MS Industrie AG, Munich
Extracts from the Group´s Management Report as of June 30, 2017

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, 2017 - Overview of key figures

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

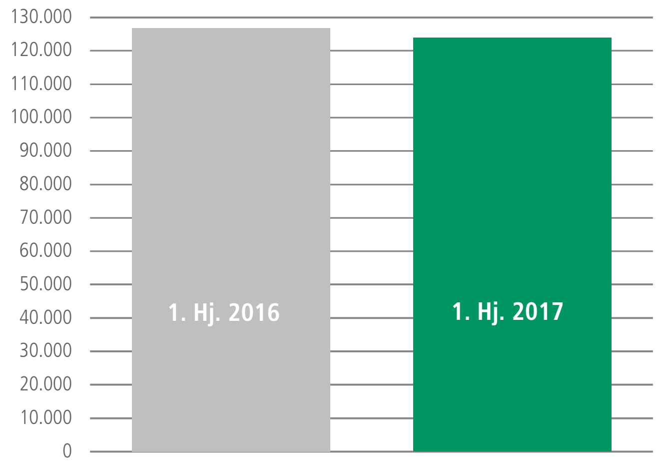
Balance sheet key figures	31.12.2016	30.06.2017
Total assets	153.796	162.148
Equity and non-controlling interests	51.792	52.304
Equity ratio (%)	33,7%	32,3%
Trade receivables	25.071	36.538
Liquid funds (Cash and cash equivalents ./. Current accounts)	895	-5.399
Net working capital (Inventories + Trade receivab. ./. Trade payables)	50.705	58.382

Cashflow key figures	1. Hj. 2016	1. Hj. 2017
Net cash generated from operating activities	-4.145	11
Net cash used in investing activities	-4.853	-2.763
Net cash used in financing activities	10.279	-3.542

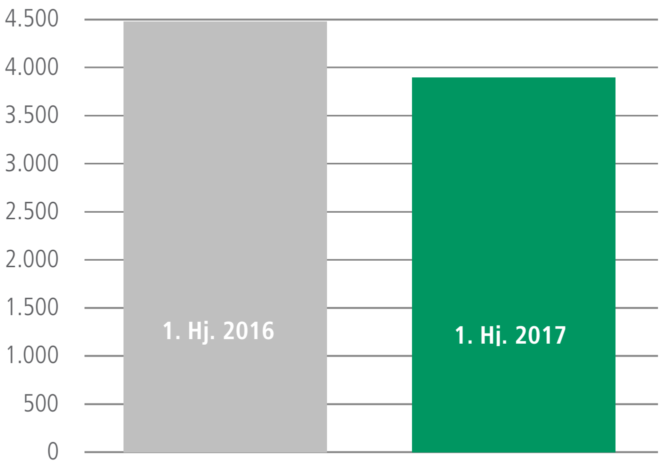
Income statement key figures	1. Hj. 2016	1. Hj. 2017
Revenues	128.578	123.938
Gross profit	60.239	58.799
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10.716	10.513
Operating Profit (EBIT)	4.541	3.937
Profit before income tax (EBT)	2.779	3.135
Profit for the year after non-controlling interests (EAT)	2.034	2.442
Consolidated earnings per share in EUR	0,07	0,08

Income statement key figures (adjusted for non-recurring items)	1. Hj. 2016	1. Hj. 2017
Revenues	126.778	123.938
Gross profit	59.063	58.759
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10.654	10.473
Operating Profit (EBIT)	4.479	3.897
Profit before income tax (EBT)	2.717	3.095
Profit for the year after non-controlling interests (EAT)	1.990	2.413
Consolidated earnings per share in EUR	0,07	0,08

Total adjusted revenues
in TEUR



Operating Profit (adjusted)
(EBIT) in TEUR



MS Industrie AG, München

Consolidated balance sheet as at June 30, 2017, unaudited

	30.06.2017 (Unaudited) TEUR	31.12.2016 (Audited) TEUR
ASSETS		
Intangible assets	3.863	4.306
Property, plant and equipment	61.648	63.126
Investment property	7.102	7.140
Investments	2.974	3.822
Investments in associates	2.594	2.613
Deferred income tax assets	668	824
Other non-current financial assets	1.675	1.540
Other non-current assets	492	515
Non-current assets	**81.016**	**83.886**
Inventories	39.072	37.666
Trade receivables	36.538	25.071
Cash and cash equivalents	2.284	4.143
Income tax assets	237	138
Other current financial assets	529	632
Other current assets	2.472	2.260
Current assets	**81.132**	**69.910**
TOTAL ASSETS	**162.148**	**153.796**
EQUITY AND LIABILITIES		
Ordinary Shares (30.00 million shares less 107,670 treasury shares)	29.892	29.892
Share premium	7.587	7.587
Statutory reserve	439	439
Retained earnings	3.929	3.929
Other reserves	3.063	4.958
Consolidated profit	7.506	5.064
Non-controlling interests	-112	-77
Equity and non-controlling interests	**52.304**	**51.792**
Non-current Borrowings	23.717	26.865
Provisions for pensions and similar obligations	1.806	1.821
Deferred income tax liabilities	1.596	1.927
Other non-current provisions and accruals	367	375
Other non-current financial liabilities	14.770	14.870
Other non-current liabilities	1.354	1.726
Non-current provisions and liabilities	**43.610**	**47.584**
Current Borrowings	26.794	19.738
Trade payables	17.228	12.032
Current income tax liabilities	0	24
Current provisions and accruals	6.366	7.551
Other current financial liabilities	9.375	9.477
Other current liabilities	6.471	5.598
Current provisions and liabilities	**66.234**	**54.420**
TOTAL EQUITY AND LIABILITIES	**162.148**	**153.796**

MS Industrie AG, Munich
Consolidated income statement for the period 01.01-30.06.2017, unaudited

	01.01. - 30.06.2017 (January - June 2017)	01.01. - 30.06.2016 (January - June 2016)	Difference Jan.-June 17 - Jan.-June 16 absolute	percentage
	"Six months"			
Revenues	123.938	128.578	*-4.640*	*-4%*
a) Proceeds from the sale of investments and				
s Wertpapieren des Umlaufvermögens	*0*	*120*	*-120*	*-100%*
b) Revenues from industrial and real estate business	*123.882*	*128.373*	*-4.491*	*-3%*
c) Revenues from consulting and commissions	*56*	*85*	*-29*	*-34%*
Changes in inventory of work in process and finished goods	533	3.155	*-2.622*	*-83%*
Other income	1.249	1.589	*-340*	*-21%*
Total income	**125.720**	**133.322**	***-7.602***	***-6%***
Cost of materials	66.921	73.083	*-6.162*	*-8%*
a) Disposal of investments and securities				
held as current assets (carrying amounts)	*0*	*110*	*-110*	*-100%*
b) Costs of raw materials, goods purchased and services	*66.921*	*72.973*	*-6.052*	*-8%*
Personnel expense	31.158	30.314	*844*	*+3%*
Depreciation and amortisation expense				
a) Depreciation of property, plant and equipment,				
investment property and amortisation of intangible assets	6.576	6.175	*401*	*+6%*
Other expense	17.128	19.209	*-2.081*	*-11%*
Total expenses	**121.783**	**128.781**	***-6.998***	***-5%***
Operating Profit	**3.937**	**4.541**	*-604*	***-13%***
Finance costs, net	-797	-1.812	*1.015*	*+56%*
Share of profit of investments acc. for using the equity method	-5	50	*-55*	*-110%*
Profit before income tax	**3.135**	**2.779**	***356***	***+13%***
Income tax expense	728	782	*-54*	*-7%*
Profit for the period	**2.407**	**1.997**	***410***	***+21%***
attributable to				
owners of the parent	2.442	2.034	*408*	*+20%*
non-controlling interests	-35	-37	*2*	*+5%*
	2.407	1.997	*410*	***+21%***
Consolidated earnings per share, in EUR				
basic, after non-controlling interests	0,08	0,07		
diluted, after non-controlling interests	0,08	0,07		
Number of shares, average weighting				
basic	29.892.330	29.823.469		
diluted	29.892.330	29.823.469		

MS Industrie AG, Munich
Consolidated income statement for the period 01.04-30.06.2017, unaudited

	01.04. - 30.06.2017 (April - June 2017)	01.04. - 30.06.2016 (April - June 2016)	*Difference April-June17 - April-June 16* absolute	percentage
	"Three months"			
Revenues	65.403	66.213	*-810*	*-1%*
a) Proceeds from the sale of investments and				
s Wertpapieren des Umlaufvermögens	*0*	*71*	*-71*	*-100%*
b) Revenues from industrial and real estate business	*65.362*	*66.097*	*-735*	*-1%*
c) Revenues from consulting and commissions	*41*	*45*	*-4*	*-9%*
Changes in inventory of work in process and finished goods	20	-506	*526*	*+104%*
Other income	632	1.035	*-403*	*-39%*
Total income	**66.055**	**66.742**	***-687***	***-1%***
Cost of materials	34.813	35.626	*-813*	*-2%*
a) Disposal of investments and securities				
held as current assets (carrying amounts)	*0*	*63*	*-63*	*-100%*
b) Costs of raw materials, goods purchased and services	*34.813*	*35.563*	*-750*	*-2%*
Personnel expense	15.734	15.360	*374*	*+2%*
Depreciation and amortisation expense				
a) Depreciation of property, plant and equipment,				
investment property and amortisation of intangible assets	3.330	3.022	*308*	*+10%*
Other expense	8.656	9.944	*-1.288*	*-13%*
Total expenses	**62.533**	**63.952**	***-1.419***	***-2%***
Operating Profit	**3.522**	**2.790**	*732*	***+26%***
Finance costs, net	-406	-814	*408*	*+50%*
Share of profit of investments acc. for using the equity method	-5	0	*-5*	
Profit before income tax	**3.111**	**1.976**	***1.135***	***+57%***
Income tax expense	864	699	*165*	*+24%*
Profit for the period	**2.247**	**1.277**	*970*	***+76%***
attributable to				
owners of the parent	2.263	1.297	*966*	*+74%*
non-controlling interests	-16	-20	*4*	*+20%*
	2.247	**1.277**	*970*	***+76%***
Consolidated earnings per share, in EUR				
basic, after non-controlling interests	0,08	0,04		
diluted, after non-controlling interests	0,08	0,04		
Number of shares, average weighting				
basic	29.892.330	29.823.469		
diluted	29.892.330	29.823.469		

MS Industrie AG, Munich, Consolidated statement of comprehensive income for the 1st half of the financial year 2017, unaudited

	01.01. - 30.06.2017 (January - June 2017)	01.01. - 30.06.2016 (January - June 2016)
	"Six months"	
Profit for the period	**2.407**	**1.997**
Items that may be subsequently reclassified to profit or loss		
Change in value of available-for-sale financial assets	-105	-95
Currency translation differences	-1.763	-388
Items that will not be reclassified to profit or loss		
Remeasurements of post employment benefit obligations	-37	-31
Income taxes recorded in other comprehensive income	10	9
Other comprehensive income for the year, net of tax	-1.895	-505
Total comprehensive income for the period	512	1.492
attributable to owners of the parent	547	1.529
attributable to non-controlling interests	-35	-37
	512	1.492

MS Industrie AG, Munich, Consolidated cash flow statement for the period 01.01.-30.06.2017, previous year´s period for comparison purposes (unaudited)

INDUSTRIE AG

	01.01. - 30.06.2017 TEUR	01.01. - 30.06.2016 TEUR
Profit for the period	2.407	1.997
Income tax expense (recognised through profit and loss)	728	782
Finance income (recognised through profit and loss)	-223	-125
Finance costs (recognised through profit and loss)	1.020	1.937
Depreciation of property, plant and equipment and amortisation of intangible assets	6.539	6.138
Depreciation of investment property	38	38
Material non-cash other expenses (+) or income (-):		
Losses/gains (-) on investments accounted for using the equity method	5	-50
Losses/gains (-) on disposal of property, plant and equipment and intangible assets	-5	-12
Losses/gains (-) on disposal of investments held for sale	68	-10
Increase in inventories, trade receivables and other assets not assigned to investing or financing activities	-12.819	-7.537
Increase/decrease (-) in trade payables and other liabilities not assigned to investing or financing activities	3.411	-5.095
Interest received	13	65
Interest paid	-898	-1.539
Income tax paid	-272	-734
Net cash generated from operating activities	**11**	**-4.145**
Proceeds from sale of property, plant and equipment and intangible assets	6	260
Purchases of property, plant and equipment and intangible assets	-3.350	-5.538
Proceeds received from government subsidies for investments in property, plant and equipment	0	445
Proceeds from disposals of investments held for sale	752	120
Purchase of investments	-8	-140
Payments made for the granting of borrowings	-170	0
Proceeds received from investments	7	0
Net cash used in investing activities	**-2.763**	**-4.853**
Proceeds from issuance of debt-equivalent bonds	0	200
Repayments of debt-equivalent bonds	0	-300
Proceeds from borrowings	2.943	12.542
Repayments of borrowings	-3.470	-5.483
Proceeds from finance lease transactions	0	5.275
Payments made for finance lease transactions	-3.015	-1.955
Net cash used in financing activities	**-3.542**	**10.279**
Net in- / decrease in liquid funds	**-6.294**	**1.281**
Liquid funds at beginning of period	895	1.580
Liquid funds at end of period	**-5.399**	**2.861**

MS Industrie AG,
Munich

EXTRACTS from the Group´s interim management report for the 1st half of financial year 2017

Table of contents

MS Industrie AG, Munich

1. Highlights of the first half year

Dear Shareholders, Dear Colleagues and Business Partners.

In line with expectations, the first six months of 2017 were still marked by a slight year-on-year decline in revenues for MSI Industrie Group. In geographic terms this is particularly true for the German market, and in terms of segments for the Powertrain segment. For the Group's sites in the USA business continued to develop positively overall in comparison to the first half of the previous year and also compared to the first quarter of the current financial year 2017. In total, revenues in the individual entities were well ahead of targets, which had been deliberately set at conservative levels in view of the situation in the US market. Business performance in the (US) powertrain market was still somewhat weaker in the first half of the financial year, accompanied by a further strengthening of the euro exchange rate, which unfortunately has a negative effect on the Group's total comprehensive income due to the still high volume of revenues in the USA in the first six months of 2017.

In the two main business segments **Powertrain Technology Group** (**"Powertrain"**) and **Ultrasonic Technology Group** (**"Ultrasonic"**) revenue development varied: as at the end of the first half year, revenues in the "Powertrain" segment were around 9% lower than revenues in the previous year, while revenues in the "Ultrasonic" segment outperformed prior year revenues by 24%.

Revenues in the "Powertrain" segment in the first half of 2017 accounted for around 79% of the Group's consolidated, revenues and the contribution of the "Ultrasonic" segment was around 21%.

As at the end of June 2017, orders on hand were around EUR 122 million in total (average in the previous year: EUR 121 million), with orders on hand falling below the average recorded in the first six months of the previous year by around 25% in the "Ultrasonic" segment, and exceeding it by around 12% in the "Powertrain" segment. Such fluctuations in order and sales volumes as experienced by the **"Ultrasonic"** segment in the course of the year are quite usual in the special machines market; they are mainly the result of reporting date matching effects of recognised numbers and actual deliveries and acceptances of finished machines.

After completion of the new production building in Trossingen all production sites are equipped with modern technology and provide sufficient capacity reserves to ensure that they can cope with the expected organic growth in a profitable manner.

In line with the development of revenues, the earnings situation and key earnings figures developed quite satisfactorily in the first half of the current financial year 2017, 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 can be seen against the backdrop of a continued recovery in the European commercial vehicle market with a year-on-year growth in new registrations of 4,2% in the first half of 2017 (increase in Germany: 2,1 %) and of 2,5% in June 2017 compared to the same month last year, as again confirmed by the latest regular analysis of July 25, 2017 by "ACEA" (Association des Constructeurs Européens d´Automobiles, Brussels). The European market for heavy goods vehicles over 16 tonnes developed somewhat less dynamically than in the previous year, with an increase in European registrations of 2,2% (decline in registrations in Germany: 1,2%) in the first half of 2017 (same source: "ACEA", as of July 25, 2017). However, based on these figures we maintain our confident outlook, also bearing in mind that 2015 and 2016 were years considered satisfactory at best by the European commercial vehicle sector.

The US market for heavy- and medium-duty vehicles reported an increase of around 5,4% in June 2014, which was slightly ahead of previous year's level and in line with expectations. However, as anticipated, revenues declined by 7,6% compared to the same month last year according to the statistics of the private US analysis firm "National Automobile Dealers Association", among other sources. According to the US analysis firms "FTR" and "Rhein Report", incoming orders in the "Class 8" segment were around 18.100 units in June, equivalent to a year-on-year increase of 39%. At the same time, sales of heavy goods vehicles in June exceeded the figures of May 2017 by around 6.5%, as stated in an evaluation published by "Rhein Report". This translates into continuous growth for the second consecutive month after the previous month of May, with an increase of around 17,5% compared to sales in April 2017. This indicates that the slow and moderate recovery of the US market for heavy goods vehicles expected in early 2017 and anticipated in the Company's full-year forecasts will materialise with around 240.000 units to be sold in total in 2017. The market recovery, partly based on incoming orders generated in the first six months of 2017, is still mostly expected for the second half of the financial year.

Given this sector-related background, the business activities of MS Industrie AG showed a satisfactory development in the first half of 2017, with a slight decline in revenues of around 3,6%. Total adjusted consolidated revenues in the first half of 2017 were around EUR 123,9 million (2016: EUR 126,8 million) and thus also just slightly below the previous year at -2,2%.

Resulting from the slight year-on-year decrease in adjusted revenues, both adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) and adjusted earnings before interest and tax (EBIT) are somewhat lower than in the previous year, amounting to an EBITDA of EUR 10,5 million (2016: EUR 10,7 million) and an EBIT of EUR 3,9 million (2016: EUR 4,5 million).

The financial result improved considerably, attaining EUR -0,8 million (2016: EUR -1,8 million), which is mainly due to the fact that interest on the bond issued by the former MS Spaichingen GmbH is no longer due as the bond was paid off completely in previous year in July 2016.

As a result, adjusted profit before taxes (EBT) rose by 14% and totaled EUR 3,1 million (2016: EUR 2,7 million).

Adjusted profit after taxes (EAT) was EUR 2,4 million (2016: EUR 2,0 million) and thus also around 22% higher than in the same period in the previous year. Adjusted profit after non-controlling interests was also EUR 2,4 million in the period (2016: EUR 2,0 million).

Liquidity within the Group decreased during the reporting period from EUR 4,1 million at the start of 2017 to EUR 2,3 million as of June 30, 2017. The decline of EUR 1,8 million during the first half of 2017 was primarily a result of a strong increase in working capital as at the reporting date, in conjunction with a negative cash flow from financing activities, which failed to offset the anticipated negative cash flow from investing activities.

The **second quarter of 2017** was also satisfactory with a significantly higher adjusted EBITDA of EUR 6,8 million (first quarter 2017: EUR 3,7 million) as well as higher adjusted earnings before interest and tax (EBIT) of EUR 3,5 million (first quarter 2017: EUR 0,4 million) and significantly higher adjusted earnings before taxes (EBT) of EUR 3,1 million (first quarter 2017: EUR 0,0 million). Before adjustments, EBITDA was EUR 6,9 million, EBIT also EUR 3,5 million and EBT EUR 3,1 million in the second quarter of 2017.

For the current financial year 2017 the Executive Board expects that the greatest organic growth in percentage terms will be achieved by the new sub-segment of ultrasonic machines of the "MS soniTOP" brand, while the greatest increase in absolute terms is expected for valve train systems in the Powertrain Diesel sub-segment as volumes are rising again in the USA.

As explained in the Annual Report 2016, **MS Industrie AG's** plans for 2017 include a slight increase in Group revenues up to around EUR 240 million generated by the industrial segments, with approximately the same EBITDA-level, whereas EBIT and EBT can be expected to improve considerably as a result of reduced depreciation and amortisation and reduced interest expense. Since tax expense increased again in 2017 and the one-time tax credits 2016 in the USA are not expected for 2017 anymore, we expect the profit for the year to match the level of the previous year. According to the Group's forecasts a somewhat negative development is to be expected for the gross margin, while a slightly positive development is anticipated for the EBIT margin. No significant change is expected for earnings per share from continuing operations. Based on the anticipated profit for the year 2017, the Group also expects a considerable increase in Group equity. In addition, it is expected that the cash flows from operating activities (without non-recurring items) will develop somewhat better in 2017 than in the previous year. No significant changes are anticipated for the cash flow used in investing activities in 2017 compared to 2016. However, given the large number of steps taken, it should be possible for the group to reduce the debt-to-equity ratio and achieve a significantly increased equity ratio. At the date of preparation of these interim financial statements the Executive Board continues to be convinced that the Group will be able to achieve this target.

2. Report on economic situation

2.a Macroeconomic and industry-related environment in first half of 2017

The industrial business performed well in the first half year. This was due to the good order books of the industrial segments "**Powertrain**" and "**Ultrasonic**", which have been barely affected by the uncertainties within the EU regarding the implementation of Brexit and the international tensions with Russia and Turkey. Moreover, although sales remain subdued in the (US) commercial vehicle market for heavy goods vehicles, the expected medium-term catch-up effects continue to be considerable and the long-term prospects are good. In its analysis reports for June and July the US analysis firm "Rhein Report" forecasts a sustainable recovery of the US market only for the financial year 2018. But there is every indication that the lasting upturn in the (US) commercial vehicle market for heavy goods vehicles should emerge in 2018 at the latest.

The still somewhat slow market development in the USA was accompanied by a further strengthening of the euro exchange rate in the first half of the year, which had a negative effect on the Group's overall revenues, due to the high volume of revenues in the USA

In the first half of the year revenues generated by the "**Powertrain**" segment were around 9 % lower than in the previous year. While the "**Ultrasonic**" segment exceeded this result by around 24% in the first half year, this effect is to some extent related to the reporting date as the shipping rate for machinery in the first six months of 2017 was high.

In the USA/Canada ("North America") markets, revenues of EUR 43,8 million in total were generated in the first half of 2017 (2016: EUR 44,1 million). The North American market therefore accounts for around 35,3% (2016: 34,8%) of adjusted consolidated total revenues of the MS Industrie Group.

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

As at the end of June, orders on hand were around 1% higher across all product groups than the average of the first half of 2016. The order backlog will be sufficient until the end of the fourth quarter of 2017 both in the "Ultrasonic" and the "Powertrain" segment.

2.b Status of the group as of June 30, 2017

Earnings situation

The key figures of the Group are presented in the following tables with a comparison to 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 30.06.2017**		**1.1. to 30.06.2016**		Difference	
	TEUR	%	TEUR	%	TEUR	%
Revenues	**123.938**	**100,0**	**128.578**	**100,0**	**-4.640**	**-3,6**
Other income	1.249	1,0	1.589	1,2	-340	-21,4
Cost of materials (incl. changes in inventory)	66.388	53,6	69.928	54,4	-3.540	-5,1
Gross profit	**58.799**	**47,4**	**60.239**	**46,9**	**-1.440**	**-2,4**
Personnel expense	31.158	25,1	30.314	23,6	844	2,8
Other expense	17.128	13,8	19.209	14,9	-2.081	-10,8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**10.513**	**8,5**	**10.716**	**8,3**	**-203**	**-1,9**
Depreciation and amortisation expense	6.576	5,3	6.175	4,8	401	6,5
Operating profit (EBIT)	**3.937**	**3,2**	**4.541**	**3,5**	**-604**	**-13,3**
Finance costs, net	-797	-0,6	-1.812	-1,4	1.015	-56,0
Share of profit of investments accounted for using the equity method	-5	0,0	50	0,0	-55	-110,0
Profit before taxes (EBT)	**3.135**	**2,5**	**2.779**	**2,2**	**356**	**12,8**
Income tax (expense)	728	0,6	782	0,6	-54	-6,9
Profit for the period before non-controlling interests (EAT)	**2.407**	**1,9**	**1.997**	**1,6**	**410**	**20,5**
Profit attributable to non-controlling interests	-35	0,0	-37	0,0	2	-5,4
Profit for the period after non-controlling interests (EAT)	**2.442**	**2,0**	**2.034**	**1,6**	**408**	**20,1**

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

Non-recurring items with an influence on profit and loss in the previous year´s period essentially involved reimbursements for currency losses from procurement transactions with set suppliers that occurred during the previous year´s and 2015 period, amounting to EUR +0,5 million net (EUR +1,8 million in revenues, EUR -1,3 million cost of materials) and reimbursements for costs incurred in the 2015-period from the insolvency of one supplier amounting to around EUR +0,7 million (cost of materials) and relocation costs for moving the "Powertrain" segment of the MS Technologie-Group to the new production premises in

Trossingen amounting to around EUR -1,1 million. All amounts before taxes. There were no material non-recurring effects in the first half of 2017. The adjusted key figures therefore largely correspond to the unadjusted figures.

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

	01.01. to 30.06.2017		01.01. to 30.06.2016		Difference, adjusted	
	Adjusted	Adjusted	Adjusted	Adjusted	16 / 17	16 / 17
	TEUR	%	TEUR	%	TEUR	%
Revenues	**123.938**	**100,0**	**126.778**	**100,0**	**-2.840**	**-2,2**
Gross profit	**58.759**	**47,4**	**59.063**	**46,6**	**-304**	**-0,5**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**10.473**	**8,4**	**10.654**	**8,4**	**-181**	**-1,7**
Operating profit (EBIT)	**3.897**	**3,1**	**4.479**	**3,5**	**-582**	**-13,0**
Profit before taxes (EBT)	**3.095**	**2,5**	**2.717**	**2,1**	**378**	**13,9**
Profit for the period before non-controlling interests (EAT)	**2.378**	**1,9**	**1.952**	**1,5**	**426**	**21,8**
Profit for the period after non-controlling interests (EAT)	**2.413**	**1,9**	**1.990**	**1,6**	**423**	**21,3**

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

	01.01. to 30.06.2017			
	Before Adjustments	Effect of Adjustments	Adjusted	Adjusted
	TEUR	TEUR	TEUR	%
Revenues	123.938	0	123.938	100,0
Gross profit	58.799	-40	58.759	47,4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10.513	-40	10.473	8,4
Operating profit (EBIT)	3.937	-40	3.897	3,1
Profit before taxes (EBT)	3.135	-40	3.095	2,5
Profit for the period before non-controlling interests (EAT)	2.407	-29	2.378	1,9
Profit for the period after non-controlling interests (EAT)	2.442	-29	2.413	1,9

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

	01.01. to 30.06.2016			
	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 taxes (EBT)	**2.779**	**-62**	**2.717**	**2,1**
Profit for the period before non-controlling interests (EAT)	**1.997**	**-45**	**1.953**	**1,5**
Profit for the period after non-controlling interests (EAT)	**2.034**	**-45**	**1.990**	**1,6**

The adjusted revenues of MS Industrie-Group, which at the consolidated level slightly decreased in the reporting period, mainly comprise EUR 97,6 million (2016: EUR 108,9 million) from the "Powertrain" segment and EUR 26,4 million (2016: EUR 21,3 million) from the "Ultrasonic" segment. In the first half of 2017 adjusted and unadjusted revenue were equivalent.

Personnel expenses rose year-on-year by around 2,8% in the first half, i.e. more or less proportionately to the increase in the headcount, with an average of 1.136 permanent employees (same period 2016: 1.138 employees).

The adjusted gross margin (revenues including changes in inventory plus other operating income minus cost of materials) amounts to 47,4% in the first half of the year (2016: 46,6%).

After markedly declined other expenses, which - despite non-capitalised research and development costs of EUR 1,9 million (2016: EUR 1,5 million) - overall decreased by EUR 2,1 million to EUR 17,1 million, adjusted and unadjusted earnings before interest, tax, depreciation and amortisation (EBITDA) were slightly down, at around EUR 10,5 million (2016: EUR 10,7 million).

After depreciation and amortisation there were slightly lower adjusted and unadjusted earnings before interest and taxes (EBIT) in the first half of 2017 amounting to EUR 3,9 million (2016: EUR 4,5 million).

The financial result significantly improved to EUR -0,8 million (2016: EUR -1,8), thereof EUR 0,2 million (2016: EUR -0,1 million) result from the valuation of derivative financial instruments. The financial result includes financial income in the amount of EUR 0,2 million (2016: EUR 0,1 million) and financial expenses amounting to EUR -1,0 million (2016: EUR -1,9 million).

Profit before taxes (EBT) slightly increased at EUR 3,1 million in the first half of 2017 (2016: EUR 2,8 million). Adjusted EBT was also around EUR 3,1 million (2016: EUR 2,7 million) and thus also slightly higher than in the previous year.

Profit after taxes (EAT) amounts to around EUR 2,4 million, both adjusted and unadjusted (2016: EUR 2,0 million). Adjusted and unadjusted profit after non-controlling interests amounts to EUR 2,4 million (2016: EUR 2,0 million).

Cash Situation

	1.1. to 30.6. 2017 TEUR	1.1. to 30.6. 2016 TEUR
Net cash generated from / used in operating activities	11	-4.145
Net cash used in investing activities	-2.763	-4.853
Net cash used in / generated from financing activities	-3.542	10.279
Net decrease in cash and cash equivalents	**-6.294**	**1.281**
Liquid funds at beginning of period	895	1.580
Liquid funds at end of period	**-5.399**	**2.861**

As at June 30, 2017, cash and cash equivalents amount to EUR 2,2 million (December 31, 2016: EUR 4,1 million). In addition, current account credit facilities of EUR 12,8 million were available (December 31, 2016: EUR 22,5 million).

Liquid funds as of June 30, 2017 amount to EUR -5,4 million (December 31, 2016: EUR 0,9 million) and thus have declined by EUR 6,3 million compared to December 31, 2016. The main reason for the decrease in liquid funds was, besides the strong increase in working capital (as at the reporting date), the negative cash flow from financing activities, which failed to offset the anticipated negative cash flow from investing activities.

Financial situation

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

	30.06.2017		31.12.2016		Difference	
	TEUR	%	TEUR	%	TEUR	%
ASSETS						
Deferred income tax assets	668	0,4	824	0,5	-156	-18,9
Other non-current assets	80.348	49,6	83.062	54,0	-2.714	-3,3
Current assets	81.132	50,0	69.910	45,5	11.222	16,1
Total assets	**162.148**	**100,0**	**153.796**	**100,0**	**8.352**	**5,4**

	30.06.2017		31.12.2016		Difference	
	TEUR	%	TEUR	%	TEUR	%
EQUITY AND LIABILITIES						
Equity and minority interests	52.304	32,3	51.792	33,7	512	1,0
Deferred income tax liabilities	1.596	1,0	1.927	1,2	-331	-17,2
Other debt	108.248	66,7	100.077	65,1	8.171	8,2
Total equity and liabilities	**162.148**	**100,0**	**153.796**	**100,0**	**8.352**	**5,4**

Non-current assets declined by around 3% in the first half of the year, but barely changed as a percentage of total assets (around 50%). The main reasons for the decrease are depreciation and amortization in the first half of 2017.

Current assets increased by around 16%, mainly due to the increase in accounts receivable as at the reporting date – especially in the "Ultrasonic" segment – by around 46%. The percentage ratio of non-current assets to total assets increased only slightly; it was 50% as of the end of the first half of the year.

The Group's equity ratio fell slightly compared to December 31, 2016, caused in particular by the increase of total assets by around 5% during the first half-of the year. As of June 30, 2017, the equity ratio was at 32,3% (December 31, 2016: 33,7 %). As a result of the Group's positive total comprehensive income, equity rose, in absolute terms, by EUR 0,5 million to EUR 52,3 million (December 31, 2016: EUR 51,8 million).

Liabilities also showed a marked increase in absolute terms, especially because of the increase in the Group's working capital, but remained almost unchanged as a percentage of total assets.

The Group's net debt ratio (short and long-term net bank liabilities/equity) increased from 82,0% as at the end of 2016 to 92,2% as at the end of the first half of the year 2017.

General statement on business performance and financial situation

The first half of 2017 continues to be marked by a focus on the core business segments "**Powertrain**" and "**Ultrasonic**" and on the three ongoing internationalization-projects (Brazil, China and Bulgaria).

While the beginning of the first quarter 2017 was somewhat slow for the MS Industrie-Group, the first half year overall showed a noticeable rise in demand, especially in the geographical sub-segment "Powertrain USA". The positive development in the second quarter of 2017, which was also influenced by increased shipments of ultrasonic custom machines, and the large volume of orders on hand for the rest of the year are reasons for the Executive Board to stay optimistic. The operating business in the current financial year developed largely according to plan for all subsidiary companies.

3. Information relevant to acquisitions and other reports

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

Various bank liabilities 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 neutralized through the use of interest rate swaps.

As of the interim reporting date, the Group had short-term and long-term bank loans of EUR 20,0 million and EUR 4,6 million respectively, for which the interest rate is almost exclusively variable and linked to a EURIBOR rate plus margin. The group held long-term interest rate swaps in the amount of EUR 11,0 million as of the interim reporting date to cover the interest rate risk. These interest rate swaps did not qualify as hedges for IFRS-accounting purposes. The negative cash value of these interest rate swaps as of the interim reporting date totaled EUR -1,3 million.

To hedge liquidity risks in relation to pension obligations in the MS Industrie-Group, the relevant subsidiary companies took out partial reinsurance contracts and concluded 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 present value of the obligation.

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

Under a resolution of the shareholders' meeting as of June 29, 2016, the Executive Board is entitled for a period of five years from the registration of the relevant amendments to the Articles of Association in the Commercial Register on July 1, 2016, and subject to the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions by up to EUR 6.000.000,00 by issuing up to 6.000.000 new shares in return for cash or contributions in kind and, under certain circumstances, to exclude shareholders’ subscription rights. The Authorised Capital 2017/I of MS Industrie AG at the time the interim financial statements were prepared thus totaled EUR 6.000.000 (December 31, 2016: EUR 6.000.000).

The Executive Board is further authorized by resolution of the shareholders' meeting as of June 28, 2017 to acquire, until June 27, 2022, treasury shares up to a portion of 10% of the Company’s existing share capital of EUR 30.000.000 as at the time of the resolution. The buy-back of treasury shares is intended, among other things, to permit the use of all or a part of the shares thus acquired for share option schemes for members of the Executive Board, bodies and employees of the Company or its associated companies, for the acquisition of companies or holdings in companies or to smooth out peaks in subscription rights. Hence, at the time these interim financial statements were prepared the maximum number of shares that could be bought back was 3.000.000. As of the interim reporting date, MS Industrie AG held 107.670 treasury shares of which 107.670 had been acquired in previous years.

4. Forecast report

The uncertainty about future global economic trends has been persisting since the publication of our Annual Report 2016 in April 2017. It is currently impossible to predict how much the German real economy will be affected by the smouldering crisis in the eurozone after the start of the “hard” Brexit negotiations and by crises flaring up in various regions in the Middle East. The uncertainties regarding the impact of the future (economic) policy pursued by the USA also contribute to this scenario. There are also some positive effects such as the continued historically low German base rate and the persistent low inflation rate as well as the low oil price - all of which are factors outside the control of the German industry, however.

Despite the above-mentioned macroeconomic risks, we assume that business for MS Industrie-Group will continue to develop solidly during the second half of 2017 in terms of revenues and earnings.

For the full 2017 financial year, the Executive Board anticipates a continuing strong order book and expects the Group to have a solid annual result. The originally planned investment volumes for 2017 for MS Technologie-Group were set at a total of around EUR 7,7 million, with EUR 5,4 million accounted for by the three German sites and EUR 2,2 million by the location in the USA. In the first half of 2017, EUR 4,3 million of the planned total investment volume has been invested. According to the current investment forecast for 2017 the investment budget is EUR 3,4 million, of which EUR 3,0 million will probably have an effect on cash flow. In terms of volumes, the greatest long-term growth is expected in the “Powertrain” segment from systems and components for heavy diesel engines in Europe. In the “Ultrasonic” segment, the strongest percentage growth is expected in the fields of ultrasonic machines of the “MS soniTOP” brand and “Systems and components for customer-specific applications”.

In the “**Powertrain / Diesel**” sub-segment there is still a noticeable growth momentum due to the current “EURO VI” exhaust standard applicable to trucks in Europe since the beginning of 2014. In addition, the US commercial vehicle market, while somewhat weak in the short term, is likely to stabilize in the medium term according to the assessments of most analysts as there is still a pent-up demand for capital expenditure after introduction of the “EPA 10” exhaust standard, which has been mandatory since 2010, combined with purchasing restraint observed in the past year. In the first half of 2017 the “Class 8” sales - i.e. sales of heavy goods vehicles in North America and Canada – showed constant growth. According to current market research, the market will increasingly recover in the second half year. The main reason for this is the rather more stable economic outlook for the USA in comparison to last year: especially the reluctance to purchase capital goods in the second half of 2016 has been overcome. Capacity utilization is high at all production sites.

Elektromotorenwerk Grünhain GmbH, Grünhain-Beierfeld ("EMGR") operates in the "**Powertrain / Electric motors" sub-segment**. It is a successful manufacturer of customer-specific electric motors in a variety of different designs and of related products. EMGR is working towards entering the market for customer-specific electric motors for two- and three-wheelers (cargo sector/electro-mobility). After production of prototypes was successfully tested in 2013/2014, series production was started in Germany in 2017. By consistently pursuing development projects initiated in previous years (new and more efficient drive systems for industrial and electro-mobility applications), EMGR is increasingly becoming a system provider. To this end, EMGR has enlarged its product portfolio by including transmissions and controls. Especially after the good performance of the electric motor business in the previous year the management of EMGR anticipates a better business development in 2017 with revenues continuing to rise and positive annual results. This expectation has been confirmed by the first half of 2017.

Since January 2016, the operating subsidiary "EMGR EAD", Gabrovo, Bulgaria has been manufacturing trolley drives for the crane industry using existing designs developed by the German parent company. The subsidiary also manufactures electric motors for the industry in general. In addition, the company is planning the production of special conical and cylindrical hoist motors for the crane industry as well as other customer-specific motors for industrial customers in the future, probably from early 2018. Since the financial year 2017 the unit has also started acting as a contract manufacturer for the German parent company. The subsidiary is planning to develop its own engineering and sales expertise starting from 2018.

In the "**Ultrasonic / Special machines**" sub-segment the order book continues to be good. Since capacity utilisation in this area is not directly dependent on the number of vehicles produced but primarily on new model launches by OEMs, this segment is considerably less cyclical than the "Powertrain / Diesel" sub-segment and has always been only slightly affected by crises. This is further enhanced by the policy of OEMs to offer a continuously increasing number of models and variants as well as their constant efforts to reduce vehicle costs through lightweight design, which is set to continue.

The packaging machine industry, which is a target market of the "**Ultrasonic / Systems & Components**" sub-segment – still the smallest in terms of revenues and headcount –, continues to show high growth rates due to the growing amount of plastic packaging in all areas of life worldwide. By rigorously pursuing our innovation strategy regarding new applications in the automotive, medical engineering, consumer goods and electronics industries we were able to showcase a new servo press for product lines at the "K-Messe" 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 are expecting disproportionately high growth rates in this highly innovative product area. In Brazil and China orders received developed positively in the first half of 2017. The new Brazilian 45%-owned subsidiary acquired in the first half of 2016 is working at full capacity with orders from the "UTG" segment, and the pipeline is full. For the second half of 2017 stands for the "UTG" segment have been booked at the following trade fairs: "PackExpo", a major trade fair in Chicago/USA from September, 25 to 27, and "Fakuma" in Friedrichshafen from October, 17 to 21.

This Interim Management Report contains forward-looking statements and information, i.e. statements relating to events that will occur in the future and are not historical facts. Forward-looking statements can be identified by the fact that they use words such as 'expect', 'anticipate', 'intend' or other words of similar meaning. Such forward-looking statements are based on our current expectations and certain assumptions and, by their nature, may harbor risks and uncertainties. A multitude of factors, many of which are outside of MS Industrie AG's control, influence our business activities, success, business strategy and results. These factors could cause our actual results, success and performance to differ materially from those expressed or implicitly contained in the forward-looking statements.

Munich, August 16, 2017

With kind regards

MS Industrie AG – The Executive Board

Dr Andreas Aufschnaiter
(Chairman of the Executive Board)

Armin Distel

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