable to non-controlling interests		0	-29
		-3.995	-7.496
Consolidated earnings per share, in EUR			
basic, after non-controlling interests		-0,13	-0,25
diluted, after non-controlling interests		-0,13	-0,25
Number of shares, average weighting			
basic		29.890.961	29.847.260
diluted		29.890.961	29.847.260

MS Industrie AG, Munich, Consolidated statement of comprehensive income for the financial year 2021

	2021 TEUR	2020 TEUR
Profit for the year	-3.995	-7.496
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	636	-538
	636	-538
Items that will not be reclassified to profit or loss		
Fair value measurement of investment properties (IAS 40)	3.472	0
Change in value of financial assets (IFRS 9)	83	-270
Remeasurements of post employment benefit obligations	-49	-44
Actuarial gains/losses	132	-64
Income taxes recorded in other comprehensive income	-936	30
	2.702	-348
Other comprehensive income for the year, net of tax	3.338	-886
Total comprehensive income for the year	-657	-8.382
attributable to owners of the parent	-657	-8.353
attributable to non-controlling interests	0	-29
	-657	-8.382

MS Industrie AG, Munich

Consolidated balance sheet as at Dec. 31, 2021

	31.12.2021 TEUR	31.12.2020 TEUR
ASSETS		
Intangible assets	2.163	2.300
Property, plant and equipment	25.566	31.308
Investment property	20.847	7.690
Right of use-assets according to IFRS 16	33.180	33.816
Investments	1.851	1.768
Investments in associates	905	3.924
Deferred income tax assets	5.522	3.051
Other non-current financial assets	11.270	9.655
Other non-current assets	301	344
Non-current assets	**101.605**	**93.856**
Inventories	35.157	30.702
Trade receivables	23.454	23.013
Assets held for disposal	153	0
Cash and cash equivalents	6.482	4.460
Income tax assets	195	1.164
Contract assets	8.896	7.766
Other current financial assets	6.090	8.696
Other current assets	1.835	1.855
Current assets	**82.262**	**77.656**
TOTAL ASSETS	**183.867**	**171.512**
EQUITY AND LIABILITIES		
Ordinary Shares (30.00 million shares less 180,510 treasury shares)	29.904	29.837
Share premium	7.596	7.604
Statutory reserve	439	439
Retained earnings	3.958	3.901
Other reserves	3.076	-262
Consolidated profit	23.048	27.043
Equity and non-controlling interests	**68.021**	**68.562**
Non-current Borrowings	20.677	14.607
Provisions for pensions and similar obligations	1.426	1.727
Deferred income tax liabilities	273	0
Other non-current financial liabilities	23.349	24.934
Non-current income tax liabilities	5.973	0
Other non-current liabilities	1.993	1.787
Non-current provisions and liabilities	**53.691**	**43.055**
Current Borrowings	30.853	26.240
Trade payables	11.849	11.640
Current accruals	951	1.665
Contract liabilities	136	0
Other current financial liabilities	7.839	8.078
Other current liabilities	10.527	12.272
Current provisions and liabilities	**62.155**	**59.895**
TOTAL EQUITY AND LIABILITIES	**183.867**	**171.512**

MS Industrie AG, Munich

Consolidated cash flow statement 2021

	2021 TEUR	2020 TEUR
Profit for the year	-3.995	-7.496
Income tax expense (recognised through profit and loss)	-2.295	-3.047
Finance income (recognised through profit and loss)	-794	-1.062
Finance costs (recognised through profit and loss)	2.910	2.546
Depreciation of property, plant and equipment and amortisation of intangible assets	12.845	13.342
Material non-cash other expenses (+) or income (-):		
- Impairment losses	703	83
Depreciation of investment property	0	325
- Gains/losses on revaluation of investment property	75	-775
Losses/gains (-) on investments accounted for using the equity method	-257	-120
Losses/gains (-) on disposal of property, plant and equipment and intangible assets	354	42
Losses/gains (-) on disposal of investments and associates	-118	0
Losses/gains (-) on disposal of investments held for sale	0	-3
Losses/gains (-) on deconsolidation	0	-525
Decrease/increase (-) in inventories, trade receivables and other assets not assigned to investing or financing activities	-11.843	12.970
Increase/decrease (-) in trade payables and other liabilities not assigned to investing or financing activities	-246	3.776
Interest received	151	236
Interest paid	-1.686	-1.789
Income tax received	1.135	118
Income tax paid	-158	-390
Net cash generated from operating activities	**-3.219**	**18.231**
Proceeds from sale of property, plant and equipment and intangible assets	379	275
Purchases of property, plant and equipment and intangible assets	-10.192	-7.569
Purchases of investment property		0
Proceeds from disposal of fully consolidated subsidaries less cash and cash equivalents transferred under the sale	6.164	6.897
Payments received from disposals of investments	3.401	0
Proceeds from disposals of investments held for sale	0	3
Purchase of investments	-106	0
Proceeds received from cashback of borrowings	1.753	92
Payments made for the granting of borrowings	-70	-325
Proceeds received from investments	104	14
Net cash used in investing activities	**1.433**	**-613**
Cash in from US-Paycheck Protection Program	0	620
Repayments of debt-equivalent bonds	0	-1.300
Proceeds from borrowings	11.682	1.700
Repayments of borrowings	-21.609	-9.909
Proceeds from finance lease transactions	1.197	1.433
Payments made for finance lease transactions	-8.072	-8.974
Purchase of treasury shares	0	-61
Net cash used in financing activities	**-16.802**	**-16.491**
Net decrease in liquid funds	**-18.588**	**1.127**
Exchange gains/losses on liquid funds	**0**	**0**
Liquid funds at beginning of period	-170	-1.297
Liquid funds at end of period	**-18.758**	**-170**

MS Industrie AG, Munich

EXTRACTS from the Group's management report for the financial year 2021

Table of contents

1. Economic report

1.a. Macroeconomic and sectoral framework conditions

According to the preliminary evaluation of the " Federal Statistical Office, Wiesbaden" ("Destatis") of January 2022, the German economy recovered in the full year 2021 with a price- and calendar-adjusted increase of the gross domestic product ("GDP") of +2.8% (compared to the previous year's decline in 2020 of -4.9%), despite the ongoing pandemic situation and increasing supply and material bottlenecks after the strong slump in the previous year, although the economic performance has not yet reached the pre-crisis level again. Compared to 2019, the last year before the start of the Covid 19 pandemic, GDP in 2021 was still 2.2 % lower.

Despite the increases in 2021 as a whole, economic output has not yet returned to the pre-crisis level in most economic sectors, according to preliminary data from the "Federal Statistical Office, Wiesbaden". For example, economic output in the manufacturing sector in 2021 was still -6.0 % below the level of 2019. The "other services", which include the creative industries in addition to sports, culture and entertainment, were particularly affected by the ongoing Covid 19-pandemic. Here, price-adjusted gross value added in 2021 was even -9.9 % below the pre-crisis level. In the "public service providers, education, health" sector, the decline in economic output from the crisis year 2020 was almost compensated for in 2021. However, the construction industry and the "information and communication" sector were able to hold their own in the Covid 19-pandemic and even noticeably increase their economic output compared to 2019 (before the pandemic).

Price-adjusted private consumer spending stabilised in 2021 at the low level of the previous year and is thus still far from the pre-crisis level before the pandemic. Government consumption expenditure was again a pillar of growth in the German economy in 2021. Despite the already high level of the previous year, it rose by a further +3.4% in price-adjusted terms in the second year of the Covid 19-pandemic. The state mainly spent more money to procure the free rapid antigen tests and Covid 19 vaccines, which were introduced nationwide in spring 2021, and to operate testing and vaccination centres. Construction spending grew by only +0.5% in 2021 due to labour and materials shortages, after five consecutive years of stronger growth. In "equipment" - which is mainly investment in machinery and equipment as well as vehicles - price-adjusted investment increased by +3.2 % in 2021, albeit after a sharp decline in the crisis year 2020.

Foreign trade recovered in 2021 from the sharp declines in the previous year. Germany exported +9.4% more goods and services abroad in price-adjusted terms than in 2020, while imports increased by +8.6% in price-adjusted terms. Germany's foreign trade in 2021 was thus only slightly below the level of 2019.[1]

Gross domestic product ("GDP") fell by -0.3% in Q4 2021 compared to Q3 2021 - adjusted for price, seasonal and calendar effects. After economic output had grown again in the summer despite increasing supply and material bottlenecks, the recovery of the German economy was halted by the fourth Covid 19 wave and renewed tightening of Covid 19 protection measures at the end of the year. Private consumption in particular declined in Q4 2021 compared to the previous quarter, while government consumption expenditure increased. Construction spending declined compared to Q3 2021. Year-on-year, "GDP" in Q4 2021 was +1.8% higher than in Q4 2020, adjusted for price and calendar effects. Compared to Q4 2019, the quarter before the start of the Covid 19 pandemic, "GDP" in Q4 2021 was still -1.1% lower (adjusted for price, seasonal and calendar effects).[2]

Material shortages have slowed down German industry in 2021. The Federal Statistical Office has examined the development of incoming orders, production and prices in industry against the backdrop of material shortages and published an analysis. The analysis illustrates the situation in 2021 and compares it with past economic cycles. While

[1] Source: Federal Statistical Office (Destatis), press releases 020, 14 January 2022 and 039, 28 January 2022.

[2] Source: Federal Statistical Office (Destatis), press release 074, of 25 February 2022.

production has declined again since the beginning of 2021, new orders continued to rise until mid-2021. As a result, the stock of orders that could not be processed reached a record level. The reach of manufacturing order books was 7.4 months in September 2021. In February 2020, the range of order backlogs had been 5.9 months. A major cause of the subdued development of industrial production in 2021 was the shortage of input factors, i.e. raw materials and intermediate products. These were not sufficiently available for production, partly due to scarce transport capacities, or have become much more expensive. The synchronous economic upswing in many regions of the world that began in 2021 generated strong demand that could not be fully met against the backdrop of supply chains that were still severely impaired by the pandemic. In addition, a container ship ran aground in the Suez Canal in March 2021, blocking the key maritime route to Asia for six days. The Covid 19-pandemic has led to very rapid shifts in global value chains. The sudden strong demand for certain intermediate products, such as so-called microchips, could not be met immediately even with sharply rising prices. Material shortages are a recurring phenomenon in industry. However, it has seldom been as pronounced as in the current situation, which was mainly influenced by the Covid 19 pandemic. Against the background of strong demand, many companies worldwide wanted to expand their production capacities. For this they needed machine parts (among other things so-called components) and also new machines and equipment. In the industrial sector of mechanical engineering, German companies therefore recorded an exceptionally high demand for their products, especially from abroad. Producer prices for intermediate goods were +18.1% higher in October 2021 than a year earlier. Metals had the highest impact on the rate of change for intermediate goods compared to the previous year, with an increase of +37.8 %. Here, the prices for pig iron, steel and ferroalloys rose by +56.4%. Non-ferrous metals and their semi-finished products cost +29.8% more overall, and unwrought aluminium was +67.4% more expensive. Compared to September 2021 alone, aluminium prices rose by +13.1%. But strong price increases were also observed for many other intermediate goods. The industrial companies partly tried to pass on the price increases for intermediate products to the buyers of their end products. For the current situation, however, surveys show that this was only possible to a very limited extent. According to an evaluation by the "ifo Institute", in June 2021 only 8 % of the companies surveyed in Germany stated that they were able to pass on the price increases in full to their customers. Accordingly, just under 40 % passed on at least half of the price increases. One third of the companies reported that they saw no scope for price increases.[3]

In the USA and Canada - with a total share of around 15.5 % (previous year: 12.7 %) of Group sales in 2021 still the most important sales market of MS Industrie AG outside the EU - economic development in 2021 was again significantly above the level of Germany[4] with real "GDP" growth of around +5.7 %, 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 2021.

In this global economic environment, the exchange rate of the US dollar to the euro fluctuated between values of 1.13 US dollars and 1.23 US dollars in the course of 2021. At the end of the year, the euro exchange rate was significantly lower at 1.13 US dollars than at the beginning of the year at 1.23 US dollars.

Demand activity in the Powertrain Technology segment developed positively overall in Europe during 2021 with +21.2%, including +10.4% in Germany. However, far from reaching its pre-crisis level, it remains at -12.0% below the 2019 level before the Covid 19 pandemic.[5]

[3] Source: Federal Statistical Office (Destatis), WISTA 1/2022, pp. 71-81, dated 15 February 2022.

[4] Source: "BEA" (Bureau of Economic Analyses), as of 27 Jan. 2022.

[5] Source: "ACEA", Commercial vehicle registrations, 26 January 2022.

The international markets for heavy commercial vehicles (> 6 tonnes) largely recovered in 2021 compared to the previous year 2020. However, supply chain problems and the associated shortage of materials had a dampening effect on momentum. As a result, many markets were unable to fully exploit the recovery potential.

In Europe (EU, European Free Trade Association EFTA and the United Kingdom), sales of heavy-duty vehicles increased by +17% year-on-year to around 320,000 trucks in 2021. After a significant decline in new truck registrations in 2020, the Western Europe sub-region (EU14, UK and EFTA) also saw growth in 2021: The Western European markets for heavy commercial vehicles increased by around +10 % compared to 2020. This corresponds to a sales volume of around 250,700 units. Of the five largest sales markets for heavy commercial vehicles in Europe, Italy (+27%), Spain (+10%) and the United Kingdom (+10%) achieved double-digit positive growth rates. France and Germany each sold +6 % more heavy trucks compared to 2020. Despite the positive growth rates, the European "top five" were unable to reach their Corona pre-crisis levels last year - the only exception being Italy, which increased its heavy truck sales by +13 % in 2021 compared to 2019.

The US market for heavy commercial vehicles also returned to positive growth in 2021: 461,600 new units were registered (+13 %), after the market had declined by -22 % in 2020. However, the level of 2019, which was the strongest year in terms of volume since 2006 with around 527,100 trucks sold, was still undercut by a good -12 % in 2021 despite the double-digit growth compared to 2020. In 2021 as a whole, the heavy-duty segment (class 8 / > 15 tonnes) developed somewhat more strongly than the medium-duty segment (weight classes 4-7 / 6.3 to 15 tonnes).

Last year, an expected correction set in on the Chinese commercial vehicle market. In 2021 as a whole, the Chinese market shrank by -14 % to 1,542,50 units. This was a countermovement in 2021, after a government fleet renewal programme and the new China VI emissions standard introduced nationwide in mid-2020 had contributed to strong positive growth in 2020. At the time, the market grew by +37% compared to 2019. Despite the decline last year, China remains by far the largest truck market in the world with over 1.5 million trucks sold.

The Indian heavy commercial vehicle market achieved the strongest growth among the major commercial vehicle markets in 2021, increasing by +81% to 228,100 units, after recording the sharpest decline in 2020. Despite the strong growth, India was not able to reach its pre-crisis level in 2021; the 2019 level was still undercut by -12 % last year.

The Brazilian market for heavy commercial vehicles also recorded significant growth in 2021. Compared to the previous year, the market grew by +44 %. With 122,100 units sold in 2021, Brazil also significantly exceeded the 2019 level (+27 %). As in the United States, the heavy-duty segment (≥ 15 tonnes) grew more strongly in Brazil than the medium-duty segment (6 to < 15 tonnes).

The "Verband deutscher Automobilindustrie" ("VDA") assumes that the respective developments in the major commercial vehicle markets will continue in 2022. For the German heavy commercial vehicle market, the "VDA" expects a plus of +8 % for 2022 and thus a slightly stronger growth than in 2021. For Europe (EU, European Free Trade Association EFTA and United Kingdom), the "VDA" expects a growth of a similar magnitude for 2022 (also +8 %).[6] The forecasts were made before the "Ukraine crisis".

German machinery and plant manufacturers made an extraordinarily strong recovery last year. While the first Covid 19 year 2020 was still characterised by significant declines in orders, the order books were filled again strongly in 2021. Overall, German mechanical engineering companies recorded real order growth of +32% compared to the previous year, with domestic orders increasing by +18% and foreign orders by +39%. Adjusted for prices, incoming orders even exceeded the high level of the cyclically good year 2018 by +7 %. As a result, companies started the current year with

[6] Source: "VDA", International commercial vehicle markets 2021 with slight recovery, 18 February 2022.

an above-average order backlog of 10.9 months. This provides security, even if the existing supply bottlenecks will continue for quite some time and make it difficult to process the orders.[7]

1.b. Business performance

While the previous year 2020 was predominantly characterised by the direct economic effects of the Covid 19-pandemic for the MS Industry-Group, especially from the 2nd quarter of 2020 onwards, the 2021 financial year was predominantly characterised by the indirect effects of the Covid 1- pandemic, in addition to the first signs of economic recovery.

In the 2020 financial year, production for the Daimler global engine in Germany was concentrated at the Trossingen plant as planned in the Powertrain segment as part of an internal restructuring and the number of employees at the Zittau plant was successively reduced to zero. The measures at the Trossingen-Schura site - as a result of the relocation of several machines (mainly milling) from the Zittau site, among others - essentially comprised a densification of space to increase the utilisation of the production hall, a significant reduction in personnel costs through clearer interfaces, new operator concepts, streamlined hierarchies and further automation, including through new "round clock" technology from May 2020. In addition, a new logistics concept was developed to reduce external storage costs. In April 2019, the company succeeded in winning the contract for the series production of valve train components for a new engine platform for heavy trucks of the "Traton" Group. 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 elimination of the direct Covid 19 effect, which in the previous year had contributed significantly to the total number of employees in the "MS Powertrain Technology" segment falling from around 425 employees (excluding temporary workers and apprentices) at the end of 2019 to around 350 employees at the end of December 2020, the total number of employees in the "MS Powertrain Technology" segment has fallen further to around 333 employees at the end of December 2021. As a result, the break-even level of the division with full-year effect from January 2022 is now significantly below the previous level and should contribute to significantly improved competitiveness in the coming years. The measures outlined above covered the period July 2019 to December 2021 in total.

The "**Ultrasonic**" segment must be viewed in a very differentiated manner and is divided into the areas of special machines and the three technology areas of series machines, systems and components (primarily for the packaging industry) and the newly established "Nonwovens" business area (nonwovens for hygiene articles, medical products, technical applications, etc.).

The **(ultrasonic) special machines** segment - which still accounts for the largest and most important share within the segment - has again had a predominantly poor business year. Since the beginning of 2019, the division has been struggling with a sharp decline in enquiries from the entire passenger car industry. One of the main causes is the conversion 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 is increasingly being discontinued, face-lifts are being stopped or postponed, for new models only basic versions are coming, but no derivatives yet. The automotive industry, which still accounts for more than 20 % of German mechanical engineering production, is in the midst of a massive structural change that is leaving its mark not only on the order books of German mechanical engineering. This is because the 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

[7] Source: "VDMA", press release: Strong annual accounts, 3 February 2022.

in incoming orders, mainly due to supply chain problems and delivery bottlenecks (e.g. in the area of semiconductors and microchips).

This structural change, which has already led to a reduction in enquiry volume of around 40 % since the beginning of 2019, is still in full swing. However, the Executive Board expects that the market has bottomed out and will gradually recover. It should be emphasised that the demand for (ultrasonic) special machines is independent of the type of drive and the number of units produced and is only dependent on the variety of new models.

It should also be mentioned that - due to the restrictions as a result of the Covid 19-pandemic - both sales (no trade fairs, no trips or visits) and, above all, worldwide service had to accept considerable losses or additional expenses due to radical travel restrictions.

The revenue gap of around EUR 20 million compared to the internal plan was countered in the 2021 business year with short-time work, among other measures. Due to a renewed increase in incoming orders, short-time work is currently suspended and will probably no longer be needed in 2022. At the same time, the range of (ultrasonic) special machines was expanded to include additional automation solutions in order to increase market potential.

The price level in Europe is tight, whereas in the USA it is rather normal. The contracting potential in Europe was rather low, but with an increasing tendency, whereas in the USA it was rather at a normal level. Operational management is result-oriented. The market expectation for 2022 is more positive again and the focus is increasingly on the American market; from 2022, the Executive Board expects stabilisation at the high level of 2018.

The other three **ultrasonic technology divisions are** developing positively across the board, although sales activities with visit and travel restrictions as well as missing trade fairs have improved in the current 2021 financial year, but have not yet returned to the old normal. These disadvantages are being counteracted specifically and successfully through various online initiatives. It is very positive that these products are experiencing high growth rates, especially in sectors outside the automotive industry (medicine, white goods, toys, consumer goods, etc.), thus reducing the dependence on the automotive industry.

The **(ultrasonic) series machine manufacturing** sector continues to struggle with significant restrictions in sales activities due to Covid-19. Trade fairs have been cancelled or postponed; the in-house customer event "sonxDAYS" had to be cancelled. Alternatively, some online initiatives were set up to expand the customer interface. Unfortunately, it was therefore once again not possible to achieve the sales target for 2021 of around EUR 5 million; nevertheless, a doubling of sales was achieved. There is still a high level of demand, but with long evaluation times. Efforts are being made to further expand the existing technical lead with new concepts. In sales, a number of new digital formats and communication channels were introduced to a very positive response. Marketing offensives are pointedly placed. Through the sum of all measures, the goals for 2022 seem realistically attainable again. Due to the technological market leadership with many unique selling points in this product area, we expect the strong growth to continue, accompanied by the expansion of sales activities and laboratory capacities.

In the product area **(ultrasonic) systems and components, there** was a temporary boom in the previous year 2020 due to the pandemic (systems and components for welding mouth/nose masks and protective suits with a turnover of over EUR 5 million). In addition, there were initial orders for new developments regarding systems and components for welding recyclable products (based on the new EU packaging legislation). As a result, an increase in personnel and further growth in this area from 2022 onwards are still in the planning stage. It can be stated that the trend in the packaging market for ultrasonic applications continues to be positive. In addition to ongoing sales activities, marketing measures for existing and new customers have been intensified and potential new customers evaluated in all product areas. Furthermore, the expansion of system partnerships is being strived for.

In addition, the Executive Board decided to expand the ultrasonic technology division to include the **"Nonwovens"** business segment. For 2021, this meant massive upfront costs for personnel (application technology, sales, service), development (construction and development of a laboratory calender with a capacity of up to 800 metres per minute including ultrasonic welding units and control), for production (complex roll production) as well as in adequate equipment (equipping a rented competence centre in Ettlingen/Karlsruhe with high-quality workstations and laboratories). The new products were already presented at the INDEX trade fair in Geneva in October 2021. The first sales are expected for the 2022 business year. The Executive Board is convinced that these products offer considerable future opportunities for the ultrasound sector.

In the two main segments **"Powertrain-Technology"**, also abbreviated to **"Powertrain"**, and **"Ultrasonic-Technology",** also abbreviated to **"Ultrasonic", the** development of sales was again very different. External sales in the "**Powertrain**" segment were around +19.2 %, significantly higher than the previous year's sales adjusted for the previous year's sales of the Elektromotorenwerk Grünhain-Group. External sales of the "**Ultrasonic**" segment, on the other hand, are only slightly above the previous year's sales at around +2.5 %. In the 2021 financial year, the sales of the "Powertrain" segment again contributed a share of around 70 % (previous year: 70 %) and the sales of the "Ultrasonic" segment a share of around 30 % (previous year: 30 %) to consolidated group sales.

Order backlogs at the end of December 2021 totalled around EUR 118 million (previous year EUR 92 million) in the Ultrasonic segment, around +16 % above the average order backlogs for the financial year, and around +9 % above the average order backlogs for the financial year in the Powertrain segment, in total around +11 % above the average order backlogs for the financial year and around +37 % above the average order backlogs for the previous year, adjusted for the previous year's order backlogs of the Elektromotorenwerk Grünhain-Group.

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

In the 2021 financial year, the operating earnings situation unfortunately once again did not develop satisfactorily with regard to the key earnings figures, in particular earnings before interest, taxes, depreciation and amortisation - **EBITDA -,** operating earnings before interest and taxes - **EBIT** -, earnings before taxes - **EBT -, earnings** after taxes - **EAT** - and **earnings per share - "EpS" ("Earnings per Share"),** unadjusted and adjusted for one-off effects. In the entire 2021 business year, production in both the truck and passenger car segments was significantly lower than expected at the beginning of the year, partly due to the Covid 19 pandemic.

The Group's turnover also did not develop satisfactorily in the 2021 financial year. Total consolidated revenue in the 2021 financial year amounted to around EUR 164.7 million (previous year EUR 164.0 million), which is significantly lower than the revenue of around EUR 180 million forecast in spring 2021, but slightly higher than the previous year's revenue. In addition, the adjusted earnings figures EBITDA (+145.0%), EBIT (+54.3%), EBT (+49.1%), earnings per share (+68.8%) and EBIT margin (+3 percentage points) developed significantly more positively than in the previous year, as forecasted, but not nearly as positively as originally expected in the spring. The gross profit margin (53.5%), on the other hand, fell by -0.9 percentage points, contrary to the forecast. In addition to the reasons mentioned above, this is mainly due to supply bottlenecks, such as the microchip shortage, high fluctuations in capacity utilisation and future-oriented development investments in the "Ultrasonic" segment as well as organisational restructuring in the "Powertrain" segment.

And this after - in contrast to the announcements on the part of the major customer "Daimler Trucks" at the beginning of summer 2021 - the call-off figures from Daimler Trucks were cut in the third quarter of 2021 and "Daimler Trucks" had to take several shutdown days in engine production in August and September 2021 due to missing parts (especially missing microchips). The bottlenecks in the global supply chains have thus already and will possibly have a further impact on the revenue development of the "Powertrain" segment. Personnel capacities held in reserve by the Group have been reduced again in the meantime. In the Ultrasonic segment, too, the situation regarding the procurement of bought-in parts and components is becoming increasingly difficult, with prices rising at the same time. Although our own value creation has not yet been significantly affected, there could be delays in the acceptance and delivery of machines in the coming months due to faulty parts. The "Ultrasonic" management is therefore working at full speed on measures to remedy this situation.

At the two German MS sites in Trossingen and Spaichingen, the equipment on machines has continued to increase significantly over the course of 2021. However, these positive developments in the medium term are not yet reflected in the key figures of the past business year through corresponding volume growth.

Cash flow from operating activities in the 2021 financial year was - as forecasted - significantly below the level of the previous year due to working capital effects, while cash flow from financing activities was below forecast. Cash and cash equivalents in the Group increased in the reporting period from EUR 4.5 million at the beginning of the financial year to EUR 6.5 million as at 31 December 2021. The increase of EUR 2.0 million in the 2021 financial year is primarily due to the positive cash flow from investing activities.

In balance sheet terms, the change in group equity (-0.8 %) is significantly below the forecasts, in line with the development of results. The net gearing ratio (previous year: 53.1 %) has unexpectedly increased significantly to 66.2 %.

With regard to the development of the non-financial performance indicators, it has been forecasted in the previous year's report that the MS Industrie-Group would do everything in its power to continue to meet all relevant environmental standards and would continue, as it has done successfully in the past, to try to keep staff turnover as low as possible through staff retention concepts. Due to the originally planned moderate development of turnover, a further increase in personnel, especially in the area of specialists and managers, was not planned in 2021, but the continued employment of a corresponding number of temporary workers. Due to the only very slight increase in volume, which was not originally foreseen in the annual planning for 2021, a slight reduction in staff, which was originally only partially planned, was implemented instead in the 2021 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 these measures were implemented as planned, and research and development expenses in the Group fell slightly from EUR 5.5 million to EUR 5.0 million in the financial year, thus remaining 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

Below, the key figures of the earnings situation of our Group compared to the previous year are presented and explained. Firstly, the key figures unadjusted for special influences from the deferrals 2021 from the 2013-2016 tax audit and from the partial sale of Elektromotorenwerk Grünhain GmbH in the previous year.

Unadjusted for non recurring items:	1.1. until 31.12.2021		1.1. until 31.12.2020		Changes	
	TEUR	%	TEUR	%	TEUR	%
Revenues	**164.666**	**100,0**	**164.037**	**100,0**	**629**	**0,4**
Other income	5.455	3,3	6.345	3,9	-890	-14,0
Cost of materials (incl. changes in inventory)	82.034	49,8	81.174	49,5	860	1,1
Gross profit	**88.087**	**53,5**	**89.208**	**54,4**	**-1.121**	**-1,3**
Personnel expenses	50.899	30,9	58.004	35,4	-7.105	-12,2
Other expenses and impairment result according to IFRS 9	28.071	17,0	26.958	16,4	1.113	4,1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**9.117**	**5,5**	**4.246**	**2,6**	**4.871**	**114,7**
Depreciation and amortisation expense	13.548	8,2	13.425	8,2	123	0,9
Operating profit (EBIT)	**-4.431**	**-2,7**	**-9.179**	**-5,6**	**4.748**	**51,7**
Financial result	-2.116	-1,3	-1.484	-0,9	-632	-42,6
Result from associated companies	257	0,2	120	0,1	137	114,2
Consolidated earnings before taxes (EBT)	**-6.290**	**-3,8**	**-10.543**	**-6,4**	**4.253**	**40,3**
Income taxes (expense +, income -)	-2.295	-1,4	-3.047	-1,8	752	24,7
Group result before minority interests (EAT)	**-3.995**	**-2,4**	**-7.496**	**-4,6**	**3.501**	**46,7**
Minority interests in consolidated net profit	0	0,0	-29	0,0	29	-100,0
Group result after minority interests (EAT)	**-3.995**	**-2,4**	**-7.467**	**-4,6**	**3.472**	**46,5**

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

The only significant "one-off effect" affecting the result in the financial year is the addition to a provision for income taxes (corporate income tax and trade tax) as well as interest on arrears 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 in the total net amount of 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.

The only "one-off effect" affecting the result in the previous year was the deconsolidation result from the sale of 80.1 % of the shares in Elektromotorenwerk Grünhain GmbH, Grünhain-Beierfeld, together with its subsidiaries, amounting to EUR +0.5 million net, based on gross sales proceeds of around EUR 2.0 million.

In the 2021 financial year, the external sales of the "**Powertrain**" segment were around -0.1 % below the sales of the previous year. In the previous year, the sales of the "Powertrain" segment included the sales of the Elektromotorenwerk Grünhain Group for the last time in the amount of TEUR 18,648. If these sales of the Elektromotorenwerk Grünhain-Group from the previous year were disregarded, the segment sales would be around 19.2 % higher than the sales of the previous year.

Revenues in the **Ultrasonic** segment in the 2021 financial year were only around +2.3% higher than in the previous year, as there were again large-scale delays in deliveries of machines in this segment in the 2021 financial year, primarily due to supply chain problems (mainly indirectly Covid 19-related).

After a strong decline of around -28 % in the previous year, external turnover rose slightly again by around 0.4 % to around EUR 164.7 million in the reporting period. Unfortunately, the previous year's forecast of a significant increase in turnover of around 10 % to around EUR 180.0 million was not fulfilled. This slight increase in turnover is mainly attributable to the Ultrasonic segment due to the weakening of the direct and indirect economic effects of the Covid 19-pandemic in Europe. Disregarding the previous year's sales of the Elektromotorenwerk Grünhain-Group, total sales would have been around 13.3 % higher than in the previous year.

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 slight decline in industrial turnover of around -3.7% and exports to the EU, the second strongest foreign market in terms of turnover, again recorded a significant decline of around -29.4% in the reporting year, the significant increase in turnover in the North America/Canada region, which is now once again the strongest foreign market with a 15.5% consolidated share of turnover, was around +22.6%.

The revenues mainly include the revenues of the MS Powertrain-Group in the amount of TEUR 114,686 (previous year: TEUR 96,174 without revenues of the Elektromotorenwerk Grünhain-Group) and the MS Ultrasonic-Group in the amount of TEUR 50,314 (previous year: TEUR 48,578). In addition, the turnover in the previous year included for the last time the turnover of the Elektromotorenwerk Grünhain-Group in the amount of TEUR 18,648.

With the exception of the development of the European market, we are therefore reasonably 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 is still well below our expectations across all segments.

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 1,495 (previous year: TEUR 1,716). In addition, exchange rate gains of TEUR 1,968 (previous year: TEUR 585) are included. In the previous year, other income also included the positive result from the sale of 80.1 % of the shares in Elektromotorenwerk Grünhain GmbH and its subsidiaries in the amount of EUR +0.5 million (see above).

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 TEUR	Effect of Adjustments TEUR	Adjusted TEUR	Adjusted %
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 reconciliation from the unadjusted key figures to the adjusted key figures is as follows in the 2020 financial year:

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

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

	1.1. until 31.12.2021		1.1. until 31.12.2020		changes, adjusted	
	Adjusted	Adjusted	Adjusted	Adjusted	20 / 21	20 / 21
	TEUR	%	TEUR	%	TEUR	%
Revenues	**164.666**	**100,0**	**164.037**	**100,0**	**629**	**0,4**
Gross profit	**88.087**	**53,5**	**88.683**	**54,1**	**-596**	**-0,7**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**9.117**	**5,5**	**3.721**	**2,3**	**5.396**	**145,0**
Operating profit (EBIT)	**-4.431**	**-2,7**	**-9.704**	**-5,9**	**5.273**	**54,3**
Consolidated earnings before taxes (EBT)	**-5.637**	**-3,4**	**-11.068**	**-6,7**	**5.431**	**49,1**
Group result before minority interests (EAT)	**-2.506**	**-1,5**	**-8.021**	**-4,9**	**5.515**	**68,8**
Group result after minority interests (EAT)	**-2.506**	**-1,5**	**-7.992**	**-4,9**	**5.486**	**68,6**

The adjusted gross profit margin (sales revenues including changes in inventory and other income less cost of materials), based on sales revenues, was 53.5% in the financial year (previous year: 54.1%). This, as well as the slight increase in the cost of materials ratio to 49.8 % (previous year: 49.5 %), is primarily due to the changed product mix with a slightly higher proportion of Ultrasonic and a slight overall increase in Group 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).

Compared to the previous year, personnel expenses decreased disproportionately by around -12.2% with an average headcount of 730 permanent employees, excluding temporary workers and trainees (previous year: 944 employees), which is around -22.7% lower than in the previous year.

In the business year, after a slight increase in other expenses, which rose by a total of EUR 1.1 million to EUR 28.1 million, earnings before interest, taxes, depreciation and amortisation (EBITDA), adjusted for one-off effects in the previous year, improved significantly to EUR 9.1 million (previous year: EUR 3.7 million).

Scheduled depreciation fell slightly in the financial year from TEUR 13,342 to TEUR 12,845 by TEUR 497, as expected, by around -3.7%.

After lower personnel expenses and lower scheduled depreciation as well as a slight increase in other expenses, earnings before interest and taxes (EBIT), adjusted for one-off effects in the previous year, improved significantly in the financial year to EUR -4.4 million (previous year: EUR- 9.7 million).

The adjusted EBIT margin, based on sales revenue, was around -2.7% in the financial year (previous year: -5.9%). The significantly improved EBIT margin - although still not satisfactory - is, as already described above, mainly due to the medium-term effects of the restructuring measures implemented in the MS Powertrain Technology-Group in previous years.

The financial result deteriorated by around -42.6% on balance compared to the previous year. The main reason for this is the "one-off effect" in the financial year, which affects 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 in the total amount of TEUR 653. The financial result includes financial income of TEUR 794 (previous year: TEUR 1,062) and financial expenses of TEUR 2,910 (previous year: TEUR 2,546).

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

In the financial year, the result from associated companies is due to the at-equity valuation of Shanghai MS soniTEC Co. China, and TEUR 278 (previous year: TEUR 262) from the at-equity valuation of WTP Ultrasonic Industria e Comercio de Maquinas Ltda, Contagem City, Brazil. In the previous year, the result from associated companies also resulted in the amount of TEUR -125 from the at-equity valuation of the Beno Immobilien-Group, Starnberg.

Although the Group's earnings before taxes (EBT) are still clearly negative, they have already improved significantly compared to the previous year and amount to EUR -6.3 million. In the previous year, the Group also achieved a negative pre-tax result of EUR -10.5 million. The Group's earnings before taxes (EBT), adjusted for one-off effects, amount to EUR -5.6 million (previous year: EUR -11.1 million).

The main "one-off effect" affecting the result in the financial 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, which has been completed in the financial year 2021, amounting to EUR -0.8 million net, based on a gross provision of around EUR -6.0 million and a claim for recovery from the US tax authorities under the double taxation agreement (DTA) between Germany and the United States of America (USA) of around EUR +5.2 million.

The consolidated annual result after minority interests (EAT), unadjusted for the one-off effects described above, is also still clearly negative, but already significantly better than in the previous year and amounts to EUR -4.0 million (previous year: EUR -7.5 million). Adjusted for one-off effects, the consolidated annual result after minority interests (EAT) is EUR -2.5 million (previous year: EUR -8.0 million).

The unadjusted consolidated net income per share improved significantly from EUR -0.25 per share in the previous year to EUR -0.13 per share in the financial year. The adjusted consolidated net income per share also improved significantly from EUR -0.27 per share in the previous year to EUR -0.08 per share in the financial year.

Cash Situation

Principles and objectives of financial management

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

Presentation and analysis of the financial position

	2021 TEUR	2020 TEUR
Net cash used in/generated from operating activities	-3.219	18.231
Net cash generated from/used in investing activities	1.433	-613
Net cash used in/generated from financing activities	-16.802	-16.491
Net increase/decrease in liquid funds	-18.588	1.127
Exchange gains/losses on liquid funds	0	0
Liquid funds at the beginning of the period	-170	-1.297
Liquid funds at the end of the period	**-18.758**	**-170**

The decrease in liquid funds (cash and cash equivalents less current account liabilities) is primarily due to the negative cash flow from operating activities and financing activities, which more than compensated for the positive cash flow from investing activities.

The negative cash flow from operating activities primarily reflects the increase in working capital. The positive cash flow from investing activities reflects in particular the inflows from the sale of 16.3 % of Beno Holding AG in the financial year and of 80.1 % of Elektromotorenwerk Grünhain GmbH in the previous year, as well as the repayment of loans granted to investments. Part of the investments in the financial year were made through finance leasing (EUR 6.5 million; previous year: EUR 2.5 million), which was non-cash at the time of the investment, and in the previous year through advance payments on a new "Rundtakter" machine amounting to around EUR 3.3 million.

As of 31 December 2021, cash and cash equivalents amount to EUR 6.5 million (previous year: EUR 4.5 million). In addition, free overdraft facilities of EUR 6.9 million (previous year: EUR 13.4 million) are available and current assets (EUR 82.3 million) exceed current liabilities (EUR 62.2 million) by EUR 20.1 million as of the balance sheet date.

Of the liabilities to banks of EUR 51.5 million as of the balance sheet date, EUR 33.2 million and of the open credit lines of EUR 6.9 million, EUR 5.2 million are subject to financial covenants.

Financial Situation

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

	31.12.2021		31.12.2020		Changes	
	TEUR	%	TEUR	%	TEUR	%
ASSETS						
Deferred tax assets	5.522	3,0	3.051	1,8	2.471	81,0
Other non-current assets	96.083	52,3	90.805	52,9	5.278	5,8
Current assets	82.262	44,7	77.656	45,3	4.606	5,9
Total assets	**183.867**	**100,0**	**171.512**	**100,0**	**12.355**	**7,2**

	31.12.2021		31.12.2020		Changes	
	TEUR	%	TEUR	%	TEUR	%
EQUITY AND LIABILITIES						
Equity and minority interests	68.021	37,0	68.562	40,0	-541	-0,8
Deferred tax liabilities	273	0,1	0	0,0	273	#DIV/0!
Other debt	115.573	62,9	102.950	60,0	12.623	12,3
Total equity and liabilities	**183.867**	**100,0**	**171.512**	**100,0**	**12.355**	**7,2**

The other non-current assets of our Group increased slightly by around +5.8% in the financial year, but did not change significantly in relation to the balance sheet total with a share of around 52.3% (previous year: around 52.9%). The main reason for the increase in non-current assets in the financial year are the subsequent purchase price receivables of TEUR 5,137 (previous year: TEUR 0) from a cross-border tax settlement procedure initiated after the balance sheet date to the buyer of the US powertrain business in 2019 as well as fair value adjustments of TEUR 3,472 not recognised in profit or loss (previous year: TEUR 0) on the land in Webberville, Michigan/USA owned by MS Land & Buildings, LLC., Howell, Michigan/USA and in Zittau owned by MS Powertec GmbH, Zittau, reclassified to the balance sheet item "Investment property" in the financial year.

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, Starnberg.

The slight increase in current assets of around +5.9 %, with a slight increase in cash and cash equivalents, is mainly due to slightly higher inventories with a simultaneous slight increase in trade receivables. In relation to total assets, the percentage share of current assets fell slightly to around 44.7 % (previous year: around 45.3 %) 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 55.5 million as at 31 December 2021 (previous year: EUR 49.8 million) and thus increased by around 11.4% compared to the previous year.

The decrease in equity by EUR 0.6 million in absolute terms compared to 31 December 2020, amounting to EUR 68.0 million (previous year: EUR 68.6 million), is mainly due to the negative consolidated comprehensive income of EUR -0.7 million (previous year: negative consolidated comprehensive income of EUR -8.4 million). The Group's equity ratio fell slightly compared to 31 December 2020 and, with total assets up by around 7.2%, was around 37.0% as at the balance sheet date (31 December 2020: 40.0%).

Other borrowed capital in the Group increased significantly by around 12.3 % to EUR 115.6 million. The previous year's forecast of a reduction in the gearing ratio in the financial year was unfortunately not confirmed, with total assets increasing by around 7.2 %.

The Group's net gearing (defined as net debt/equity) increased significantly from 53.1% at the end of 2020 to 66.2% at the end of the financial year. The net gearing ratio is calculated by comparing debt, defined as non-current and current financial liabilities (excluding derivatives and financial guarantees) less cash and cash equivalents and bank balances, to equity (the Group's subscribed capital and reserves).

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

The 2021 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 only in March 2022 after non-compliance with the covenants, the financial situation at the end of 2021 and the beginning of 2022 - with high freely available bank lines - can still be described as orderly. All subsidiaries can continue to meet their payment obligations from current business operations.

Since unfortunately only a negative overall group result could be achieved in the business year, the equity capital has fallen in absolute terms. With a slightly lower equity ratio of 37.0 % (previous year: 40.0 %), the asset situation can still be described as orderly.

Despite the continuing indirect effects of the Covid 19-pandemic and the Ukraine/Russia war, which began after the balance sheet date, the operating performance of all operating subsidiaries in the first half of 2022 was satisfactory up to the time the 2021 consolidated financial statements were prepared.

Munich, 25 April 2022

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