MS Industrie AG, Munich
Extracts from the Group´s Management Report as of June 30, 2016

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

Consolidated Financial Statements as of June 30, 2016 - Overview of key figures

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

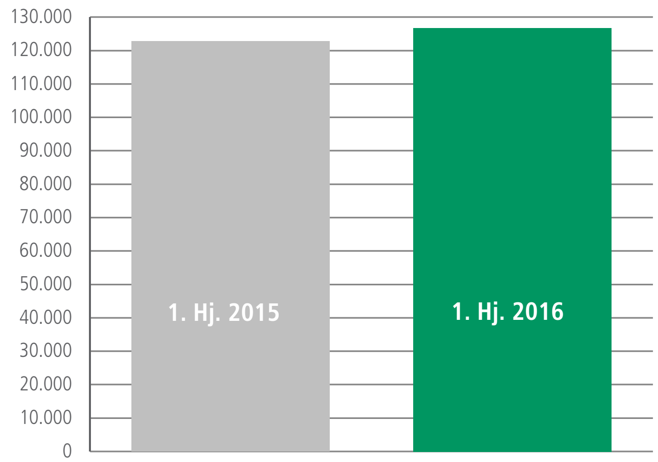
Balance sheet key figures	31.12.2015	30.06.2016
Total assets	149.610	164.193
Equity and non-controlling interests	47.206	48.698
Equity ratio (%)	31,6%	29,7%
Trade receivables	25.516	33.593
Liquid funds (Cash and cash equivalents ./. Current accounts)	1.580	2.861
Net working capital (Inventories + Trade receivab. ./. Trade payables)	46.143	56.096

Cashflow key figures	1. Hj. 2015	1. Hj. 2016
Net cash generated from operating activities	7.844	-4.145
Net cash used in investing activities	-6.475	-4.853
Net cash used in financing activities	-849	10.279

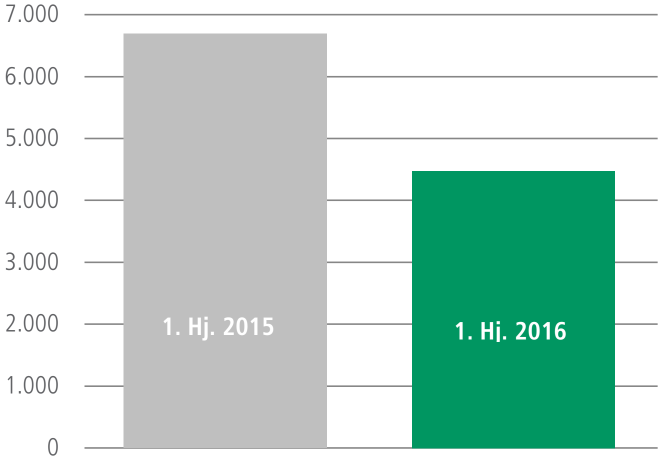
Income statement key figures	1. Hj. 2015	1. Hj. 2016
Revenues	128.340	128.578
Gross profit	53.168	60.239
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	11.014	10.716
Operating Profit (EBIT)	5.376	4.541
Profit before income tax (EBT)	3.981	2.779
Profit for the year after non-controlling interests (EAT)	2.482	2.034
Consolidated earnings per share in EUR	0,08	0,07

Income statement key figures (adjusted for non-recurring items)	1. Hj. 2015	1. Hj. 2016
Revenues	122.833	126.778
Gross profit	54.488	59.063
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	12.334	10.654
Operating Profit (EBIT)	6.696	4.479
Profit before income tax (EBT)	5.301	2.717
Profit for the year after non-controlling interests (EAT)	3.433	1.990
Consolidated earnings per share in EUR	0,12	0,07

Total adjusted revenues
in TEUR



Operating Profit (adjusted)
(EBIT) in TEUR



MS Industrie AG, Munich

Consolidated balance sheet as at June 30, 2016

	30.06.2016 (Unaudited) TEUR	31.12.2015 (Audited) TEUR
ASSETS		
Intangible assets	3.607	4.155
Property, plant and equipment	62.863	58.370
Investment property	7.178	7.215
Investments	4.047	4.050
Investments in associates	1.875	1.685
Deferred income tax assets	1.171	799
Other non-current financial assets	1.483	1.486
Other non-current assets	537	0
Non-current assets	**82.761**	**77.760**
Inventories	40.690	39.769
Trade receivables	33.593	25.516
Cash and cash equivalents	4.761	2.381
Income tax assets	389	847
Other current financial assets	674	616
Other current assets	1.325	2.721
Current assets	**81.432**	**71.850**
TOTAL ASSETS	**164.193**	**149.610**
EQUITY AND LIABILITIES		
Ordinary Shares (30.00 million shares less 161,063 treasury shares)	29.839	29.819
Share premium	7.532	7.513
Statutory reserve	439	439
Retained earnings	3.816	3.855
Other reserves	4.485	4.990
Consolidated profit	2.634	600
Non-controlling interests	-47	-10
Equity and non-controlling interests	**48.698**	**47.206**
Non-current Borrowings	19.034	11.759
Provisions for pensions and similar obligations	1.483	1.578
Deferred income tax liabilities	2.839	2.665
Other non-current provisions and accruals	320	317
Other non-current financial liabilities	13.744	7.030
Other non-current liabilities	2.257	2.612
Non-current provisions and liabilities	**39.677**	**25.961**
Current Borrowings	9.723	9.205
Trade payables	18.187	19.142
Current income tax liabilities	2	9
Current provisions and accruals	6.960	10.973
Other current financial liabilities	36.805	33.298
Other current liabilities	4.141	3.816
Current provisions and liabilities	**75.818**	**76.443**
TOTAL EQUITY AND LIABILITIES	**164.193**	**149.610**

MS Industrie AG, Munich

Consolidated income statement for the period 01.01-30.06.2016, unaudited

	01.01. - 30.06.2016 (Januar - June 2016) "Six Months"	01.01. - 30.06.2015 (Januar - June 2015)	Variation Jan.-June 16 - Jan.-June 15 absolut	percentage
Revenues	128.578	128.340	*238*	*+0%*
a) Proceeds from the sale of investments and securities	*120*	*36*	*84*	*+233%*
b) Revenues from industrial and real estate business	*128.373*	*128.232*	*141*	*+0%*
c) Revenues from consulting and commissions	*85*	*72*	*13*	*+18%*
Changes in inventory of work in process and finished goods	3.155	3.199	*-44*	*-1%*
Other operating income	1.589	1.795	*-206*	*-11%*
Total income	**133.322**	**133.334**	***-12***	***-0%***
Cost of materials	73.083	80.166	*-7.083*	*-9%*
a) Disposal of investments and securities (carrying amounts)	*110*	*28*	*82*	*+293%*
b) Costs of raw materials, goods purchased and services	*72.973*	*80.138*	*-7.165*	*-9%*
Personnel expense	30.314	27.030	*3.284*	*+12%*
Depreciation and amortisation expense				
a) Depreciation of property, plant and equipment, investment property and amortisation of intangible assets	6.175	5.638	*537*	*+10%*
Other operating expense	19.209	15.124	*4.085*	*+27%*
Total operative expenses	**128.781**	**127.958**	***823***	***+1%***
Operating Profit	**4.541**	**5.376**	*-835*	***-16%***
Finance costs, net	-1.812	-1.825	*13*	*+1%*
Share of profit of investments acc. for using the equity method	50	430	*-380*	*-88%*
Profit before income tax	**2.779**	**3.981**	***-1.202***	***-30%***
Income tax expense	782	1.499	*-717*	*-48%*
Profit for the period	**1.997**	**2.482**	***-485***	***-20%***
attributable to				
owners of the parent	2.034	2.482	*-448*	*-18%*
non-controlling interests	-37	0	*-37*	
	1.997	**2.482**	***-485***	***-20%***
Consolidated earnings per share, in EUR				
basic, after non-controlling interests	0,07	0,08		
diluted, after non-controlling interests	0,07	0,08		
Number of shares, average weighting				
basic	29.823.469	29.821.071		
diluted	29.823.469	29.821.071		

MS Industrie AG, Munich

Consolidated income statement for the period 01.04-30.06.2016, unaudited

	01.04. - 30.06.2016 (April - June 2016)	01.04. - 30.06.2015 (April - June 2015)	Variation April-June 16 - April-June 15 absolut	percentage
	"Three Months"			
Revenues	66.213	64.099	*2.114*	*+3%*
a) Proceeds from the sale of investments and securities	*71*	*36*	*35*	*+97%*
b) Revenues from industrial and real estate business	*66.097*	*64.016*	*2.081*	*+3%*
c) Revenues from consulting and commissions	*45*	*47*	*-2*	*-4%*
Changes in inventory of work in process and finished goods	-506	2.589	*-3.095*	*-120%*
Other operating income	1.035	675	*360*	*+53%*
Total income	**66.742**	**67.363**	***-621***	***-1%***
Cost of materials	35.626	40.522	*-4.896*	*-12%*
a) Disposal of investments and securities (carrying amounts)	*63*	*28*	*35*	*+125%*
b) Costs of raw materials, goods purchased and services	*35.563*	*40.494*	*-4.931*	*-12%*
Personnel expense	15.360	13.825	*1.535*	*+11%*
Depreciation and amortisation expense				
a) Depreciation of property, plant and equipment, investment property and amortisation of intangible assets	3.022	2.842	*180*	*+6%*
Other operating expense	9.944	7.833	*2.111*	*+27%*
Total operative expenses	**63.952**	**65.022**	***-1.070***	***-2%***
Operating Profit	**2.790**	**2.341**	*449*	***+19%***
Finance costs, net	-814	-737	*-77*	*-10%*
Share of profit of investments acc. for using the equity method	0	430	*-430*	*-100%*
Profit before income tax	**1.976**	**2.034**	***-58***	***-3%***
Income tax expense	699	612	*87*	*+14%*
Profit for the period	**1.277**	**1.422**	***-145***	***-10%***
attributable to				
owners of the parent	1.297	1.422	*-125*	*-9%*
non-controlling interests	-20	0	*-20*	
	1.277	**1.422**	***-145***	***-10%***
Consolidated earnings per share, in EUR				
basic, after non-controlling interests	0,04	0,05		
diluted, after non-controlling interests	0,04	0,05		
Number of shares, average weighting				
basic	29.823.469	29.821.071		
diluted	29.823.469	29.821.071		

MS Industrie AG, Munich, Consolidated statement of comprehensive income

for the 1st half of the financial year 2016, unaudited

	01.01. - 30.06.2016 (Januar - June 2016)	01.01. - 30.06.2015 (Januar - June 2015)
	"Six Months"	
Profit for the period	**1.997**	**2.482**
Items that may be subsequently reclassified to profit or loss		
Change in value of available-for-sale financial assets	-95	-122
Currency translation differences	-388	1.668
Items that will not be reclassified to profit or loss		
Remeasurements of post employment benefit obligations	-31	-7
Income taxes recorded in other comprehensive income	9	45
Other comprehensive income for the period, net of tax	-505	1.584
Total comprehensive income for the period	1.492	4.066
attributable to owners of the parent	1.529	4.066
attributable to non-controlling interests	-37	0
	1.492	4.066

MS Industrie AG, Munich, Consolidated cash flow statement for the period 01.01.-30.06.2016, previous year´s period for comparison purposes (unaudited)

INDUSTRIE AG

	01.01. - 30.06.2016 TEUR	01.01. - 30.06.2015 TEUR
Profit for the period	1.997	2.482
Income tax expense (recognised through profit and loss)	782	1.499
Finance income (recognised through profit and loss)	-125	-84
Finance costs (recognised through profit and loss)	1.937	1.909
Depreciation of property, plant and equipment and amortisation of intangible assets	6.138	5.600
Depreciation of investment property	38	38
Material non-cash other expenses (+) or income (-):		
Losses/gains (-) on investments accounted for using the equity method	-50	-430
Losses/gains (-) on disposal of property, plant and equipment and intangible assets	-12	-1
Losses/gains (-) on disposal of investments and associates	-10	-10
Increase in inventories, trade receivables and other assets not assigned to investing or financing activities	-7.537	-6.340
Increase/decrease (-) in trade payables and other liabilities not assigned to investing or financing activities	-5.095	5.879
Interest received	65	54
Interest paid	-1.539	-1.832
Income tax received	0	0
Income tax paid	-734	-920
Net cash used in (generated from) operating activities	**-4.145**	**7.844**
Proceeds from sale of property, plant and equipment and intangible assets	260	4
Purchases of property, plant and equipment and intangible assets	-5.538	-7.610
Proceeds received from government subsidies for investments in property, plant and equipment	445	1.089
Proceeds from disposals of investments held for sale	120	36
Purchase of investments	-140	0
Acquisition of non-controlling interests	0	6
Net cash used in investing activities	**-4.853**	**-6.475**
Proceeds from issuance of debt-equivalent bonds	200	0
Repayments of debt-equivalent bonds	-300	0
Proceeds from borrowings	12.542	6.101
Repayments of borrowings	-5.483	-5.224
Proceeds from finance lease transactions	5.275	0
Payments made for finance lease transactions	-1.955	-1.580
Purchase of treasury shares	0	-146
Net cash generated from (used in) financing activities	**10.279**	**-849**
Net increase in liquid funds	**1.281**	**520**
Exchange gains/losses on liquid funds	**0**	**528**
Liquid funds at beginning of period	1.580	2.553
Liquid funds at end of period	**2.861**	**3.601**

MS Industrie AG,
Munich

EXTRACTS from the group´s interim management report for the 1st half of financial year 2016

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MS Industrie AG, Munich

1. Highlights of the first half year

Dear Shareholders, Dear Colleagues and Business Partners.

For the MS Industrie-Group, the first six months of 2016 continued to be marked by a steady growth in sales compared to the previous year. This is particularly true for the group's German sites in the first half of 2016. At the group's US sites, business trended downwards, due to market conditions, in comparison both to the very good first half of the previous year and to the historically excellent 2nd quarter of the previous year. The still satisfactory business trend in the USA was accompanied in the first half year by a strengthening in the EUR exchange rate, which unfortunately had a negative effect on the Group's total comprehensive income, due to the relatively high volume of sales in the USA.

In the business division that continues to be the largest in terms of volume of sales, **Powertrain Technology Group**, (**"Powertrain"**) and also particularly in the **Ultrasonic Technology Group** business division (**"Ultrasonic"**), the division with the strongest long-term growth prospects, sales in the first half year were again very varied, despite a high operating rate. At the end of the first half year, sales in the "Powertrain" division were around 1% higher than the pro rata average sales in the previous year, whereas sales in the "Ultrasonic" division were around 11% lower. In the latter case this was due to a simultaneous order-related increase in the stock of machinery, which will be approved and shipped over the next few months. Sales in the "Powertrain – electric motors" division were again around 7% higher than the pro rata average sales in the previous year. Orders in hand at the end of July 2016 totalled around EUR 124 million in the "Ultrasonic" division, or around 36% above the previous year's level, and in the "Powertrain" division they remained virtually unchanged at the previous year's level of orders in hand as of the end of July 2015.

The earnings situation developed satisfactorily in the first half of the current 2016 financial year, reflecting market conditions, especially earnings before interest, tax, depreciation and amortisation (**EBITDA**), earnings before interest and tax (**EBIT**), earnings before taxes (**EBT**), earnings after taxes (**EAT**) and earnings per share (**EPS**),

This was against the background of further recovery in the European commercial vehicle market with a year-on-year growth in registrations of 13,5% in the first half of 2016 (increase in Germany: 10,4%), and of 13,3% in June 2016 compared to the same month last year, as again confirmed by the latest regular analysis dated July 28, 2016 from the "ACEA" (Association des Constructeurs Européens d'Automobiles, Brussels). The European market for heavy goods vehicles over 16 tonnes grew even faster across Europe, with a year-on-year increase in new registrations of 17,6% in the first half of 2016 (increase in registrations in Germany: 9,7%) (source also: "ACEA", dated July 28, 2016). These figures paint a continuing positive picture, even after allowing for the fact that last year, 2015, was at best a satisfactory year for the European commercial vehicle sector as a whole.

The total US market for heavy goods vehicles fell sharply in June 2016, as far as new orders were concerned, by around 34% year on year, as, for example, can be seen from the statistics of the two private analysis firms "ACT" and "FTR". According to a recent "ACT" report, the orders received in June were at their lowest level since July 2012, and thus at a four-year low. The "FTR" experts expect business to continue at a modest level in summer 2016, with the market picking up no earlier than the autumn, depending on how the US economy develops. This is now also affecting the MS Industrie Group through its main customer in North America, Detroit Diesel Corporation / Daimler.

Given this sector-related background, the business activities of MS Industrie AG showed satisfactory growth in the first half of 2016, with an adjusted slight increase in sales of around 3,2%.

Ahead of the expected future growth, especially in the European market, in the first half of 2016 the relocation of the **"Powertrain"** division at the group's largest German production site from its old location in Spaichingen into the new production building in Trossingen-Schura has been completed as planned by the end of June 2016.

Total adjusted consolidated sales in the first half of 2016 were around EUR 126,8 million (2015: EUR 122,8 million) and thus slightly ahead of the previous year at +3,2%.

Despite the slight year-on-year increase in adjusted revenue, both operating industrial investments have year-on-year lower adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) of EUR 10,7 million (2015: EUR 12,3 million) as well as lower adjusted earnings before interest and taxes (EBIT) of EUR 4,5 million (2015: EUR 6,7 million).

The almost identical financial result of EUR -1,8 million (2015: EUR -1,8 million) mainly includes the financial result of MS Technology-Group (formerly: MS Enterprise Group) of EUR -1,7 million (2015: EUR -1,7 million).

Adjusted earnings before taxes (EBT) fell by around 48,7% and totalled EUR 2,7 million (2015: EUR 5,3 million).

The adjusted Group earnings after income taxes (EAT) were EUR 2,0 million (2015: EUR 3,4 million), and thus 43,1% lower year on year. Adjusted earnings after non-controlling interests were also EUR 2,0 million (2015: EUR 3,4 million).

Liquidity within the Group increased during the reporting period from EUR 2,4 million at the start of 2016 to EUR 4,8 million as of June 30, 2016. The increase of EUR 2,4 million during the first half of 2016 was due first and foremost to positive cash flow from financing activities, which offset the negative cash flow from operating activities – mainly the result of the increase in inventories – and the budgeted negative cash flow from investing activities.

The second quarter of 2016 showed a slightly lower adjusted EBITDA than the first quarter of EUR 4,8 million (1st quarter 2016: EUR 5,9 million) as well as lower adjusted earnings before interest and taxes (EBIT) of EUR 1,7 million (1st quarter 2016: EUR 2,7 million) and significantly lower adjusted earnings before taxes (EBT) of EUR 0,9 million (1st quarter 2016: EUR 1,8 million), but was still satisfactory. Before adjustments, EBITDA was EUR 5,8 million, EBIT was EUR 2,8 million and EBT was EUR 2,0 million.

As described in the 2015 financial reports, the plans for MS Industrie AG originally included a slight increase in adjusted Group sales of around 6% to around EUR 270 million for the full year 2016. We can assume from the current position that this target will not be reached. Instead, it must be assumed that adjusted Group sales for 2016 will be at approximately the same level as the previous year, i.e. around EUR 255 million.

The Group currently expects a slight fall in the key earnings figures EBITDA, EBIT, EBT, EBIT margin and earnings per share from continuing operations (excluding non-recurring items) for financial year 2016 as a whole. It is also expected that cash flows from operating activities (excluding non-recurring items) will be slightly lower year on year. For financial year 2016, however, the Group expects a slight increase in the gross margin as well as in Group equity and the equity ratio.

2. Report on economic situation

2.a Macroeconomic and industry-related environment in first half of 2016

The industrial sector performed satisfactorily in the first half year. This was due to the continuing very good order book for **MS Technology Group ("MS")** and for **Elektromotorenwerk Grünhain GmbH ("EMGR")**, which have been barely affected by the uncertainties within the EU in the lead-up to Brexit, as well as a generally slightly depressed economic situation – especially in the (US) commercial vehicles market for heavy goods vehicles – which has recorded catch-up effects in the medium-term and continues to have an optimistic outlook in the long term.

The number of units of new items in the MS product range are continuing at high levels on a growth path, and the average orders in hand in the first half of 2016 is again the highest in the last five years. In terms of gear housings and the "traditional" items (rocker arms/valve bridges/spare parts), business continued to be at a relatively low level in the first half of the year. The new items (Daimler, MAN etc.) compliant with the current "EURO-VI" standard (or the "EPA 10" standard in the USA) more than compensated for this change in the first half year through stable sales and incoming orders.

Against this sector-related background, it can be noted that one of our principal customers, with over 40% market share in North America in November 2015 (and rising), laid off a substantial number of people at the start of this year and again at the start of June 2016, in line with other OEMs – even if only temporarily – and announced further shut-down weeks during the second half of the year in the USA.

The modest year-on-year growth in the USA was accompanied by a strengthening of the EUR exchange rate in the first half of the year, which had a negative effect on the Group's overall sales, due to the high volume of sales in the USA.

In the first half of the year, average sales in the **"Powertrain"** division were around 1% higher than the pro rata average sales year on year. Average sales in the "**Ultrasonic**" division were around 11% lower in the first half of the year. However, this was mainly related to the reporting date, as there was a simultaneous order-related increase in the stock of machinery in this division, which will be approved and shipped in the next few months.

In the US/Canada ("North America") markets, total revenue of EUR 44,1 million was achieved in the first half of 2016 (2015: EUR 54,1 million). As a result, around 34,8% (2015: 44,1%) of adjusted consolidated total sales of the MS Industrie Group were achieved in the North American market in the first half of 2016.

We are therefore completely satisfied with the revenue trend in the first half of the year, both overall and by region. Operating performance at the different levels of earnings are still below what we expected.

During the period when the Powertrain division was moving to the new building in Trossingen-Schura, top priority was given to maintaining the ongoing ability to deliver (at a time when demand from our customers increased significantly). For this reason, we provided extra staff capacity during the time of the relocation and the use of considerable overtime quotas with corresponding additional costs. In addition, the recruitment of new employees in the Ultrasonic division, including in preparation for the launch of a new product line, contributed to an increase in costs.

Orders in hand at **MS** at the end of June were around 6% higher than in June 2015 across all product groups. Orders in hand will be sufficient until the first half of 2017 in the "Ultrasonic" division and until well into the fourth quarter of 2016 in the "Powertrain" division.

With a position in the "Top 100" **MS Ultrashall Technologie GmbH** showed impressive proof of its innovative abilities in the latest "Top 100" round of the "100 most innovative medium-sized companies in Germany". MS Spaichingen GmbH has made its way onto the list of Germany's most innovative companies five times in the last five years. MS took second place three times in a row in the size category of companies with 500 plus employees. Companies are rated on five different evaluation criteria: "Top management that promotes innovation, an innovative atmosphere, innovative processes and organisation, innovation marketing/outward-looking and successful innovation."

Sales in the **EMGR Group** in the first half of 2016 were slightly higher year on year, despite some capacity bottlenecks, with negative earnings after taxes below those of the previous year, due mainly to planned start-up losses in Bulgaria.

2.b Status of the group as of June 30, 2016

Earnings situation

The essential key figures of our Group are presented and explained in the following tables with a comparison with the previous year. The key figures not adjusted for by non-recurring items are provided first of all below:

Before adjustments for non-recurring items:	**1.1 to 30.06.2016**		**1.1 to 30.06.2015**		Difference	
	TEUR	%	TEUR	%	TEUR	%
Revenues	**128.578**	**100,0**	**128.340**	**100,0**	**238**	**0,2**
Other operating income	1.589	1,2	1.795	1,4	-206	-11,5
Cost of materials (incl. changes in inventory)	69.928	54,4	76.967	60,0	-7.039	-9,1
Gross profit	**60.239**	**46,9**	**53.168**	**41,4**	**7.071**	**13,3**
Personnel expense	30.314	23,6	27.030	21,1	3.284	12,1
Other operating expense	19.209	14,9	15.124	11,8	4.085	27,0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**10.716**	**8,3**	**11.014**	**8,6**	**-298**	**-2,7**
Depreciation and amortisation expense	6.175	4,8	5.638	4,4	537	9,5
Operating profit (EBIT)	**4.541**	**3,5**	**5.376**	**4,2**	**-835**	**-15,5**
Finance costs, net	-1.812	-1,4	-1.825	-1,4	13	-0,7
Share of profit of investments accounted for using the equity method	50	0,0	430	0,3	-380	-88,4
Profit before income taxes (EBT)	**2.779**	**2,2**	**3.981**	**3,1**	**-1.202**	**-30,2**
Income tax (expense)	782	0,6	1.499	1,2	-717	-47,8
Profit for the year before non-controlling interests (EAT)	**1.997**	**1,6**	**2.482**	**1,9**	**-485**	**-19,5**
Profit attributable to non-controlling interests	-37	0,0	0	0,0	-37	100,0
Profit for the year after non-controlling interests (EAT)	**2.034**	**1,6**	**2.482**	**1,9**	**-448**	**-18,0**

In both the reporting period and the same period in the previous year, sales and earnings figures were again affected by both positive and negative non-recurring items, whose effect on the key figures is described below.

In the previous year, primarily the gross recognition of the new construction project Trossingen in the income statement according to IFRS had an enhancing influence on revenues (revenues and cost of materials both EUR 5,5 million).

Non-recurring items, with an influence on profit and loss in the first half of 2016 and in the first half of the previous year were primarily reimbursements of currency losses in the first half year and in the previous period from procurement transactions with set suppliers amounting to EUR +0,5 million net (EUR +1,8 million sales, EUR -1,3 million cost of materials) (currency translation losses 2015: EUR -0,9 million cost of materials) and reimbursement of additional costs incurred in the previous year due to the insolvency of a supplier of around EUR +0,7 million (2015: EUR -0,5 million) (cost of materials) as well as relocation costs for moving the "Powertrain" division of the MS Technologie Group into the new production premises in Trossingen-Schura in the first half of 2016 of around EUR -1,1 million (2015: EUR 0,0 million). All amounts are shown before income taxes.

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 30.06.2016		01.01. to 30.06.2015		Difference adjusted	
	Adjusted	Adjusted	Adjusted	Adjusted	15/16	15/16
	TEUR	%	TEUR	%	TEUR	%
Revenues	126.778	100,0	122.833	100,0	3.945	3,2
Gross profit	59.063	46,6	54.488	44,4	4.575	8,4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10.654	8,4	12.334	10,0	-1.680	-13,6
Operating profit (EBIT)	4.479	3,5	6.696	5,5	-2.217	-33,1
Profit before income tax (EBT)	2.717	2,1	5.301	4,3	-2.584	-48,7
Profit for the year before non-controlling interests (EAT)	1.953	1,5	3.433	2,8	-1.480	-43,1
Profit for the year after non-controlling interests (EAT)	1.990	1,6	3.433	2,8	-1.443	-42,0

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

	01.01. to 30.06.2016			
	Before Adjustments	Effect of Adjustments	Adjusted	Adjusted
	TEUR	TEUR	TEUR	%
Revenues	128.578	-1.800	126.778	100,0
Gross profit	60.239	-1.176	59.063	46,6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10.716	-62	10.654	8,4
Operating profit (EBIT)	4.541	-62	4.479	3,5
Profit before income taxes (EBT)	2.779	-62	2.717	2,1
Profit for the year before non-controlling interests (EAT)	1.997	-45	1.953	1,5
Profit for the year after non-controlling interests (EAT)	2.034	-45	1.990	1,6

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

	01.01. to 30.06.2015			
	Before Adjustments	Effect of Adjustments	Adjusted	Adjusted
	TEUR	TEUR	TEUR	%
Revenues	128.340	**-5.507**	**122.833**	**100,0**
Gross profit	53.168	**1.320**	**54.488**	**44,4**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	11.014	**1.320**	**12.334**	**10,0**
Operating profit (EBIT)	5.376	**1.320**	**6.696**	**5,5**
Profit before income taxes (EBT)	3.981	**1.320**	**5.301**	**4,3**
Profit for the year before non-controlling interests (EAT)	2.482	**950**	**3.433**	**2,8**
Profit for the year after non-controlling interests (EAT)	2.482	**950**	**3.433**	**2,8**

The unadjusted revenue for the MS Industrie-Group, which remained stable during the reporting period, mainly comprise EUR 128,5 million (2015: EUR 122,8 million) from the industrial holdings (production business) segment and in the previous year also EUR 5,5 million from property-related sales, of which EUR 5,5 million was from one-time revenue from the now completed building construction contract for MS Technology-Group. Revenue from the industrial holdings segment in the first half year primarily resulted from the slight increase in revenue in the MS Technologie-Group of EUR 118,5 million (2015: EUR 113,1 million) of which, in turn, EUR 1,8 million was from one-time revenue from the reimbursement of currency losses in addition to the slight increase in revenue at Elektromotorenwerk Grünhain GmbH of EUR 9,8 million (2015: EUR 9,6 million).

Personnel expenses rose year on year by around 12% due to an increase in the headcount and the high operating rate, with an average of 1.138 permanent employees (same period 2015: 1.030 employees), comprising an average of 874 permanent employees in the MS Technologie-Group and 262 permanent employees in Elektromotorenwerk Grünhain GmbH. As of June 30, 2016, the MS Industrie Group employed 1.142 people compared to 1.068 as of December 31, 2015 (+6,9%).

The unadjusted gross margin (revenue including changes in inventory plus other operating income minus cost of materials) represents 46,9% of revenue (2015: 41,4%). A primary reason for the higher gross margin is the gross recognition of the new construction project at Trossingen in the previous year's income statement (sales and cost of materials each EUR 5,5 million), which reduced the gross profit margin in the first half of 2015 by 1,9 percentage points. Other reasons for the increase in the gross margin in the first half of the year are a change in the product mix (launch of new product lines) in the "Powertrain" ("PTG") division and the reimbursement of currency losses from fixed contract procurement transactions in the previous year with a net value of around EUR +0,5 million, which are reflected in sales and cost of materials (2015: EUR -0,9 million cost of materials) as well as reimbursements received in the first half year for additional costs incurred due to a supplier's insolvency in the previous year of around EUR +0,7 million (2015: EUR -0,5 cost of materials).

After also seeing a rise in other operating expenses, which rose – including due to non-capitalised research and development costs of EUR 1,5 million (2015: EUR 1,6 million) – by a total of EUR 4,1 million to EUR 19,2 million, earnings before interest, tax, depreciation and amortisation (EBITDA) fell slightly to around EUR 10,7 million (2015: EUR 11,0 million). Adjusted EBITDA was around EUR 10,7 million (2015: EUR 12,3 million).

After depreciation and amortisation, there were slightly lower earnings before interest and taxes (EBIT) in the first half of 2016 of EUR 4,5 million (2015: EUR 5,4 million). Adjusted EBIT was also EUR 4,5 million (2015: EUR 6,7 million).

The financial result remained the same at EUR -1,8 million (2015: EUR -1,8 million), mainly due to an amount of EUR -1,7 million (2015: EUR -1,7 million) from the MS Technologie-Group. The financial result includes financial income of EUR 0,1 million (2015: EUR 0,1 million) and financial expenses of EUR -1,9 million (2015: EUR -1,9 million).

The Share of profit of investments of around EUR 0,1 million (2015: EUR 0,4 million) accounted for using the equity method results from the at equity-consolidation of Beno Immobilien-Group at 19,9%.

Group earnings before income taxes (EBT) in the first half year fell significantly to EUR 2,8 million (2015: EUR 4,0 million). Adjusted EBT was around EUR 2,7 million (2015: EUR 5,3 million) and therefore also fell significantly.

Group earnings after taxes (EAT) were around EUR 2,0 million (2015: EUR 2,5 million). Group earnings after non-controlling interests were also EUR 2,0 million (2015: EUR 2,5 million). Adjusted EAT was around EUR 2,0 million (2015: EUR 3,4 million). Adjusted EAT after non-controlling interests was also around EUR 2,0 million (2015: EUR 3,4 million).

Cash Situation

	1.1 to 30.06.2016 TEUR	**1.1 to 30.06.2015** TEUR
Net cash used in / generated from operating activities	-4.145	7.844
Net cash used in investing activities	-4.853	-6.475
Net cash generated from / used in financing activities	10.279	-849
Net decrease in cash and cash equivalents	**1.281**	**520**
Exchange gains/losses on liquid funds	0	528
Liquid funds at beginning of period	1.580	2.553
Liquid funds at end of period	**2.861**	**3.601**

As of June 30, 2016, liquid funds totalled EUR 4,8 million (31 December 2015: EUR 2,4 million). In addition, current account credit facilities of EUR 25,2 million are available (31 December 2015: EUR 23,9 million) and, as of the end of 2015, contracts had been agreed for two long-term bank loans totalling EUR 20,0 million, including a loan for a total amount of EUR 10,0 million, called in May 2016 and one for a total amount of EUR 10,0 million to be called off in July 2016 after the reporting date. Both were needed to finance further growth and to secure the repayment of the corporate bond of EUR 23,0 million that falls due shortly after the reporting date. Despite the short term repayment of the corporate bond according to contract on the agreed date of July 15, 2016, short-term assets (EUR 81,4 million) still exceed short-term debts (EUR 75,8 million) at the half year reporting date by EUR 5,6 million.

Cash and cash equivalents as of June 30, 2016 totalled EUR 2,9 million (December 31, 2015: EUR 1,6 million) and have therefore increased year on year by EUR 1,3 million. The increase in cash reserves was due to positive cash flows from financing activities, which positively offset the negative cash flow from operating activities – mainly the result of the increase in inventories – and the budgeted negative cash flow from investing activities.

Financial situation

The essential changes to the Group's financial situation can be seen in the following table:

	30.06.2016		31.12.2015		Difference	
	TEUR	%	TEUR	%	TEUR	%
ASSETS						
Deferred income tax assets	1.171	0,7	799	0,5	372	46,5
Other non-current assets	81.590	49,7	76.961	51,5	4.629	6,0
Current assets	81.432	49,6	71.850	48,0	9.582	13,3
Total assets	**164.193**	**100,0**	**149.610**	**100,0**	**14.583**	**9,7**

	30/06/2016		31/12/2015		Difference	
	TEUR	%	TEUR	%	TEUR	%
EQUITY AND LIABILITIES						
Equity and minority interests	48.698	29,7	47.206	31,6	1.492	3,2
Deferred income tax liabilities	2.839	1,7	2.665	1,8	174	6,5
Other debt	112.656	68,6	99.739	66,6	12.917	13,0
Total equity and liabilities	**164.193**	**100,0**	**149.610**	**100,0**	**14.583**	**9,7**

Long-term assets increased in the first half year by around 6%, but barely changed as a percentage of total assets at around 50%. The main reason for the increase are the investments made during the first half year.

The increase in short-term assets of around 13% was primarily due to the increase in receivables at the reporting date – especially at MS Technologie-Group – of around 32%. As a percentage, the ratio of short-term assets to the total assets of around 50% increased only slightly as of the end of the first half year.

The Group's equity ratio fell slightly compared to December 31, 2015, due to the increase of around 10% in total assets during the first half-year. As of June 30, 2016 it was 29,7% (December 31, 2015: 31,6%). In absolute terms, equity rose by EUR 1,5 million to EUR 48,7 million (December 31, 2015: EUR 47,2 million).

Loan capital also rose significantly in absolute terms, mainly due to the increase in working capital in the MS Technologie-Group, but remained almost unchanged as a percentage of total assets.

The Group's net debt ratio (short and long-term net bank liabilities/equity) also rose sharply from 39,4% at the end of 2015 to 49,3% at the end of the first half year for reasons relating to the reporting date.

General statement on business performance and financial situation

The first half of 2016 remained characterized by a focus on the core business divisions "**Powertrain**" and "**Ultrasonic**", and the now completed relocation of the "**Powertrain**" division from Spaichingen to the new production premises at Trossingen-Schura by the end of June 2016, as well as the further ramping up of the three ongoing internationalisation projects (Brazil, China and Bulgaria).

Due to the positive Group earnings after income taxes (EAT), equity increased in the first half year by 3,2% to EUR 48,7 million. The asset position continues to be in order, with a slight fall in the equity ratio to 29,7% (31 December 2015: 31,6%).

The operating business in the current financial year for all subsidiary companies developed according to plan up to the time of compiling the interim financial statements.

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. 2 of the German Commercial Code - HGB)

Various bank liabilities of the MS Industrie-Group continue to bear a variable interest rate. The Group is therefore exposed to an interest rate risk to this extent. This risk is partly neutralised through the use of interest rate swaps.

As of the interim reporting date, MS Technology-Group had short-term bank loans of EUR 2,9 million and long-term bank loans of EUR 6,1 million, for which the interest rate is almost exclusively variable and linked to a EURIBOR rate plus margin. To cover the interest rate risk, even if not explicitly linked to the risk, MS Technology-Group held long-term interest rate swaps as of the reporting date of EUR 11,1 million. The negative cash value of these interest rate swaps as of the interim reporting date totalled EUR -2,0 million.

To hedge liquidity risks in relation to pension obligations in the MS Industrie-Group, the relevant subsidiary companies took out partial reinsurance contracts as well as concluding a contractual trust arrangement ("CTA"). The fair value of the claims under these insurance contracts and the contractual trust arrangement were deducted as plan assets from the cash value of the obligation.

3.b Report on the powers granted to the Managing Board of MS Industrie AG, especially in relation to the power to issue or buy back shares (Section 315 para. 4 no. 7 German Commercial Code - HGB)

The Board is entitled under a resolution of the shareholders' meeting as of June 29, 2016, 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 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 Approved Capital 2016/I of MS Industrie AG at the time the interim financial statements were compiled totalled EUR 6.000.000 (December 31, 2015: EUR 0).

The Managing Board was further authorised by a resolution of the shareholders' meeting as of June 26, 2012 to acquire treasury shares, until June 25, 2017, up to a share of 10% of the company's existing share capital at the time of the resolution of EUR 29.500.000. The buy-back of treasury shares is intended to permit the use of shares thus acquired, in whole or in part, for share option schemes for members of the Managing 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. Therefore, at the time these interim financial statements were compiled, a total maximum of 2.950.000 of the Company's shares could be bought back. As of the interim reporting date, MS Industrie AG held 161.063 treasury shares, of which 161.063 had been acquired in previous years.

4. Report on subsequent events

Since the interim reporting date, the company's activities have continued to develop positively in line with expectations. The problem of the one-time currency losses that have arisen since financial year 2015 from procurement processes with set suppliers had been settled by the interim reporting date to mutual satisfaction, in agreement with the customer, in advance for the period starting July 1, 2016. For the period up to June 30, 2016, compensation of EUR 1,8 million, recognised in sales in the first half year´s income statement, was agreed (of which EUR 0,5 million is compensation for previous year).

5. Forecast report

Since the publication of the annual report 2015 in April 2016, the uncertainty about future global economic trends is persisting. It is currently impossible to predict the extent of the effects on the German economy of the openly re-kindled crisis in the Eurozone following the Brexit vote, the various crisis hotspots in the Middle East and the ongoing US presidential election campaign. The continued historically low German base rate and the ongoing low inflation rate, along with the statements from the ECB and the Fed on plans for continued future low interest rate policies can be seen as positive.

Despite the above-mentioned macroeconomic risks, we assume that business for the MS Industrie-Group will continue to develop solidly during the second half of 2016 in terms of sales and earnings.

For the full 2016 financial year, the Managing Board expects a continuing strong order book and expects the Group to have a solid annual result. The originally planned investment volumes for 2016 for MS Technology-Group were set at a total of around EUR 26,5 million, of which EUR 22,5 million was split between the three German sites and EUR 4,0 million was apportioned to the US site. EUR 9,2 million of the planned total investment volume for 2016 was invested in the first half of 2016. The investment forecast for 2016 still currently totals EUR 8,3 million, of which EUR 5,9 million is likely to be a cash item. In terms of volumes, the greatest growth is still expected to be in the "Powertrain" division from systems and components for heavy diesel engines in Europe. In the "Ultrasonic" division, the area of systems and components for customer-specific applications in the field of ultrasonic welding will continue to show the strongest percentage growth.

In the "**Powertrain/Diesel**" division, as already expected in the previous year, the current exhaust standard "EURO VI", which has applied in Europe since the start of 2014, is still generating noticeable growth momentum. In addition, we estimate that the US commercial vehicle market, while in significant decline in the short term, is likely to stabilise in the medium term as there is still a pent-up demand for capital expenditure due to the "EPA 10" exhaust standard, which has been mandatory since 2010, combined with purchasing restraint in the years up to 2014. In the first half year, the "Class 8" sales – i.e. sales of heavy goods vehicles in North America and Canada – declined slightly. According to current market research, the second half year is likely to see further weakness in the market. The main reasons for this are less stable economic trends year on year and the rather more unstable macroeconomic outlook for the USA, which is leading to a reluctance to purchase capital goods. To mitigate the strong dependency on existing key customers, especially in the USA, a number of targeted sales activities were initiated in the first half of the previous year. All sites – with the exception of the additional shut-down weeks in the USA in the second half year – remain at full capacity. The relocation to the new production building at the German Trossingen-Schura site was completed as planned during the first half year.

In the "**Ultrasonic/Special machines**" division the order book continues to be good. As utilisation does not depend directly on the number of vehicles produced, but mainly on the introduction of new models by the vehicle manufacturer, this division is significantly less cyclical than the "Powertrain/Diesel" division and has always been only slightly affected by crises. This is further enhanced by the unchanged strong model and variant policies of the OEMs, as well as the constant efforts to reduce vehicle costs through lightweight design, which is set to continue.

The packaging machine industry which is a target market of MS's **"Ultrasonic / Systems & Components"** division – but still the smallest measured by sales and headcount – continues to show disproportionately high growth rates due to the growing amount of plastic packaging in all areas of life worldwide. By rigorously pursuing our innovation strategy in this area, we will be showcasing a new product line at the "K-Messe" trade fair in Düsseldorf in autumn 2016. Even if the level of orders received in the first half year was rather modest, especially in the domestic market, we still expect disproportionately high growth rates in this highly innovative product area. In Brazil, orders received in the first half year developed positively. The new Brazilian 45%-owned subsidiary acquired in the first half year is working at full capacity with orders from the UTG division and the pipeline is full.

Under a sales contract dated March 11, 2016, the wholly-owned subsidiary **MS Enterprise Holding Ltda.**, Salto (State: Sao Paulo), Brazil, acquired 45,0% of the shares of **WTP Ultrasonic Industria e Comercio de Maquinas Ltda.**, Contagem City (State: Minas Gerais), Brazil, a well-known local manufacturer of sonotrodes and ultrasonic welding machines. This was recorded in the commercial register on April 8, 2016. The acquisition price of EUR 0,1 million was paid on April 13, 2016. The new overseas company has been consolidated in the accounts using the equity method since April 2016 and is included in the **"Ultrasonic"** division due to its business model.

During the second half of 2016, stands have been booked at the following trade fairs in the "UTG" division: "K-Messe" in Düsseldorf from October 19 to 28, 2016 and – in the "UTG packaging systems" division – the two major trade fairs "Fachpack" in Nuremberg from September 27 to 29 and "PackExpo" in Chicago from November 6 to 9, 2016. In the "PTG systems and components" division, the "IZB" trade fair in Wolfsburg, Germany from October 18 to 20, 2016 is definitely in the plans.

Elektromotorenwerk Grünhain GmbH, Grünhain-Beierfeld, **("EMGR")** operates in the **"Powertrain/electric motors"** division. It is a successful manufacturer of customer-specific electric motors in a variety of different designs, as well as related products. EMGR continues to work towards entering the market for customer-specific electric motors for two and three-wheelers (cargo sector/electromobility). Initial limited production runs have already been shipped. As the logical extension of its development plans from previous years (new, more efficient drive technology for industry and electromobility), EMGR is increasingly evolving into a systems provider. As a result, the product range is being extended to include gears and control systems. The management of EMGR assumes that business will develop positively in 2016 with a further increase in sales, mainly on the basis of the good performance in electric motors in the first half year following a significant increase in sales in the previous year. Despite a significant increase in personnel expenses since 2015 due the "minimum wage legislation", although this had already been included in the annual budgets for both 2016 and 2015, we expect a slightly positive annual result for 2016, excluding the planned start-up losses for the Bulgarian site.

EMGR is also attempting to accelerate its growth on the basis of its solid and broad customer base by increasing sales activities in other European countries. The market potential for customer-specific quality motors is being tested in other industry segments as well as in cooperation with other manufacturers. In March 2015, the Group subsidiary **"EMGR EAD"** was established in Gabrovo, Bulgaria as a wholly-owned subsidiary of EMGR Beteiligungs GmbH, which is a 75,1%-owned subsidiary of EMGR and a joint venture between EMGR and a European crane manufacturer in Gabrovo, Bulgaria. This newly formed company is intended to advance EMGR's planned production activities in Bulgaria. Since January 2016, the new operating subsidiary has been manufacturing trolley drives for the crane industry using existing designs from the German parent company in addition to general electric motors for the industry. For the future, it is planned to also manufacture special conical and cylindrical hoist motors for the crane industry, as well as other customer-specific motors for industrial customers from the start of 2017. It is also intended in the medium term that the unit will act as a contract manufacturer for the German parent company. EMGR EAD has planned initial revenue of around EUR 0,3 million for financial year 2016. It should be pointed out here that financial year 2016 continues to focus strongly on setting up the business operation and there is currently much uncertainty surrounding the earnings plans.

This Interim Management Report contains forward-looking statements and information – i.e. statements regarding operations that are in the future and not in the past. These forward-looking statements can be identified from wording such as "expect", "anticipate", "intend" and similar terms. These forward-looking statements are based on our current expectations and certain assumptions. They do, therefore, harbour a series of risks and uncertainties. A large number of factors, many of which are outside of MS Industrie AG's control, influence MS Industrie AG's business activities, success, business strategy and results. These factors may result in MS Industrie AG's actual results, success and performance differing essentially from the information on the results, success or performance expressly or implicitly included in the forward-looking statements.

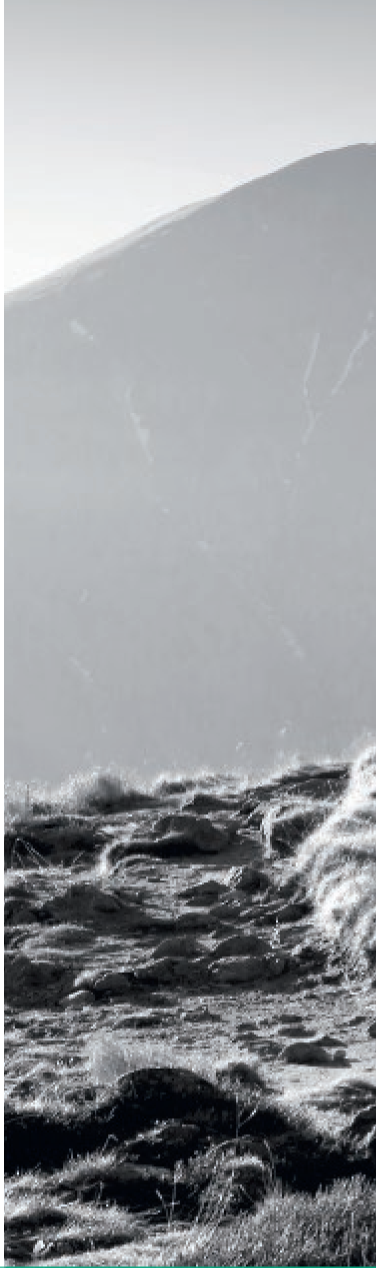
Munich, August 16, 2016

With kind regards

MS Industrie AG – The Executive Board

Dr Andreas Aufschnaiter
(Chairman of the Executive Board)

Armin Distel



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