MS Industrie AG

EXTRACTS from the Group's Management Report 2015

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

Foreword from the Board on the 2015 Annual Financial Report

Dr. Andreas Aufschnaiter

Armin Distel

Dear Shareholders, Employees and Business Partners of MS Industrie AG,

our corporate group enjoyed another very encouraging year in 2015 as compared with the previous year, particularly in relation to our revenues at **EUR 274 million** overall. The pure **industrial revenues** contained in the unadjusted revenues showed a further increase of **+19%** and amounted to around **EUR 255 million**. All product divisions and sites contributed to this organic growth. The various key earning figures, once adjusted for a couple of non-recurring items, also once again performed very positively in line with the growth in business volumes. The consolidated annual profit after taxes on earnings and adjusted for non-recurring items amounted to EUR 6.2 million (see detailed analysis in the Consolidated Management Report, section 2.c).

As in the previous year, we would like to highlight a few crucial topics and developments for readers of this Annual Report which we consider to be significant in terms of assessing the 2015 financial year and outlook:

- Business performance in the **MS Powertrain Technology Group** (also known as "**PTG**": systems and components for heavy diesel motors, customised electric motors) was characterised in particular by strong growth in demand in the **US**, while demand also grew in Europe for products for new diesel machines following the introduction of the exhaust emissions standard "**Euro VI**" for the **commercial vehicle sector** in **Europe** effective 1 January 2014.

- In the **MS Ultrasonic Technology Group** (also known as "**UTG**") the positive performance continued related to the **construction of special machines** for our customers in the passenger car industry both in Europe as well as internationally, and once again we are looking at a high order backlog for 2016. Cooperation agreements with our partners in machinery construction in **Brazil** and **China** also bring us closer to the relevant production sites of our local customers and resulted in exports increasing in the first year alone by around EUR 3.6 million to EUR 7.1 million or +103%.

- Development and sales activities continued consistently in the area of **UTG systems and components** for the packaging and medical industries. This resulted in further increases in revenues in 2015, with this performance also expected to continue in future years. The development of a completely new range of **ultrasonic welding machinery products** as started in 2014 and which is due to be launched on the market in autumn 2016 is a crucial factor here.

- The **new production building** for MS Spaichingen GmbH in the neighbouring borough of Trossingen/Schura was completed as scheduled in December 2015, meaning that the relocation of the majority of production facilities for the PTG division could be completed over the Christmas period as planned. This was a tremendous achievement by our team with support from outside experts. The remainder of the relocation will be completed by around June 2016. The production order for the building successfully processed by MS Spaichingen GmbH amounted to around **EUR 19 million** in 2015. The term of the property leasing agreement for the new building is for 14 years starting in January 2016. The UTG business unit has already been able to adopt the assembly areas that have become free at the old Spaichingen site for its own use in line with growth requirements.

- Our electric motor plant company **Elektromotorenwerk in Grünhain-Beierfeld** recorded solid growth once again in 2015 of 6%. It implemented the joint venture initiated the year before with a well-known crane manufacturer in Bulgaria and successfully constructed the first stage of a production unit that is initially designed primarily for the production of motors for the crane industry. The first significant revenues are expected from 2016.

- The **50-year anniversary celebrations** for MS Spaichingen GmbH, which took place on 7 November 2015 at the exhibition hall in Schwenningen with around 900 employees and guests attending, was a particularly joyful event.

The **order backlog** for the whole MS Industrie Group in the first quarter of 2016 amounted to EUR 122 million in total, which was around +5% higher than the order backlog at the end of 2015, and is therefore an indication of further organic growth for 2016. While the forecasts for North America related to the commercial vehicle sector in 2016 have been scaled back considerably in some cases, positive market performance persists in Europe, attributable primarily to a still high average age of truck fleets along with mandatory fulfilment of the Euro VI standard for all new vehicles.

Unfortunately, our strategy to further significantly **reduce the level of group debt** could not be implemented in 2015 given the significant growth in sales and the balance sheet, although this is being sought once again in 2016.

The need for new investments in plant and machinery continues to be adjusted in line with the progress of the Group's orders and growth. Capitalisation of around EUR 5 million of special technology and lessee fixtures in the new building at the Trossingen site is also accrued in 2016.

The prices for both of the instruments listed on the **capital market**, i.e. both the MS Industrie share price as well as the MS bond 11/16 price at the MS Spaichingen GmbH level remained stable or were kept at a good level in 2015. The issuer rating for MS Spaichingen GmbH is lower as at the end of March 2016 at "BB+" than the rating in the two previous years, although the follow-up financing for the MS bond due for repayment in July 2016 was arranged at the end of 2015 in collaboration with our principal banks at the background of a business outlook that remains positive.

We are very pleased that MS Spaichingen GmbH has once again been ranked at position 2 of the TOP 100 most innovative medium-sized companies in Germany, as this again provides evidence of the quality and innovative force of the MS Industrie Group.

We would like to express our thanks to all of the employees at the MS Industrie Group for the company's positive results achieved once again in 2015 through joint efforts.

Yours sincerely,

Dr. Andreas Aufschnaiter

Armin Distel

Munich, 25 April 2016

Our product portfolio

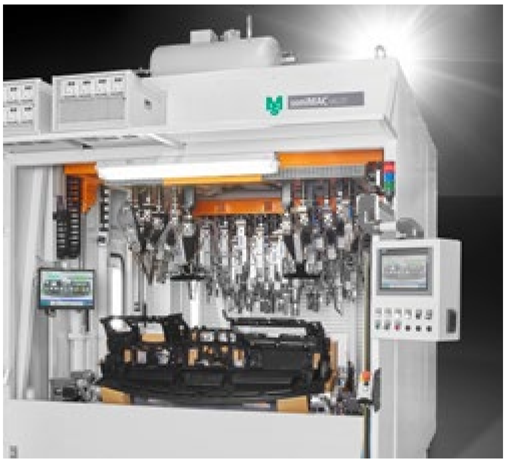
ULTRASONIC
TECHNOLOGY
GROUP

MS Spaichingen GmbH
MS Plastic Welders, L.L.C.

Production locations

Reputed customers around the world rely on us for our innovativeness, reliability and the premium quality of our products. We maintain production locations around the globe:
Production locations in Germany:
MS Spaichingen GmbH
in Spaichingen, Baden-Württemberg: 26,000 m²
MS PowerTec GmbH
in Zittau, Saxony: 7,000 m²
EMGR Elektromotorenwerk Grünhain GmbH
in Grünhain-Beierfeld, Saxony: 17,000 m²

Locations in the United States:
MS Plastic Welders, L.L.C. and
MS Precision Components, L.L.C.
in Webberville, Michigan: 16,000 m²



Ultrasonic custom machines
for the automotive industry

Ultrasonic systems
for customer-specific ultrasonic solutions

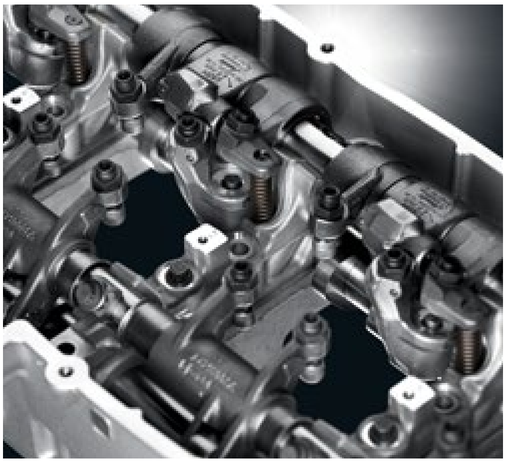
Ultrasonic components
for multiple industrial applications

Ultrasonic technology

The MS Ultrasonic Technology Group operates globally and across all industries. As a leader in innovation in the area of ultrasonic technology, it provides customisable special machines, modular systems and efficient components as powerful integrated solutions in connection and processing technology for thermoplastic materials, films and textiles as well as for cutting food.

POWERTRAIN
TECHNOLOGY
GROUP

MS Spaichingen GmbH
MS PowerTec GmbH
MS Precision Components, L.L.C.



Systems

- Complete valve trains
- Rocker arms

Components

- Gear box housings
- Valve bodies

Development

of innovative and targeted cost-related valve control and engine braking systems.

Machining technology and module assembly

The MS Powertrain Technology Group has extensive knowledge for perfectly customised solutions over the entire power train. It develops, manufactures, assembles and delivers powerful systems and components for and to many well-known automobile and commercial vehicle manufacturers as well as leading engine and gear manufacturers globally. MS does this by successfully combining many years of manufacturing experience with the latest processing technologies.

EMGR Elektromotorenwerk Grünhain GmbH

Electric motors

- Capacitor motors
- Three phase A.C. motors
- Synchronous motors
- Rotors
- Stators
- Pedelec-drive for Cargo-e-mobility

Electric motor production

At our electric motor company Elektromotorenwerk Grünhain (EMGR) we offer market-leading customised drive solutions for industrial applications. Our electric motors, which are produced based on a high vertical integration, are developed in cooperation with our customers based on their specific requirements. New energy-efficient motors, drive electronics, brakes, gear elements and aluminium die-cast components are being increasingly added to our motor range.

Annual Consolidated Financial Statements 2015 - Overview of key figures

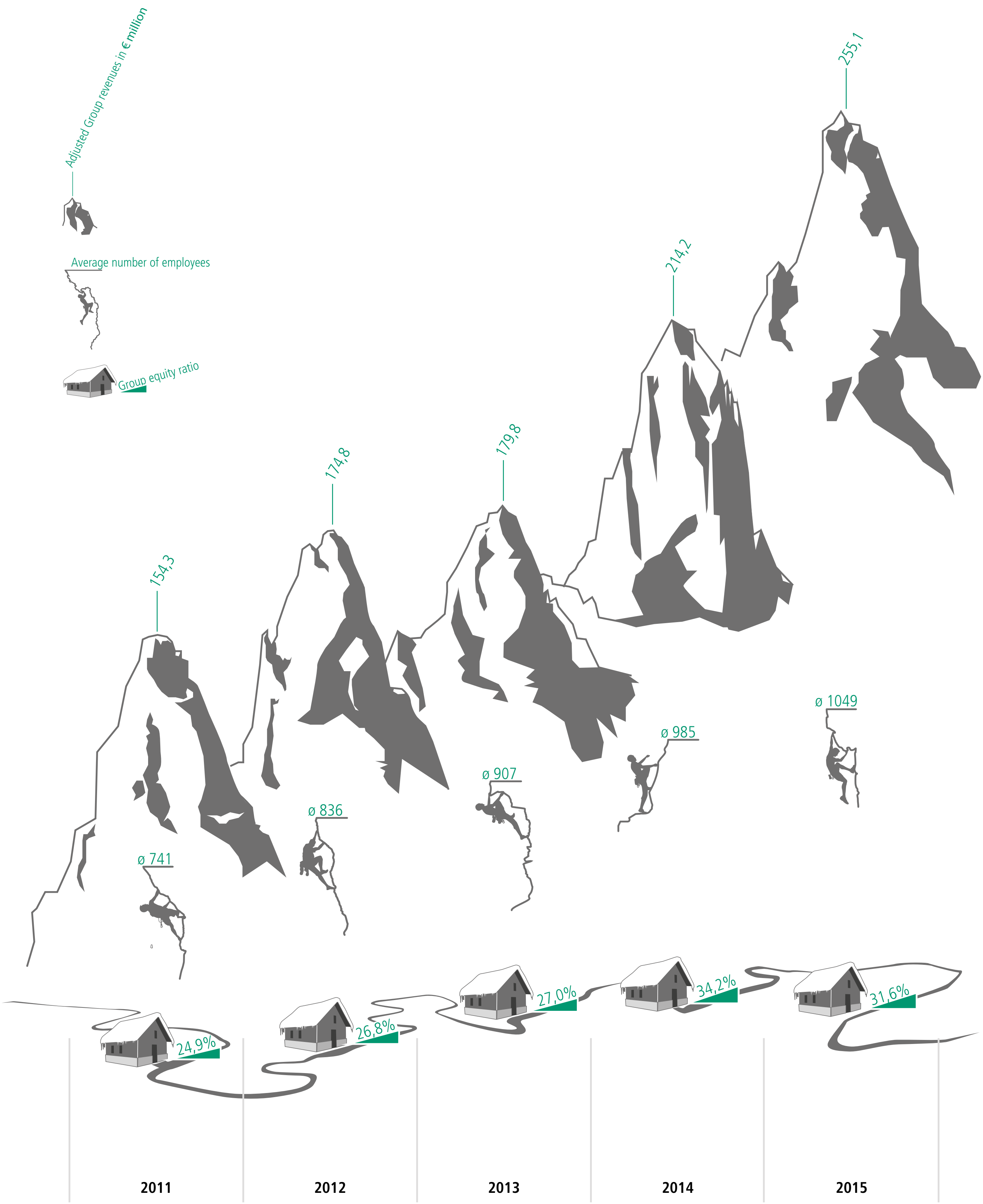
MS Industrie Group, according to IFRS, audited, in TEUR

Balance sheet key figures	31.12.2014	31.12.2015
Total assets	138.287	149.610
Equity and non-controlling interests	47.247	47.206
Equity ratio (%)	34,2 %	31,6 %
Trade receivables	27.008	25.516
Liquid funds (Cash and cash equivalents ./. Current accounts)	2.553	1.580
Net working capital (Inventories + Trade receivab. ./. Trade payables)	47.486	46.143

Cashflow key figures	2014	2015
Net cash generated from operating activities	6.810	22.227
Net cash used in investing activities	-443	-19.533
Net cash used in financing activities	-7.314	-3.839

Income statement key figures	2014	2015
Revenues	218.450	274.440
Gross profit	97.281	112.964
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	21.197	21.014
Operating profit (EBIT)	9.911	9.096
Profit before income tax (EBT)	5.572	6.294
Profit for the year after non-controlling interests (EAT)	4.128	3.458
Consolidated earnings per share in EUR	0,14	0,12

Income statement key figures (adjusted for non-recurring items)	2014	2015
Revenues	214.242	255.098
Gross profit	97.281	116.337
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	21.197	24.870
Operating profit (EBIT)	9.911	12.952
Profit before income tax (EBT)	5.572	10.150
Profit for the year after non-controlling interests (EAT)	4.128	6.234
Consolidated earnings per share in EUR	0,14	0,21


Adjusted Group revenues in € million
Average number of employees
Group equity ratio
154,3
174,8
179,8
214,2
255,1
ø 741
ø 836
ø 907
ø 985
ø 1049
24,9%
26,8%
27,0%
34,2%
31,6%
2011
2012
2013
2014
2015

MS Industrie AG, Munich

Consolidated income statement for the financial year 2015

	2015 TEUR		2014 TEUR
Revenues			
a) Proceeds from the sale of investments and securities held as current assets	91		3.999
b) Revenues from industrial and real estate business	274.193		214.179
c) Revenues from consulting and commissions	156		272
		274.440	218.450
Changes in inventory of work in process and finished goods		2.614	1.768
Other operating income		4.715	4.500
		281.769	224.718
Cost of materials			
a) Disposal of investments and securities held as current assets (carrying amounts)	59		2.524
b) Costs of raw materials and consumables used and of goods purchased	161.815		118.330
c) Costs of services	6.931		6.583
		168.805	127.437
Personnel expense		56.245	47.717
Depreciation and amortisation expense			
a) Depreciation of property, plant and equipment and amortisation of intangible assets	11.843		11.230
c) Impairment losses	75		56
		11.918	11.286
Other operating expense		35.705	28.367
		272.673	214.807
Operating Profit		9.096	9.911
Finance income		537	253
Finance costs		3.769	4.592
Share of profit of investments accounted for using the equity method		430	0
Profit before income tax		6.294	5.572
Income tax expense		2.852	1.438
Profit for the year		3.442	4.134
profit attributable to owners of the parent		3.458	4.128
profit attributable to non-controlling interests		-16	6
		3.442	4.134
Consolidated earnings per share, in EUR			
basic, after non-controlling interests		0,12	0,14
diluted, after non-controlling interests		0,12	0,14
Number of shares, average weighting			
basic		29.822.157	29.857.893
diluted		29.822.157	29.857.893

MS Industrie AG, Munich
Consolidated statement of comprehensive income for the financial year 2015

INDUSTRIE AG

	2015	2014
	TEUR	TEUR
Profit for the year	3.442	4.134
Items that may be subsequently reclassified to profit or loss		
Change in value of available-for-sale financial assets	38	-139
Currency translation differences	2.252	2.437
	2.290	2.298
Items that will not be reclassified to profit or loss		
Remeasurements of post employment benefit obligations	-429	419
Actuarial gains/losses	517	-698
Income taxes recorded in other comprehensive income	48	152
	136	-127
Other comprehensive income for the year, net of tax	2.426	2.171
Total comprehensive income for the year	5.868	6.305
attributable to owners of the parent	5.884	6.299
attributable to non-controlling interests	-16	6
	5.868	6.305

MS Industrie AG, München

Consolidated balance sheet as at 31 December 2015

	31.12.2015 TEUR	31.12.2014 TEUR
ASSETS		
Intangible assets	4.155	4.601
Property, plant and equipment	58.370	48.400
Investment property	7.215	7.290
Net defined benefit assets	0	2.097
Investments and loans	4.050	4.072
Investments in associates	1.685	1.255
Deferred income tax assets	799	864
Other non-current financial assets	1.486	1.367
Non-current assets	**77.760**	**69.946**
Inventories	39.769	31.777
Trade receivables	25.516	27.008
Cash and cash equivalents	2.381	3.464
Income tax assets	847	345
Other current financial assets	616	3.708
Other current assets	2.721	2.039
Current assets	**71.850**	**68.341**
TOTAL ASSETS	**149.610**	**138.287**
EQUITY AND LIABILITIES		
Ordinary Shares (30.00 million shares less 180,510 treasury shares)	29.819	29.839
Perpetual bond	0	5.411
Share premium	7.513	7.454
Statutory reserve	439	439
Retained earnings	3.855	3.955
Other reserves	4.990	2.564
Consolidated loss	600	-2.415
Non-controlling interests	-10	0
Equity and non-controlling interests	**47.206**	**47.247**
Non-current Borrowings	11.759	11.575
Provisions for pensions and similar obligations	1.578	0
Deferred income tax liabilities	2.665	1.349
Other non-current provisions and accruals	317	311
Other non-current financial liabilities	7.030	32.639
Other non-current liabilities	2.612	3.337
Non-current provisions and liabilities	**25.961**	**49.211**
Current Borrowings	9.205	10.681
Trade payables	19.142	11.299
Current income tax liabilities	9	349
Current provisions and accruals	10.973	5.091
Other current financial liabilities	33.298	9.554
Other current liabilities	3.816	4.855
Current provisions and liabilities	**76.443**	**41.829**
TOTAL EQUITY AND LIABILITIES	**149.610**	**138.287**

MS Industrie AG, Munich

Consolidated cash flow statement 2015

	2015 TEUR	2014 TEUR
Profit for the year	3.442	4.134
Income tax expense (recognised through profit and loss)	2.852	1.438
Finance income (recognised through profit and loss)	-537	-253
Finance costs (recognised through profit and loss)	3.769	4.592
Depreciation of property, plant and equipment and amortisation of intangible assets	11.843	11.230
Depreciation of investment property	75	56
Material non-cash other expenses (+) or income (-):		
Losses/gains (-) on investments accounted for using the equity method	-430	0
Losses/gains (-) on disposal of property, plant and equipment and intangible assets	-126	-153
Losses/gains (-) on disposal of investments held for sale	-32	-14
Losses/gains (-) on deconsolidation	0	-1.461
Increase/decrease (-) in inventories, trade receivables and other assets not assigned to investing or financing activities	-3.978	-12.746
Increase/decrease (-) in trade payables and other liabilities not assigned to investing or financing activities	10.471	4.136
Interest received	255	90
Interest paid	-3.118	-3.566
Income tax received	159	61
Income tax paid	-2.418	-734
Net cash generated from operating activities	**22.227**	**6.810**
Proceeds from sale of property, plant and equipment and intangible assets	840	167
Purchases of property, plant and equipment and intangible assets	-19.767	-5.643
Proceeds received from government subsidies for investments in property, plant and	1.089	1.727
Purchases of investment property	-1.792	0
Proceeds from disposal of fully consolidated subsidaries less cash and cash equivalents transferred under the sale	0	3.177
Proceeds from disposals of investments held for sale	91	209
Purchase of investments	0	-80
Acquisition of non-controlling interests	6	0
Net cash used in investing activities	**-19.533**	**-443**
Proceeds from issuance of debt-equivalent bonds	1.300	299
Repayments of debt-equivalent bonds	0	-1.455
Proceeds from borrowings	17.576	5.310
Repayments of borrowings	-18.468	-6.931
Proceeds from finance lease transactions	0	255
Payments made for finance lease transactions	-3.660	-4.550
Dividends paid to holders of perpetual bond	-443	-156
Proceeds received from the sale of treasury shares	21	29
Purchase of treasury shares	-165	-115
Net cash used in financing activities	**-3.839**	**-7.314**
Net decrease in liquid funds	**-1.145**	**-947**
Exchange gains/losses on liquid funds	**172**	**131**
Liquid funds at beginning of period	2.553	3.369
Liquid funds at end of period	**1.580**	**2.553**

MS Industrie AG,
Munich

EXTRACTS from the group´s management report for the financial year 2015

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1. Fundamentals of the Group

1.a. Business model and strategy of MS Industrie AG

MS Industrie AG (hereafter also referred to as MS AG) operates in the investment business, with a special focus on the industrial, as well as the real estate and management services sectors. MS Industrie AG and its core investments are engaged in the following business activities:

a) Industrial investments

MS Enterprise Group: Manufacturing of mechanical assemblies and components for the automobile industry, particularly for commercial vehicles (Powertrain Technology business unit) as well as the production of custom machines for the automobile industry and ultrasonic sealing systems for the packaging industry (Ultrasonic Technology business unit)

Elektromotorenwerk Grünhain GmbH: Manufacturing of electric motors and aluminium die-cast components ("Powertrain – Electro" business unit)

b) Real estate investments

The long-term assets of GCI BridgeCapital GmbH and of Beno Immobilien GmbH (until 20 May 2014): Acquisition, management and rental of commercial properties

c) Services

MS Industrie AG: Management consulting

1.b. Control system

Investment control at MS Industrie AG as a holding is responsible for the Group's internal control system in its central role. It monitors and controls deviations between target and actual values based on the development of the subsidiaries' key figures. It also tracks the progress of operational measures and processes the relevant key figures at Group level for the Board. The control system will be adapted to changes both within and outside the Group.

The Group is being controlled internally, primarily using the following financial key figures:

- Profit and loss Key figures: Revenues, Gross profit margin, EBITDA, EBIT, EBT, EBIT margin as well as Earnings per share.
- Cash flow Key figures: Cash flow from ordinary activities, Cash flow from investments.
- Balance sheet Key figures: Net equity, equity ratio and net gearing (net bank liabilities/equity).

The following Report on the economic situation therefore includes an analysis of the business performance and the Group's status based primarily on these performance indicators.

1.c. Reporting on research and development within the MS Industrie-Group (section 315 subsection 2 No. 3 of the German Commercial Code - HGB)

Development activity at the MS Enterprise-Group ("MS") is still geared towards all corporate divisions, although the focus remains on the Ultrasonic Technology business unit (custom machines, systems and components for ultrasonic sealing technology applications). The company strives to develop new or existing joining technology in combination with intelligent machine concepts in accordance with market requirements. Development activity has already been noticeably expanded in previous years through the establishment of the packaging technology unit, as the highly precise ultrasonic welding applications in the high-speed area present comprehensive technical challenges to MS and its customers. MS has also already started initial development activities in previous years in the Powertrain Technology business unit based on strategic considerations. The aim is to be able to offer the company's own components and assemblies in the Powertrain Technology division to customers with corresponding unique selling points. The increase in development activities is also reflected in research and development expenditure, which increased by around 4,7% to TEUR 3.910 in the financial year. Various awards in the current and in previous financial years confirm this development. The company was for instance once again awarded a prize as one of the "TOP 100 most innovative medium-sized companies in Germany" in 2015 for the fifth time in a row. MS reached position 2 once again in 2015 in the size category of companies with more than 500 employees.

Aside from its principal business of modifying existing drive concepts for customised applications and continuing the development projects already started in previous years, the subsidiary Elektromotorenwerk Grünhain GmbH ("EMGR") set five new priorities in 2015, particularly in the areas of electric mobility and traction drives: 1. Modifications to the traction drive ERZMO-MS1 for various mobile cargo applications and construction of the production line; 2. Development of EC motors as a hybrid solution (permanent magnet rotor, synchronous motor), based on existing and new motor components; 3. Revision of the laminations for a new asynchronous motor generation IE3/IE4; 4. Series development of the new industrial brake series, which can be used in particular in crane applications (the first design size has been introduced into production); 5. Preliminary development study into conical lift motors.

Research and development expenditure as a whole in the Group increased again slightly in the financial year from EUR 3,9 million to EUR 4,0 million, with EUR 1,2 million of these development costs capitalised as intangible assets. Amortisation of capitalised development costs amounted to EUR 0,3 million in the financial year.

2. Report on economic situation

2.a. Macroeconomic and industry-related environment

The framework conditions that remain unstable to some extent within the Eurozone have continued to place a heavy burden on both economic development and events on the financial markets over the past year. Nevertheless, the German economy once again proved itself to be incredibly stable on the whole over the full year 2015 according to an assessment by the Federal Statistical Office in Wiesbaden from February 2016, with growth in real terms in gross domestic product (GDP) of 1,7% (compared with 1,5% in 2014). The manufacturing sector, which makes up a good quarter of the overall value creation chain excluding the construction industry, was also able to grow appreciably by 2,0%. Consumers, in particular, provided momentum once again over the past year thanks to record employment and further increases in salaries. They again purchased more than in the previous year – with consumption increasing by 2,1% overall with government spending also included. Companies risked higher investments once again despite the uncertainties surrounding economic performance. Expenditure on plant and machinery rose by 4,8% following a 3,7% increase in 2014. The German economy benefitted above all from strong domestic demand. German foreign trade also gained further momentum on average over 2015: Germany exported 5,4% more goods and services in real terms than it did in 2014.

The German economy was, therefore, obviously able in 2015 once again to assert itself in a difficult global economic environment and also continued its moderate growth as at 2015 year-end: price and seasonally-adjusted gross domestic product in the fourth quarter was 0,3% higher than in the previous quarter. As such, Germany's economic position was characterised by solid and continuous economic growth in 2015.[1]

The US, or more specifically the "NAFTA" area – which remains one of MS Industrie AG's most important sales markets outside of the EU with around 41,2% (previous year: 36,0%) share in Group revenues – economic performance was somewhat better than in Germany with growth in GDP in real terms of around 2,6%[2], even though fears in the US related to the imminent end of the policy of zero percent interest rates of the Federal Reserve Bank ("FED") in the second half of the year caused restraints in terms of corporate investments.

In this global economic environment, the exchange rate of the US dollar to the euro fluctuated between values for the US dollar of between 1,21 and 1,09 over the course of 2015. As at year end, the euro exchange rate at 1,09 US dollars was once again significantly lower than the 1,21 US dollars at the start of the year. The exchange rate of the Brazilian real to the euro fluctuated between values of between 3,22 and 4,31 over the course of 2015. As at year end, the euro exchange rate at 4,31 Brazilian reals was also significantly higher than it had been at 3,22 Brazilian reals at the start of the year.

Demand in the Powertrain Technology business unit remained restrained in relation to older products both in Germany and the rest of Europe, and was still below the pre-crisis levels from 2008.[3] However, the US commercial vehicle market again showed itself to be considerably less subdued, not least as a result of the pent-up demand still reported following on from the significant purchasing restraint in previous years.[4]

German manufacturers of plastics and rubber machinery closed out the last year with a 5% increase in revenues according to a press release dated 11 January 2016 from the VDMA Plastics and Rubber Machinery Association. Incoming orders for the full year 2015 were 6% higher than the previous year's level. Other countries positively

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[1] Source: Federal Statistical Office, press release 056/16 from 23 February 2016

[2] Source: Statista, 23 February 2016

[3] Source: Deutsche Bank Markets Research Automobile, Trucks: "dbe Truck'n Roll – The year ahead" from 3 December 2015, p. 8

[4] Source: Internal assessments

balanced out the pent-up demand complained of in the last few years with an 11% increase in orders. The positive trend related to demand from abroad continued in the Eurozone countries with growth of 12%. Domestic orders remained 10% below the previous year's value. The production of rubber and plastics machinery grew again slightly in 2015, while it fell slightly in machinery construction. This was the other way round between 2013 and 2014[5] – the production figures fell for rubber and plastics machinery, while quantities stagnated for machinery construction overall. Production in 2015 was capable of balancing out the falls in production in the two years from 2013 and 2014, and is currently once again slightly above 2012 levels. However, growth forecasts for the sector are somewhat subdued with average production growth figures expected of 3,0% per annum up to and including 2018, even though growth of 5,0% is expected once again for 2016, with the momentum for this coming primarily from abroad. The comparison value for machinery construction is somewhat higher with an average expected value of 3,7% up to and including 2018. For packaging machinery on the other hand, the trend towards higher-value products since 2012 has led to above-average revenues with declining production. The German packaging machinery sector therefore has above-average revenue growth expectations according to an industry analysis carried out by Quest Trend Magazine based on data from the "German Federal Statistical Office".[6]

MS Industrie AG – which with its subsidiaries operates internationally primarily in the industrial sector (sub-group MS Enterprise Group GmbH and Elektromotorenwerk Grünhain GmbH) and in the real estate sector (long-term assets of GCI BridgeCapital GmbH as well as sub-group Beno Immobilien GmbH, until 20 May 2014) and also in the service sector with its supplementary management consulting services – operated against the backdrop of the overall aforementioned macroeconomic and sector-related conditions in the financial year 2015.

2.b. Business development

The financial year 2015 was characterised by further growth, particularly at the Group's US site (driven by sustained very strong truck sales in the US). Average order backlogs were at an all-time high in the financial year, particularly in the core Powertrain division. The same also applies to average revenues, which also reached an all-time high. Quantities increased considerably for several new products and the order books in Ultrasonic Technology were well filled as at the start of 2016, in line with previous years. The number of employees and the stock of machinery equipment grew further at both German MS sites of Spaichingen and Zittau over the course of 2015. This dynamic development is clearly reflected through corresponding growth in volumes in the key figures for the financial year.

With the exception of the plans for a new second construction section for the MS Enterprise Group in Trossingen for the Ultrasonic Technology and Administration divisions, the majority of growth investments at all of the Group's sites have now been completed. This means that, with the exception of 2016, any additional need for investment over the next few years will be considerably below the figures from recent years, unless previously unscheduled major new orders make new investments a necessity. In parallel, we also expect a further steady increase in capacity utilisation in the individual production areas.

We are thoroughly satisfied once again with operational developments at the various results levels given the considerable structural adaptations, one-off effects and efforts involved.

The developments in the past financial year in detail:

The MS Enterprise-Group (MS) recorded sub-group revenues of around EUR 236 million in 2015 following EUR 196 million in the previous year. MS operates predominantly in two business areas: Powertrain Technology – mechanical assemblies and components for the automobile industry, particularly commercial vehicles and Ultrasonic Technology –

[5] Source: "Quest" Trend Magazine www.quest-trendmagazin.de: Assessment from 10 February 2016

[6] Source: "Quest" Trend Magazine www.quest-trendmagazin.de: Assessment from 20 July 2015

special machinery for the automobile industry as well as ultrasonic sealing systems and components, including for the packaging industry. It is one of the few single source suppliers in the automotive supply sector, particularly in the commercial vehicle area. It continues to have long-term supply agreements in place with its principal clients.

MS once again showed impressive evidence of its innovative strength among the "100 most innovative medium-sized companies in Germany", where it came second yet again in 2015 in its size category (more than 500 employees). The company has now managed to be counted among Germany's most innovative medium-sized companies four times in the last four years. It has always been one of the frontrunners since it first took part in the "Top 100" in 2011. MS has now made it as one of the most innovative medium-sized companies for the fifth time in a row. MS has succeeded in coming second in its size category for companies with more than 500 employees for the second time in a row. The in-depth development and high vertical range of manufacture are one secret to our success: this includes our own laboratory and all the important skills – from development to toolmaking and CNC manufacturing all the way through to prototype and series production together with assembly. MS obviously fulfils the requirements of the environmental standard DIN 14002 at all of its German sites, thereby meeting the requirements of all of its notable customers in the process.

The wholly-owned subsidiary MS Powertec GmbH in Zittau, whose revenues almost quadrupled between 2011 and 2014 alone, was honoured as the "company of the year 2015" by the City of Zittau primarily as a result of the company's disproportionately high growth and commitment to education and training.

Construction of the new production building in Trossingen-Schura was driven forward with vigour in 2015 at the Group's largest German production site in preparation for the further growth expected over the next few years, particularly in the European market. The building was constructed primarily with due regard to efficiency aspects in terms of energy, production and logistics and has been ready for occupation as scheduled since mid-December 2015. The Powertrain division relocated to the new building complex in Trossingen with a total available surface area of more than 18.000 m^2 as scheduled in mid-December. The Small Parts Production division is the last Powertrain division scheduled to move there – by June 2016. There were significant inefficiencies and logistics problems in the financial year 2015 in the building in Spaichingen which had become too small. This situation is expected to continue to some extent in the first six months of 2016.

With revenues of around EUR 19 million in the financial year 2015, following revenues of EUR 18 million in the financial year 2014, Elektromotorenwerk Grünhain GmbH (EMGR) – including its new Bulgarian subsidiary - achieved the highest revenues in the history of the company and closed the financial year with profits in the lower three-digit range, despite a weaker economy towards year end. EMGR is a successful manufacturer of customised electric motors featuring different designs along with related products, and has its own aluminium pressure die-casting foundry for internal and third-party requirements (particularly for the automobile industry, as well as the heating industry).

The financial year 2015 was additionally characterised by further assurance of the feasibility of the remaining liabilities from the arrangement concluded by the courts on July 24, 2014 with the insolvency administrator of the former insolvent subsidiary Pfaff Industrie Maschinen AG, from which the Group expects liquidity payments to be made amounting to EUR 1,1 million overall in 2016, due in two instalments (with a total of EUR 2,5 million already paid out in the financial years 2014 and 2015). The remaining liabilities from the arrangement were fully accounted for in the balance sheet as at December 31 2015.

The Group's financial situation remains unchanged. At 31,6% (previous year: 34,2%) the equity ratio has deteriorated slightly with an 8,2% rise in total assets. Aside from the increase in total assets, another main reason for the decline in the equity ratio in 2015 as compared with the previous year is the repayment of the so-called "perpetual bond" amounting to EUR 5,4 million, together with distributions related to the "perpetual bond" amounting to EUR 0,4 million, although this was offset in full by the total comprehensive income amounting to EUR 5,9 million.

With a slight fall in operating profit and a strong improvement in the financial results, the earnings situation before adjustment for non-recurring items is characterised by pre-tax profits that are above the figure from the previous year. Income taxes are influenced in the reporting year by high actual tax expenditure based on positive business performance in the US and high deferred tax expenditure from the utilisation of loss carry-forwards.

All in all, it can be stated that the economic situation of the MS Industrie-Group can once again be described as being good at the balance sheet date. This is further reinforced by the good to very good order situation currently existing at all operational subsidiaries of the Group, including the US subsidiary, despite the continued economic uncertainties.

In the previous year's group management report we forecasted a significant increase in Group revenues of between around 10% to 15% to just under EUR 250 million. Consolidated revenues rose by around 26% to around EUR 274,4 million in the reporting period. This is a significant overachievement compared to the previous year's forecast of a significant revenue increase by between around 10% and 15% to just under EUR 250 million, even when we consider that the 2015 revenues include one-off revenues from the MS Enterprise-Group's property construction order amounting to EUR 19,3 million (previous year: EUR 4,2 million). A significant increase was also expected for the financial year 2015 regarding the consolidated key profit and loss indicators EBITDA, EBIT, EBT, the EBIT margin and profit per share (not including non-recurring items), with a significant increase also expected as a result in Group equity. Following elimination of the non-recurring items on the results for the financial year and with the exception of the increase in the equity ratio which failed to materialise (primarily as a result of the repayment of the so-called "perpetual bond"), these increases otherwise occurred to their full extent (we make reference also to the detailed developments in section 2.c. Status of the group below). It was also expected that cash flow from operations (excluding non-recurring items) would perform considerably better than in the previous year. This development also occurred to its full extent. In relation to cash flow from investments, higher payments for investments in fixed assets were expected to be made as compared with the previous year. No payments were expected to be received for 2015 either from the disposal of fully-consolidated subsidiaries, meaning that there would be a higher outflow of funds from investments overall. Both occurred to their full extent. The debt levels should also be reduced further and the equity ratio increase considerably as a result of the measures introduced. This projected development did not occur (we make reference also to the detailed developments in section 2.c. Status of the group below).

In terms of the development of the non-financial performance indicators, the forecast for the MS Industrie-Group was, to do everything to continue fulfilling all relevant environmental standards and to continue in its attempts to keep staff turnover as low as possible using staff loyalty plans, as had been managed successfully in the past. Further headcount increases were planned in 2015 as a result of the forecasted increase in revenues – these increases were planned in particular in the area of skilled workers and management staff, with additional recruitment of a corresponding number of temporary agency workers. These measures are and were for the purposes of countering a lack of skilled workers and preparing future managers for challenging tasks in a targeted manner. This was all implemented consistently in this way in the financial year. Ongoing individual further and advanced training continues to be a priority within the Group. There were also plans in place to do everything to maintain customer satisfaction at the existing high level at a minimum, and to increase the Group's already very high innovative strength even further, and to continue ensuring an ongoing ability to deliver in all business units and product lines. This was also implemented successfully, with research and development expenditure remaining unchanged at a very high level, the ability to deliver given at all times in the reporting year despite capacity bottlenecks and relocation efforts, and customer satisfaction remaining very high.

2.c. Status of the group

Earnings situation

The essential key figures of our Group are presented and explained in the following 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 by Non-recurring items:	1.1. to 31.12.2015		1.1. to 31.12.2014		Difference	
	TEUR	%	TEUR	%	TEUR	%
Revenues	**274.440**	**100,0**	**218.450**	**100,0**	**55.990**	**25,6**
Other operating income	4.715	1,7	4.500	2,0	215	4,8
Cost of materials (incl. changes in inventory)	166.191	60,5	125.669	57,5	40.522	32,2
Gross profit	**112.964**	**41,2**	**97.281**	**44,5**	**15.683**	**16,1**
Personnel expense	56.245	20,5	47.717	21,8	8.528	17,9
Other operating expense	35.705	13,0	28.367	13,0	7.338	25,9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**21.014**	**7,7**	**21.197**	**9,7**	**-183**	**-0,9**
Depreciation and amortisation expense	11.918	4,4	11.286	5,2	632	5,6
Operating profit (EBIT)	**9.096**	**3,3**	**9.911**	**4,5**	**-815**	**-8,2**
Finance costs, net	-3.232	-1,2	-4.339	-2,0	1.107	-25,5
Share of profit of investments accounted for using the equity method	430	0,2	0	0,0	430	-
Profit before income tax (EBT)	**6.294**	**2,3**	**5.572**	**2,5**	**722**	**13,0**
Income tax (expense	2.852	1,0	1.438	0,6	1.414	98,3
Profit for the year before non-controlling interests (EAT)	**3.442**	**1,3**	**4.134**	**1,9**	**-692**	**-16,7**
Profit attributable to non-controlling interests	-16	0,0	6	0,0	-22	-366,7
Profit for the year after non-controlling interests (EAT)	**3.458**	**1,3**	**4.128**	**1,9**	**-670**	**-16,2**

The revenue and the profit key figures were influenced by non-recurring items in both the reporting and the previous years, with the impact of these on the key figures presented in the following reconciliations.

The presentation of gross amounts for the new Trossingen construction project in the income statement according to IFRS had an enhancing influence on revenues (revenues and cost of materials both EUR 19,3 million (previous year: EUR 4,2 million).

Non-Recurring Items with an influence on profit and loss in 2015 essentially involved currency losses from procurement transactions with set suppliers amounting to around EUR 2,0 million (previous year: EUR 0,0 million) that are reflected in the cost of materials, and additional costs from the insolvency of one supplier amounting to EUR 1,4 million (previous year: EUR 0,0 million) (also cost of materials), as well as relocation costs of the Powertrain division at MS Spaichingen GmbH to the new premises in Trossingen amounting to around EUR 0,5 million (previous year: EUR 0,0 million).

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

	1.1. to 31.12.2015		1.1. to 31.12.2014		Difference adjusted	
	Adjusted	Adjusted	Adjusted	Adjusted	14 / 15	14 / 15
	TEUR	%	TEUR	%	TEUR	%
Revenues	**255.098**	**100,0**	**214.242**	**100,0**	**40.856**	**19,1**
Gross profit	**116.337**	**45,6**	**97.281**	**45,4**	**19.056**	**19,6**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**24.870**	**9,7**	**21.197**	**9,9**	**3.673**	**17,3**
Operating profit (EBIT)	**12.952**	**5,1**	**9.911**	**4,6**	**3.041**	**30,7**
Profit before income tax (EBT)	**10.150**	**4,0**	**5.572**	**2,6**	**4.578**	**82,2**
Profit for the year before non-controlling interests (EAT)	**6.218**	**2,4**	**4.134**	**1,9**	**2.084**	**50,4**
Profit for the year after non-controlling interests (EAT)	**6.234**	**2,4**	**4.128**	**1,9**	**2.106**	**51,0**

The reconciliation of the unadjusted key figures with the adjusted key figures is as follows in 2015:

	1.1. to 31.12.2015			
	Before Adjustments	Effect of Adjustments	Adjusted	Adjusted
	TEUR	TEUR	TEUR	%
Revenues	**274.440**	**-19.342**	**255.098**	**100,0**
Gross profit	**112.964**	**3.373**	**116.337**	**45,6**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**21.014**	**3.856**	**24.870**	**9,7**
Operating profit (EBIT)	**9.096**	**3.856**	**12.952**	**5,1**
Profit before income tax (EBT)	**6.294**	**3.856**	**10.150**	**4,0**
Profit for the year before non-controlling interests (EAT)	**3.442**	**2.776**	**6.218**	**2,4**
Profit for the year after non-controlling interests (EAT)	**3.458**	**2.776**	**6.234**	**2,4**

The reconciliation of the unadjusted key figures with the adjusted key figures in the previous year 2014 is as follows:

	1.1. to 31.12.2014			
	Before Adjustments	Effect of Adjustments	Adjusted	Adjusted
	TEUR	TEUR	TEUR	%
Revenues	**218.450**	**-4.208**	**214.242**	**100,0**
Gross profit	**97.281**	**0**	**97.281**	**45,4**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**21.197**	**0**	**21.197**	**9,9**
Operating profit (EBIT)	**9.911**	**0**	**9.911**	**4,6**
Profit before income tax (EBT)	**5.572**	**0**	**5.572**	**2,6**
Profit for the year before non-controlling interests (EAT)	**4.134**	**0**	**4.134**	**1,9**
Profit for the year after non-controlling interests (EAT)	**4.128**	**0**	**4.128**	**1,9**

Following a significant rise of around 21,5% in the previous year, consolidated revenues rose significantly once again in the reporting period by around 25,6% to around EUR 274,4 million. This is a significant overachievement on the previous year's forecast of a significant revenue increase by between around 10,0% and 15,0% to just under EUR 250,0 million, even considering that the 2015 revenues include one-off revenues from the MS Enterprise-Group's property construction order amounting to EUR 19,3 million (previous year: EUR 4.2 million). This increase in revenues is primarily attributable to the forecasted long-term growth in revenues of the MS Enterprise-Group. The growth in revenues forecast in the previous year for Elektromotorenwerk Grünhain GmbH with an associated increase in profit only materialised in part. Although revenues of Elektromotorenwerk Grünhain GmbH in 2015 were above the previous year's level and thereby reflected the highest revenues in the company's history, operating profit was strained in the 2015 reporting year by the minimum wage law and the unavoidable associated general adjustment of the salary structures, resulting in profits being below the very good results from the previous year.

There were also some very clear differences once again from a geographical aspect: while significant growth in revenues was achieved in virtually all regions, the increase in revenues in the market that still has the highest revenue i.e. the domestic market was 17,6%, and in the NAFTA area (North America/Canada), the foreign market with the highest revenue with a 41,2% consolidated share of revenues the rise was even 43,8%, while exports to the rest of the EU, which remains the foreign market with the second highest revenue levels, fell by 17,0%.

Revenues include primarily the revenues of the MS Enterprise-Group at TEUR 255.486 (previous year: TEUR 195.637), which include one-off revenues amounting to EUR 19,3 million (previous year: EUR 4,2 million) from the property construction order. Revenues from the investment area also include primarily the operational revenues of the Elektromotorenwerk Grünhain-Group at TEUR 18.701 (previous year: TEUR 17.576).

The revenues from the sale of investments in the previous year were essentially involved by revenues from the sale of 60,1% of the shares in Beno Immobilien GmbH (TEUR 3.790). This was accompanied by disposals of related book values amounting to a total of TEUR 2.329 stated in the cost of materials.

Other operating income includes income from the release of provisions and other income relating to prior periods amounting to a total of TEUR 1.298 (previous year: TEUR 546), including TEUR 190 (previous year: TEUR 121) from MS Industrie AG as well as GCI BridgeCapital GmbH and TEUR 1.074 (previous year: TEUR 405) from the MS Enterprise-Group and also exchange rate gains for the MS Enterprise-Group amounting to TEUR 1.576 (previous year: TEUR 1.845).

The gross profit margin (revenues including changes in inventory and other operating income minus cost of materials compared to revenues) is 41,2% in the financial year (previous year: 44,6%). As described above one main reason for the lower gross profit margin is the new Trossingen construction project in the income statement (revenues and cost of materials each increased by EUR 19,3 million (previous year: EUR 4,2 million)), which resulted in a 3,1% deterioration of the gross profit margin in the financial year. Aside from a change in the product mix ("old versus new product lines") in the Powertrain division, further reasons for the lower gross profit margin in the financial year include currency losses from procurement transactions with set suppliers amounting to around EUR 2,0 million (previous year: EUR 0,0 million) that are reflected in the cost of materials, and additional costs from the insolvency of one supplier in the financial year amounting to EUR 1,4 million (previous year: EUR 0,0 million) (also cost of materials).

The increase in the cost of materials ratio to 60,5% (previous year: 57,5%) is also attributable primarily to the following factors as described above: on the one hand there were changes to the product mix in the financial year in the MS Enterprise-Group (increase in material-intensive product groups), while on the other hand manufacturing services had to be contracted out to a greater extent in the financial year in order to cover the increased demand. The gross revenue presentation of the new Trossingen construction project, currency losses from procurement transactions with set suppliers as reflected in the cost of materials and additional costs from a supplier insolvency are additional factors.

Personnel expenses increased disproportionately on the previous year by around 17,9%, partly as a result of the introduction of the minimum wage law, with an approximate 6,5% increase in average headcount of 1.049 permanent employees (not including temporary agency workers and trainees) (previous year: 985 employees).

This resulted in earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 21,0 million (previous year: EUR 21,2 million), which in turn is negatively impacted by non-recurring items amounting to a total of EUR -3,9 million. Adjusted EBITDA not including non-recurring items amounted to EUR 24,9 million (previous year: EUR 21,2 million). As such, the forecasts from the previous year of a significant increase in EBITDA following adjustment for non-recurring items in 2015 were realised for the company. Depreciation, amortisation and impairment rose from TEUR 11.286 to TEUR 11.918 by around 5,6% as planned for the financial year.

Following the increase in personnel expenses as described above, primarily on account of the increased revenues in the MS Enterprise Group, increased depreciation, amortisation, impairment and other operating expenses, the earnings before interest and taxes (EBIT) amounted to a positive EUR 9,1 million (previous year: EUR 9,9 million), which is also negatively impacted by the non-recurring items described above amounting to a total of EUR -3,9 million. Adjusted EBIT not including non-recurring items amounted to EUR 13,0 million in the financial year (previous year: EUR 9,9 million). As such the forecasts from the previous year of a significant increase in EBIT after adjustment for non-recurring items in 2015 were also realised for the company.

The EBIT margin related to revenues amounts to around 3,3% in the financial year (previous year: 4,6%). As stated in detail above, aside from the gross statement of the new Trossingen construction project in the consolidated income statement together with a change to the product mix ("old versus new product lines") in the Powertrain division, the reasons for the lower EBIT margin include the aforementioned currency losses from procurement transactions amounting to around EUR 2,0 million and one-off additional costs from the insolvency of a supplier in the financial year amounting to around EUR 1,4 million as well as other non-recurring items amounting to around EUR 0,5 million.

Net financial results improved by around 25,5% on the previous year. The financial result include finance income amounting to TEUR 537 (previous year: TEUR 253) and finance costs amounting to TEUR 3.769 (previous year: TEUR 4.592).

The finance income resulted in part from the market valuation of financial derivatives, in particular from the fair value valuation of interest rate swaps (TEUR 314; previous year: TEUR 49) as well as the investment of existing cash funds.

The finance costs include EUR 3,0 million of finance costs from the MS Enterprise-Group (previous year: EUR 3,7 million). The previous year included EUR 0,5 million of finance costs from financial derivatives, in particular from the fair value valuation of interest rate swaps.

The Share of profit of investments accounted for using the equity method results from the at equity-consolidation of Beno Immobilien-Group.

Consolidated annual earnings before taxes (EBT) amount to EUR 6,3 million. In the previous year MS Industrie-Group generated a pre-tax profit of EUR 5,6 million. Adjusted EBT not including non-recurring items in the financial year amounts to EUR 10,2 million (previous year: EUR 5,6 million). As such, the forecasts from the previous year of a significant increase in pre-tax profit both before and after adjustment for non-recurring items have been also confirmed.

Consolidated net profit after minority interests (EAT) amounts to EUR 3,4 million (previous year: EUR 4,1 million). Adjusted EAT excluding non-recurring items as described above amounts to EUR 6,2 million in the financial year (previous year: EUR 4,1 million). As such the forecasts from the previous year of a significant increase in consolidated profit after taxes after adjustment for non-recurring items were also confirmed.

The rounded consolidated earnings per share fell from EUR 0,14 per share in the previous year to EUR 0,12 without adjustment of non-recurring items stated above. Nevertheless, the adjusted consolidated earnings per share after elimination of the non-recurring items are EUR 0,21 per share (previous year: EUR 0,14 per share). As such, the previous year´s forecasts regarding a significant increase in consolidated earnings per share after adjustment by non-recurring items mentioned above have also been confirmed.

Cash Situation

Principles and objectives of financial management

Ensuring financial flexibility is the highest priority in the Group’s financing strategy. This flexibility is achieved through a wide selection of financial instruments and high diversification of investors. The maturity profile at MS Industrie AG features a wide spread of maturities with a high proportion of medium and long-term financing. Market capacity, investor diversification, flexibility, credit requirements and the existing maturity profile are all taken into account in selecting financial instruments.

Presentation and analysis of the cash situation

	2015 TEUR	2014 TEUR
Net cash generated from operating activities	22.227	6.810
Net cash used in investing activities	-19.533	-443
Net cash used in financing activities	-3.839	-7.314
Net decrease in cash and cash equivalents	**-1.145**	**-947**
Exchange gains/losses on liquid funds	172	131
Liquid funds at beginning of period	2.553	3.369
Liquid funds at end of period	**1.580**	**2.553**

The reduction in liquid funds is essentially due to the negative cash flow from investing activities and to the negative cash flow from financing activities which exceed the positive cash flow from operating activities by a cumulative total of TEUR 1.145.

The positive cash flow from operating activities of MS Enterprise-Group in the financial year is reflected in particular in the positive cash flow from operating activities. The scheduled high investment activities of MS Enterprise-Group, which to some extent have already been brought forward from 2016 on account of excessive utilisation, are reflected in particular in the negative cash flow from investing activities.

The forecasts from the previous year of a significant improvement in the cash flow from operating activities (not including non-recurring items) have been confirmed in full even prior to the elimination of the cumulative non-recurring items described in detail above of EUR -3,9 million (previous year: EUR 0,0 million).

As at December 31, 2015, cash and cash equivalents amount to EUR 2,4 million (previous year: EUR 3,5 million). There are also free current bank overdraft facilities available amounting to EUR 23,9 million (previous year: EUR 19,1 million).

Furthermore, two long-term bank loans with call-off for mid-2016 at a total volume of EUR 20,0 million were agreed contractually at the end of 2015 for the purposes of securing further funding for growth and for repayment of the corporate bond amounting to EUR 22,9 million which expires on 15 July 2016 as scheduled. Hence, current liabilities (EUR 76,4 million) exceed current assets (EUR 71,9 million) by EUR 4,5 million as at the balance sheet date as a result of this corporate bond which matures in the short term.

Financial situation

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

	31.12.2015		31.12.2014		Difference	
	TEUR	%	TEUR	%	TEUR	%
ASSETS						
Deferred income tax assets	799	0,5	864	0,6	-65	-7,5
Other non-current assets	76.961	51,5	69.082	50,0	7.879	11,4
Current assets	71.850	48,0	68.341	49,4	3.509	5,1
Total asssets	**149.610**	**100,0**	**138.287**	**100,0**	**11.323**	**8,2**

	31.12.2015		31.12.2014		Difference	
	TEUR	%	TEUR	%	TEUR	%
EQUITY AND LIABILITIES						
Equity and minority interests	47.206	31,6	47.247	34,2	-41	-0,1
Deferred income tax liabilities	2.665	1,8	1.349	1,0	1.316	97,6
Other debt	99.739	66,6	89.691	64,8	10.048	11,2
Total equity and liabilities	**149.610**	**100,0**	**138.287**	**100,0**	**11.323**	**8,2**

Non-current assets in our Group rose by around 11,2% in the financial year, although they barely changed in comparison with the total assets at a share of around 52,0% (previous year: 50,6%). The investments in the financial year were the main reason for the increase. There was a decrease in non-current assets in the financial year on account of depreciation and amortisation, particularly in the sub-group MS Enterprise, of intangible assets and of plant and machinery.

The planned investment volume in 2015 was around EUR 12,0 million at the MS Enterprise Group, with around EUR 8,2 million of this at the head office in Spaichingen/Trossingen, EUR 3,0 million at the second German site in Zittau as well as around EUR 0,8 at the Webberville site in the US. The actual investment volume in 2015 was considerably higher at around EUR 18,7 million at the MS Enterprise Group, with around EUR 12,3 million of this at the head office in Spaichingen/Trossingen, EUR 4,3 million at the Zittau site as well as around EUR 2,1 at the Webberville site in the US. The main reason for the deviation from the planned investment volume was the fact that (advance payments for) investments in plant and machinery with a volume of around EUR 6,7 million that had previously only been planned for subsequent years were brought forward to the current financial year as a result of the positive incoming orders in the existing business in the Powertrain/Diesel division and standard deadlines.

The increase in current assets by around 5,1% against a backdrop of a slight decline in cash and cash equivalents and accounts receivable is based primarily on the growth-based build-up of inventories by around 25,2% overall. As a proportion of the total assets, the percentage share of current assets fell just slightly as at the end of the financial year at around 48,0% share (previous year: around 49,4%).

The net working capital (inventories and accounts receivable minus trade accounts payable) as at December 31, 2015 amounts to EUR 46,1 million (previous year: EUR 47,5 million) and therefore also fell slightly by around 2,9% on the previous year.

The equity amounting to EUR 47,2 million, the absolute value of which remained barely unchanged on December 31, 2014, results essentially from the total comprehensive income amounting to EUR 5,9 million. This is compensated essentially by the repayment plus distributions of the so-called "perpetual bond" amounting to a total of EUR 5,9 million. The Group's equity ratio fell slightly compared with December 31, 2014 and with an increase in total assets by around 8,2% as at the balance sheet date amounts to around 31,6% (December 31, 2014: 34,2%). Aside from the increase in total assets, the fall in the equity ratio is also essentially attributable to the repayment of the "perpetual bond" amounting to EUR 5,4 million. As such, the forecasts from the previous year of a significant increase in the equity ratio have unfortunately not been confirmed in the financial year.

The other debt in the Group rose by around 11,2% to EUR 99,7 million. The main reason for this is essentially the strong rise in trade liabilities by EUR 7,8 million to EUR 19,1 million. As such, the forecasts from the previous year of a significant reduction in the level of debt were not confirmed in the financial year in line with an approximate 8,2% increase in the balance sheet total.

The Group's net debt level (defined as net borrowings / equity) did fall slightly once again from 39,8% as at 2014 year end to 39,4% as at the end of this financial year.

Minority interests as at December 31, 2015 amount to TEUR -10 (previous year: TEUR 0). The minority interests are attributable in their entirety to the new subsidiary Elektromotorenwerk Grünhain GmbH in Bulgaria.

Non-financial performance indicators

The following non-financial performance indicators are also significant for the Group in addition to the financial key figures used for Group control purposes.

Sustainability / environmental protection

The MS Industrie-Group fulfils the requirements of the DIN ISO 14001 standard (environmental audit) at all sites and DIN ISO 50001 (energy audit) at all German sites in the Group of companies. There are not known any specific environmental risks.

As part of the process for constructing the new corporate headquarters for the MS Enterprise Group in Trossingen-Schura, which was started in the financial year 2014 and completed in the financial year 2015, the company constructed a modern building complex (from an energy and environmental point of view) that sets wide-reaching priorities in terms of the energy budget, sustainability and autonomy. This project also included implementation of the vision of producing part of the required energy via the company's own combined heat and power plant and being able to use both cooling as well as heat sources for energy use using intelligent waste heat recovery systems.

Human resources and social responsibility

As at the end of the financial year, the MS Industrie-Group had a workforce of 1.068 permanent employees (including 818 permanent employees in the MS Enterprise-Group), as compared with 983 permanent employees as at the end of 2014 (of which at the end of 2014: 746 permanent employees in the MS Enterprise-Group).

The workforce remains characterised by low fluctuation.

The Group employs a suitable number of temporary agency workers at all times in order to balance out any economic fluctuations. The direction of the Group's HR policy aims to expand its own training capacities as in previous years for the purposes of countering a lack of skilled workers and preparing future managers for challenging tasks in a targeted manner.

Individual continuing professional development and training is assigned high priority in the Group.This can be seen inter alia in the fact that the wholly-owned subsidiary MS Powertec GmbH was honoured as the "company of the year 2015" by the City of Zittau, primarily as a result of the company's disproportionately high and consistent growth in employees and high commitment to education and training in the past years.

Innovative strength

An example of the MS Industrie-Group's innovative strength is MS Spaichingen GmbH, which was named one of the "100 most innovative medium-sized companies in Germany": in 2015 it came second once again in its size category (more than 500 employees). As such, MS Spaichingen GmbH (MS) provided impressive evidence of its innovative strength once again: MS has now managed to be counted among Germany's most innovative medium-sized companies four times in the last four years.

Customer satisfaction / loyalty

Customer satisfaction and customer loyalty are evident inter alia from the fact that "Rolls-Royce Power Systems AG", the parent company of our direct customer "MTU Friedrichshafen", awarded its Supplier Award in the "Best supplier of finished parts" category to MS Spaichingen GmbH (MS) in the previous year for the third time for the outstanding quality of its products. Rolls-Royce provides this award each year to those suppliers, that demonstrate the highest levels of quality and performance. The award acts as an advertisement for MS and is the best proof of the consistent quality of its products. The winners are selected from around 1.500 suppliers of production material globally. The jury assesses quality, logistics, environmental protection and cooperation. We are also delighted that MS Spaichingen GmbH was able to extend the existing multi-year agreements with important OEM customers last year, largely until the end of 2018, thereby resulting in long-term planning security once again in this product area which features the largest volume.

Delivery capabilities

On-time delivery capabilities were ensured consistently throughout the financial year as they were in the previous year, despite the pressure of demand in all business units and product lines.

Quality management

The MS Industrie-Group fulfils the requirements of the DIN ISO 9001 standard (Quality Management System) and DIN ISO/TS 16949 (Quality Management System) at all sites in the Group.

General statement on business performance and financial situation

The financial year 2015 remained characterised by a focus on the Powertrain Technology and Ultrasonic Technology divisions, and on real estate and additional preparations for the sale of investments that are no longer strategic, as well as by efforts to further guarantee subsequent liabilities for a former subsidiary, which have been accounted for accordingly in the balance sheet since 2014.

The cash situation can unchangedly be described as being in good order as at the end of 2015 and beginning of 2016, with freely available bank overdraft facilities at a high level. All subsidiaries continue to be able to meet their payment obligations from operating activities in full.

Since a positive total comprehensive income was generated in the financial year, the equity including minority interests at absolute amounts is virtually unchanged. The financial situation can continuously be described as in good order despite a slight fall in the equity ratio of 31,6% (previous year: 34,2%).

Operational business performance in the first half of 2016 was positive in line with plan at all subsidiaries by the time of preparing the 2015 consolidated financial statements, meaning that the financial, cash and earnings situation is also in good order by the time of preparing the 2015 consolidated financial statements.

3. Report on subsequent events

In March 2016, MS Spaichingen GmbH agreed with its financing banks to enter into negotiations on adjusting the key financial figures to the new structure or to relate the financial covenants to an expanded scope of consolidation in summer 2016 and to set this out in a new contract in 2016. Otherwise the Board is not aware of any transactions of particular significance which occurred following the close of the financial year that would have a significant influence on the financial, cash and earnings situation.

4. Forecast report

The economic development forecast for 2016 once again holds a number of uncertainties. We are convinced that 2016 will be another good year for the German economy. However, economic recovery for the global economy appears to be somewhat uncertain. The moderate upturn continues to be supported by consumption in the industrialised countries and emerging nations. A gradual improvement in the labour market along with the continued low prices of oil are boosting private consumption via purchasing power; investment activity by companies should pick up slightly. Growth is based on consumer demand in the Eurozone in particular; however, several structural strains remain in place. Unemployment remains high in the crisis-hit countries in particular, with public and private debt hampering demand. Growth is expected to remain weak initially in the emerging nations.[7] All in all, average growth rates in the global economy in 2016 according to the forecasts (as at December 2015) of the "German Institute for Economic Research (DIW)" are expected to be 3,6%, followed by 3,9% the next year.[8] Following 1,5% growth in 2015, the economies of all EU Member States are also expected to grow moderately once again in 2016 by an average of 1,5%.[9] This moderate growth should transition into somewhat stronger growth in 2017. However, various economic risks remain despite the more favourable outlook overall: any resurgence of the Eurozone crisis or intensification of the Syrian or Ukrainian conflict could result in considerable tension on the international financial markets for instance. China is also a risk factor. The German economy should at least experience strong growth driven by strong domestic demand. However, growth is likely to be based more strongly on consumption than was the case before the crisis according to the

[7] Source: Internal company estimate

[8] Source: German Institute for Economic Research (DIW): DIW weekly report 51+52/2015, p. 1203

[9] Source: German Institute for Economic Research (DIW): DIW weekly report 51+52/2015, p. 1206

economic analysts at the "DIW", and this consumption should in turn benefit from sustained job creation and noticeable rises in available income.[10] Important sales markets have lost some of their dynamism compared with the pre-crisis years, and foreign trade is therefore only expected to provide low levels of momentum overall; investments in equipment will probably only be moderately extended and will remain well below their pre-crisis levels in line with economic output. Risks also remain in place in terms of financial market stability and these could provide an additional dampener on companies' propensity to invest. An above-average rise in unit labour costs is a cause for concern. The economy remains resilient in some industrialised countries, in the US in particular, which remains by far the most important international sales market for the MS Industrie Group, even though incoming orders for durable goods fell more heavily than expected in December 2015 at 5% and other new orders at around 3%. Low interest rates are also likely to continue in 2016. We expect a EUR-USD exchange rate of approx. EUR 1,10 as at 2016 year end.[11]

The low price of diesel oil, which is expected to remain stable in the short term at least in conjunction with further continued global intensification of emissions regulations should continue to have a positive impact on the demand for diesel trucks globally. [12]

The following market scenario is critical for MS Industrie AG in its main business division of Powertrain Technology in terms of future development in both main sales markets of Europe and the US: the new "Euro VI" emissions standard became mandatory across Europe at the start of 2014 for every newly-registered commercial vehicle, with strong momentum for growth continuing to be expected until market penetration. This was and remains accompanied by the market launch of new fuel-efficient trucks with diesel engines by major German manufacturers such as "Daimler" and "MAN". In Europe the increased demand for new trucks is attributable inter alia to a historically high average age of the heavy-duty truck fleets currently in use of 8,5 years in addition to ever stricter exhaust standards for commercial[13] vehicles. From experience an overall lifecycle of around 30 years can be assumed for the new generation of heavy truck diesel engines launched on the market by the major manufacturers based on the new emissions standards in Europe and the US. This development can be substantiated by the historical registration figures for trucks in the past 12 years in Europe and North America, which show that following the lows during the crisis of 2009, the market level is currently around the level of 2004, even if the average of the last 10 years appears to have been reached in most of the European markets.[14] This implies that there is no change to the increase in the investment backlog that goes hand in hand with a sustained introduction of new emissions standards.

The existing major truck manufacturers should be the main ones to benefit from the growth potentials in the premium segment for heavy-duty trucks in the markets in Western Europe and the US. The MS Industrie Group is a single source supplier to both of the major German manufacturers with long-term agreements in place, and should therefore be able to continue benefiting from the expected market growth.

According to the latest statistics from the "ACEA" Association des Constructeurs Européens d´Automobiles, new registrations for heavy-duty trucks over 16 t in the EU showed an increase in 2016 of 22,2% on the same month in the previous year. A total of 21,2% more heavy-duty trucks were registered in January/February 2016 than in 2015. Market distribution differed once again here despite the general growth in the market. The German market grew at +12,9%,

[10] Source: German Institute for Economic Research (DIW): DIW weekly report 51+52/2015, p. 1203/1204

[11] Source: Internal company estimate

[12] Source: Internal company estimate

[13] Source: Deutsche Bank Markets Research Automobile, Trucks: "dbe Truck´n Roll – The year ahead" from 3 December 2015, p. 9

[14] Source: Deutsche Bank Markets Research Automobile, Trucks: "dbe Truck´n Roll – The year ahead" from 3 December 2015, p. 8-9

the Spanish market at +28,6%, the UK market at +30,9%, the Italian market at +17,1% and the French market at +15,7%.[15]

Like heavy-duty trucks, medium-duty trucks over 3,5 t up to 16 t also saw an increase in new registrations in February 2016 by 23,4% in the EU compared with the same month in the previous year according to the "ACEA". This strong increase affected virtually all local sales markets. A total of 21,6% more trucks were registered in this segment in January/February 2016 than in the same period in the previous year.[16]

Analysts from Deutsche Bank expect market growth for heavy-duty trucks of around 5% for 2016 and of around 2% for 2017. There are indications that the correlation between the development of gross domestic product and of the truck market is lower than often previously assumed. In fact, the development of industrial production and, in particular here, the development of freight volume and of road toll fees for trucks is a good preliminary indicator. High correlations have been determined again and again here in the past. It can also be stated that as at the end of 2015 around 30% of trucks in Western Europe did not yet meet the current Euro VI standard. The current very low price of diesel oil in Western Europe is also an incentive for investment, since the "total lifecycle costs" of a truck are dramatically reduced as a result since fuel costs make up around 35% of such costs.[17]

While Brazil and South America as a whole are still deep in crisis, China still continues to provide major potential in our opinion. However, trucks made in China have little in common with their western counterparts. Exhaust regulations, safety and efficiency requirements are far behind western standards. While all major western manufacturers are represented in China via joint ventures with local manufacturers, the market is still not considered mature enough for premium segment business according to general sectoral estimates.

The US sectoral report the "Rhein Report" forecasts that the US economy, which still showed relatively high levels of growth in 2015, will also continue to grow at a low rate in 2016 and 2017 at around 2,0% and 2,4% respectively. Historically, therefore, the growth rates are below the average growth rates since the Second World War, but they are consistent with the average growth rates over the last five years. However, the manufacturing sector is still barely growing, while some lines of business are already showing signs of a recession. There were three main factors responsible for this phase of weakness in 2015: the dramatic fall in the price of oil, the sharp increase in the dollar exchange rate and the economic weakness of the BRIC countries and other emerging economies. Freight revenues, measured in cubic metres, are already showing signs of a slight decline. Nevertheless further positive growth should be expected in subsequent years from 2016 based on the current introduction of new engines. Cheap energy could be a further driver of sales. There are also no restrictions on length in North America, with large and heavy-duty trucks traditionally sold here that travel huge distances on the endless highways. However, the industry only expects 236.000 sales in the "Class 8" segment for 2016, which would be a fall of around 5% compared with overall sales for 2015. Revenues in 2016 will therefore likely no longer be determined by the restricted production capacities of manufacturers of heavy-duty trucks and therefore by surplus demand and providers' ability to avoid production shortages, but rather by surplus supply which has already resulted in substantial job cuts at some of the US OEMs in early 2016.[18]

[15] Source: ACEA Association des Constructeurs Européens d´Automobiles: press release from 23 March 2016: New Commercial Vehicle Registrations European Union, February 2016

[16] Source: ACEA Association des Constructeurs Européens d´Automobiles: press release from 23 March 2016: See above.

[17] Source: Deutsche Bank Markets Research Automobile, Trucks: "dbe Truck´n Roll – The year ahead" from 3 December 2015, p. 3–10

[18] Source: "The Rhein Report" Newsletter, January 2016, p. 5 + p.10, "The Rhein Report" Newsletter, March 2016, p. 5 + p. 30

The number of new registrations of heavy-duty trucks in the NAFTA area shows a 70% increase in December 2015 compared with November 2015 according to an assessment by the industry research organisation "ACT" from January 2016. Although the order backlog as at December 2015 fell overall as compared with the end of 2014, it must be remembered that the fourth quarter of 2014 enjoyed a new record for revenues, without which the average incoming orders in 2015 would have remained essentially unchanged in a year-on-year comparison.[19]

Against the global economic and sector-related backdrop stated above, it can be stated that one of our principal customers with over 40% market share in North America in November 2015 (upward trend) announced substantial job cuts in the US in early 2016 in line with other OEMs, even if this is only temporary.[20] The general market level for 2016 is thereby estimated by these customers at around 10,0% and actual revenues at around 15,0% lower than in the disproportionately good year of 2015. However, MS Industrie AG specifically notes that this principal customer had to install third-party units to some extent in its North American trucks on account of surplus demand and is expected to reduce this in the financial year 2016. Sustained demand for after-market services (routine exchange of service kits) is additionally expected to increase continuously in subsequent years, and MS Industrie AG should also be able to benefit from this according to its own estimates, as 270.000 trucks with the World Engine from this principal customer are already on North American roads.[21]

In the autumn of 2015, the US environmental and safety boards "EPA" and "NHTSA" published a joint declaration on "Phase II" of the measures aimed at reducing greenhouse gas emissions from heavy-duty trucks in North America by 2027. This declaration provides for cumulative CO_2 reductions of between 18,3% and 23,9% in the period between 2017 and 2027 along with cumulative fuel reductions of between 18,0% and 23,5% for heavy-duty diesel trucks in North America. As of today, we assume that as a single source supplier to the OEMs leading the market in the NAFTA area with the current World Engine we will be in a very good starting position that will allow us to successfully implement any engine adjustments that may be required by 2027. Of the market leading OEMs in the NAFTA area, Daimler was able to further expand its position as market leader with a 40,3% market share in 2015 with the two brands "Freightliner" and "Western Star".

German manufacturers of plastics and rubber machinery closed out the last year with a 5% increase in revenues according to the VDMA Plastics and Rubber Machinery Association. Incoming orders for the full year 2015 were 6% higher than the previous year's level. Other countries positively balanced out the pent-up demand complained of in the last few years with an 11% increase in orders. The positive trend related to demand from abroad continued in the Eurozone countries with growth of 12% here. Domestic orders remained 10% below the previous year's value. The VDMA Plastics and Rubber Machinery Association forecasts an average increase in revenues of around 2% for the period 2016–2017.[22]

[19] Source: "Truckinginfo" – The website of Heavy Duty Trucking magazine, 6 January 2016

[20] Source: "Transport Topics" – DTNA to lay off 30% of workers at heavy duty plant in North Carolina, from 5 January 2016

[21] Source: Hauck & Aufhäuser Research: Germany Automobile: MS Industrie AG, 5 February 2016

[22] Source: Press release dated 11 January 2016 from the VDMA Plastics and Rubber Machinery Association

According to the German association for the electrical engineering and electronics industry "Zentralverband Elektrotechnik- und Elektronikindustrie e.V." (ZVEI), incoming orders in the German electronics industry rose by 7,0% overall as at 2015 year end, while total revenues for 2015 rose again slightly by 3,9%. While orders from domestic customers more or less remained stagnant with an increase of just 3,3%, orders from foreign customers increased again by 10,3%. Incoming orders from the Eurozone rose by 9,6%, while they increased by 10,7% from outside the Eurozone. The "ZVEI" expects revenues to increase by 2,0% to EUR 182 billion for the full year 2016. Revenues for the German electronic industry rose slightly by 0,1% in January 2016 as compared with the previous year, reaching a volume of EUR 13,2 billion. Revenues from domestic customers rose by 1,6%. Foreign revenues on the other hand were 1,1% below the previous year's level. Revenues with customers from the Eurozone fell by 2,8%, while they rose by 0,1% with customers from third countries.[23]

Against this background we expect business to continue to develop positively at the MS Industrie-Group in terms of revenues and earnings in the financial year 2016 adjusted by non-recurring items.

A slight increase by around 6% in adjusted Group revenues is expected again for the financial year 2016 to around EUR 270 million. A slight increase is expected again for the financial year 2016 in the consolidated key profit and loss indicators EBITDA, EBIT, EBT, EBIT margin and gross profit margin as well as profit per share from ongoing business activities (not including non-recurring items), with a significant increase also expected again as a result in Group equity. It is expected that cash flow from operating activities (not including non-recurring items) will again perform slightly better than in the previous year. In relation to cash flow from investing activities, we expect significantly higher payments to be made again compared with 2015 for investments in fixed assets, meaning that there will be significantly higher outflows of funds from investing activities overall once again. The debt levels should be reduced further and the equity ratio increased considerably as a result of the totality of measures introduced.

In terms of the development of the non-financial performance indicators, the forecast for the MS Industrie-Group is to do everything to continue fulfilling all relevant environmental standards and to continue in its attempts to keep staff turnover as low as possible using staff loyalty plans. Further headcount increases are planned as a result of the scheduled expansion in revenues – these increases were planned in particular in the area of skilled workers and management staff, with additional recruitment of a corresponding number of temporary agency workers. These measures are for the purposes of countering a lack of skilled workers and preparing future managers for challenging tasks in a targeted manner. Individual further and advanced training continues to be a priority within the Group. There are also plans in place to do everything to maintain customer satisfaction at the existing high level at a minimum, and to increase the Group's already very high innovative strength even further, and to continue ensuring an ongoing ability to deliver in all business units and product lines.

We expect the order situation for MS Enterprise-Group to remain stable for the financial year 2016 and expect both capacity utilisation and the annual results to improve. The planned investment volume for 2016 is around EUR 26,5 million for the MS Enterprise-Group, with around EUR 20,5 million of this at the headquarter in Spaichingen / Trossingen, EUR 2,0 million at the second German site in Zittau as well as around EUR 4,0 million at the Webberville site in Michigan in the US.

The MS EnterpriseGroup forecasts an increase in revenues in the financial year 2016 in the Powertrain Technology division as compared with 2015 based on the existing order backlog. There is a comparatively high ability to plan future revenues based on the gradual market penetration of the new generation of Daimler truck engines. As already stated above, based on experience, an overall lifecycle of around 30 years can be expected for the new generation of

[23] Source: "Konjunkturbarometer" (Economic barometer) by the ZVEI "Zentralverband Elektrotechnik- und Elektronikindustrie e.V.", dated: March 2016

engines. Further items for private vehicle applications were also launched as series in 2015 and these will also have a positive effect on production utilisation at the MS Enterprise-Group throughout the year from 2016. The Ultrasonic Technology division also forecasts a slight increase in revenues compared with 2015 based on the existing order backlog.

The MS Enterprise-Group's order situation remains positive in machinery construction and in the area of ultrasonic welding technology for machinery construction (Ultrasonic Technology). The order backlogs as at the balance sheet date extend well into the third quarter of 2016. Because utilisation does not depend directly here on the number of vehicles produced, but, instead, predominantly on the introduction of new models and the constant increase in the proportion of plastics, this division is considerably more resilient to economic cycles than the Powertrain Technology division and is only partially susceptible to crises. There are plans to continue developing new application areas, particularly in Ultrasonic Technology, using innovations and in-house developments in the Ultrasonic Technology division. The MS Enterprise-Group's consistent innovation strategy continues successfully in this market area, with various new products developed once again that were also launched on the market. The company plans to launch a new product range on the market in 2016 in compliance with the "Industry 4.0" standard. The official market launch is planned for October 2016. The highest growth rates for the financial year 2016 within the MS Industrie-Group are expected in this highly innovative product area.

The "Ultrasonic/Special Machinery" division recorded order backlogs at all-time highs as at February 2016 at around EUR 31 million; as in previous years the pressure on prices remains palpable currently in terms of the competition. The trend is continuing for more private vehicle models and a higher proportion of plastics in cars.

MS Spaichingen GmbH had already decided in 2014 to construct a new complex with production and administration buildings in the neighbouring area of Trossingen-Schura (district of Tuttlingen/Baden-Württemberg) in order to accommodate further growth at the company's head office. In the Powertrain Technology division in particular there were only limited options for growth at the current site from economic-related production aspects given the existing spatial and logistical conditions. The new building complex will be completed in multiple sections that are all independent of each other, with the first step involving a transfer of the Powertrain Technology division to the new buildings with around 18.000 m^2 of available space. The reference period for the first construction section was planned for early 2016 and was implemented on schedule. Depending on further economic developments, the Ultrasonic Technology and Administration divisions may also be relocated to the new site within the scope of a second construction section. Aside from the economic and logistical benefits already mentioned, the company has also constructed a building complex from an energy and environmental point of view that sets wide-reaching priorities in terms of the energy budget, sustainability and autonomy. The plan from the start was therefore to produce part of the required energy via the company's own combined heat and power plant and to use both cooling as well as heat sources for energy use using intelligent waste heat recovery systems. The acquisition costs for the first construction section amount to around EUR 28 million (and therefore around EUR 3 million below plan) and also include the costs for the MS-specific building technology as well as the land, construction and building costs. The land acquired from the Town of Trossingen in 2014 is around 50.000 m^2 in size. Further land has already been secured contractually for the second construction section and for potential long-term extensions. A long-term off-balance sheet leasing model has been selected as the financing model for the first construction section.

<u>Elektromotorenwerk Grünhain GmbH</u>, Grünhain-Beierfeld, (<u>EMGR</u>) operates within the "Powertrain – Electro" division. It is a successful manufacturer of customised electric motors featuring different designs along with related products. The Aluminium Die-Cast division is set for further growth in 2016. EMGR is currently preparing to enter the market for customised electronic motors for two-wheeled and three-wheeled vehicles (Cargo division / Electric mobility). The start of series production is now planned in Germany from early summer 2016, following the successful prototype series in

2013/2014. EMGR is working with existing and new cooperation partners here and is therefore independent. EMGR is increasingly developing into a systems provider as a consistent continuation of the development plans in previous years (new efficient powertrain technology for industry and electric mobility). The product range is being expanded to include gears and controls for this. The executive management at EMGR expects business performance to be more positive in 2016, particularly as a result of the good electric motor business in the current year, with further growth in revenues and positive annual results: there are already indications of this in the first quarter of 2016.

EMGR also plans to accelerate growth by boosting its sales activities in the rest of Europe based on its stable and broad customer base. The market potential for customised quality motors is being reviewed in additional sectors of industry, including in collaboration with other manufacturers. EMGR Beteiligungs GmbH, Grünhain-Beierfeld, was founded for this very purpose on 29 January 2015 as a new subsidiary of EMGR held currently with a 75,1% stake and joint venture between EMGR and a European crane manufacturer in Gabrovo in Bulgaria. The aim for this new company is to drive EMGR's planned production activities forward in Bulgaria. The new Group subsidiary "EMGR EAD", Gabrovo, Bulgaria, was subsequently formed as a wholly-owned subsidiary of EMGR Beteiligungs GmbH in Articles of Association dated 18 March 2015. The corporate purpose of the Bulgarian entity is the design, manufacture, maintenance and sale of electric motors and other electrical and mechanical drive systems along with associated activities. The new Bulgarian company was entered onto the Commercial Register on 14 April 2015. Aside from general electric motors for industry, the new subsidiary has also produced overhead crane drives for the crane industry since January 2016 in accordance with sets of designs from the German parent company. Special conical and cylindrical lifting motors for the crane industry, along with additional customised motors for industrial customers, are also planned as of early 2017. The entity is also being planned as an extended workbench for the German parent company in relation to contract manufacturing.

The main products provided by the joint venture partner include cable cranes, chain hoist cranes, end-carriages and geared motors. EMGR will provide its development and manufacturing expertise in the area of manufacturing special motors for the crane industry as part of this joint venture. The joint venture partner, as the main customer of the planned joint venture, is also due to provide development and manufacturing expertise as well as the production areas and will be responsible for managing and coordinating the procurement. The objective is to develop new markets and new products and to gain strategic customers. EMGR's many years of expertise, high vertical range of manufacture, major flexibility and major development expertise are the means to this objective. The good reputation of the "Made in Germany" label is a further factor here. There is also a need for EMGR to implement value-creation processes / products locally based on increasing globalisation and the lower local prices in Eastern Europe, along with a general trend towards following the customer. EMGR EAD currently forecasts revenues of approx. EUR 0,5 million in the financial year 2016. It should be noted at this point that the financial year 2016 will continue to be strongly characterised by efforts to build up the business and the results forecasting is currently susceptible to major uncertainty. The entity plans to have built up its own development and sales expertise by 2017.

The sale of the remaining shares in UMT United Mobility Technology AG will continue in addition to further development of the investments stated. However, the strategic focussing process can be considered to be completed.

As a summary of our statements above therefore, following completion of the extensive expansion investments of the last few years and the ongoing process optimisation as well as high capacity utilisation, we expect the MS Industrie Group to be able to achieve again visibly better consolidated net earnings per share (excluding non-recurring items) in 2016 compared to those in the financial year 2015.

This Consolidated 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, April 18, 2016

MS Industrie AG

The Executive Board

Dr. Andreas Aufschnaiter
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