



Q1

2013/2014



INTERIM REPORT
FOR THE FIRST QUARTER
1 APRIL TO 30 JUNE 2013



THE
INDUSTRIAL
GROUP

THE ESSENTIALS AT A GLANCE

- SUBDUED ECONOMIC DEVELOPMENT IN THE FIRST QUARTER
- SALES AND EARNINGS FOR THE FULL YEAR EXPECTED AT THE LOWER END OF THE FORECAST RANGE
- RECORD INVESTMENTS OF APPROXIMATELY € 30 MILLION PLANNED
- ANNUAL GENERAL MEETING ELECTS ENTREPRENEUR STEFAN HEIMÖLLER TO THE SUPERVISORY BOARD

GESCO GROUP KEY FIGURES FOR THE FIRST QUARTER OF THE 2013/2014 FINANCIAL YEAR

01.04.-30.06.		I. Quarter 2013/2014	I. Quarter 2012/2013	Change
Incoming orders	(€'000)	110,442	116,275	-5.0%
Sales revenues	(€'000)	108,914	106,812	2.0%
EBITDA	(€'000)	11,951	12,987	-8.0%
EBIT	(€'000)	7,874	9,877	-20.3%
Earnings before tax	(€'000)	7,208	8,999	-19.9%
Group net income after minority interest	(€'000)	4,504	5,775	-22.0%
Earnings per share acc. to IFRS	(€)	1.35	1.74	-22.0%
Employees	(No.)	2,285	2,008	13.8%

DEAR SHAREHOLDERS,

The first quarter (1 April to 30 June 2013) of financial year 2013/2014 (1 April 2013 to 31 March 2014) was marked by subdued economic development, and significant growth momentum was also lacking in the second quarter. GESCO AG sees the current financial year as a year of transition and plans record investments of approximately € 30 million to further strengthen the Group.

General economic uncertainty has increased and, as a result, it is becoming more difficult to plan. Our companies' customers are aware of this and are placing smaller orders at shorter notice. Although a number of orders are currently being negotiated in the capital goods industry, the signing of these orders keeps getting postponed. And when orders are placed, the timing is often very tight. This can result in inefficiencies in operational procedures that, in turn, negatively impact margins. Pressure on margins has increased anyway as, in contrast to the phase of growth in 2011, the focus is no longer on companies' ability to supply and customers' timings, but instead on price awareness. While some subsidiaries said that business was stable, other companies of the Group clearly felt the effects of the slowdown in the overall economy and reported falls in sales and earnings. Companies that were particularly affected by drops in demand implemented measures to cut costs, reviewed investments and further intensified sales activities. Some business segments also temporarily introduced short-time working depending on capacity utilisation.

DEVELOPMENT OF GROUP SALES AND EARNINGS

The financial year of GESCO AG and GESCO Group runs from 1 April to 31 March the following year, while the financial years of the subsidiaries coincide with the calendar year. The interim report for the first three months of financial year 2013/2014 therefore encompasses the operating months January to March 2013 of the Group's subsidiaries. All of the companies acquired in 2012 were included in the financial statements in the reporting period. C.F.K. CNC-Fertigungstechnik Kriftel GmbH, which was acquired in May 2012, as well as Protomaster Riedel & Co. GmbH and Modell Technik GmbH & Co. Formenbau KG, both of which were acquired in July 2012, were not yet included in the first quarter of last year.

In the first quarter, incoming orders went down 5.0% to € 110.4 million (previous year's period: € 116.3 million). Group sales rose by 2.0% to € 108.9 million (€ 106.8 million). Margins were impacted by the lower rate of capacity utilisation and overall pricing pressure. While the ratio of material expenditure decreased, there was a rise in the ratio of personnel expenditure. The latter is due to changes in the scope of consolidation as some of the new companies are more personnel intensive than the average seen across pre-existing companies. On the other hand, GESCO Group companies also largely retain core staff in weaker economic periods as having qualified employees is increasingly proving to be a strategic competitive advantage. However, the decline in flexible remuneration components can only partially offset the impact on margin resulting from the lower rate of capacity utilisation.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) fell to € 11.9 million (€ 12.9 million). As depreciation and amortisation rose at a significantly higher rate than sales as a result of investments made in previous years and the effects from first-time consolidation, earnings before interest and taxes (EBIT) fell more than EBITDA and reached € 7.9 million (€ 9.9 million). Group net income after minority interest amounted to € 4.5 million (€ 5.8 million), corresponding to earnings per share pursuant to IFRS of € 1.35 (€ 1.74).

Order backlog was € 203.3 million at the end of the first quarter (€ 191.6 million). This figure also includes the order backlog of the new companies.

SEGMENT REPORTING

Tool manufacture and mechanical engineering continues to be the larger of the two segments. Order intake decreased from € 108.9 million to € 100.9 million, while sales increased from € 98.6 million to € 101.3 million and EBIT fell from € 11.6 million to € 8.9 million.

The plastics technology segment recorded a considerable increase in order intake from € 7.2 million to € 9.4 million. Sales, on the other hand, declined from € 8.0 million to € 7.5 million. EBIT in the first quarter amounted to € 1.1 million compared to € 1.6 million in the previous year's period.

ASSETS AND FINANCIAL POSITION

Total assets increased by 7.0% compared to 31 March 2013. On the assets side, inventories and trade receivables in particular rose on account of the growing operating business. Liquid assets rose slightly from € 36.5 million to € 38.0 million. A dividend in the amount of € 8.3 million was paid on 26 July 2013, i.e. in the second quarter and therefore after the reporting date. On the liabilities side, equity went up once more to € 171.3 million (€ 166.5 million); the equity ratio as of the reporting date was 44.8% (46.6%). Current liabilities to financial institutions and trade payables were up against the beginning of the financial year, in line with the enhancing of the business volume.

Balance sheet ratios at GESCO Group remain very healthy. Sufficient liquidity and a high equity base ensure that GESCO Group has full freedom to manoeuvre; net liabilities to banks only amount approximately to the EBITDA for the year. Despite the three acquisitions in the previous year, goodwill amounts to 7.2% of equity, an exceptionally low level for a company structured like ours.

INVESTMENTS

In the first quarter, the GESCO Group companies invested approximately € 4.0 million in property, plant and equipment and intangible assets (€ 3.0 million). These funds were focused on Werkzeugbau Laichingen-Group and Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG.

EMPLOYEES

As of the reporting date, the Group employed 2,285 people, up 13.8% year on year, primarily due to the expanded scope of consolidation. The number of employees was more or less unchanged as against the figure of 2,292 at the beginning of the 2013/2014 financial year.

OPPORTUNITIES, RISKS AND RISK MANAGEMENT

Our explanations on the subject of opportunities and risks in the consolidated financial statements as of 31 March 2013 remain essentially unchanged and valid. For more details, please refer to the Annual Report 2012/2013, which is available online at www.gesco.de.

OUTLOOK AND EVENTS AFTER THE REPORTING DATE

As explained above, the dividend of € 8.3 million for financial year 2012/2013, which was resolved at the Annual General Meeting on 25 July 2013, was distributed after the reporting date; this corresponds to a dividend per share of € 2.50.

The second quarter of financial year 2013/2014 encompasses the operating months April to June 2013 of the subsidiaries. Business continued to move sideways during this period; there were no specific signs of a significant economic upturn. Incoming orders amounted to approximately € 101 million compared to € 109 million in the second quarter of the previous year. Group sales amounted to approximately € 109 million (€ 114 million). Margins continued to be impacted in the second quarter. Order backlog came to more than € 190 million at the end of the second quarter.

At the accounts press conference on 11 June 2013, we forecasted Group sales for financial year 2013/2014 of between € 435 million and € 450 million and Group net income for the year after minority interest of between € 18.5 million and € 20.5 million. In the event that the second half of the year fails to yield any significant growth momentum, we expect sales and earnings for the full year to be at the lower end of this forecast range, based on the information available to us at this time. However, should economic development pick up noticeably over the course of the second half of the year, sales and earnings could then be above the lower ends of the relevant forecast ranges.

We also announced at the accounts press conference that we plan to invest a record figure of approximately € 30 million in GESCO Group in financial year 2013/2014. Half of this amount will go into replacements and optimisations at the usual level, and half will be used for extraordinary investments resulting from growth potential or special opportunities at individual subsidiaries. We will make use of the extremely attractive financing terms and conditions currently on offer. Regardless of short-term economic development, these strategic investments in real estate and technical equipment will strengthen the Group's sustainable performance.

The Annual General Meeting held on 25 July 2013 elected entrepreneur Stefan Heimöller, the largest single company shareholder who holds approximately 13.5 % of the shares, to GESCO AG's Supervisory Board. He succeeds Willi Back, who resigned from his position effective as of the end of the Annual General Meeting on 25 July 2013 as part of a long-planned handover to a new generation. Willi Back played a significant role in the shaping of GESCO AG's business model, was Chairman of the Executive Board for many years, and was appointed to the Supervisory Board in 2004. The Supervisory Board's current term ends upon conclusion of the Annual General Meeting, which will approve the actions of the Supervisory Board for financial year 2014/2015. We announced the pending change within the Supervisory Board in mid-February 2013 in the report for the first nine months and explained this in detail in the Annual Report for financial year 2012/2013.

Yours sincerely,

GESCO AG
The Executive Board

Wuppertal, 15 August 2013

GESCO GROUP BALANCE SHEET

AS AT 30 JUNE 2013 AND 31 MARCH 2013

€'000	30.06.2013	31.03.2013
Assets		
A. NON-CURRENT ASSETS		
I. Intangible assets		
1. Industrial property rights and similar rights and assets as well as licences	11,390	11,876
2. Goodwill	12,356	12,356
3. Prepayments made	90	75
	23,836	24,307
II. Property, plant and equipment		
1. Land and buildings	42,386	42,632
2. Technical plant and machinery	32,771	32,881
3. Other plant, fixtures and fittings	21,459	21,208
4. Prepayments made and plant under construction	3,360	2,949
5. Property held as financial investments	1,808	1,832
	101,784	101,502
III. Financial investments		
1. Shares in affiliated companies	38	40
2. Shares in associated companies	1,576	1,547
3. Investments	43	38
4. Other loans	180	207
	1,837	1,832
IV. Other assets	2,490	2,551
V. Deferred tax assets	2,527	2,665
	132,474	132,857
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and supplies	23,101	21,286
2. Unfinished products and services	54,785	46,951
3. Finished products and goods	57,999	57,093
4. Prepayments made	811	579
	136,696	125,909
II. Receivables and other assets		
1. Trade receivables	61,991	53,121
2. Amounts owed by affiliated companies	657	672
3. Amounts owed by companies with which a shareholding relationship exists	1,128	676
4. Other assets	9,756	6,454
	73,532	60,923
III. Securities	1,000	1,000
IV. Cash and credit with financial institutions	38,025	36,464
V. Accounts receivable and payable	841	394
	250,094	224,690
	382,568	357,547

€'000	30.06.2013	31.03.2013
Equity and liabilities		
A. EQUITY		
I. Subscribed capital	8,645	8,645
II. Capital reserves	54,635	54,635
III. Revenue reserves	98,215	93,711
IV. Own shares	-31	-31
V. Other income	-2,614	-2,315
VI. Minority interests (incorporated companies)	12,464	11,855
	171,314	166,500
B. NON-CURRENT LIABILITIES		
I. Minority interests (partnerships)	3,149	3,165
II. Provisions for pensions	15,366	15,349
III. Other long-term provisions	641	577
IV. Liabilities to financial institutions	57,369	55,442
V. Other liabilities	3,310	3,623
VI. Deferred tax liabilities	4,297	4,707
	84,132	82,863
C. CURRENT LIABILITIES		
I. Other provisions	14,437	11,129
II. Liabilities		
1. Liabilities to financial institutions	27,041	23,318
2. Trade creditors	21,005	14,995
3. Prepayments received on orders	32,414	27,301
4. Liabilities to affiliated companies	0	16
5. Liabilities to companies with which a shareholding relationship exists	3	3
6. Other liabilities	32,072	31,318
	112,535	96,951
III. Accounts receivable and payable	150	104
	127,122	108,184
	382,568	357,547

GESCO GROUP INCOME STATEMENT FOR THE FIRST QUARTER (1 APRIL TO 30 JUNE)

€'000	I. Quarter 2013/2014	I. Quarter 2012/2013
Sales revenues	108,914	106,812
Change in stocks of finished and unfinished products	6,345	6,811
Other company produced additions to assets	69	152
Other operating income	1,852	1,075
Total income	117,180	114,850
Material expenditure	-61,816	-62,582
Personnel expenditure	-30,697	-26,836
Other operating expenditure	-12,716	-12,445
Earnings before interest, tax, depreciation and amortisation (EBITDA)	11,951	12,987
Depreciation on tangible and intangible assets	-4,077	-3,110
Earnings before interest and tax (EBIT)	7,874	9,877
Earnings from investments in associated companies	13	-24
Other interest and similar income	60	154
Interest and similar expenditure	-745	-828
Minority interest in partnerships	6	-180
Financial result	-666	-878
Earnings before tax (EBT)	7,208	8,999
Taxes on income and earnings	-2,257	-2,862
Group net income	4,951	6,137
Minority interest in incorporated companies	-447	-362
Group net income after minority interest	4,504	5,775
Earnings per share (€) acc. to IFRS	1.35	1.74
Weighted average number of shares	3,318,143	3,315,212

STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER (1 APRIL TO 30 JUNE)

€'000	I. Quarter 2013/2014	I. Quarter 2012/2013
Group net income	4,951	6,137
Difference from currency translation	24	60
Market valuation of hedging instruments	-347	0
Income and expenditure recorded directly in equity	-323	60
Total result for the period	4,628	6,197
of which shares held by minority interest	423	362
of which shares held by GESCO shareholders	4,205	5,835

GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
As at 01.04.2012	8,645	54,631	82,827	-634
Dividends				
Partial disposal of shares in subsidiaries				
Result for the period			5,775	
Change in scope of consolidation				
As at 30.06.2012	8,645	54,631	88,602	-634
As at 01.04.2013	8,645	54,635	93,711	-31
Other neutral changes				
Result for the period			4,504	
Change in scope of consolidation				
As at 30.06.2013	8,645	54,635	98,215	-31

GESCO GROUP SEGMENT REPORT FOR THE FIRST QUARTER (1 APRIL TO 30 JUNE)

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	I. Quarter 2013/2014	I. Quarter 2012/2013	I. Quarter 2013/2014	I. Quarter 2012/2013
Order backlog	197,979	186,746	5,275	4,903
Incoming orders	100,934	108,986	9,393	7,164
Sales revenues	101,324	98,644	7,475	8,043
of which with other segments	0	0	0	0
Depreciation	2,791	2,232	368	334
EBIT	8,873	11,566	1,144	1,579
Investments	3,906	2,165	137	862
Employees (No./reporting date)	2,135	1,843	134	154

Exchange equalisation items	Revaluation of pensions	Hedging instruments	Total	Minority interest incorporated companies	Equity capital
-500	-140	0	144,829	10,159	154,988
				-739	-739
				-819	-819
60			5,835	362	6,197
			0	829	829
-440	-140		150,664	9,792	160,456
-427	-2,257	369	154,645	11,855	166,500
				85	85
24		-323	4,205	423	4,628
				101	101
-403	-2,257	46	158,850	12,464	171,314

	GESCO AG		Other/Consolidation		Group	
	I. Quarter 2013/2014	I. Quarter 2012/2013	I. Quarter 2013/2014	I. Quarter 2012/2013	I. Quarter 2013/2014	I. Quarter 2012/2013
	0	0	0	0	203,254	191,649
	0	0	115	125	110,442	116,275
	0	0	115	125	108,914	106,812
	0	0	0	0	0	0
	37	37	881	507	4,077	3,110
	-1,167	-1,130	-976	-2,138	7,874	9,877
	1	10	0	0	4,044	3,037
	16	11	0	0	2,285	2,008

GESCO GROUP CASH FLOW STATEMENT FOR THE FIRST QUARTER (1 APRIL TO 30 JUNE)

€'000	I. Quarter 2013/2014	I. Quarter 2012/2013
Result for the period (including share attributable to minority interest in incorporated companies)	4,951	6,137
Depreciation on fixed assets	4,077	3,110
Result from investments in associated companies	-13	24
Share attributable to minority interests in partnerships	-6	180
Increase in long-term provisions	81	246
Other non-cash result	-374	253
Cash flow for the period	8,716	9,950
Losses from the disposal of property, plant and equipment/intangible assets	17	11
Gains from the disposal of property, plant and equipment/intangible assets	-75	-51
Gains from the disposal of financial assets	0	-222
Increase in stocks, trade receivables and other assets	-23,557	-14,398
Increase in trade creditors and other liabilities	14,586	10,534
Cash flow from ongoing business activity	-313	5,824
Incoming payments from disposals of tangible assets/intangible assets	225	64
Disbursements for investments in property, plant and equipment	-3,862	-2,896
Disbursements for investments in intangible assets	-127	-171
Incoming payments from disposals of financial assets	26	225
Disbursements for investments in financial assets	-20	-24
Incoming payments from the sale of consolidated companies	0	1,900
Disbursements for the acquisition of consolidated companies	0	-2,497
Cash flow from investment activity	-3,758	-3,399
Incoming payments from minority shareholders	0	635
Disbursements to minority shareholders	0	-2,005
Incoming payments from raising (financial) loans	8,479	21,420
Outflow for repayment of (financial) loans	-2,847	-14,294
Cash flow from funding activities	5,632	5,756
Cash increase in cash and cash equivalents	1,561	8,181
Financial means on 01.04.	37,464	42,958
Financial means on 30.09.	39,025	51,139

EXPLANATORY NOTES

ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The report of GESCO Group for the first quarter (1 April to 30 June 2013) of the 2013/2014 financial year (1 April 2013 to 31 March 2014) was prepared on the basis of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB). It was drawn up in compliance with IAS 34.

The accounting and valuation principles applied generally correspond with those in the Group financial statements as of 31 March 2013. The financial statements are affected by the accounting and valuation methods as well as assumptions and estimates which affect the level and recognition of assets, liabilities and contingent liabilities on the balance sheet and of the income and expenditure items. Sales-related figures are accrued throughout the year.

CHANGES TO THE SCOPE OF CONSOLIDATION/ BUSINESS COMBINATIONS PURSUANT TO IFRS 3

Frank Lemeks Tow, Ternopil, Ukraine was included as a fully consolidated company in the consolidated financial statements for the reporting period for the first time. The company was previously not fully consolidated as it had an immaterial effect on the Group's assets, financial position and earnings. The company was fully consolidated at the beginning of the financial year as Frank Lemeks is likely to widen its economic developments in the reporting year. Frank Lemeks is a 75 % subsidiary of Frank Walz- und Schmiedetechnik GmbH, Hatzfeld, which in turn is a 100 % subsidiary of GESCO AG. The first-time consolidation performed in the present balance sheet is temporary according to IFRS 3.45 et seqq.

ADJUSTMENT OF THE PREVIOUS YEAR'S FIGURES

IAS 19 "Employee Benefits" was applied for the first time and in advance in the 2012/2013 annual financial statements. However, this new standard was not applied in the quarterly reports for financial year 2012/2013. The previous year's statement of changes in equity capital figures was adjusted in this interim report for the first three months of financial year 2013/2014. The previous year's income statement figures for the reporting period were not adjusted due to a lack of materiality.

FINANCIAL CALENDAR

12 November 2013

Despatch of the interim report (01.04.-30.09.2013)

February 2014

Announcement of figures for the first nine months (01.04.-31.12.2013)

26 June 2014

Annual Accounts Press Conference and Analysts' Meeting

August 2014

Announcement of figures for the first quarter (01.04.-30.06.2014)

28 August 2014

Annual General Meeting

November 2014

Despatch of the interim report (01.04.-30.09.2014)

DEAR SHAREHOLDERS,

If you would like to receive regular information on GESCO AG, please add your name to our mailing list. Please print this page, fill it out and return it to us by post or fax. You can also register on our website www.gesco.de, send us an e-mail at info@gesco.de or call us on +49 202 24820-18.

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