

HASEKE

MODELL  
TECHNIK

SVT

PAUL BEIER

FUNKE/ASTROPLAST

WERKZEUGBAU  
LEIPZIG

SETTER



GESCO AG  
ANNUAL REPORT  
2014/2015

VWH

C.F.K.

WERKZEUGBAU  
LAICHINGEN

DÖMER

FRANK

HUBL

MAE

DÖRRENBURG

KESEL

PROTOMASTER



# THE INDUSTRIAL GROUP

**GESCO Group:** An association of industrial SMEs. Concentrating on tool manufacturing/mechanical engineering and plastics technology, i.e. core segments of Germany's industrial sector. A group of "hidden champions", market and technology leaders. Founded in 1989, listed since 1998.



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Supplement:  
GESCO Group – Profiles of the companies

# GESCO GROUP KEY FIGURES (IFRS)

Financial year 01.04.-31.03.		2005/2006	2006/2007	2007/2008	2008/2009
Sales	€'000	234,327	268,146	333,155	378,388
of which domestic	€'000	172,464	199,470	248,534	276,602
foreign	€'000	61,863	68,676	84,621	101,786
EBITDA	€'000	26,792	31,800	44,281	49,689
EBIT	€'000	18,792	23,728	34,158	38,931
Earnings before tax	€'000	16,562	23,570	30,783	34,585
Taxes on income and earnings	€'000	-7,100	-9,311	-11,227	-10,897
Taxation rate	%	42.9	39.5	36.5	31.5
Group net income after minority interest	€'000	9,325	13,313	17,883	21,618
Earnings per share pursuant to IFRS	€	3.54	4.83	5.92	7.16
Investment in Property, Plant and Equipment <sup>1)</sup>	€'000	9,014	8,332	12,030	12,354
Depreciation on Property, Plant and Equipment	€'000	6,718	6,745	8,252	8,191
Equity	€'000	54,379	74,948	89,845	103,285
Total assets	€'000	174,430	211,762	236,511	259,598
Equity ratio	%	31.2	35.4	38.0	39.8
Employees (as at 31.12.)	No.	1,329	1,543	1,713	1,795
of which trainees	No.	75	81	105	109
Year-end share prices as at 31.03.	€	38.90	38.20	48.00	32.50
Dividend per share	€	1.25	1.50	2.42 <sup>2)</sup>	2.50

<sup>1)</sup> Without additions from changes to the scope of consolidation.

<sup>2)</sup> Including dividend bonus of € 0.22 due to 10-year anniversary of IPO.

<sup>3)</sup> Dividend proposal to the AGM on 18.08.2015.

€ 3.72  
EARNINGS PER SHARE

€ 1.75  
DIVIDEND PER SHARE <sup>3)</sup>

2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	Change
277,664	335,237	415,426	440,417	453,336	451,434	-0.4%
183,536	219,981	270,888	286,609	300,263	303,597	1.1%
94,128	115,256	144,538	153,808	153,073	147,837	-3.4%
27,156	38,180	51,186	51,763	48,719	46,170	-5.2%
16,470	26,958	39,116	37,341	32,010	27,300	-14.7%
13,965	24,091	35,672	33,825	29,018	24,553	-15.4%
-4,389	-7,651	-11,087	-11,088	-9,261	-10,401	12.3%
31.4	31.8	31.1	32.8	31.9	42.4	-
8,896	15,251	22,531	20,916	18,121	12,350	-31.8%
2.95	5.05	7.40	6.30	5.45	3.72	-31.8%
8,417	9,915	14,937	21,609	27,164	29,525	8.7%
8,758	9,058	9,850	12,190	14,136	15,475	9.5%
105,173	114,678	154,988	166,500	176,604	182,803	3.5%
246,356	260,246	321,138	357,547	379,950	403,739	6.3%
42.7	44.1%	48.3	46.6	46.5	45.3	-
1,733	1,775	1,899	2,292	2,360	2,465	4.4%
99	92	97	120	144	156	8.3%
4.00	58.89	65.40	75.54	76.15	76.38	0.3%
1.30	2.00	2.90	2.50	2.20	1.75 <sup>3)</sup>	-20.5%

 2,465

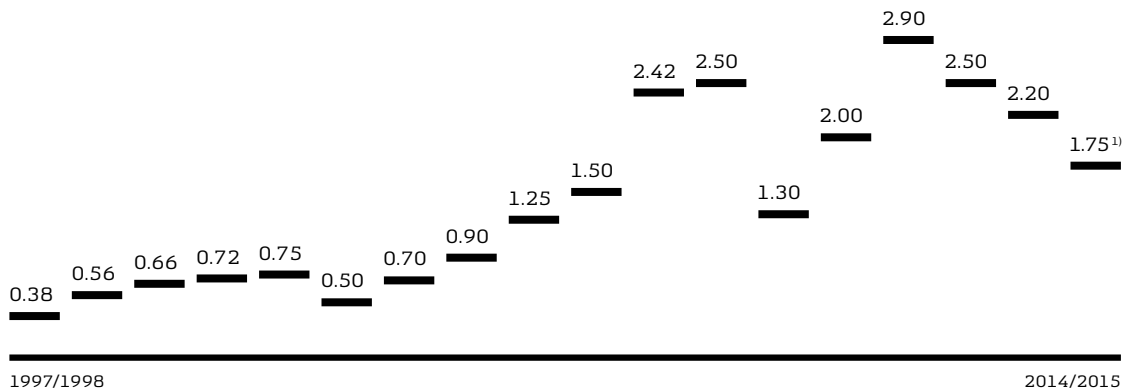
451

€ MILLION SALES

# The equity story

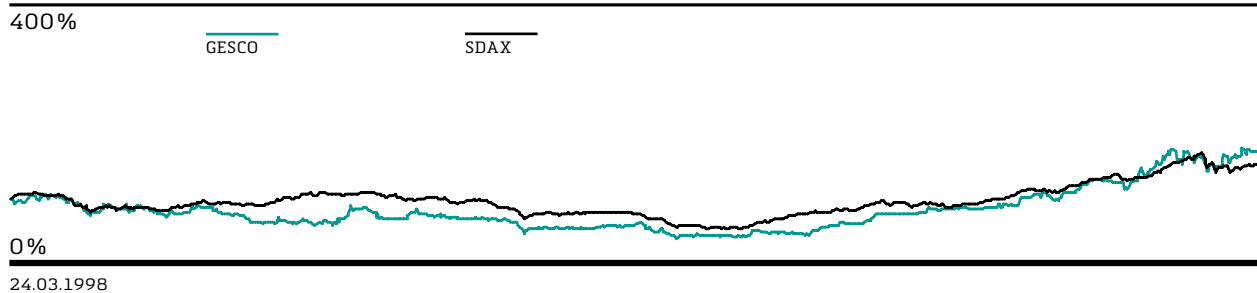
SUSTAINABLE DIVIDEND POLICIES:  
SINCE ITS IPO ON 24 MARCH 1998, GESCO AG  
HAS PAID OUT A DIVIDEND EVERY FINANCIAL YEAR.

DIVIDEND PER SHARE IN €



<sup>1)</sup> Dividend proposal to the AGM on 28.08.2015

GESCO AT THE STOCK EXCHANGE:  
PRICE PERFORMANCE SINCE THE IPO.





## A SUSTAINABLY GROWING INDUSTRIAL GROUP

GESCO is a sustainably growing industrial group of leading German SMEs from the tool manufacture, mechanical engineering and plastics technology segments. Our goal is to increase the value of our individual subsidiaries – and, with it, the value of the entire Group – in the long term. We generate internal growth by developing the existing companies in the portfolio. In addition, we concentrate on buying additional “hidden champions” – strong industrial and technology companies with attractive growth potential – from the German SME sector. GESCO does not pursue exit strategies aimed at the later sale of holdings.

## TECHNOLOGY “MADE IN GERMANY”: IN HIGH DEMAND ALL OVER THE WORLD

The GESCO Group companies are strategically and technologically well-positioned specialists with German-made products that are also in high demand internationally. They supply a large circle of customers in a wide variety of markets. The companies secure their leading technological positions through regular investments in their technical equipment. The companies are operationally independent and receive active support from the holding in the form of coaching, consulting and financial controlling.

## SPECIALIST FOR SUCCESSION SOLUTIONS

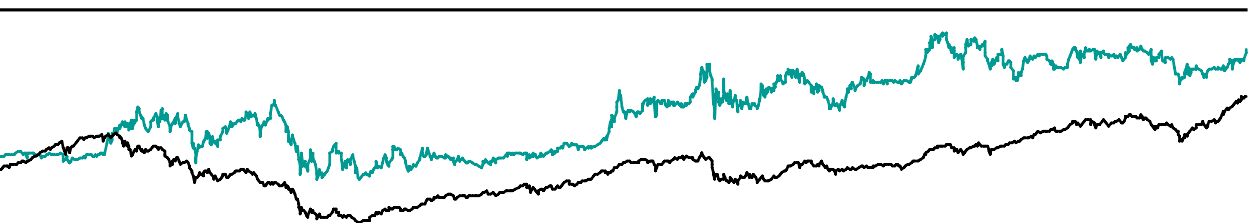
The abundance of unresolved succession issues in the German SME sector provides scope for external growth. GESCO is specialised in such issues. We only acquire majority shareholdings – usually 100%. As part of the succession plan, the new managers usually acquire a 10 to 20% share in the companies they manage. We apply strict criteria to acquisitions. These include business substance and innovative technology as well as the best possible international prospects. The companies should be among the leading providers in their segments and offer long-term potential for development.

## THE GROUP’S ADDED VALUE

We stay true to the spirit of entrepreneurship and the ethos of a family company while shaping companies to cope with the global economy. Our model preserves and promotes the strengths of the SME segment while compensating for potential weaknesses. To offer the best of both worlds, the GESCO model builds a bridge between the world of the family-run SME segment and the capital market.

## THE PEARLS OF THE TECHNOLOGY-DRIVEN GERMAN “MITTELSTAND” IN A SINGLE SHARE

The GESCO share offers investors access to leading companies in the technology-driven German “Mittelstand” some of which are among the top of their class on a national or international level. Investors benefit from our long-proven strategy of generating growth in two ways: internally through developing our subsidiaries, and externally through acquisitions. We ensure sustainable strategies, healthy finances and strong balance sheets at every subsidiary, thereby optimising the Group’s overall opportunities and limiting risks. Thanks to a transparent and calculable distribution policy offering a dividend oriented towards the Group’s earnings, shareholders have a stake in the business success of the GESCO model.



31.03.2015

## DEAR SHAREHOLDERS,

We were originally relatively optimistic at the start of financial year 2014/2015. The economic forecasts were positive. Our companies received an increased number of orders from regions and industries that were rather weak in 2013. The VDMA also spread optimism, with production in German machine and plant construction forecast to rise by 3 %.

But things turned out quite different in the end. Financial year 2014/2015 was a disappointing one for GESCO Group in many ways. In spring 2014, the burgeoning crisis in Ukraine had a sudden and severe impact on business at Frank Walz- und Schmiedetechnik GmbH, which produces wear parts for the agricultural market and supplies a large share of its products directly and indirectly to Eastern Europe.

However, the considerable deterioration in the situation at two subsidiaries – MAE Maschinen- und Apparatebau Götzen GmbH and Protomaster GmbH – had a far more significant impact, even though the developments occurred independently of each other. MAE is a global leader in straightening machines and wheel presses. Protomaster manufactures body parts and assemblies for high-end vehicles and produces the tools necessary for doing so. The two business models are unrelated, yet the problematic areas are comparable: both companies are facing major qualitative and technological challenges as a result of strong growth and the respective customer requirements. From the present perspective, it is clear that the companies accepted orders that they underestimated in terms of their requirements and that overwhelmed them in many ways. We have

been issuing regular updates on the restructuring measures at both subsidiaries since the annual accounts press conference in June 2014.

Overall, Group earnings were significantly impacted by this development in financial year 2014/2015. We achieved Group net income after minority interest of € 12.4 million following € 18.1 million in the previous year along with essentially unchanged Group sales of € 451 million.

Despite a close-knit network of controlling, reporting, risk management and regular meetings, the two companies mentioned above got into difficulties. We see this as an occasion to take a critical look at our processes and our way of dealing with subsidiaries in general and to take the corresponding necessary action.

How did the stock market react to this news? GESCO's share price remained nearly unchanged on average over the course of the year. Our performance essentially matched that of our benchmark index, the SDAX, until autumn 2014. However, we did not participate in the pronounced rise of the SDAX and other indices that followed. Regardless of whether you look at reporting year 2014/2015 or the 2014 calendar year, the GESCO share was a clear underperformer.

Because our long-standing dividend policy calls for a fixed payout ratio of around 40 % of Group net income after minority interest, the payout is also lower when earnings decline. With this year's dividend proposal of € 1.75 per share, the Executive Board and the Supervisory Board are slightly above the usual payout ratio.

Where do we go from here? In view of the weak euro and the low oil price, the economic forecasts for 2015 are positive. However, this applies more to consumer goods than to the capital goods industry, in which we operate. The low energy price is even an obstacle for the business of our subsidiary SVT GmbH, which supplies loading systems for a number of sectors, including the oil industry. At MAE and Protomaster, the implementation of the necessary measures has not yet been completed, and they will continue to have a negative impact on margins in the new financial year. All in all, we expect rising Group sales in 2015/2016. While earnings should be higher than in reporting year 2014/2015, they will not be able to match the level seen in previous years for the aforementioned reasons. We are working hard on the problems we face, but we have not yet completely turned the corner.

We would like to thank you, the company's shareholders, for your continued interest in GESCO. Our special thanks go out to GESCO Group's managing directors and employees.

We would particularly like to thank Rolf-Peter Rosenthal, who will be leaving the Supervisory Board of GESCO AG at the end of the 2015 Annual General Meeting after 25 years of service. An "old-school banker", he has supported the development of GESCO AG and GESCO Group from the very beginning with business expertise and critical thinking. Throughout the years, he has played



Robert Spartmann

Dr.-Ing. Hans-Gert Mayrose

a significant role in shaping not only the business model, but also the company's essential values and has always been a constructive sparring partner of the Executive Board. In the name of GESCO AG, we thank Mr Rosenthal sincerely for his dedication and achievements on behalf of the company. We would like to wish him every success, good luck and the best of health on the rest of his life's journey.

Yours sincerely,

Dr.-Ing. Hans-Gert Mayrose

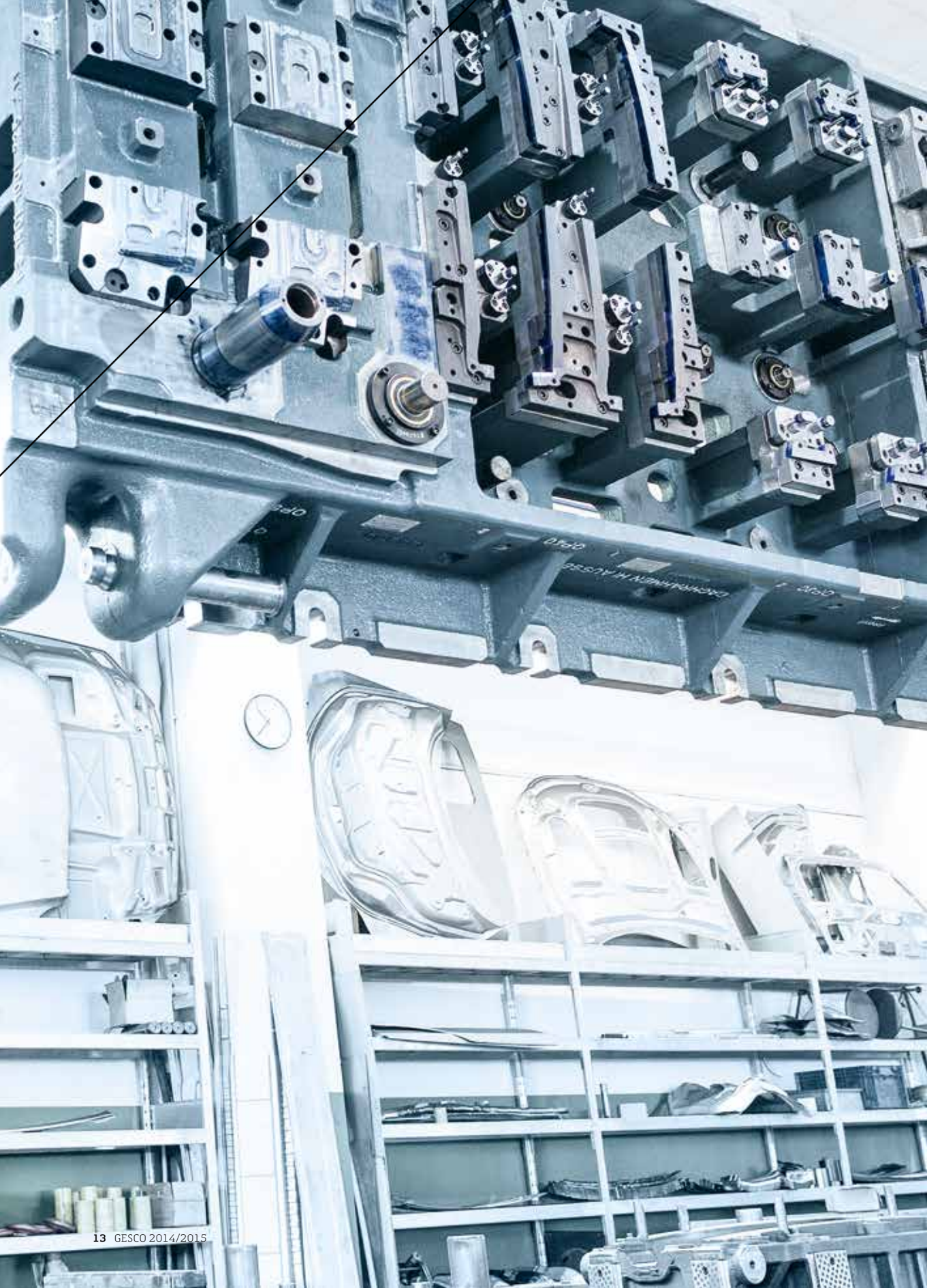
Robert Spartmann

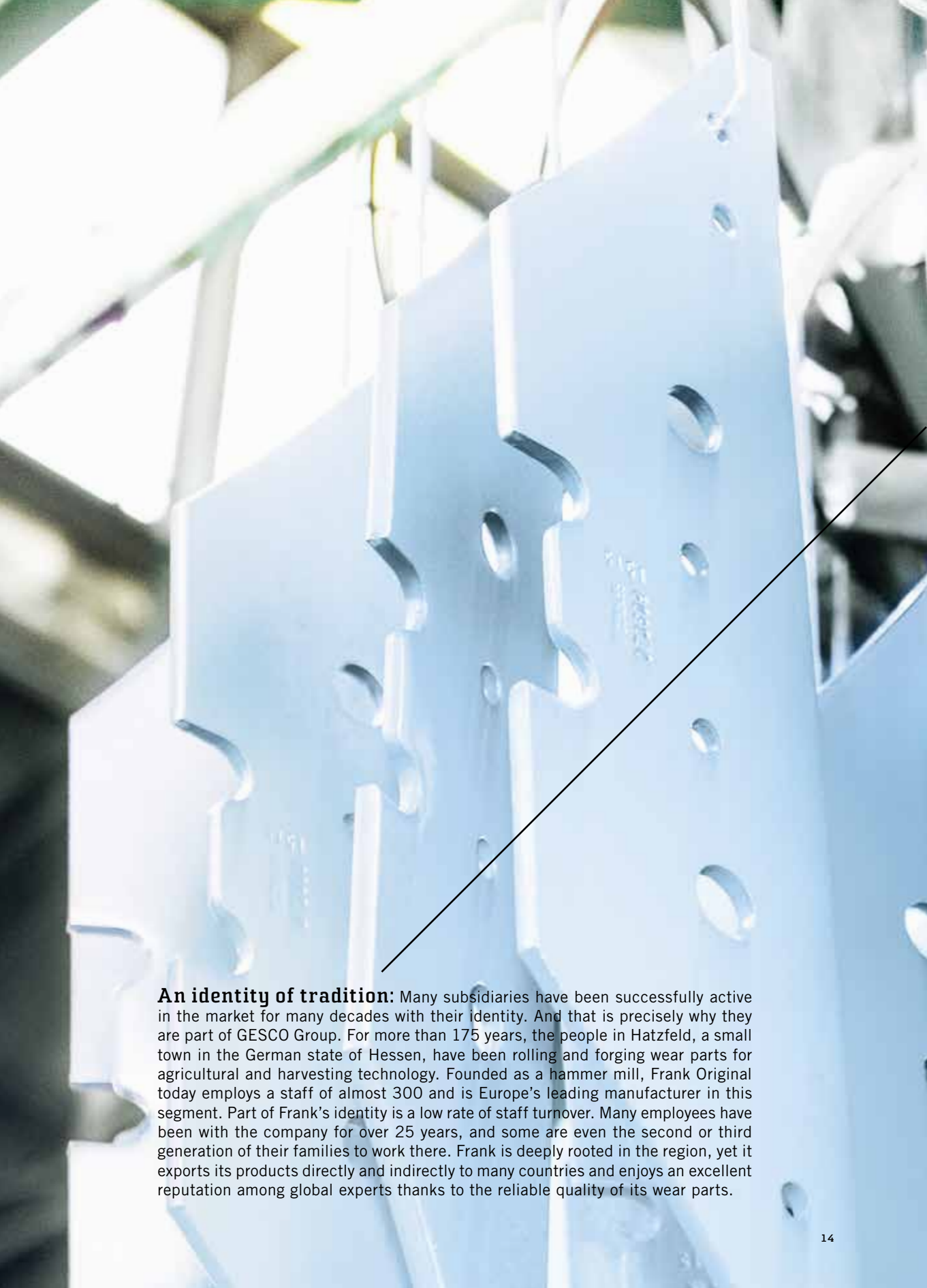
GESCO acquires successful companies in order to continue hold them with a view to the long term. The strong identities of the companies, some of which have been established brands for decades, are maintained after they are acquired. As part of the traditional succession plan, the new managing directors acquire shares in the companies they now lead. This gives them a direct stake in the companies and proves their entrepreneurial commitment. This preserves the character of a family-run company, even though GESCO AG is a listed stock corporation.

# preserving IDENTITY



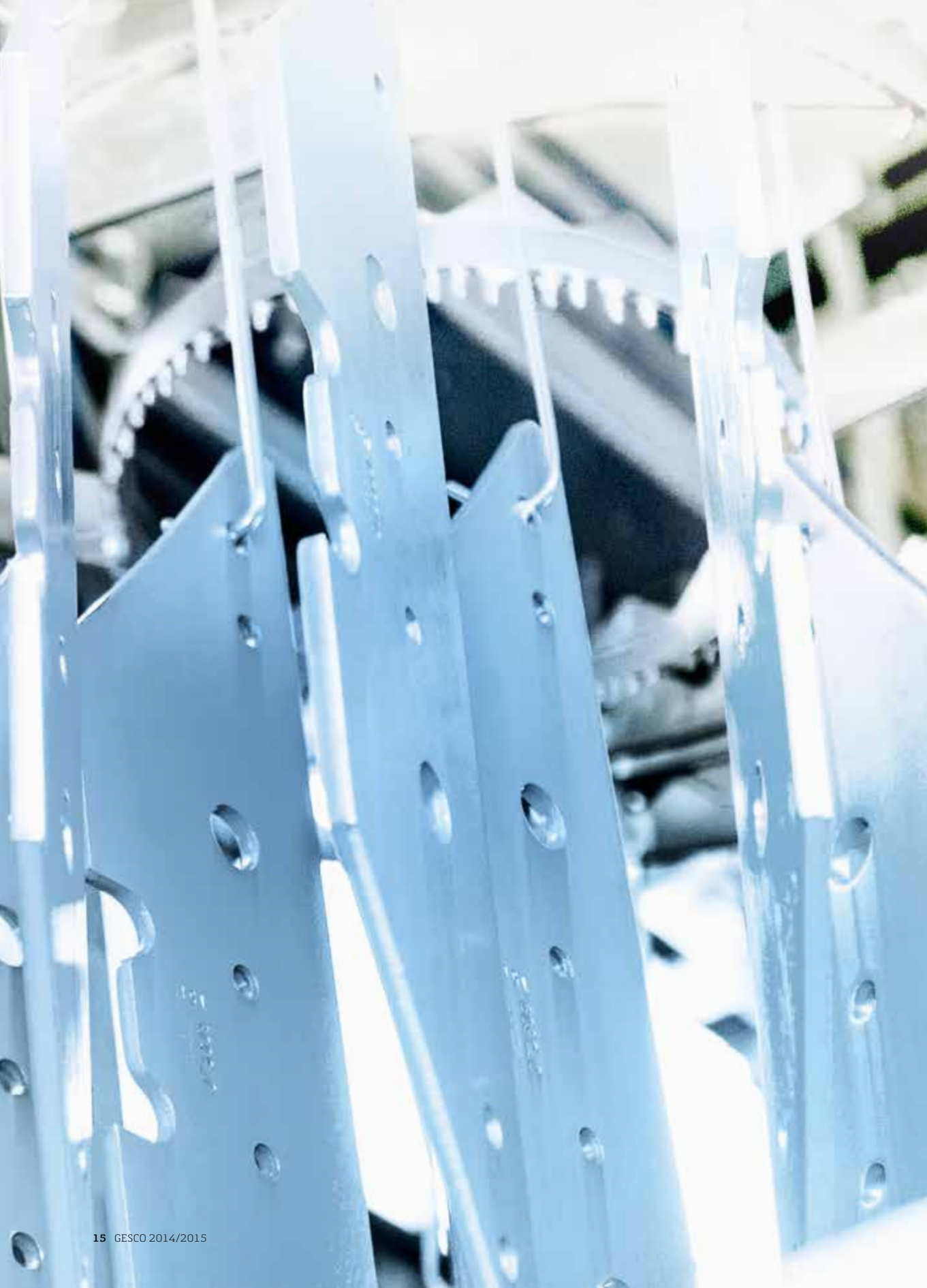






**An identity of tradition:** Many subsidiaries have been successfully active in the market for many decades with their identity. And that is precisely why they are part of GESCO Group. For more than 175 years, the people in Hatzfeld, a small town in the German state of Hessen, have been rolling and forging wear parts for agricultural and harvesting technology. Founded as a hammer mill, Frank Original today employs a staff of almost 300 and is Europe's leading manufacturer in this segment. Part of Frank's identity is a low rate of staff turnover. Many employees have been with the company for over 25 years, and some are even the second or third generation of their families to work there. Frank is deeply rooted in the region, yet it exports its products directly and indirectly to many countries and enjoys an excellent reputation among global experts thanks to the reliable quality of its wear parts.







**An identity of consistency:** “We love what we do” is Dörrenberg Edelstahl GmbH’s motto. The English slogan bears witness to the international nature of the company’s business. Europe’s leading specialist for tool steel sees long-standing customer relationships as a key competitive advantage. They also reflect an important part of the company’s identity of maintaining long-term relationships not only with customers, but also with employees, suppliers and other business partners. The company’s home region also has a history of iron and steel production that dates back several hundreds of years. Active environmental management underscores the business policy, which is oriented towards the long term and sustainability.











**An identity of pioneering:** The year is 1889. Georg Kesel and his inventions make an essential contribution to industrialisation in Germany's Allgäu region. Over the course of the years, the company he founded would go on to become a technology leader that focuses today on positioning itself in market niches in the development and production of milling machines. For 125 years, the founder's pioneering spirit has been a part of Kesel's identity. The result is a tradition of innovation and a working environment in which ideas and creativity are encouraged. This fosters the loyalty of employees, whom Kesel sees as a pivotal factor in its success.

Following acquisition, companies are rapidly integrated into GESCO Group's reporting, controlling and risk management system. Their sense of identity, which has grown over time, is preserved, and their names remain the same. So does everything else remain the same? Hopefully not! The companies are supposed to grow, invest, promote innovation and explore the opportunities offered by internationalisation. Successful companies have always continued to develop without losing touch with their roots. That is precisely what the new management is tasked with doing: mastering the balancing act between preservation and change. There is no sure formula for this. But GESCO AG is there to support them.



# promoting the **EXCHANGE OF IDEAS**

Despite being independently operating businesses, the subsidiaries also benefit from being part of a strong group. The holding company provides expertise when it comes to financing issues, major investments, M&A projects, internationalisation and much more. As a group, we actively encourage the exchange of information and offer platforms such as working groups, training courses and management meetings to make networking easier and change the isolated status of the typical sole managing director.










**Connected technologies:** Reason enough to see GESCO's 25th anniversary as an opportunity not to take a look back, but to look together towards the future. The magazine "GoingPublic" titled its article about last December's technology day at RWTH Aachen "25 years of GESCO: headed for the future with Industry 4.0". Technology is changing business models and production processes. Manufacturing and information technology are already closely intertwined today. This exciting day of communication and sharing was all about how this continued merging of two different worlds will change production and value creation processes in the future. For GESCO Group, the event was a welcome opportunity to find inspiration in external expertise, think outside the box and explore the opportunities and risks resulting from much-cited trends such as Industry 4.0 and 3-D printing.







**Connected working:** Our subsidiaries are also committed to the exchange of ideas and information with universities, research institutes and expertise networks. In doing so, they combine efforts aimed at fostering the next generation of professionals with research and development collaborations. C.F.K., for example, is working with the Fraunhofer Institute to develop cutting-edge technologies. Engelskirchen-based Dörrenberg Edelstahl GmbH's "StudienAward" is aimed at supporting students of technical subjects with an emphasis on materials technology. The award has been presented for many years and is very highly regarded in the industry. Subsidiaries such as Frank Walz- und Schmiedetechnik GmbH, Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Haseke GmbH & Co. KG and Hubl GmbH offer students of subjects such as mechanical engineering the opportunity to complete a dual course of studies as part of a joint practical training programme.

As SMEs with manageable staff numbers and flat hierarchies, the GESCO Group companies offer the conditions for efficient, solution-oriented processes. Short decision-making paths, flexibility and a connection with the regions they operate in also make it easier to enter into partnerships. Ideally, technological advancement and being an attractive employer go hand in hand.

The background of the page is a photograph of industrial machinery, likely a large metalworking or manufacturing machine. It features various metal components, including beams, plates, and a large cylindrical part. The lighting is somewhat dim, with a bright light source visible on the right side, creating a high-contrast scene. The overall tone is industrial and technical.

# supporting INVESTMENT

Niche markets, specialisation and technology are three characteristics that set the GESCO Group companies apart. The companies provide their customers with technologically sophisticated solutions and themselves depend on state-of-the-art manufacturing processes and machinery. The constant development of a machinery park can be a major distinguishing feature. As an owner with a focus on the long term, GESCO AG supports sustainable investments in subsidiaries. Safeguarding long-term competitiveness takes priority over maximising profits in the short term.








**Investing in acquisition:** At the turn of the year, Emmerich-based Setter GmbH & Co. Papierverarbeitung acquired Setterstix Corp., an American company headquartered in Cattaraugus, New York. Since 1963, Setter in Emmerich has focused on producing paper sticks for the hygiene and confectionery industry and was once spun off from the American parent company. However, both companies have operated independently in recent decades. The move not only brings the two companies back together, but also allows Setter Group to expand its current leading market position in the US in the ear buds segment to include the confectionery industry.









**Investing in success:** Dörrenberg Edelmetall GmbH, GESCO Group's largest company, is Europe's leading provider of tool steel. From its own steel works and foundry to steel trading and surface treatment, the company provides complete independent support when it comes to the use of tool steel. The company has been a part of GESCO Group since 1996 and has invested more than € 40 million in property, plant and equipment over the past ten years alone. The special steel division stores some 18,000 tonnes of steel in a state-of-the-art high-bay warehouse, allowing it to supply customers with the quality and sizes they need at all times. Before they buy, customers often benefit from a comprehensive range of services. Thanks to its decades of metallurgy expertise, the company is able to offer customers custom-tailored support and supply options.

In the past financial year, GESCO Group invested over € 30 million in machinery, production buildings, manufacturing materials and modern IT systems. Investment decisions are the operative responsibility of the respective company's management. Although GESCO AG, the majority shareholder, has to approve the plans, the respective company is in charge of investment activity and financing.



# fostering INNOVATION


Our subsidiaries have to consistently strive for advancement to be successful in the long term: they have to transform ideas into innovations. One decisive advantage our SMEs have is their proximity to the market. Technological development is correspondingly usually the result of customer-related projects focusing on new products, applications or services. Customers often turn to the companies to act as partners in development starting from early on in the process. State-of-the-art technology is also used in established industries such as mechanical engineering and the sophisticated field of large tool manufacturing.












**Innovation through combination:** At C.F.K. CNC-Fertigungstechnik Kriftel GmbH, two successful business models – the established electrical discharge machining process, in which metal components are manufactured precisely using electric current, and innovative 3-D laser melting technology that produces high-precision components such as titanium spinal implants – merged to become one after Dr. Christoph Over took over from company founder Günter Kochendörfer. The combination of the two manufacturing processes expanded C.F.K.'s business model and led to a strategic reorientation.





**Innovation through cooperation:** Hubl GmbH is a full-service provider that develops highly complex, tailored design and construction solutions from special steel. Its creativity and exceptional expertise in the field of consulting allows Hubl and its clients to create innovative products. In cooperation with its customer Sartorius, a leading pharmaceutical and laboratory supplier, Hubl developed an innovative model called FlexAct that offers users the highest level of flexibility in terms of equipment and movement. Numerous configuration options and suitability for use in bio-manufacturing and laboratories mean special requirements in terms of materials and design.

Differentiation through technology is one decisive competitive advantage of our subsidiaries. With their expertise, built up over decades and enriched by innovations, they constantly tackle new technological challenges. Qualified employees are a must in this environment. In addition to specialised expertise as well as the ability to support projects and work with employees at other companies are of the essence. In an ideal situation, that leads to a virtuous cycle: skilled employees develop sophisticated solutions, leading to customer satisfaction. Companies that offer their employees challenging responsibilities are also attractive employers. This is typical of SMEs: employees can see the results of their work, and customer feedback reaches all those involved unfiltered, forming the foundation for further development.



# ALKO20

## INFORMATION ON THE GESCO SHARE <sup>1)</sup>

International Securities Identification Number (ISIN)	DE000A1K0201
Securities Identification Number (SIN)	A1K020
Stock market abbreviation	GSC1
Share capital (31/03/2015)	€ 8,645,000
Number of shares (31/03/2015)	3,325,000
IPO	24 March 1998
Issue price	DM 42 / € 21.47
Year-end price, previous year (31/03/2014)	€ 76.15
Year-end price, reporting year (31/03/2015)	€ 76.38
Reporting year high (10/06/2014)	€ 78.82
Reporting year low (10/10/2014)	€ 64.70
Market capitalisation as of 31/03/2015	approximately € 254.0 million
Free float	approximately 86.4 %
Market capitalisation of free float as of 31/03/2015	approximately € 219.4 million
Shares held by members of the Supervisory Board (31.03.2015)	13.7 %
Shares held by members of the Executive Board (31.03.2015)	0.6 %
Transparency standard	Prime Standard
Indices	SDAX CDAX overall index Prime All Share Prime Industrial Classic All Share Prime Industrial Diversified

## STOCK EXCHANGES

XETRA  
Frankfurt (regulated market)  
Berlin (open market)  
Düsseldorf (open market)  
Hamburg (open market)  
Hanover (open market)  
Munich (open market)  
Stuttgart (open market)

## GOOD REASONS TO BUY THE GESCO SHARE:

THE GESCO SHARE PROVIDES ACCESS TO THE AMBITIOUS SME SECTOR

STABLE BUSINESS MODEL PROVEN OVER MANY YEARS

SOUND, HEALTHY ASSETS WITH LOW BALANCE SHEET RISKS

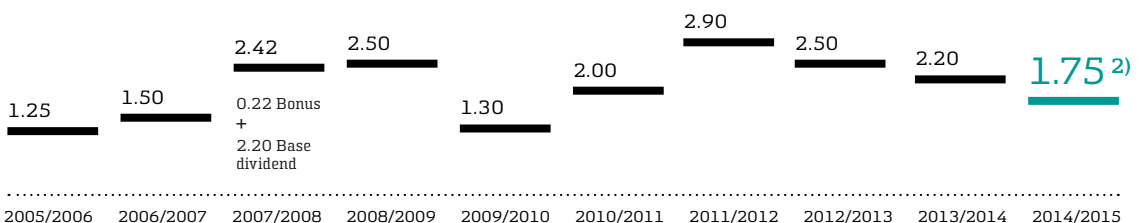
SUSTAINABLE, CALCULABLE DIVIDEND POLICIES

HIGH LEVEL OF MANAGEMENT EXPERTISE WITH INDUSTRY EXPERIENCE

OPPORTUNITIES THROUGH NUMEROUS UNSOLVED SUCCESSION ISSUES

ACTIVE INVESTOR RELATIONS, HIGHLY TRANSPARENT REPORTING

## DIVIDEND PER SHARE IN €



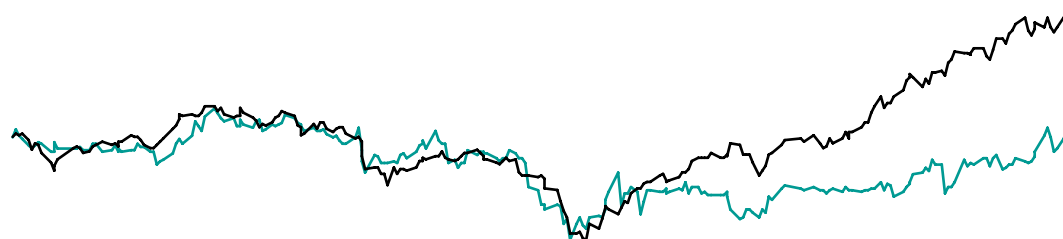
<sup>1)</sup> All share prices reflect the XETRA closing price

<sup>2)</sup> Dividend proposal to the AGM on 18/08/2015



### GESCO VS. SDAX (1 YEAR)

120%



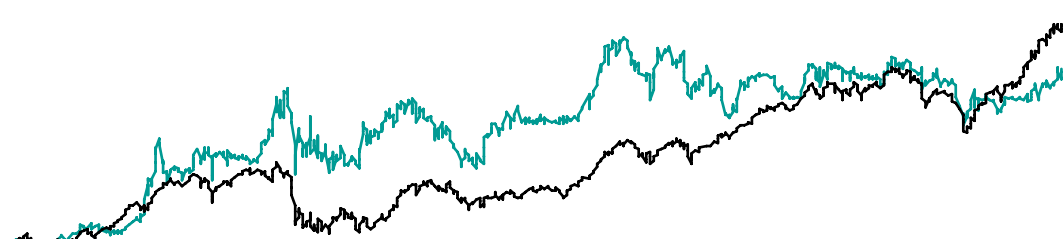
80%

31/03/2014

31/03/2015

### GESCO VS. SDAX (5 YEARS)

220%



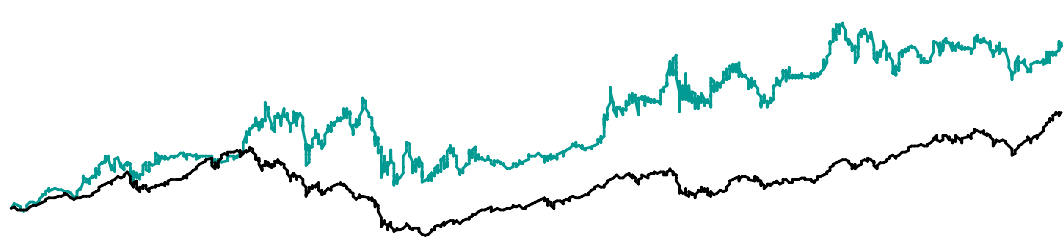
80%

31/03/2010

31/03/2015

### GESCO VS. SDAX (10 YEARS)

400%



0%

31/03/2005

31/03/2015

GESCO

SDAX

DIVIDEND  
PER SHARE

1.75 € <sup>2)</sup>

EARNINGS  
PER SHARE

3.72 €

YEAR-END SHARE PRICE,  
REPORTING YEAR

76.38 €

# THE SHARE

The GESCO share offers investors access to leading companies in the technology-driven German Mittelstand. It gives you the opportunity to invest in a business model that is both entrepreneurial and sustainable.

In 2014, German stock markets achieved slight gains following strong growth in 2013. Markets then achieved renewed considerable growth from January 2015. Our benchmark, the SDAX, grew by approximately 5.9% in the 2014 calendar year. During GESCO AG's financial year, the index achieved gains of 17.4%. The GESCO share did not follow that increase and ended both the 2014 calendar year (-0.1%) and the 2014/2015 financial year (+0.3%) with little change in value.

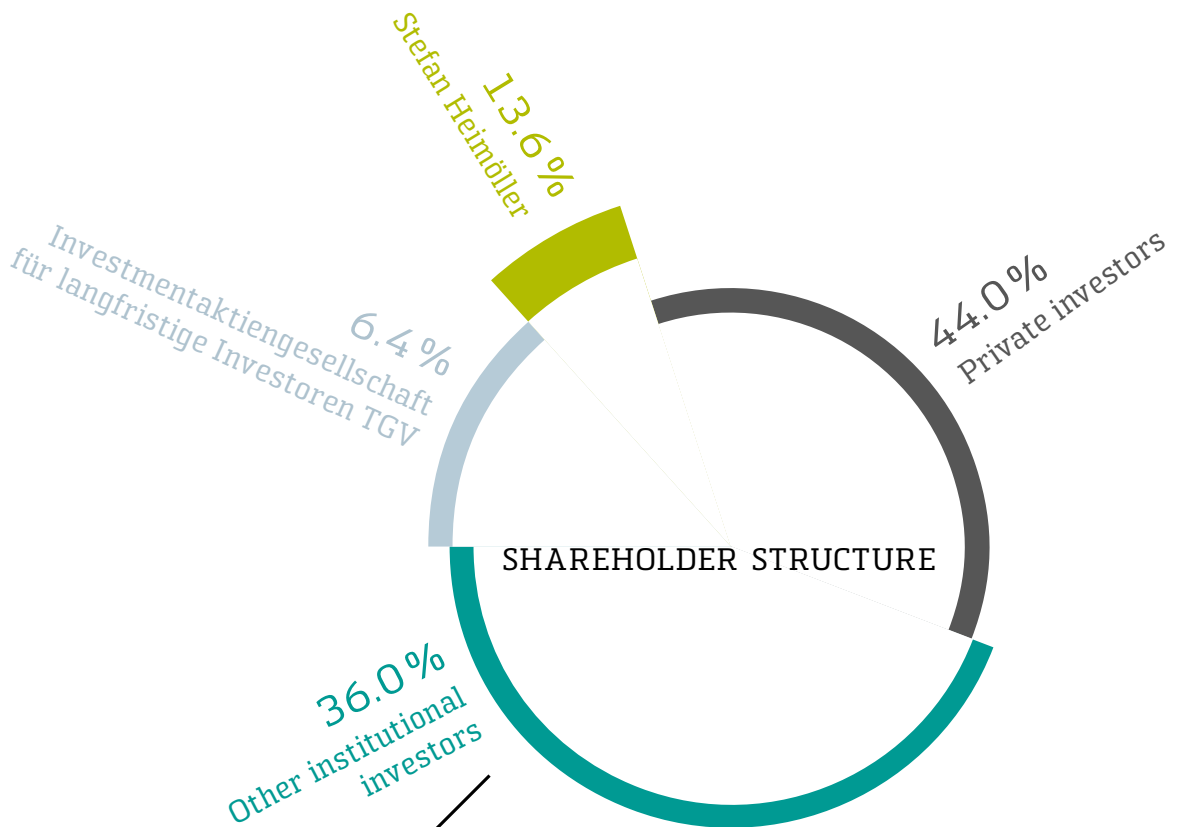
SHARE PRICE LARGELY  
UNCHANGED OVER THE  
COURSE OF THE YEAR

In Deutsche Börse AG's MDAX and SDAX indices, the GESCO share ranked 98<sup>th</sup> in terms of market capitalisation and 108<sup>th</sup> in terms of trading liquidity as at the reporting date.

The GESCO share remains widely spread, with share capital in the hands of some 9,000 investors. The entrepreneur Stefan Helmöller, who was appointed as a member of the Supervisory Board by the Annual General Meeting in 2013, holds approximately 13.6% of the shares. According to the regulations of Deutsche Börse AG, such private shareholdings exceeding 5% have to be deducted from free float, resulting in a remaining free float of approximately 86.4%. On 30 October 2014, Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn/Germany, informed us that its share of the voting rights in GESCO AG had exceeded the threshold of 3%, and on 29 December 2014 it informed us that it had exceeded the threshold of 5% of the voting rights. As at the reporting date this investor owned approximately 6.4% of the voting rights in GESCO AG. Apart from Mr Heimöller and Investmentaktiengesellschaft für langfristige Investoren TGV, no other investors have informed us that they have met or exceeded shareholding thresholds that are subject to notification. To our knowledge, around 44% of the remaining shares are held by further private investors and about 36% are held by institutional investors. German investors hold around 85% of the shares. Further key shareholder markets continue to include Switzerland, Luxembourg, the US and the UK.

As in the previous year, research into the GESCO share was compiled by equinet Bank AG, Oddo Seydler Bank AG, Bankhaus Lampe, GSC Research, WGZ-Bank and Performaxx. On the reporting date, five analysts rated the share as "hold", and one as "overweight".





## DIVIDEND POLICIES

We see a sustainable dividend as an important factor for the position of the GESCO share. We are aiming for a distribution ratio of around 40 % of Group net income after minority interest, adjusted for possible one-off effects. The dividend is therefore inseparably linked to earnings, which we believe is appropriate for an entrepreneurial investment such as shares. We feel that this ratio provides an appropriate balance between the requirement of many investors for distributions and GESCO Group's need to retain sufficient liquid assets in order to secure future growth. Thanks to this clear dividend policy, which we have followed for many years, we are highly calculable for investors.

On 29 August 2014, a dividend for financial year 2013/2014 amounting to € 2.20 per share was paid out, corresponding to a total volume of around € 7.3 million. At the Annual General Meeting on 18 August 2015, the Executive Board and Supervisory Board will propose a dividend of € 1.75 per share for financial year 2014/2015. At the time this decision was made, the dividend return, based on the proposed dividend, amounted to 2.3 %.

SUSTAINABLE,  
CALCULABLE  
DIVIDEND POLICIES

## INVESTOR RELATIONS

Since 2000, GESCO AG has been a member of the **Deutscher Investor Relations Verband e. V. (DIRK)** and stands by its principles of open and continuous communication.

We have also been a member of the **Deutsches Aktieninstitut e. V. (DAI)** since 1999 and support the development of share culture in Germany. We also raise issues encountered by listed SMEs in DAI's Workgroups.

THE GESCO ANNUAL  
REPORT 2013/2014  
RECEIVED A RED DOT  
AWARD

In autumn 2014, the Annual Report of GESCO AG for the 2013/2014 financial year won the highly regarded **Red Dot Award**.

Our website, **[www.gesco.de](http://www.gesco.de)**, is a central information platform for all issues relating to the GESCO share, GESCO AG and GESCO Group companies. The website underwent a major relaunch in spring 2015, and numerous service functions were added. Since financial year 2010/2011, we have published video commentaries on the quarterly figures by Executive Board member Dr Mayrose, who is responsible for Investor Relations, on our website. We see this as a contemporary method of conveying information to supplement the comprehensive written reports. These videos have been very well received by institutional and private investors, as well as by those involved in the M&A process and entrepreneurs. The videos can also be viewed on YouTube.

We maintained active investor relations and general public relations activities during financial year 2014/2015. These activities mainly consisted of replying to shareholder questions, roadshows, holding one-on-one meetings with domestic and foreign investors and analysts, and presenting our business model during capital market events for the financial community and private investors.

# DECLARATION OF COMPLIANCE AND CORPORATE GOVERNANCE REPORT

In this report, the Executive Board – on its own behalf and that of the Supervisory Board – provides information on its corporate governance (Corporate Governance Report) in accordance with Section 3.10 of the German Corporate Governance Code (hereafter also referred to as “GCGC” or “Code”) and Section 298a of the German Commercial Code (HGB).

The Executive Board and Supervisory Board of GESCO AG govern the Company with a view to sustainability. The business model is of a long-term nature and all measures are aimed at sustainable positive development. The Executive Board and Supervisory Board of GESCO AG agree with the aims of the German Corporate Governance Code; to promote good, trustworthy company management for the benefit of shareholders, employees and customers. Section 161 of the German Stock Corporation Act (AktG) requires an annual declaration of compliance with the recommendations of the Code. The preamble to the Code expressly provides for deviations from its recommendations, thereby allowing companies to take into account industry or company-specific factors and enhancing “flexibility and self-regulation with regard to the corporate legal structure of German companies”. This means that deviations are not negative per se, but can actually contribute to good management, at smaller companies in particular. The Executive Board and Supervisory Board last submitted a declaration of compliance as required by law in December 2014 and made it permanently available to shareholders on the company website ([www.gesco.de](http://www.gesco.de)). That declaration is based on the version of the Code dated 24 June 2014. The declaration of compliance issued in December 2014 is also included in this corporate governance report. Previous declarations of compliance are also available to our shareholders and other interested parties on our website.



## SHAREHOLDERS AND ANNUAL GENERAL MEETING

Shareholders exercise their voting rights at the Annual General Meeting. Each share in GESCO AG grants one vote. GESCO AG publishes all documents relevant to points on the agenda on the company website in due time before the Annual General Meeting. In the course of the invitation to the Annual General Meeting, the company explicitly requests that shareholders exercise their voting rights. To make it easier for shareholders to vote, the company appoints a voting rights representative who can vote at the Annual General Meeting on behalf of shareholders and according to their instructions. The company feels that a high attendance rate is important in order to maintain democracy amongst shareholders and to ensure that decisions of the Annual General Meeting reflect the wishes of the majority of shareholders. GESCO AG publishes the invitation to the Annual General Meeting and any reports and information required to pass a resolution in accordance with the regulations of the German Stock Corporation Act (AktG). This information is also available on the company website. Since its IPO in 1998, the company publishes the voting results on its website on the day of the Annual General Meeting.

## EXECUTIVE BOARD AND SUPERVISORY BOARD

At GESCO AG responsibilities are distributed as follows: The Executive Board is responsible for managing the company. The Supervisory Board is responsible for monitoring corporate governance and advising the Executive Board. Both boards maintain a close and trusting working relationship within the scope of their legally defined responsibilities. The Executive Board provides the Supervisory Board with regular, prompt and comprehensive information on company planning, earnings and financial position, risk management, strategic development and intended acquisitions. A list of business activities defines those Executive Board decisions that require approval by the Supervisory Board.

Supervisory Board members did not receive any remuneration or benefits in kind for personal activities such as consultancy or agency services in the reporting year or the year before. Neither Executive Board members nor Supervisory Board members had any conflicts of interest.

## EXECUTIVE BOARD

The Executive Board is responsible for the management of GESCO AG. The members of the Executive Board manage the company's activities in compliance with the law, the Articles of Association and the rules for management of the company approved by the Supervisory Board. The Executive Board works out the strategic development of the company, asks the Supervisory Board for approval and implements it. The Executive Board also defines the company's goals, makes plans and manages the internal control and risk management system, as well as the controlling of subsidiaries. In addition, the Executive Board prepares the quarterly and interim reports, the individual financial statements of GESCO AG and the consolidated financial statements. Its actions and decisions are aligned with the interests of the company.

The rules for the management of the company approved by the Supervisory Board define responsibilities within the Executive Board, and include detailed instructions regarding the work of the Executive Board and the specifics of reporting to the Supervisory Board by the Executive Board, as well as setting out the Executive Board decisions that require the approval of the Supervisory Board.

The Executive Board of GESCO AG consists of two people; no Chairman or Spokesman has been appointed. That deviates from the recommendations of Section 4.2.1, sentence 1 GCGC. Both Executive Board members complement one another with their professional know-how and their responsibilities are clearly defined; the company therefore does not feel it is necessary to appoint a Chairman or Spokesman.

In the reporting year, Dr Hans-Gert Mayrose and Mr Robert Spartmann were Executive Board members.

## RELEVANT DETAILS REGARDING MANAGEMENT PRACTICES

The members of the Executive Board manage the company with the care required of an orderly and conscientious manager, while observing the applicable laws, Articles of Association and the rules for the management of the company. No management practices that go beyond the requirements of these regulations are in place at GESCO AG.

## SUPERVISORY BOARD

The Supervisory Board appoints Executive Board members, monitors their corporate governance and advises them on issues of company management. The report from the Supervisory Board contains detailed information on its work in the reporting year.

The Supervisory Board of GESCO AG comprises three members. This number has proven to be extremely effective, as strategic issues and detailed questions can be discussed in depth from an overall perspective within the entire Supervisory Board. It is obviously not practical to form committees from a Supervisory Board consisting of just three people, so no committees are formed at GESCO AG. The company feels that a strong point of the Supervisory Board derives from the fact that its members are equally informed about all issues.

In the interests of the company, nominees for election to the Supervisory Board are primarily chosen on the basis of the required knowledge, abilities and professional experience of the candidates. When making suggestions, the Supervisory Board takes into account the specific situation of the company, its international activities, potential conflicts of interest, the number of independent Supervisory Board members pursuant to Section 5.4.2 GCGC, the age limit and diversity. That includes the long-term aim of a suitable proportion of female members.

Details regarding the selection, constitution and term of office of the Supervisory Board, as well as its meetings, decisions and rights and responsibilities, are defined by the Articles of Association of GESCO AG. They are available from the company's website ([www.gesco.de](http://www.gesco.de)).

Pursuant to the recommendation in Section 5.1.3 GCGC, the Supervisory Board has created rules for the management of the company and for the application of the law and the Articles of Association. The Chairman coordinates the work of the Supervisory Board, chairs its meetings and represents its interests externally.

Supervisory Board members in the reporting year were Mr Klaus Möllerfriedrich (Chairman), Mr Rolf-Peter Rosenthal (Deputy Chairman) and Mr Stefan Heimöller.

## **DIVERSITY AMONG MANAGERS, EXECUTIVE BOARD AND SUPERVISORY BOARD**

The Executive Board and Supervisory Board have previously deliberated on the requirements of the Corporate Governance Code that call for companies to increase diversity among managers, the Executive Board and Supervisory Board, and to pay special attention to appropriately considering women for such positions. As GESCO AG feels that its primary duty lies in considering the interests of the company when appointing managers, Executive Board members as well as Supervisory Board members, the suitable qualifications of an applicant for a vacant position must always be regarded as the most important criteria.

The “Act on the Equal Participation of Women and Men in leadership positions in the Private Sector and Public Bodies” passed in March 2015 calls for the creation of targets with regard to the inclusion of women in Supervisory Boards, Executive Boards and the top two levels of management, and the setting of deadlines by which those targets must be met. Those targets must be set for the first time by 30 September 2015. The Supervisory Board and Executive Board of GESCO AG will comply with those requirements and report accordingly for the first time in the Declaration of Compliance and Corporate Governance Report for the Financial Year 2015/2016. In the forthcoming vote for the Supervisory Board, within the scope of the Annual General Meeting on 18 August 2015, Dr Nanna Rapp will stand for election, along with the existing Supervisory Board members Mr Klaus Möllerfriedrich und Mr Stefan Heimöller. If all the candidates are elected, GESCO’s Supervisory Board would be one third female.

In the eyes of the Supervisory Board, diversity is not merely defined by gender and nationality, but also, and specifically, by professional diversity and a well-balanced mix of expertise from various professional fields. The areas of competence required by the Supervisory Board of GESCO AG include accounting, auditing and monitoring of the effectiveness of internal controls (“Financial Expert”), entrepreneurial expertise and experience and broad knowledge of the strategic, operational and financial functioning of companies. Those competencies are provided to the necessary extent by the current members of the Supervisory Board and the candidates for election on 18 August 2015.

At management level, and especially in terms of the managers of the subsidiaries, most have a technical education and usually hold a degree in engineering. In this professional group, the number of female applicants remains extremely low. The GESCO Group companies are trying in many ways to get young people, with a particular focus on young women, interested in technical professions.

## COMPREHENSIVE AND TRANSPARENT COMMUNICATION

GESCO AG promptly and truthfully informs shareholders, the capital market, media and general public about all relevant events and the financial development of the company. Financial reports, press releases and ad hoc notifications, the financial calendar, documents relating to the Annual General Meeting and a host of other information are available on the company website.



## SHAREHOLDINGS AND MEMBERS OF EXECUTIVE BODIES

Pursuant to Section 6.3 GCGC, members of the Executive Board and Supervisory Board are required to disclose holdings of shares in the company, or of financial instruments based on those shares, if such holdings directly or indirectly exceed 1 % of the shares issued by the company. Mr Stefan Heimöller, member of the Supervisory Boards, owns 13.6 % of the shares issued by the company as at the reporting date.

The members of the Executive Board and Supervisory Board of GESCO AG own a total of 14.3 % of the shares issued by the company as at the reporting date. Members of the Supervisory Board own a total of 13.7 % of the shares in the company. Members of the Executive Board own a total of 0.6 % of the shares in the company. In the future, if certain targets are met, the current tranches of the company's share option programme could give each of the two members of the Executive Board a further 6,000 share options, each for the purchase of one GESCO share.

There were no notifications regarding Directors' Dealings in the reporting year.

## REMUNERATION REPORT

The remuneration report is part of the Group management report.

## ACCOUNTING AND AUDIT OF FINANCIAL STATEMENTS

The individual financial statements of GESCO AG are prepared in accordance with the German Commercial Code (HGB). Since the financial year 2002/2003, the consolidated financial statements of GESCO AG have been pursuant to IFRS. The individual and consolidated financial statements were audited by RSM Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Wuppertal. The subsidiaries' financial statements were audited by the following auditing companies: RSM Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft - Steuerberatungsgesellschaft, Wuppertal, K/S/R Treuhand und Revision GmbH Wirtschaftsprüfungsgesellschaft, Ennepetal, a member of the Baker Tilly Roelfs Group, and RSM Altavis GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf. Foreign subsidiaries of subsidiaries are primarily audited by international associated partners of our domestic auditors.

The Chairman of the Supervisory Board obtained the auditor's statement of independence in accordance with Section 7.2.1 of the GCGC. In line with the resolution passed by the Annual General meeting on 28 August 2014, the Chairman of the Supervisory Board appointed the auditor for the individual and consolidated financial statements. The interim and quarterly reports were not audited in the reporting year.

## DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Executive Board and Supervisory Board of GESCO AG declare in accordance with Section 161 AktG that the recommendations of the Government Commission German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the Bundesanzeiger (Federal Gazette) on 10 June 2013 were being followed pursuant to the version of the Code dated 13 May 2013 since the last declaration of compliance was issued in December 2013 until the effective date of the new version of the Code dated 24 June 2014 on 30 September 2014, with the following exceptions:

- **Section 4.2.1, sentence 1:**

**Chairman of the Executive Board or Spokesman of the Executive Board**

The Executive Board of GESCO AG comprises two people; no Chairman or Spokesman has been appointed. Both Executive Board Members complement one another with their professional know-how and their responsibilities are clearly defined. In view of their joint overall responsibility, the Executive Board Members maintain a close and trusting working relationship and hold equal rights.

- **Section 5.3: Forming Supervisory Board Committees**

The Supervisory Board of GESCO AG comprises three members. This number has proven to be extremely effective, as overarching strategic issues as well as detailed questions can be discussed in depth and without any loss of efficiency and decided upon by the entire Supervisory Board. We therefore believe that it is not appropriate to create Supervisory Board Committees. The company rather feels that a strong point of the Supervisory Board derives from the fact that its members are equally involved in all issues.

- **Section 5.4.6, para. 2, sentence 2:**

**Performance-oriented Supervisory Board remuneration**

The remuneration of the members of the Supervisory Board of GESCO AG includes a fixed component, an attendance fee and a performance-oriented component based on Group net income for the year after minority interest. Any Group losses are carried forward to the subsequent year and offset against positive income. In our opinion, this rule is in keeping with a sustainable and entrepreneurial way of thinking and should be in compliance with the orientation towards sustainable corporate development called for in the Code. However, as it is not feasible to exclude the possibility that others may be of a different opinion, we therefore report a deviation from the recommendation of the Code as a precautionary measure.

The Executive Board and Supervisory Board of GESCO AG also declare in accordance with Section 161 AktG that the recommendations of the Government Commission German Corporate Governance Code in the version dated 24 June 2014 have been and will be followed since its publication in the official section of the Bundesanzeiger (Federal Gazette) on 30 September 2014, with the exceptions as justified above.

Wuppertal, December 2014

GESCO AG


For the Supervisory Board

Klaus Möllerfriedrich

For the Executive Board

Dr Hans-Gert Mayrose

Robert Spartmann



2014/2015

# GROUP MANAGEMENT REPORT





## 1. FUNDAMENTALS OF THE GROUP

### BUSINESS MODEL

Since it was founded in 1989, GESCO AG has been acquiring stakes in financially sound companies in the German industrial SME sector for the purpose of maintaining and developing them over the long term. In most cases, these investments are conducted as part of succession arrangements in which GESCO AG acquires a majority interest, usually 100 %. To support the long-term, entrepreneurial nature of the business model, we offer the new management the possibility of acquiring a stake in the company being managed after a trial period. The shareholding ratio amounts to between 5 % and 20 %, depending on the size of the company.

As at the reporting date, in GESCO Group there were 17 material operating subsidiaries directly under the roof of GESCO AG. These companies operate in the tool manufacture and mechanical engineering (segment sales in financial year 2014/2015: € 419.9 million) and plastics technology segments (segment sales in financial year 2014/2015: € 31.2 million). While this portfolio has a clear focus, we seek diversity in our customer sectors.

The subsidiaries are independently operating entities which are integrated in the reporting and financial controlling system and risk management system of GESCO Group.

GESCO AG has been a listed company since 24 March 1998. The GESCO share is listed in the Prime Standard and Deutsche Börse AG's SDAX selection index.

Significant changes to the scope of consolidation

**Setterstix** Inc., Cattaraugus, New York, an indirect subsidiary of Setter GmbH & Co. Papierverarbeitung, was included in the Group balance sheet for the first time in the reporting year. Setter acquired the business operations of Setterstix Corp., Cattaraugus, New York, through this subsidiary on 1 January 2015. Setterstix is the US market leader for paper sticks for the confectionary industry and generates sales of roughly € 10 million with approximately 40 employees. Setterstix Inc. is assigned to the plastics technology segment. Setterstix will be included in the Group income statement for the first time in the new financial year 2015/2016.

In August 2014, the managing director of **Frank Walz- und Schmiedetechnik GmbH** acquired a 10 % share in that company with retroactive effect as at 1 January 2014 in line with the GESCO shareholding philosophy. As a result, GESCO AG has held 90 % of the shares since that date.

In the reporting period, **MAE Eitel Inc.**, Orwigsburg/USA was included in the consolidated income statement for the first time. The company was already included in the Group balance sheet as at 31 March 2014.

## MANAGEMENT SYSTEM

Planning and management of GESCO Group is conducted at the levels of the individual subsidiaries and GESCO AG. An annual budget that has been developed by the management of the respective company and jointly approved by the Executive Board of GESCO AG establishes the framework for business developments, personnel measures and investments of the subsidiaries. During the year, GESCO AG receives monthly figures from the subsidiaries as part of regular reporting. GESCO AG records and assesses this information, adds its own financial and accounting figures and consolidates the information. In monthly on-site meetings at each company, the GESCO AG business administration executive and the respective managers at the subsidiaries promptly analyse, interpret and evaluate these figures to determine the degree to which the objectives are met.

GESCO AG draws up a Group business plan based on the individual business plans of the subsidiaries. The Executive Board of GESCO AG provides an outlook for Group sales and Group net income after minority interest for the new financial year at the annual accounts press conference; this outlook is adjusted in the course of the quarterly reports. The key performance indicators are incoming orders, sales, earnings after tax and equity ratio, as well as Group net income after minority interest.

## RESEARCH AND DEVELOPMENT

Most of our subsidiaries are SMEs whose research and development activities are largely market and customer-driven. Technical innovations as well as new products and applications are usually developed in projects as part of customer orders.

At Dörrenberg Edelstahl GmbH, research and development are an ongoing process carried out over many individual projects. The company cooperates with various universities and institutions, as required.

Alongside its focus on erosion technology, C.F.K. CNC-Fertigungstechnik Kriftel GmbH continues to work on the development of its laser melting system. CFK applied for two funded projects in 2014.

Development at Georg Kesel GmbH und Co. KG focused on a new bandsaw blade production machine.

At SVT GmbH, the development of a loading arm for LNG bunkering has been completed. The technology makes it possible to safely and reliably fill ships with LNG, an environmentally friendly fuel. The first arm has already been installed in Norway and is ensuring the fuelling of a ferry.



## 2. ECONOMIC REPORT

### MACROECONOMIC AND INDUSTRIAL SECTOR CONDITIONS

After a surprisingly good start in the first quarter of 2014, the German economy suffered a significant setback over the remaining course of the year. However, real gross domestic product grew by 1.5 % on average over the course of the year, which was slightly above the ten-year average of 1.2 %. Consumption was the main driving factor behind economic performance. In contrast, the capital goods industry was hardly able to benefit. Despite favourable financing conditions, an upturn in the equipment industry failed to materialise.

The Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA – German Machinery and Plant Manufacturers Association), which is relevant for our largest segment, tool manufacture and mechanical engineering, has stated that 2014 did not live up to the original expectations. Production only managed to grow by just under 1 %, which corresponds to the revised forecast issued in summer 2014, instead of the 3 % rate of production growth forecast by VDMA economists in autumn 2013.

The Gesamtverband Kunststoffverarbeitende Industrie e. V. (GKV – Association of Plastic Goods Producers), the association relevant for our second, much smaller segment, namely plastics technology, has reported sales growth of 2.6 % for 2014. However, foreign markets (3.4 %) grew more strongly than domestic demand (1.9 %).

When looking at the figures provided by both associations, it has to be remembered that the sectors they represent are each extremely diverse and the data therefore represents a vast number of different companies. As GESCO Group companies are mostly specialised SMEs in niche markets, these figures only serve as a rough guide and are of limited value when used as benchmarks for evaluating the actual development of GESCO Group.

## BUSINESS PERFORMANCE

The financial year of GESCO AG and GESCO Group runs from 1 April to 31 March of the following year, while the financial years of the subsidiaries coincide with the calendar year.

For GESCO Group, 2014 was generally characterised by a stable order situation. We initially recorded positive signals at the start of the financial year. The VDMA was optimistic going into 2014, and business activities in regions and segments that had tended to be characterised by weak demand in 2013 picked up. However, the crisis in Ukraine started to have a negative impact on business at Frank Walz- und Schmiedetechnik GmbH, which produces wear parts for the agriculture market, in spring 2014. Agricultural machinery manufacturers recorded a significant decrease in orders from the important markets of Russia, Ukraine and Kazakhstan due to the considerable weakening of the currencies in those countries against the Euro. This had a direct negative impact on Frank's business in terms of original equipment for agricultural machinery and spare parts. The situation escalated further on account of the sanctions against Russia and the Russian counter-sanctions against western agricultural products.

In particular, however, the restructuring measures at MAE Maschinen- und Apparatebau Götzen GmbH and Protomaster GmbH had a significant negative impact on the development of earnings at GESCO Group. Independently of each other, the situation at both subsidiaries deteriorated significantly over the course of the financial year. Both companies faced major qualitative and technological challenges as a result of strong growth and the respective customer requirements. Construction work for extensive new building and expansion activities also had an impact on organisation at MAE. With the support of external experts and in close cooperation with GESCO AG, the companies have taken countermeasures, hired new staff and invested in technical equipment to the extent necessary.

Dörrenberg Edelstahl GmbH and some smaller subsidiaries generated sales growth in the reporting year, whereas three larger companies – MAE, Frank and SVT GmbH – recorded significant declines in sales in part. Group earnings were particularly nega-







tively impacted by the restructuring measures at two subsidiaries. The high levels of investments in the reporting year as well as in previous years also lead to significantly higher depreciation and amortisation.

GESCO Group companies consider procurement a strategic task and also pursue international procurement strategies depending on the task at hand and supply needs. Subsidiaries usually maintain long-term, constructive partnerships with their suppliers. They strive to avoid dependencies and conclude framework agreements so as to obtain security for their planning.

Given the sluggish economy, raw material and steel prices were less volatile than in previous years. There were no serious supply bottlenecks in the reporting year.

## SITUATION OF THE GROUP

### EARNINGS POSITION

MAE Eitel Inc., which was newly formed in January 2014, was included in the Group income statement for the first time in financial year 2014/2015.

Incoming orders rose by 3.0 % to € 448.8 million (previous year: € 435.6 million) in the reporting period. In organic terms, incoming orders were 1.4 % higher year on year. At € 451.4 million, Group sales were down 0.4 % on the previous year's level (€ 453.3 million). In organic terms, sales were 1.4 % lower year on year.

Due to the change in stocks of unfinished and finished products during the reporting period, total output rose by 4.7 %, from € 446.7 million to € 467.8 million. Order backlog stood at € 183.6 million at the end of the financial year (previous year: € 183.4 million).

Material prices were less volatile and the ratio of material expenditure in relation to total output decreased slightly from 50.9 % to 50.5 %. The ratio of personnel expenditure rose from 27.5 % to 28.1 %. Earnings before interest, taxes, depreciation and amortisation (EBITDA) declined to € 46.2 million (previous year: € 48.7 million), mainly as a result of the restructuring measures at two subsidiaries. Depreciation and amortisation rose to € 18.9 million (previous year: € 16.7 million) on account of the considerable investments made in the reporting and previous years as well as goodwill impairment. Consequentially, earnings before interest and taxes (EBIT) fell more sharply than EBITDA to € 27.3 million (previous year: € 32.0 million). The financial result improved from € -3.0 million to € -2.7 million. The tax rate increased considerably from 31.9 % to 42.4 % because the goodwill impairment had no effect on taxation and tax loss carry-forwards amounting to € 2.7 million were not capitalised. As minority interest in incorporated companies recorded a slightly disproportionate increase, Group net income after minority interest fell more sharply than EBITDA and stood at € 12.4 million (previous year: € 18.1 million). This equates to earnings per share pursuant to IFRS of € 3.72 (€ 5.45).

At the accounts press conference on 26 June 2014, we forecasted Group sales of between € 470 million and € 480 million and Group net income after minority interest of between € 17.5 million and € 18.5 million for financial year 2014/2015. In the course of the financial year, however, negative impacts proved to be more significant than expected, in particular for Frank and Protomaster. As a result, shortly before the half-year interim report in November 2014 we adjusted the forecast for Group sales to between € 455 million and € 460 million and Group net income after minority interest to between € 14.5 million and € 15.0 million. The sales figure achieved was slightly below the target corridor. The revised target for Group earnings was clearly missed, which is primarily due to the continued impact on margins resulting from the restructuring measures at two subsidiaries.

#### Sales and earnings by segment

Detailed segment reporting included in the consolidated financial statements is divided into the operating segments tool manufacture/mechanical engineering and plastics technology as well as the segments GESCO AG and other/consolidation. As neither the GESCO AG segment nor the other/consolidation segment generates material sales or earnings from operating activities, they are not included in this analysis.

At € 419.9 million, sales in the tool manufacture and mechanical engineering segment remained slightly below the previous year's figure of € 423.9 million. The decline in EBIT to € 32.9 million (previous year: € 36.8 million) was largely due to the negative impact on earnings from the restructuring measures at two subsidiaries as well as the considerable increase in depreciation and amortisation. In contrast, incoming orders developed positively during the reporting period, increasing by 3.5 % to € 417.9 million (€ 403.7 million).

The considerably smaller plastics technology segment recorded a 7.4 % increase in sales to € 31.2 million (previous year: € 29.1 million). EBIT amounted to € 4.1 million compared to € 4.6 million in the previous year's period. Incoming orders amounted to € 30.5 million (€ 31.5 million).

#### Sales by region

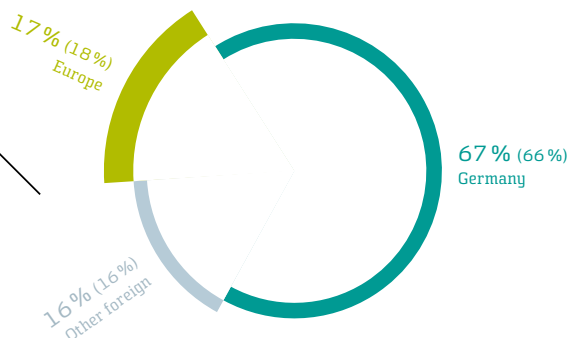
At 33 %, the export ratio for the Group remained almost unchanged over the previous year's figure of 34 %. The share of European and non-European exports likewise did not manifest any significant changes. As in the previous year, the significant non-European markets were China and the United States.

As many customers of our subsidiaries are export-driven, GESCO Group also likely has a significant amount of indirect exports which, of course, cannot be precisely quantified.

Setter (90 %), SVT (82 %), Kesel (81 %) and MAE (54 %) had particularly high direct export ratios in the reporting year.



**SALES BY REGION**  
(previous year's value in brackets)



#### Sales by customer sector

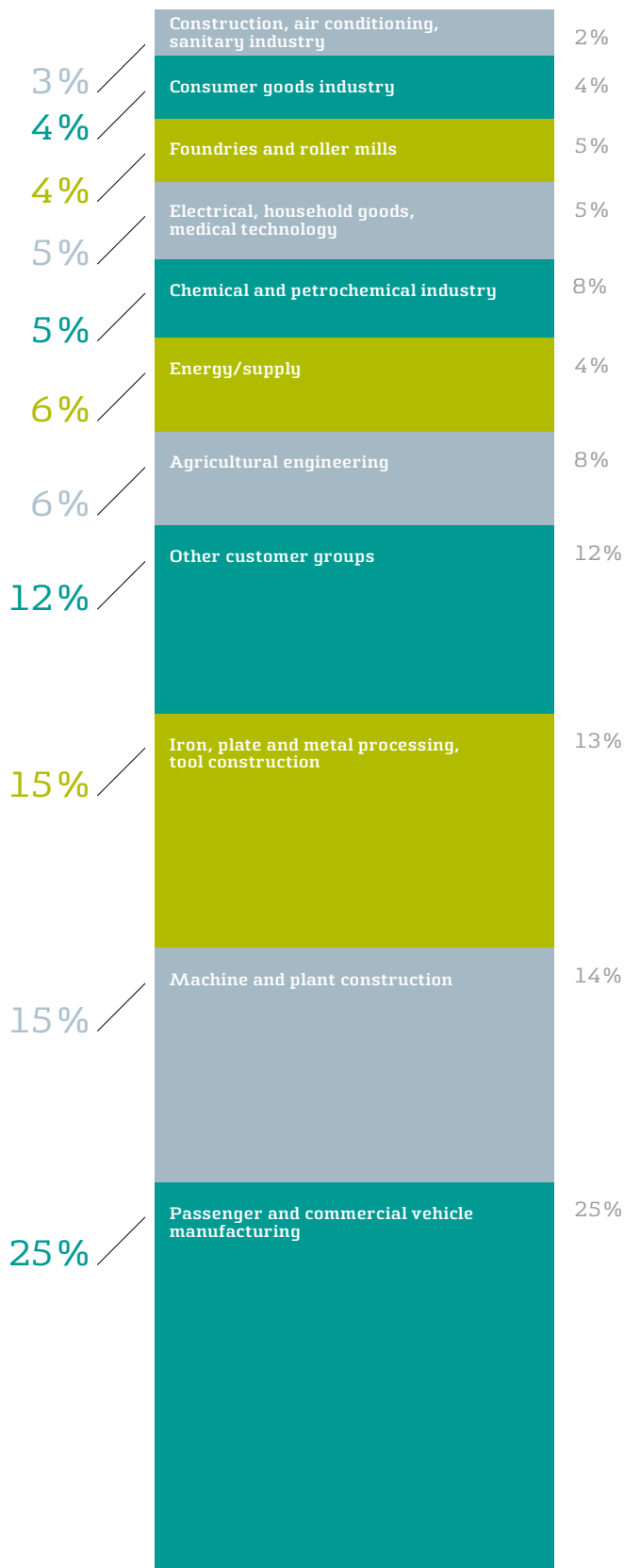
GESCO AG considers the diversification of customer sectors as a key element of its risk mitigation process. As a result, GESCO Group supplies a large variety of industries, which makes it less dependent on economic developments in specific sectors.

## FINANCIAL POSITION

### CAPITAL STRUCTURE

The Group has a strong equity base and sufficient liquidity, which could be easily increased by taking out additional loans, if necessary. The net bank debt to EBITDA ratio is low, coming in at 1.7. Goodwill amounts to merely € 13.8 million, or 7.6% of equity. The overall balance sheet structure continues to be healthy. To this end, GESCO Group is on a solid financial footing for internal and external growth.

On the liabilities side, equity was increased by the result and reduced by the dividend payment, amounting to € 182.8 million (previous year: € 176.6 million). Consequently, the equity ratio remained high at 45.3% (previous year: 46.5%) despite the rise in total assets. Current and non-current liabilities to financial institutions increased in total to € 114.5 million (€ 96.9 million), which was primarily attributable to financing required for investments in property, plant and equipment as well as to the acquisition of Setterstix. We are taking particular advantage of the currently low interest rates to make investments in real estate.



SALES BY CUSTOMER SECTOR  
(previous year's value on the right)



## INVESTMENTS

We consider future-oriented technical equipment to be a key competitive factor for the success of our subsidiaries. Regularly investing in fixed assets and contemporary information technology, and in particular systems for efficient production planning and control, are in our view equally essential.

The GESCO Group companies invested approximately € 31.1 million in property, plant and equipment and intangible assets in financial year 2014/2015.

The main focuses of investments in the tool manufacture and mechanical engineering segment in the reporting period included Dörrenberg Edelstahl GmbH. The company began construction of a production hall for vacuum hardening and also invested in saws for the steel division as well as in measurement technology. Werkzeugbau Laichingen GmbH ordered a new large area press with pressing force of 2,500 tonnes for its headquarters in Laichingen; the press will be commissioned in 2015. In order to manage the increase in customer demands, Protomaster GmbH made investments in its production technology and installed automated production equipment including three robotic cells, which will be put into operation during financial year 2015. Modell Technik GmbH & Co. Formenbau KG invested in a new spotting press, two CNC milling machines and one erosion machine. C.F.K. CNC-Fertigungstechnik Kriftel GmbH expanded its machine park to include multiple erosion machines and two laser melting machines. Frank Walz- und Schmiedetechnik GmbH constructed a new production hall in 2014 and began operation of a new 3D laser machine.

In the plastics technology segment, AstroPlast Kunststofftechnik GmbH & Co. KG continued with the construction of the property in Meschede, which was purchased in the previous year. Logistics and production buildings are being constructed in Meschede as part of the strategic modernisation and capacity expansion measures.

Due to the investments made in previous years as well as in the reporting year, depreciation on property, plant and equipment and amortisation on intangible assets increased further, from € 16.7 million to € 18.9 million. Goodwill impairment of € 0.5 million is included for the reporting period.

## LIQUIDITY

Liquidity amounted to € 35.3 million (€ 38.8 million) as at the reporting date 31 March 2015. A dividend of € 7.3 million for financial year 2013/2014 was paid in the reporting period.

At year-end, the Group had access to approved, yet unused credit lines totalling € 39.0 million. The Group was able to meet its payment obligations at all times.

While there was a decline in earnings and higher depreciation and amortisation, cash flow for the year came in at € 33.1 million (previous year: € 36.6 million). Cash flow from ongoing business activities stood at € 27.2 million, which was considerably higher year on year (€ 24.0 million).

## ASSETS

Total assets increased by 6.3 % year on year from € 379.9 million to € 403.7 million. Non-current assets rose by 13.3 % to € 165.9 million (€ 146.4 million). This was mainly due to the acquisition of Setterstix as well as the significant investments in property, plant and equipment. Current assets were 1.8 % higher year on year, increasing from € 233.6 million to € 237.8 million. Inventories increased by € 16.0 million to € 135.1 million, while trade receivables decreased by € 10.4 million to € 55.1 million.

The capitalisation ratio increased from 30.2 % to 31.9 % year on year. The ratio of long-term capital to non-current assets amounts to 1.7 (1.8).

## NON-FINANCIAL PERFORMANCE INDICATORS

### ENVIRONMENTAL PROTECTION

The obligation to protect the environment, even beyond legal regulations and requirements, is firmly anchored in the self-image of GESCO Group. This applies to production as well as the life cycle of products up to the point of recycling.

By aligning development and production to comply with environmental issues, the companies are opening up attractive opportunities in the market. After all, saving resources and energy are key selling points in these times of rising energy and raw materials prices. However, not only products are relevant in terms of the environment. Construction projects at GESCO Group also take into account energy aspects so as to reduce follow-up costs and emissions. As in the previous year, numerous options in the field of alternative energies for saving energy and generating power were analysed in terms of their technical feasibility and cost-effectiveness during the reporting year. However, when analysed in detail, it quite often emerges that such projects are not economically viable or cannot be reliably planned. The German renewable energy levy (EEG) on self-generated power is a good example of this.

### EMPLOYEES

We are convinced that technically competent, motivated and loyal employees who identify with their employer represent a key strength of SMEs. That is why training and continuing education is extremely important within the Group.

As at the reporting date, the Group employed 2,465 people, compared to 2,360 in the previous year. This rise was due mainly to the consolidation of MAE Eitel Inc. for the first time.

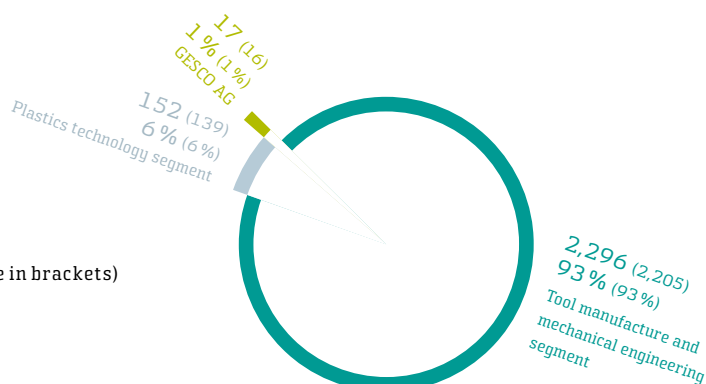


In the autumn of 2014, GESCO AG offered all Group employees the opportunity to buy shares in the company at favourable terms under its 17<sup>th</sup> employee share scheme. Just over 45 % of the Group's workforce took advantage of this opportunity to make a personal investment. We also see this high participation rate as a sign of confidence in the majority shareholder, GESCO AG.

The subsidiaries use a variety of activities to position themselves as attractive employers. For example, at the beginning of 2014, Dörrenberg Edelstahl GmbH announced its sixth competition for students of engineering-related subjects with an emphasis on materials technology. An expert panel selected four prize winners from the scientific work submitted. Dörrenberg intends to continue this competition, which now has an established place in the sector, and has again awarded prizes to four winners in February 2015. As part of the "Unternehmen der Region und Schulen – KURS" initiative, a cooperative network of companies and schools, Dörrenberg also concluded a cooperation agreement with the secondary school in Engelskirchen in 2014. The initiative aims to dovetail the worlds of school and work and to offer students more support in the transition from education to professional life.

## EMPLOYEES BY SEGMENT

(End of the financial year; previous year's value in brackets)



Several subsidiaries cooperate with universities and other educational facilities to tap new talent, especially engineering science graduates. Haseke GmbH & Co. KG, for instance, has continued its cooperation with the technical school in Stadthagen (Technikerschule Stadthagen), offering students at universities of applied sciences specialised work placements, and has established a dual course of industrial engineering studies in cooperation with the Minden campus of the FH Bielefeld University of Applied Sciences. Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG offers a dual course of studies in mechanical engineering with an industrial mechanic apprenticeship in cooperation with the University of Kassel. Frank Walz- und Schmiedetechnik GmbH also offers a dual training programme. In addition, Frank Walz- und Schmiedetechnik GmbH has taken on the role of a model company together with other partners in the “Gute Arbeit und gutes Leben” project (Good Work, Good Life). The main focus of the project is to find solutions to the challenges of demographic change. Hubl GmbH offers a course of studies leading to a Bachelor of Engineering degree in cooperation with the DHBW Stuttgart.

## 3. OTHER INFORMATION

### REMUNERATION REPORT

Remuneration for Executive Board members comprises three components: a fixed and a variable, performance-related component as well as a component with long-term incentive. This remuneration structure remained unchanged during the reporting year.

The fixed component comprises annual base salary, additional benefits and pension commitments. The additional benefits consist mainly of the private use of company vehicles as well as regular preventive exams.



The variable component is calculated as a performance-related bonus, which is geared towards the Group's net profit after minority interest. It is capped at twice the annual base salary. As the bonus is linked to Group earnings, it may not be paid out at all in certain cases. If Group earnings after minority interest are negative, in other words the company has made a loss for the year, this loss is carried forward to the next year and reduces the measurement base for the bonus. If Group earnings after minority interest are negative in the expired financial year prior to the Executive Board member leaving or in the same year that the member leaves, the Executive Board member shares in the loss.

Remuneration components with long-term incentives are stock options issued to Executive Board members based on the approved stock option programme. The stock options are issued in yearly tranches at an exercise price corresponding with the average XETRA closing price of the GESCO share on the ten consecutive stock exchange trading days after the Annual General Meeting in the year the options are issued. The options are issued within one month after the Annual General Meeting. The stock option programme is designed so that Executive Board members have to contribute GESCO shares acquired with their own private funds, which may not be resold for the duration of the waiting period. Ten options can be purchased for each share. The waiting period is four years and two months after the option is issued; after the end of the waiting period, the options may be exercised at any time up to 15 March of the year after next. If and how many options can be exercised depends on the achievement of an absolute and relative performance target. The absolute performance target is met when the price of the GESCO share has developed positively at the time the option is exercised. The relative performance target is met when the price of the GESCO share has outperformed the SDAX at the time the option is exercised. If both targets are met, the Executive Board members are able to exercise all their options. If the absolute but not the relative target is reached, the Executive Board members can exercise only 75 % of their options while the remaining 25 % expire completely without recourse. One option entitles the holder to acquire one GESCO share. If neither targets are met at the time of exercise, all options of the corresponding tranche expire completely without recourse. The maximum gain of the Executive Board members is capped at 50 % of the exercise price.

In 2013, the Supervisory Board decided that the existing stock option programme will be continued in the form of a virtual stock option programme in the future. Until then, any gains resulting from the programme could be paid out to participants in cash based on the allocation of GESCO share options or the calculated gain. Now, it is possible to have gains paid out either half in cash and half in GESCO shares, or the full amount paid out in cash. However, in the event that the full amount is paid out in cash, Executive Board members are required to purchase GESCO shares valued at least half of the amount paid.

The Supervisory Board of GESCO AG initiated another tranche in August 2014. A total of 20,200 options were issued to members of the Executive Board and management employees of GESCO AG. Non-cash expenditure under this programme is determined using a common binomial model, recorded in earnings and recognised in other provisions. The model assumes volatility of 25.7 % and a risk-free interest rate of 0.4 %; the exercise price of the options issued in August 2014 is € 73.57. The waiting period is four years and two months after the option is issued; after the end of the waiting period, the options may be exercised at any time up to 15 March of the year after next. The fair value per option on the issue date is € 7.59.

The pension commitment (including widow and orphan benefits of 60 % and 30 %) of Executive Board members amounts to a specified percentage of the annual base salary paid prior to retirement. The actual percentage calculated for each Executive Board member includes two components: a basic percentage of 10 % of the annual base salary paid prior to retirement after a waiting period of five years, and an additional 0.5 % increase of the basic percentage for each completed working year.

The remuneration of the Executive Board was recognised for the reporting year and the previous year for the first time on the basis of the model tables recommended in the German Corporate Governance Code. These tables recognise compensation and actual payments separately in order to improve the transparency of Executive Board remuneration. The payments include the achievable minimum and maximum values of the respective remuneration components.

#### EXECUTIVE BOARD REMUNERATION: COMPENSATION

Compensation		Robert Spartmann Member of the Executive Board			Dr.-Ing. Hans-Gert Mayrose Member of the Executive Board			
(€'000)	31.03. 2014	31.03. 2015	31.03. 2015 (min)	31.03. 2015 (max)	31.03. 2014	31.03. 2015	31.03. 2015 (min)	31.03. 2015 (max)
Fixed remuneration	240	252	252	252	228	240	240	240
Additional benefits	15	16	16	16	16	16	16	16
<b>Total</b>	<b>255</b>	<b>268</b>	<b>268</b>	<b>268</b>	<b>244</b>	<b>256</b>	<b>256</b>	<b>256</b>
One-year variable remuneration	272	185	0	504	272	185	0	480
Multi-year variable remuneration								
2013 tranche	54				54			
2014 tranche		46	0	221		46	0	221
<b>Total</b>	<b>326</b>	<b>231</b>	<b>0</b>	<b>725</b>	<b>326</b>	<b>231</b>	<b>0</b>	<b>701</b>
Pension-related expenses	41	40	40	40	44	43	43	43
<b>Total remuneration</b>	<b>622</b>	<b>539</b>	<b>308</b>	<b>1,033</b>	<b>614</b>	<b>530</b>	<b>299</b>	<b>1,000</b>

## EXECUTIVE BOARD REMUNERATION: PAYMENTS

Payments	Robert Spartmann Member of the Executive Board		Dr.-Ing. Hans-Gert Mayrose Member of the Executive Board	
	31.03.2014	31.03.2015	31.03.2014	31.03.2015
(€'000)				
Fixed remuneration	240	252	228	240
Additional benefits	15	16	16	16
<b>Total</b>	<b>255</b>	<b>268</b>	<b>244</b>	<b>256</b>
One-year variable remuneration (annual bonus)	314	272	314	272
Multi-year variable remuneration				
2010 tranche		160		160
<b>Total</b>	<b>314</b>	<b>432</b>	<b>314</b>	<b>432</b>
Pension-related expenses	0	0	0	0
<b>Total remuneration</b>	<b>569</b>	<b>700</b>	<b>558</b>	<b>688</b>

Remuneration for the Supervisory Board consists of a fixed salary plus a fixed payment for each Supervisory Board meeting. The Chairman of the Supervisory Board receives twice the amount and the Deputy Chairman of the Supervisory Board receives one and a half times the amount of fixed remuneration. In addition, each member of the Supervisory Board receives performance-based remuneration calculated as a fixed percentage of Group net income.

## TAKEOVER-RELATED DISCLOSURES

Disclosures under Section 315 para. 4 of the German Commercial Code (HGB)

The share capital of GESCO AG is € 8,645,000 and is divided into 3,325,000 registered shares. Each share is granted one vote in the Annual General Meeting. The Executive Board is not aware of any restrictions on voting rights or on the transfer of shares.

According to Sections 76 and 84 of the Stock Corporation Act (AktG) and Section 6 para. 1 of the GESCO AG Articles of Association, the Executive Board consists of one or more persons. Pursuant to Section 6 para. 2 of the Articles of Association and in accordance with legal regulations, the Supervisory Board appoints and dismisses the Executive Board and establishes the term of service and the number of members. The Supervisory Board may also appoint substitute members. According to Section 17 para. 1 of the Articles of Association, resolutions are passed by the Annual General Meeting with a simple majority of the votes cast, unless binding regulations state otherwise; where the law requires a capital majority in addition to a majority of votes cast, resolutions are passed with a simple majority of the share capital represented when the resolution is voted on. In accordance with Section 17 para. 2 of the Articles of Association, the Supervisory Board has the right to make amendments to the Articles of Association that affect only the wording.

## Share issue and repurchase

The Annual General Meeting on 30 August 2012 authorised the Executive Board to increase the company's share capital once or several times by a total of € 864,500.00 until 29 August 2015 with the consent of the Supervisory Board by issuing new registered shares in exchange for cash. Subscription rights may be excluded in certain cases. No use of this authorisation has been made to date.

The Annual General Meeting on 2 September 2010 authorised the company to acquire up to ten out of every hundred shares of the share capital until 1 September 2015 under consideration of own shares already held. Subject to the approval of the Supervisory Board and under certain conditions, the Executive Board is also authorised to dispose of the acquired shares in a manner other than via the stock exchange or by offering them to all shareholders, to use them for the purpose of acquiring companies or investments, or to retract some or all of them. The Executive Board has not made use of this authorisation to date. The company acquired a small number of treasury shares for the annual employee share scheme within the scope of a share acquisition pursuant to Section 71 para. 1 sentence 2 AktG. GESCO AG held 241 treasury shares as at the reporting date.

## Shareholdings of more than 10 %

Entrepreneur Stefan Heimöller, Germany, held approximately 13.6 % of the shares in GESCO AG as at the reporting date. The Annual General Meeting on 25 July 2013 elected Mr Heimöller to the Supervisory Board.

## CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

The Corporate Governance Report and Declaration of Compliance in accordance with Section 289a HGB are available on the company website at [www.gesco.de](http://www.gesco.de).

## 4. EVENTS AFTER THE REPORTING DATE

No significant events occurred after the end of the reporting period.



## 5. OUTLOOK, OPPORTUNITY AND RISK REPORT

### OUTLOOK

In their spring report, the leading economic research institutes raised their growth forecasts for 2015 significantly compared to earlier estimates. They now see Germany in the midst of a “strong upturn” and predict that gross domestic product will grow by 2.1 %. The institutes view the fall in oil prices and the devaluation of the Euro as key driving factors behind this development. Consumption is supporting the upswing. The experts expect corporate investments to pick up steam gradually.

Despite all the optimism when it comes to growth in Germany, the experts stress in their spring report the risks that still exist, especially the political situation in Russia, Ukraine and the Arab countries as well as the continued uncertainties in the eurozone. A significant rise in oil prices could also slow the economy. Furthermore, development in the major emerging markets China, Brazil and Russia remains weak.

VDMA economists expect real production growth of 2 % for German machine and plant construction in 2015. The VDMA names several risks, such as the still unresolved crisis in Ukraine, the continued unclear situation in Greece and potentially inadequate reforms in Italy and France as well as the dangers stemming from the property bubble in China. At the same time, it underscores the opportunities, such as the lower value of the Euro. Many mechanical engineering companies could also benefit from the much lower commodity prices. However, those that supply sales markets with strong ties to commodities would tend to suffer from this development. All others will ultimately see a positive effect, even if exports to commodity-producing countries come under pressure.



For the current year, the GKV sees the opportunity for an additional rise in industry sales. Given appropriate conditions, a sales increase of 2.6 % is possible for 2014.

We expect a slight rise in incoming orders and sales for GESCO Group in the new financial year 2015/2016. As a capital goods group, we only see limited benefits from economic growth that is strongly driven by consumption. Demand from Eastern Europe for agricultural products is also likely to remain weak, which will continue to slow development at our subsidiary Frank Walz- und Schmiedetechnik GmbH. While the low energy prices are ultimately having a positive effect on the economy in general, they are leading to a decrease in demand from oil industry customers at SVT GmbH. The restructuring measures at two subsidiaries set the strategic course and initiated the necessary operating countermeasures in a timely manner in 2014/2015. However, Group margins will continue to feel a negative impact in the new financial year as a result of both cases. Based on current knowledge, Group net income after minority interest is likely to increase slightly compared to financial year 2014/2015, but will remain significantly below the values seen in previous years. GESCO Group's equity ratio should also be over 40 % in the new financial year.

The statements on future development made in the outlook are based on assumptions and estimates that were available to GESCO AG at the time this report was created. These statements are subject to risks and uncertainties, meaning that the actual results may differ from those originally expected. Therefore, we assume no liability for the information presented.

## **OPPORTUNITY AND RISK MANAGEMENT**

### **RISK MANAGEMENT SYSTEM**

GESCO Group's concept is designed to recognise, evaluate and seize opportunities on the national and international markets on the one hand while identifying and limiting risks on the other. Managing risks and opportunities is ultimately an ongoing business process. GESCO Group is structured in a way that ensures negative developments for specific companies do not place the entire Group at risk. This is why we largely forego the use of instruments such as cash pooling or guarantees and contingencies.

The analysis of opportunities and risks is especially important when acquiring companies. GESCO AG generally acquires companies in the tool manufacture and mechanical engineering and plastics technology segments. In order to reduce its dependency on the cycles of individual segments and markets, GESCO AG attaches great importance to a diversified customer base. Accordingly, new companies that help broaden the spectrum of the customer base are of particular interest.

Since information asymmetry between buyer and seller is unavoidable in the course of company acquisitions, every purchase involves risks. The retirement of the existing owner-manager and the appointment of a new managing director are some of the critical aspects of succession planning. The risk lies in finding a suitable new managing director who can live up to expectations. On the other hand, replacing the management is also an opportunity to give new momentum to the company.

Prior to a purchase, companies are subjected to a due diligence assessment in order to identify the risks associated with any company acquisition to the extent that these are recognisable. In particular, the level of earnings used to establish a purchase price and respective company budgets are critically evaluated. When the expectations of buyer and seller regarding the future earnings potential of the acquisition target diverge, an earn-out agreement is an appropriate method for sharing the risks and opportunities of future developments.

Following acquisition, companies are rapidly integrated into GESCO Group's planning, reporting and financial controlling system, as described in the "Management system" section. In addition, the companies are integrated into GESCO Group's software-assisted risk management system. Risks and classification thereof are assessed by estimating the effects on a subsidiary's earnings and their probability of occurrence. Risks are reported monthly by the subsidiaries, while high risks are reported to GESCO AG ad hoc.

This system of prompt and detailed reporting also guarantees the regular monitoring of the value of GESCO AG's shares in its subsidiaries as well as GESCO AG's receivables from related companies.

Detailed Group guidelines, which are recorded in a manual and define a binding standard for all Group companies and all auditors, also mitigate accounting risks. In addition, the regular analysis of subsidiaries' figures, which is performed during the year, includes an analysis and assessment of accounting risks. The responsible GESCO AG employees are available to advise the subsidiaries' managers and financial officers on all accounting matters and provide support.

The annual meeting, monthly meetings and strategy sessions all examine the company's situation as a whole. The meetings analyse entrepreneurial opportunities and the courses of action for expanding business volume in Germany and abroad as well as for increasing efficiency. They also evaluate the respective risks.

In order to mitigate **procurement risks**, subsidiaries attempt to enter into framework agreements with suppliers so as to obtain security for their planning or to conclude flexible price agreements with customers and suppliers. Companies within GESCO Group and wide sections of German industry alike are faced with the uncertainties concerning the future development of the energy transition. This concerns both security of supply as well as costs.

**Trade receivables** are largely covered by credit insurance. Subsidiaries analyse the situation of relevant uninsurable customers and define further action to be taken, usually in direct discussion with customers. Significant, uninsured risks must always be discussed with GESCO AG. This is of course always a balancing act between attempting to limit risks and the need to take advantage of entrepreneurial opportunities and retain customers. This balancing act is also made difficult by the increasingly excessive use of insolvency proceedings.

Overall **insurance coverage** for GESCO Group is regularly evaluated in order to ensure sufficient protection under adequate terms and conditions.

**Currency risks** from the operating business are generally hedged for significant orders.

Based on current knowledge, we are not aware of any **financing and/or equity** bottlenecks for our Group. In order to limit the interest rate risk, we have used interest rate swaps for part of the variable interest rate financing and thus exchanged each floating rate with a fixed rate. We expect interest rates to remain low in financial year 2015/2016. GESCO Group works with around two dozen different banks and is therefore not dependent on any one institution. We currently see no need to increase our equity base further.

There were no material changes to the **tax situation** in financial year 2014/2015. We are also not aware of any developments with regard to legal conditions that would have a significant impact on the Group.

It is possible to limit risks. However, it is not possible to rule them out. Ultimately, all entrepreneurial activity is associated with risk. In their operating business, all GESCO AG subsidiaries are subject to the typical opportunities and risks for their respective industries as well as general economic risks. As an industrial group whose business is based to a notable extent on direct and indirect exports, we are significantly affected by economic fluctuations in Germany and abroad. Our diversification strategy, particularly in the customer sectors, is aimed at offsetting economic fluctuations in individual branches of industry and therefore reducing the risks arising from economic cycles. Alongside the typical economic fluctuations, we currently see the greatest risks for our operating business, not only within GESCO Group, but also in broad sections of German industry, to be those resulting from the still present structural problems in the eurozone as well as the risks of political developments, particularly with an eye to Ukraine and Russia. In addition, the potential failure to complete the restructuring measures at MAE Maschinen- und Apparatebau Götzen GmbH and particularly at Protomaster GmbH to their full extent or on schedule poses a specific risk for GESCO Group.

There are risks typically associated with the business model, particularly relating to construction of special machinery, tool manufacturing and plant construction. In this regard, the various Group companies are continually confronted with customer requirements, which can only be calculated to a limited extent in advance in terms of the time and costs involved to fulfill them from a technical standpoint, so that there is a risk of making losses on contracts. On the other hand, these can be regarded as opportunities, since challenging customer projects frequently result in innovative approaches that can lead to marketable product innovations.

As in many parts of German industry, there continues to be a risk of uncertainty in the ability of companies to find and retain sufficient qualified employees in the future. Demographic change will continue to worsen this situation. GESCO Group companies meet this challenge with various measures in order to position themselves as an attractive employer in their respective region.

We are not currently aware of any risks that could endanger or significantly affect survival of GESCO AG and the Group.

Wuppertal, 2 June 2015

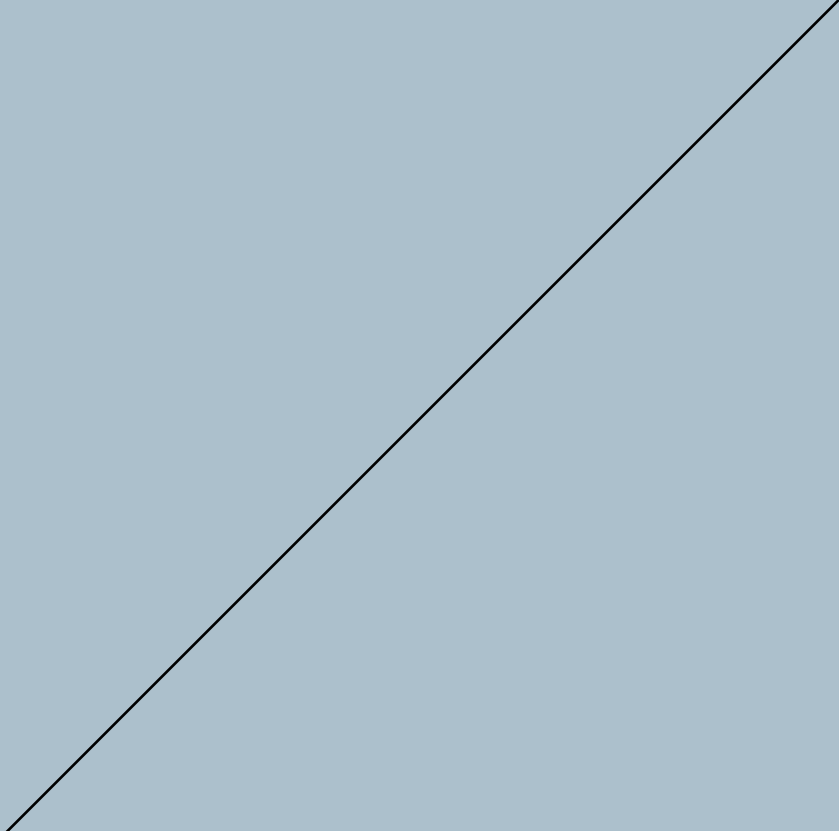
The Executive Board

Robert Spartmann

Dr.-Ing. Hans-Gert Mayrose







2014/2015

# ANNUAL FINANCIAL STATEMENTS

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**GESCO AG**  
**SUMMARY OF THE ANNUAL FINANCIAL**  
**STATEMENTS DATED 31 MARCH 2015**

## BALANCE SHEET

€'000	31.03.2015	31.03.2014
<b>Assets</b>		
Intangible assets	17	35
Property, plant and equipment	351	291
Financial assets	77,760	81,498
<b>Non-current assets</b>	<b>78,128</b>	<b>81,824</b>
Receivables and other assets	52,808	47,663
Securities and liquid funds	13,512	20,626
<b>Current assets</b>	<b>66,320</b>	<b>68,289</b>
<b>Total assets</b>	<b>144,448</b>	<b>150,113</b>
<b>Equity and liabilities</b>		
Equity	116,183	117,589
Provisions	5,292	5,432
Liabilities	22,973	27,092
<b>Total equity and liabilities</b>	<b>144,448</b>	<b>150,113</b>

## INCOME STATEMENT

€'000	01.04.2014- 31.03.2015	01.04.2013- 31.03.2014
Earnings from investments	16,925	16,801
Other operating income and expenditure	94	-89
Personnel expenditure	-3,155	-2,950
Depreciation on property, plant and equipment and intangible assets as well as depreciation on current assets in as far as such exceed the usual depreciations in the corporation	-1,341	-158
Financial result	-7,178	-2,081
Earnings from ordinary business activities	5,344	11,523
Taxes on income and earnings	600	-303
<b>Net income</b>	<b>5,945</b>	<b>11,220</b>
Transfer to revenue reserves	-127	-3,906
<b>Retained profit</b>	<b>5,818</b>	<b>7,314</b>

## PROPOSED APPROPRIATION OF RETAINED PROFIT

For the 2014/15 financial year, the Executive Board and Supervisory Board of GESCO AG are proposing the following appropriation of retained profit for the year in the amount of € 5,818,328.25:

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Payment of a dividend in the amount of € 1.75 per share on the current share capital entitled to dividends (3,325,000 shares less 241 own shares)	5,818,328.25 €
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The complete financial statements of GESCO AG compiled in accordance with the regulations of the German Commercial Code (HGB) and the Stock Corporation Act (AktG) and audited by RSM Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Wuppertal, and attested with an unqualified audit opinion, are published in the German Federal Gazette and submitted to the commercial registry under HRB (German Commercial Registry) number 7847. The financial statements are available from GESCO AG.



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GESCO GROUP  
CONSOLIDATED FINANCIAL STATEMENTS  
DATED 31 MARCH 2015

## GESCO GROUP BALANCE SHEET

€'000		31.03.2015	31.03.2014
<b>Assets</b>			
A. Non-current assets			
I. Intangible assets			
1. Industrial property rights and similar rights and assets as well as licences	(1)	15,668	11,888
2. Goodwill	(2)	13,815	12,423
3. Prepayments made	(3)	409	264
		<b>29,892</b>	<b>24,575</b>
II. Property, plant and equipment			
1. Land and buildings	(4)	54,787	50,213
2. Technical plants and machinery	(5)	38,745	35,942
3. Other plants, fixtures and fittings	(6)	22,539	21,310
4. Prepayments made and assets under construction	(7)	12,528	5,670
5. Property held as financial investments	(8)	164	1,737
		<b>128,763</b>	<b>114,872</b>
III. Financial investments			
1. Shares in affiliated companies	(9)	52	15
2. Shares in companies valued at equity	(10)	1,498	1,192
3. Investments	(11)	156	156
4. Other loans		284	181
		<b>1,990</b>	<b>1,544</b>
IV. Other assets	(12)	2,117	2,344
V. Deferred tax assets	(13)	3,146	3,057
		<b>165,908</b>	<b>146,392</b>
B. Current assets			
I. Inventories	(14)		
1. Raw materials and supplies		22,648	21,986
2. Unfinished products and services		52,457	41,514
3. Finished products and goods		59,329	55,225
4. Prepayments made		698	443
		<b>135,132</b>	<b>119,168</b>
II. Receivables and other assets	(12)		
1. Trade receivables		55,113	65,517
2. Amounts owed by affiliated companies		391	624
3. Amounts owed by companies valued at equity		439	431
4. Other assets		9,499	8,468
		<b>65,442</b>	<b>75,040</b>
III. Securities	(15)	5	0
IV. Cash and credit with financial institutions	(16)	35,251	38,815
V. Accounts receivable and payable		499	535
		<b>236,329</b>	<b>233,558</b>
C. Assets held for sale	(17)	1,502	0
		<b>403,739</b>	<b>379,950</b>

€'000	31.03.2015	31.03.2014
<b>Equity and liabilities</b>		
A. Equity		
I. Subscribed capital (18)	8,645	8,645
II. Capital reserves	54,662	54,662
III. Revenue reserves	108,887	103,521
IV. Own shares	-17	-17
V. Other comprehensive income	-3,920	-2,608
VI. Minority interests (incorporated companies) (19)	14,546	12,401
	<b>182,803</b>	<b>176,604</b>
B. Non-current liabilities		
I. Minority interests (partnerships) (19)	3,066	3,070
II. Provisions for pensions (20)	17,141	14,908
III. Other non-current provisions (20)	586	593
IV. Liabilities to financial institutions (21)	78,995	64,910
V. Other liabilities (21)	1,484	1,827
VI. Deferred tax liabilities (13)	2,425	3,496
	<b>103,697</b>	<b>88,804</b>
C. Current liabilities		
I. Other provisions (20)	13,598	9,816
II. Liabilities (21)		
1. Liabilities to financial institutions	35,462	31,971
2. Trade creditors	14,067	14,581
3. Prepayments received on orders	27,149	25,513
4. Liabilities to affiliated companies	0	3
5. Liabilities to companies valued at equity	81	7
6. Other liabilities	26,842	32,573
	<b>103,601</b>	<b>104,648</b>
III. Accounts receivable and payable	40	78
	<b>117,239</b>	<b>114,542</b>
	<b>403,739</b>	<b>379,950</b>

## GESCO GROUP INCOME STATEMENT

€'000		01.04.2014- 31.03.2015	01.04.2013- 31.03.2014
<b>Sales revenues</b>	(22)	<b>451,434</b>	<b>453,336</b>
Change in stocks of finished and unfinished products		12,544	-7,412
Other company-produced additions to assets	(23)	3,782	821
Other operating income	(24)	6,647	6,577
<b>Total income</b>		<b>474,407</b>	<b>453,322</b>
Material expenditure	(25)	-236,144	-227,211
Personnel expenditure	(26)	-131,461	-122,785
Other operating expenditure	(27)	-60,631	-54,607
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>46,171</b>	<b>48,719</b>
Depreciation on property, plant and equipment and intangible assets	(28)	-18,871	-16,709
<b>Earnings before interest and tax (EBIT)</b>		<b>27,300</b>	<b>32,010</b>
Earnings from securities		1	2
Earnings from investments		344	57
Earnings from companies valued at equity		167	-119
Other interest and similar income		175	253
Interest and similar expenditure		-3,142	-3,006
Minority interest in partnerships		-292	-179
<b>Financial result</b>		<b>-2,747</b>	<b>-2,992</b>
<b>Earnings before tax (EBT)</b>		<b>24,553</b>	<b>29,018</b>
Taxes on income and earnings	(29)	-10,401	-9,261
<b>Group net income for the year after tax</b>		<b>14,152</b>	<b>19,757</b>
Minority interest in incorporated companies		-1,802	-1,636
<b>Group net income for the year after minority interest</b>		<b>12,350</b>	<b>18,121</b>
Earnings per share (€) acc. to IFRS	(30)	3.72	5.45

## GESCO GROUP STATEMENT OF COMPREHENSIVE INCOME

€'000	01.04.2014- 31.03.2015	01.04.2013- 31.03.2014
<b>1. Group net income</b>	<b>14,152</b>	<b>19,757</b>
2. Revaluation of benefit obligations not impacting on income	-1,562	202
<b>3. Items that cannot be transferred into the income statement</b>	<b>-1,562</b>	<b>202</b>
4. Difference from currency translation		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	381	-257
5. Market valuation of hedging instruments		
a) Reclassification into the income statement	-87	-335
b) Changes in value with no effect on income	-78	82
<b>6. Items that can be transferred into the income statement</b>	<b>216</b>	<b>-510</b>
<b>7. Other income</b> (31)	<b>-1,346</b>	<b>-308</b>
<b>8. Total result for the period</b>	<b>12,806</b>	<b>19,449</b>
of which shares held by minority interest	1,768	1,621
of which shares held by GESCO shareholders	11,038	17,828



## GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
<b>As at 01.04.2013</b>	<b>8,645</b>	<b>54,635</b>	<b>93,711</b>	<b>-31</b>
Distributions			-8,311	
Acquisition of own shares				-800
Disposal of own shares		27		814
Capital increases at subsidiaries				
Result for the period			18,121	
<b>As at 31.03.2014</b>	<b>8,645</b>	<b>54,662</b>	<b>103,521</b>	<b>-17</b>
Distributions			-7,314	
Acquisition of own shares				-828
Disposal of own shares			-37	828
Disposal of shares in subsidiaries			367	
Capital increases at subsidiaries				
Result for the period			12,350	
<b>As at 31.03.2015</b>	<b>8,645</b>	<b>54,662</b>	<b>108,887</b>	<b>-17</b>

## GESCO GROUP SEGMENT REPORT

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	2014/2015	2013/2014	2014/2015	2013/2014
Order backlog	178,321	177,334	5,245	6,065
Incoming orders	417,941	403,702	30,531	31,545
Sales revenues	419,863	423,918	31,213	29,055
of which with other segments	0	7	0	0
Depreciation	12,736	11,745	1,836	1,470
of which goodwill impairments				
EBIT	32,887	36,775	4,097	4,626
Investments	25,572	21,100	5,332	7,151
Employees (No./reporting date)	2,296	2,205	152	139

Exchange equalisation items	Revaluation of pensions	Hedging instruments	Total	Minority interest incorporated companies	Equity capital
-427	-2,257	369	154,645	11,855	166,500
			-8,311	-1,159	-9,470
			-800		-800
			841		841
			0	84	84
-245	178	-226	17,828	1,621	19,449
<b>-672</b>	<b>-2,079</b>	<b>143</b>	<b>164,203</b>	<b>12,401</b>	<b>176,604</b>
			-7,314	-945	-8,259
			-828		-828
			791		791
			367	1,212	1,579
			0	110	110
294	-1,441	-165	11,038	1,768	12,806
<b>-378</b>	<b>-3,520</b>	<b>-22</b>	<b>168,257</b>	<b>14,546</b>	<b>182,803</b>

	GESCO AG		Other/consolidation		Group	
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014
	0	0	0	0	183,566	183,399
	0	0	358	371	448,830	435,618
	0	0	358	363	451,434	453,336
	0	0	0	-7	0	0
	141	158	4,158	3,336	18,871	16,709
			500		500	
	-3,202	-3,802	-6,482	-5,589	27,300	32,010
	194	48	0	0	31,098	28,299
	17	16	0	0	2,465	2,360

## GESCO GROUP CASH FLOW STATEMENT

€'000	01.04.2014- 31.03.2015	01.04.2013- 31.03.2014
<b>Group net income for the year (including share attributable to minority interest in incorporated companies)</b>	<b>14,152</b>	<b>19,757</b>
Depreciation and amortisation on property, plant and equipment and intangible assets	18,871	16,709
Earnings from companies valued at equity	-167	119
Share attributable to minority interest in partnerships	292	179
Decrease in non-current provisions	-52	-135
Other non-cash expenditure/income	-22	6
<b>Cash flow for the year</b>	<b>33,074</b>	<b>36,635</b>
Losses from the disposal of property, plant and equipment/intangible assets	119	106
Gains from the disposal of property, plant and equipment/intangible assets	-272	-309
Increase in stocks, trade receivables and other assets	-3,998	-3,111
Decrease in trade creditors and other liabilities	-1,703	-9,361
<b>Cash flow from ongoing business activities</b>	<b>27,220</b>	<b>23,960</b>
Incoming payments from disposals of property, plant and equipment	502	561
Disbursements for investments in property, plant and equipment	-29,525	-27,164
Disbursements for investments in intangible assets	-1,573	-1,135
Incoming payments from disposals of financial assets	23	28
Disbursements for investments in financial assets	-219	-121
Incoming payments from the disposal of securities	0	1,000
Disbursements for the acquisition of consolidated companies and other business units	-10,538	-3,304
<b>Cash flow from investment activities</b>	<b>-41,330</b>	<b>-30,135</b>
Disbursements to shareholders (dividends)	-7,314	-8,311
Incoming payments from the sale of own shares	828	841
Disbursements for the purchase of own shares	-865	-800
Incoming payments from minority interests	1,689	84
Disbursements to minority interests	-1,235	-1,500
Incoming payments from raising (financial) loans	34,004	32,138
Outflow for repayment of (financial) loans	-16,556	-13,926
<b>Cash flow from funding activities</b>	<b>10,551</b>	<b>8,526</b>
<b>Cash increase in cash and cash equivalents</b>	<b>-3,559</b>	<b>2,351</b>
Financial means on 01.04	38,815	36,464
<b>Financial means on 31.03</b>	<b>35,256</b>	<b>38,815</b>

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# GESCO AG NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, 31 MARCH 2015

## GENERAL INFORMATION

GESCO AG is a private limited company with headquarters in Wuppertal, Germany. The company is registered under commercial register number HRB 7847 at Wuppertal district court. The company is dedicated to acquiring investments in SMEs and providing consulting and other services. The consolidated financial statements of GESCO AG, Wuppertal, dated 31 March 2015 were prepared based on the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as they apply in the EU and under consideration of Section 315a para. 1 of the German Commercial Code (HGB).

## APPLICATION AND IMPACT OF NEW OR AMENDED STANDARDS

These consolidated financial statements of GESCO AG were prepared under consideration of all standards applicable to annual reporting years commencing prior to 1 April 2014. The following new or amended standards had to be considered for financial year 2014/2015:

- IAS 27 “Separate Financial Statements”
- IAS 28 “Investments in Associates and Joint Ventures”
- Amendment to IAS 32 “Financial Instruments: Presentation” -Offsetting of Financial Assets and Financial Liabilities
- Amendment to IAS 36 – Recoverable Amount Disclosures For Non-Financial Assets
- Amendment to IAS 39 – Novation of Derivatives and Continuing Designation for Hedge Accounting
- IFRS 10 “Consolidated Financial Statements”
- IFRS 11 “Joint Arrangements”
- IFRS 12 “Disclosure of Interests in Other Entities”
- Amendment to IFRS 10, 11, 12 – Transition Provisions
- Amendment to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The application of the above-mentioned regulations did not have any material effects on the consolidated financial statements of GESCO AG.

The following standards and interpretations are mandatory from financial year 2015/2016 or later:

Standard	Adopted by the EU	Early application
Amendment to IAS 19 "Employee Benefits – Defined Benefit Plans: Employee Contributions"	Yes	Permitted
IFRIC 21 "Levies"	Yes	Permitted
Annual Improvements to the International Financial Reporting Standards (2010-2012)	Yes	Permitted
Annual Improvements to the International Financial Reporting Standards (2011-2013)	Yes	Permitted

The following standards and interpretations are mandatory from financial year 2016/2017 or later:

Standard	Adopted by the EU
Amendment to IAS 1 "Disclosure Initiative"	Pending
Amendment to IAS 16 and 38 "Acceptable Methods of Depreciation and Amortisation"	Pending
Amendments to IAS 16 and 41 "Agriculture: Bearer Plants"	Pending
Amendment to IAS 27 "Separate Financial Statements (Equity Method)"	Pending
IFRS 9 "Financial Instruments"	Pending
Amendments to IFRS 10, IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Pending
Amendments to IFRS 10, IFRS 12, IAS 28 "Investment Entities: Applying the Consolidation Exception"	Pending
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	Pending
IFRS 14 "Regulatory Deferral Accounts"	Pending
IFRS 15 "Revenue from Contracts with Customers"	Pending
Annual Improvements to the International Financial Reporting Standards (2012-2014)	Pending

Based on current information, standards and interpretations that will become mandatory in future periods have no material impact on the consolidated financial statements of GESCO AG.

## CONSOLIDATED FINANCIAL STATEMENTS – REPORTING DATE

The reporting date for the consolidated financial statements is the reporting date of the parent company (31 March 2015). The financial years of the companies included in the consolidated financial statements match the calendar year, and therefore do not deviate from the parent company's financial year by more than three months. As a result, interim financial statements were not prepared for 31 March 2015 in accordance with IFRS 10.B92. There are only a few buying and selling relationships between the operating subsidiaries. Their products and services differ. Some loan relationships exist between the parent company and certain subsidiaries. Any significant events affecting included companies that occurred by the consolidated reporting date were considered in the preparation of the consolidated financial statements. Preparing and auditing additional interim financial statements would mean a disproportionately high amount of time and expenditure, with no corresponding gain of information.



## SCOPE OF CONSOLIDATION

In addition to GESCO AG, the consolidated financial statements include all material subsidiaries for which GESCO AG satisfies the conditions of IFRS 10. Significant joint ventures and associated companies were included according to the equity method. In principle, first-time consolidation and deconsolidation takes place on the investment acquisition or disposal date.

Setter GmbH & Co. Papierverarbeitung acquired the business operations of Setterstix Corp., Cattaraugus/New York via Setter US Inc., a 100 % subsidiary, by way of an agreement dated 1 January 2015. Setterstix produces and distributes paper sticks, largely for the US confectionery industry. Setter US Inc., which had not been included in the consolidated financial statements in the previous year, has since been renamed Setterstix Inc. and is included in the consolidated financial statements as a fully consolidated company. The company was acquired at a fixed purchase price of € 10.5 million (USD 12.7 million). The ancillary company acquisition costs included in expenditure amounted to € 339 thousand. Setterstix is not yet included in the consolidated income statement.

In the reporting period, MAE-EITEL INC., Orwigsburg/USA was included in the consolidated income statement for the first time. The company was already included in the Group balance sheet as at 31 March 2014.

In August 2014, the managing director of Frank Walz- und Schmiedetechnik GmbH acquired a 10 % share in that company.

Newly founded companies Setter International GmbH, Emmerich, and SQG-Verwaltungs GmbH, Emmerich, as well as MV Anlagen GmbH & Co. KG were also included as fully consolidated companies in the consolidated financial statements for the reporting year for the first time.

The impact of the addition of the fully consolidated companies was as follows:

€'000	31.03.2015	31.03.2014
Intangible assets	6,922	1,706
Property, plant and equipment	1,603	703
Inventories	1,704	2,476
Trade receivables	489	2,470
Other current assets (excluding liquid assets)	16	97
Liquid assets	0	297
Provisions	0	38
Liabilities	194	1,270

The gross amount of the trade receivables is € 489 thousand.

The hidden reserves were assigned to real estate, property, plant and equipment, customer relationships and order backlog. The fair value of the real estate and property, plant and equipment was determined using the estimated amount at which the asset could be marketed. The present values of the remaining assets were calculated using the present value method.

These additions affected Group net income after minority interest by € -0.3 million (previous year: € -0.6 million), but did not impact Group sales (previous year: € 0.4 million). If the companies had been included in the consolidated financial statements of GESCO AG at the beginning of the financial year, earnings would have been affected by approximately € 0.5 million (previous year: € 2.0 million) and sales by approximately € 9.4 million (previous year: € 11.4 million). The earnings effect includes the impact from first-time consolidation.

The impact of the disposal of shares in subsidiaries without a change in status is shown in the following table:

€'000	31.03.2015	31.03.2014
Book value of the disposed shares	-1,212	0
Consideration received from minority interest	1,579	0
Change in the parent company's equity	367	0

In addition to the parent company, a total of 54 companies are included in the consolidated financial statements according to the principle of full consolidation, and four other companies are included under the equity method.

Four subsidiaries with an immaterial effect on the assets, financial position and earnings were not consolidated but instead valued at their respective cost of acquisition. The effect on sales, earnings and total assets is less than 2.0 %. Another company, which is also not of material significance, was valued at the cost of acquisition. This affected earnings and total assets by less than 0.2 % overall. The maximum risk of losses from these investments amounts to € 0.4 million (previous year: € 0.6 million). The significant financial information for the non-consolidated companies is shown in the following table:

€'000	31.03.2015	31.03.2014
Shares in affiliated companies	52	15
Current assets	391	624
Current liabilities	0	3

A list of investments is included at the end of these notes.

## CONSOLIDATION METHODS/EQUITY METHOD

Capital consolidation is based on a full revaluation on the respective acquisition date. The cost of acquisition is offset against the revalued or, in case of the equity method, proportionately revalued equity of the subsidiary on the acquisition date. Assets and liabilities are recorded at fair value.

Subsequent changes in the equity of joint ventures and associated companies are recorded as changes in the level of investment of the respective company.

Income and expenditure as well as receivables and liabilities between fully consolidated companies are eliminated.

To the extent that temporary differences arise from consolidation processes that affect earnings but are not related to goodwill, income tax effects are considered and deferred taxes (IAS 12) are recorded.

## ACCOUNTING AND VALUATION METHODS

The financial statements, on which the consolidated financial statements dated 31 March 2015 are based, are consistently prepared according to uniform accounting and valuation methods. 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.

In the individual financial statements, **foreign currency transactions** are converted using the exchange rate in effect at the time of the respective transaction. On the reporting date, monetary items are adjusted to their fair value using the relevant conversion rate; differences are included in earnings.

The companies outside the Eurozone prepare their financial statements in the respective national currency according to the functional currency concept. Assets and liabilities in these financial statements are converted to Euros using the exchange rate in effect on the reporting date. Equity is reported at the historical exchange rate, with the exception of items recorded directly in equity. Income statement items are converted at average exchange rates and the resulting exchange rate differences are recognised directly in equity.

The following table lists the exchange rates that were used:

		Reporting date rate		Average rate	
	1 €=	31.12.2014	31.12.2013	2014	2013
Brazil	BRL	3.2207	3.2576	3.1211	2.8672
China	CNY	7.5358	8.3491	8.1857	8.1646
Singapore	SGD	1.6058	1.7414	1.6823	1.6672
South Korea	KRW	1,324.8000	1,450.9300	1,398.1424	1,453.9121
Taiwan	TWD	38.4320	41.3370	40.2524	39.6988
Turkey	TRY	2.8320	2.9605	2.9065	2.5217
Hungary	HUF	315.5400	297.0400	308.7061	296.8730
USA	USD	1.2141	1.3791	1.3285	1.3281
South Africa	ZAR	14.0530	12.8330	14.4037	14.5660

In the presentation of changes to property, plant and equipment, provisions and equity, the opening and closing balances are converted using the exchange rates on the respective reporting dates while changes during the year are converted using the average rate. Exchange rate differences are reported separately and excluded from income.

**Intangible assets** acquired in exchange for payment are reported at their cost of acquisition less regular amortisation and impairment losses.

**Property, plant and equipment** is valued at the cost of acquisition or production. Public sector subsidies are deducted from the original acquisition cost when the asset is recorded. Straight-line depreciation over the expected useful life is applied to property, plant and equipment.

Property, plant and equipment leased under financing lease contracts is recorded at the lower of fair value or cash value of the lease payments. Depreciation follows the principles of depreciation for property, plant and equipment owned by the Group (IAS 17) or under consideration of the shorter term of the leasing relationship.

**Investment properties** are valued at the lower of fair value and the historical production or acquisition cost.

**Investments** included under financial investments are reported at the lower of fair value or the cost of acquisition. Investments in joint ventures and associated companies are valued according to the equity method.

**Raw materials and supplies** are valued at the average cost of acquisition, while **unfinished and finished products** are valued at the cost of manufacture including the overhead costs of all essential materials and production. Realisation risks are taken into account through depreciation on the lower net sales price.

In principle, **receivables and other assets** are reported at fair value. Potential bad debts are covered by a commensurate allowance for doubtful accounts. Foreign currency receivables are converted using the exchange rates in effect on the reporting date.

Cash flow hedges are used to effectively hedge pending sales transactions in foreign currencies against exchange rate risks; these hedges are included in other comprehensive income without affecting income until such time as the hedged item occurs.

**Minority interest in our incorporated companies and partnerships** pertains to the investments of managers in the companies they manage as well as the proportion of earnings to which they are entitled. Minority interest in our incorporated companies is reported as separate items in equity. In accordance with IAS 32, **minority interest** in our partnerships is reported as separate items in debt capital.

Reacquired **own shares** are openly reported as an adjustment to equity.

**Provisions for pensions** and similar obligations are calculated using the actuarial method according to IAS 19. In addition to pensions and entitlements known on the reporting date, expected future salary and pension increases as well as interest rate changes are also considered. Service expenditures are reported under personnel expenditures, and the interest portion of the provision allocation is reported in the financial result.

**Other provisions** include all liabilities identified on the reporting date that are based on past business transactions and where the amount or due date is uncertain. Provisions are established according to the best estimate of the actual liability and are not offset against positive earnings contributions.

A legal or factual obligation to a third party is required in order to establish a provision. Provisions with a residual term of more than one year are discounted to the reporting date at a market interest rate suitable for the Group and term, and under consideration of future price developments.

**Liabilities** are always reported at their respective cash value. Foreign currency liabilities are converted using the exchange rates in effect on the reporting date. Gains and losses from exchange rate fluctuations are included in earnings. Discounts are deducted from liabilities to financial institutions and credited to the respective loan over its term.

**Deferred taxes** arising from timing differences between the commercial and tax balance sheet are calculated according to the balance sheet based liability method and reported separately. Deferred taxes are calculated based on current tax laws. Deferred tax assets are offset against deferred tax liabilities when the creditor, debtor and term are the same.

**Contingent liabilities** represent possible or existing obligations based on past events where resources are not expected to be expended. Therefore they are not included on the balance sheet. The reported contingent liabilities correspond to the scope of liability on the reporting date.

## INFORMATION ON THE GROUP BALANCE SHEET

The breakdown of fixed assets as well as changes for the reporting year and the previous year are shown in the following tables:

### GROUP STATEMENT OF FIXED ASSETS AS AT 31.03.2015

€'000	Cost of acquisition or manufacture					
	As at 01.04.2014	Change in scope of consolidation	Additions	Transfers	Disposals	Change Exchange rate difference
I. Intangible asset						
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets						
a. Building cost subsidies	10	0	0	0	0	0
b. Computer software	8,852	74	880	109	164	0
c. Technology	16,542	40	0	0	7	0
d. Customer base	9,088	4,950	409	10	0	223
	<b>34,492</b>	<b>5,064</b>	<b>1,289</b>	<b>119</b>	<b>171</b>	<b>223</b>
2. Goodwill	13,289	1,858	25	0	0	9
3. Prepayments made	264	0	259	-114	0	0
	<b>48,045</b>	<b>6,922</b>	<b>1,573</b>	<b>5</b>	<b>171</b>	<b>232</b>
II. Property, plant and equipment						
1. Land and buildings	67,562	772	2,085	3,743	57	64
2. Technical plant and machinery	90,170	806	8,894	1,131	809	4
3. Other plant, fixtures and fittings	68,173	25	6,415	376	2,547	37
4. Prepayments made and assets under construction	5,670	0	12,131	-5,255	22	4
5. Investment properties	5,432	0	0	0	5,111	0
	<b>237,007</b>	<b>1,603</b>	<b>29,525</b>	<b>-5</b>	<b>8,546</b>	<b>109</b>
III. Financial assets						
1. Shares in affiliated companies	15	0	37	0	0	0
2. Shares in companies valued at equity	1,192	0	222	0	0	84
3. Investments	156	0	0	0	0	0
4. Other loans	181	0	126	0	23	0
	<b>1,544</b>	<b>0</b>	<b>385</b>	<b>0</b>	<b>23</b>	<b>84</b>
	<b>286,596</b>	<b>8,525</b>	<b>31,483</b>	<b>0</b>	<b>8,740</b>	<b>425</b>



Depreciation						Book values		
	As at 31.03.2015	As at 01.04.2014	Additions	Disposals	Change Exchange rate difference	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
	10	10	0	0	0	10	0	0
	9,751	6,079	1,002	164	0	6,917	2,834	2,773
	16,575	13,642	794	7	0	14,429	2,146	2,900
	14,680	2,873	1,099	0	20	3,992	10,688	6,215
	<b>41,016</b>	<b>22,604</b>	<b>2,895</b>	<b>171</b>	<b>20</b>	<b>25,348</b>	<b>15,668</b>	<b>11,888</b>
	15,181	866	500	0	0	1,366	13,815	12,423
	409	0	0	0	0	0	409	264
	<b>56,606</b>	<b>23,470</b>	<b>3,395</b>	<b>171</b>	<b>20</b>	<b>26,714</b>	<b>29,892</b>	<b>24,575</b>
	74,169	17,349	2,077	46	2	19,382	54,787	50,213
	100,196	54,228	8,004	782	1	61,451	38,745	35,942
	72,479	46,863	5,325	2,260	12	49,940	22,539	21,310
	12,528	0	0	0	0	0	12,528	5,670
	321	3,695	70	3,608	0	157	164	1,737
	<b>259,693</b>	<b>122,135</b>	<b>15,476</b>	<b>6,696</b>	<b>15</b>	<b>130,930</b>	<b>128,763</b>	<b>114,872</b>
	52	0	0	0	0	0	52	15
	1,498	0	0	0	0	0	1,498	1,192
	156	0	0	0	0	0	156	156
	284	0	0	0	0	0	284	181
	<b>1,990</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,990</b>	<b>1,544</b>
	<b>318,289</b>	<b>145,605</b>	<b>18,871</b>	<b>6,867</b>	<b>35</b>	<b>157,644</b>	<b>160,645</b>	<b>140,991</b>

**GROUP STATEMENT OF FIXED ASSETS AS AT 31.03.2014**

€'000	Cost of acquisition or manufacture					
	As at 01.04.2013	Change in scope of consolidation	Additions	Transfers	Disposals	Change Exchange rate difference
I. Intangible asset						
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets						
a. Building cost subsidies	10	0	0	0	0	0
b. Computer software	7,969	0	910	36	63	0
c. Technology	16,542	0	0	0	0	0
d. Customer base	7,449	1,639	0	0	0	0
	<b>31,970</b>	<b>1,639</b>	<b>910</b>	<b>36</b>	<b>63</b>	<b>0</b>
2. Goodwill	13,222	67	0	0	0	0
3. Prepayments made	75	0	225	-36	0	0
	<b>45,267</b>	<b>1,706</b>	<b>1,135</b>	<b>0</b>	<b>63</b>	<b>0</b>
II. Property, plant and equipment						
1. Land and buildings	58,334	475	8,902	58	207	0
2. Technical plant and machinery	81,612	26	8,026	2,252	1,746	0
3. Other plant, fixtures and fittings	64,993	202	4,966	236	2,222	-2
4. Prepayments made and assets under construction	2,949	0	5,270	-2,546	4	1
5. Investment properties	5,432	0	0	0	0	0
	<b>213,320</b>	<b>703</b>	<b>27,164</b>	<b>0</b>	<b>4,179</b>	<b>-1</b>
III. Financial assets						
1. Shares in affiliated companies	40	0	0	0	25	0
2. Shares in companies valued at equity	1,547	0	117	0	236	-236
3. Investments	38	0	118	0	0	0
4. Other loans	207	0	2	0	28	0
	1,832	0	237	0	289	-236
	<b>260,419</b>	<b>2,409</b>	<b>28,536</b>	<b>0</b>	<b>4,531</b>	<b>-237</b>

		Depreciation				Book values		
	As at 31.03.2014	As at 01.04.2013	Additions	Disposals	Change Exchange rate difference	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
	10	10	0	0	0	10	0	0
	8,852	5,229	911	61	0	6,079	2,773	2,740
	16,542	12,833	809	0	0	13,642	2,900	3,709
	9,088	2,022	851	0	0	2,873	6,215	5,427
	<b>34,492</b>	<b>20,094</b>	<b>2,571</b>	<b>61</b>	<b>0</b>	<b>22,604</b>	<b>11,888</b>	<b>11,876</b>
	13,289	866	0	0	0	866	12,423	12,356
	264	0	0	0	0	0	264	75
	<b>48,045</b>	<b>20,960</b>	<b>2,571</b>	<b>61</b>	<b>0</b>	<b>23,470</b>	<b>24,575</b>	<b>24,307</b>
	67,562	15,702	1,854	207	0	17,349	50,213	42,632
	90,170	48,731	7,193	1,696	0	54,228	35,942	32,881
	68,173	43,785	4,996	1,917	-1	46,863	21,310	21,208
	5,670	0	0	0	0	0	5,670	2,949
	5,432	3,600	95	0	0	3,695	1,737	1,832
	<b>237,007</b>	<b>111,818</b>	<b>14,138</b>	<b>3,820</b>	<b>-1</b>	<b>122,135</b>	<b>114,872</b>	<b>101,502</b>
	15	0	0	0	0	0	15	40
	1,192	0	0	0	0	0	1,192	1,547
	156	0	0	0	0	0	156	38
	181	0	0	0	0	0	181	207
	1,544	0	0	0	0	0	1,544	1,832
	<b>286,596</b>	<b>132,778</b>	<b>16,709</b>	<b>3,881</b>	<b>-1</b>	<b>145,605</b>	<b>140,991</b>	<b>127,641</b>

## **(1) INDUSTRIAL PROPERTY RIGHTS AND SIMILAR RIGHTS AND ASSETS AS WELL AS LICENCES**

The assets summarised under this item are depreciated and amortised using the straight-line method over the following periods:

Building cost subsidies: 19-20 years

Computer software: 3-7 years

Technology: 10-13 years

Customer base: 6-10 years

The development of the individual items is shown in the asset history sheets (reporting year and previous year). The technology and customer base items are the result of hidden reserves uncovered as part of first-time consolidations.

## **(2) GOODWILL**

In accordance with IFRS 3, goodwill is not subject to regular amortisation but is instead subjected to an annual impairment test. This process uses the cash flows from the current company budget for the next three years; a continuous growth rate of 1 % is assumed for subsequent periods. The resulting values are discounted using a weighted average cost of capital of 5.7 % (previous year: 7.3 %). This results in a present value (value in use) that is compared to the reported goodwill. The goodwill arising from company acquisitions is distributed among 15 (previous year: 14) cash generating units. No individual goodwill is significant within the meaning of IAS 36.134.

According to the results of the impairment test, an impairment of € 0.5 million was required for PROTOMASTER GmbH as at the reporting date. The residual book value of goodwill comes in at € 1.0 million. The goodwill would have needed to have been impaired by € 0.8 million more had the cost of capital been 0.5 % higher. PROTOMASTER GmbH is assigned to the tool manufacture and mechanical engineering segment.

Goodwill did not need to be written down in the previous year.

This method of determining the cash value follows the relevant IFRS standards; it does not correspond to the method we use to determine company values for the purpose of acquisitions.

The addition is mainly a result of the acquisition of the business operations of Setterstix Corp. and relates to intangible assets that do not meet the criteria for separate recognition.

## **(3) PREPAYMENTS MADE**

The reported amount is related to the acquisition and implementation of software.

## **(4) LAND AND BUILDINGS**

Buildings are always depreciated over a 40 or 50 year period using the straight-line method.

## **(5) TECHNICAL PLANT AND MACHINERY**

Technical plants and machinery are always depreciated over a five to 15 year period using the straight-line method. This balance sheet item also includes equipment under financing leases with a book value (cash value of the lease payments less scheduled depreciation) of € 231 thousand as at the consolidated reporting date (previous year: € 462 thousand). The company is not free to dispose of the assets held under financing lease contracts. These assets are depreciated over their expected useful life.

## **(6) OTHER PLANT, FIXTURES AND FITTINGS**

Other plants, fixtures and fittings are always depreciated over a three to 15 year period using the straight-line method.

## **(7) PREPAYMENTS MADE AND PLANT UNDER CONSTRUCTION**

The amount reported primarily relates to buildings and machinery.

## **(8) PROPERTY HELD AS FINANCIAL INVESTMENTS**

Fixed assets include one investment property (previous year: two investment properties) and generate rental income. Because of the Group's intention to sell, one investment property was reclassified under "assets held for sale" in the reporting year pursuant to the provisions of IFRS 5.

These property is valued at the cost of acquisition less straight-line depreciation on parts of the buildings over the estimated useful life of 40 years. The fair value of this investment property was € 250 thousand (previous year: € 1,817 thousand). The fair value was calculated using the gross rental method and was based on market interest rates of approximately 8.0 % (previous year: 8.0 %). No expert opinions regarding the attributable present values were obtained.

Investment properties, including the assets held for sale, generated rental income in the amount of € 358 thousand (previous year: € 371 thousand) and resulted in directly attributable operating expenditure in the amount of € 124 thousand (previous year: € 145 thousand) and depreciation of € 72 thousand (previous year: € 95 thousand).

## **(9) SHARES IN AFFILIATED COMPANIES**

Shares are held in distribution companies in the USA, Switzerland, South Africa and Ukraine.

## (10) SHARES IN COMPANIES VALUED AT EQUITY

Positive results of companies valued at equity are reported as additions on the Group asset history sheet. A share of a loss, dividend distributions and the sale of shares are reported under dispositions.

Currency translation differences are included in equity without affecting income.

Depreciation and the share of income for companies valued at equity are reported on the income statement under income from investments in companies valued at equity.

The following table depicts significant **financial information** for companies valued at equity: total values without consideration for the share held by the Group. Gluckstahl Ltda., Brazil is not included as at 31 March 2015 as business operations were terminated.

€'000	31.03.2015	31.03.2014
Assets	15,839	14,851
Liabilities	9,862	9,771
Sales	20,434	20,020
Net profit	493	247

## (11) INVESTMENTS

Companies of minor significance are reported under investments.

## (12) RECEIVABLES AND OTHER ASSETS

Receivables and other assets are measured at fair value on initial recognition. These are subsequently measured at amortised cost, taking into account commensurate allowances.

Other assets consist of the following:

€'000	31.03.2015	31.03.2014
<b>Non-current</b>		
Loan receivables	2,116	2,341
Miscellaneous	1	3
<b>Total</b>	<b>2,117</b>	<b>2,344</b>



Most of the loan receivables resulted from financing the acquisition of minority shares by the managers of the respective subsidiaries and are secured by pledging the shares. The loans have an initial term of up to ten years and are subject to interest at market rates.

€'000	31.03.2015	31.03.2014
<b>Non-current</b>		
Loan receivables	129	158
Income tax refund claims	4,605	4,441
Tax prepayments	2,726	1,173
Derivative financial instruments	0	116
Claims arising from purchase price adjustments	359	965
Miscellaneous	1,680	1,615
<b>Total</b>	<b>9,499</b>	<b>8,468</b>

The decrease in value of other financial assets is as follows:

€'000	2014/2015	2013/2014
<b>As at 01.04.</b>	<b>21</b>	<b>24</b>
Reversals	-2	-3
<b>As at 31.03.</b>	<b>19</b>	<b>21</b>
(specific adjustments out of this amount)	(19)	(21)

### Trade receivables

Trade receivables are non-interest-bearing and are due within 12 months.

The decrease in value of trade receivables developed as follows:

€'000	2014/2015	2013/2014
<b>As at 01.04.</b>	<b>1,635</b>	<b>1,794</b>
Claims	-230	-100
Reversals	-176	-226
Additions	806	167
<b>As at 31.03.</b>	<b>2,035</b>	<b>1,635</b>
(specific adjustments out of this amount)	(1.337)	(813)

Allowances were recorded in specific cases under consideration of the credit rating, economic situation and economic environment of the respective business partners.

The maturity structure of receivables before allowances is as follows:

€'000	Book value	Not due	overdue up to ... days				
			30	60	90	180	over 180
31.03.2015	57,148	42,105	8,436	1,977	657	1,867	2,106
31.03.2014	67,152	50,840	10,153	1,580	1,202	2,103	1,274

### Amounts owed by companies valued at equity

The decrease in the value of receivables from companies valued at equity developed as follows:

€'000	2014/2015	2013/2014
<b>As at 01.04.</b>	<b>946</b>	<b>0</b>
Reversals	-28	0
Additions	0	946
<b>As at 31.03.</b>	<b>918</b>	<b>946</b>
(specific adjustments out of this amount)	(918)	(946)

### (13) DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes are determined and reported at 30.5 % (previous year: 30.5 %) of the timing differences between the valuation of assets and liabilities in the IFRS financial statements and financial statements for tax purposes as well as realisable loss carry-forwards. The deferred taxes reported on the balance sheet result from the following balance sheet items and loss carry-forwards:

€'000	31.03.2015		31.03.2014	
	Deferred taxes		Deferred taxes	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	1,656	1,446	1,769	1,767
Property, plant and equipment	187	3,956	210	4,969
Inventories	74	478	118	147
Pension provisions	2,425	0	1,743	0
Other provisions	326	43	573	55
Liabilities	419	0	469	0
Tax loss carry-forwards	1,478	0	1,571	0
Other	349	270	216	170
	<b>6,914</b>	<b>6,193</b>	<b>6,669</b>	<b>7,108</b>
Net figure <sup>1)</sup>	-3,768	-3,768	-3,612	-3,612
<b>Total</b>	<b>3,146</b>	<b>2,425</b>	<b>3,057</b>	<b>3,496</b>

<sup>1)</sup> Deferred tax assets and liabilities are offset when the creditor, debtor and term are the same.

Deferred taxes on loss carry-forwards are capitalised if the future realisation of these potential tax reductions within a five-year planning horizon is reasonably certain on the reporting date. Deferred tax assets in the amount of approximately € 3,489 thousand (previous year: € 747 thousand) from loss carry-forwards for tax purposes were not reported since it is not considered very likely that a trade tax will be applied within a period of five years.

## (14) INVENTORIES

Write-downs are distributed among the individual items as follows:

€'000	Raw materials and supplies		Unfinished products and services		Finished products and services		Prepayments made		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Cost of acquisition or manufacture	24,975	24,170	55,275	44,166	63,959	60,301	698	443	144,907	129,080
Write-downs	2,327	2,184	2,818	2,652	4,630	5,076	0	0	9,775	9,912
<b>As at 31.03.</b>	<b>22,648</b>	<b>21,986</b>	<b>52,457</b>	<b>41,514</b>	<b>59,329</b>	<b>55,225</b>	<b>698</b>	<b>443</b>	<b>135,132</b>	<b>119,168</b>

## (15) SECURITIES

Securities reported under current assets are highly liquid and not subject to material fluctuations in value.

## (16) CREDIT BALANCES WITH FINANCIAL INSTITUTIONS

This item mainly consists of short-term fixed deposits and current account credit balances denominated in Euros and held by various banks. A partial amount of the reported deposit in the amount of € 2,023 thousand (previous year: € 601 thousand) has been pledged to a financial institution.

## (17) ASSETS HELD FOR SALE

The assets reported in this item include the assets reclassified at book value under “investment properties” pursuant to the provisions of IFRS 5. It was resolved in September 2014 to dispose of the property, probably in the first half of 2015. The result included in the income statements amounts to € 49 thousand. The asset is allocated to the other/consolidation segment.

€'000	31.03.2015	31.03.2014
<b>Assets held for sale</b>	<b>1,502</b>	<b>0</b>
of which current excluding liquid assets	1,502	0
of which liquid assets	0	0
<b>Liabilities held for sale</b>	<b>0</b>	<b>0</b>

## (18) EQUITY CAPITAL

The **subscribed capital** of the Group equals the subscribed capital of GESCO AG and totals € 8,645 thousand divided into 3,325,000 registered shares with full voting and dividend rights.

The Annual General Meeting on 30 August 2012 authorised the Executive Board to increase the company's share capital once or several times by a total of € 864,500.00 until 29 August 2015 with the consent of the Supervisory Board by issuing new registered shares in exchange for cash. Subscription rights may be excluded in certain cases. No use of this authorisation has been made to date.

The Annual General Meeting on 2 September 2010 authorised the company to acquire up to ten out of every hundred shares of the share capital until 1 September 2015 under consideration of own shares already held. Subject to the approval of the Supervisory Board and under certain conditions, the Executive Board is also authorised to dispose of the acquired shares in a manner other than via the stock exchange or by offering them to all shareholders, to use them for the purpose of acquiring companies or investments, or to retract some or all of them. The Executive Board has not made use of this authorisation to date. The Group acquired a small number of treasury shares for the annual employee share scheme within the scope of a share acquisition pursuant to Section 71 para. 1 No. 2 of the Stock Corporation Act (AktG). GESCO AG held 241 treasury shares as at the reporting date.

**Shares in circulation** and **own shares** developed as follows:

	Shares in circulation	Own shares held	
	No.	No.	Share of the share capital in %
<b>As at 01.04.2013</b>	<b>3,324,521</b>	<b>479</b>	<b>0.01</b>
Purchases	-11,000	11,000	0.33
Employee share scheme	11,242	-11,242	0.34
<b>As at 31.03.2014</b>	<b>3,324,763</b>	<b>237</b>	<b>0.01</b>
Purchases	-12,000	12,000	0.36
Employee share scheme	11,996	-11,996	0.36
<b>As at 31.03.2015</b>	<b>3,324,759</b>	<b>241</b>	<b>0.01</b>

In the past, the company offered an employee share scheme limited to approximately two months in the second half of the calendar year after the respective Annual General Meeting. The purpose of this scheme was to provide employees of GESCO Group with the opportunity to acquire GESCO AG shares at a discount from the market price. Shares with a total value of € 791 thousand (previous year: € 841 thousand) disposed of under the employee share scheme were issued to employees at a total selling price of € 504 thousand (previous year: € 571 thousand). The discount granted to employees was included in other operating expenditure. The proceeds from the sale were used to pay off liabilities.

Most of the **capital reserve** of € 54,662 thousand (previous year: € 54,662 thousand) is the result of shares issued at a premium.

The Annual General Meeting of GESCO AG on 2 September 2010 authorised the company to acquire own shares according to Section 71 para. 1 No. 8 AktG and to use these shares for the stock option programme launched in September 2010. Beneficiaries include the Executive Board and a small group of management employees of GESCO AG.

GESCO AG reserves the right to provide partial or full cash compensation for gains under the programme instead of issuing some or all of the shares. The Supervisory Board of GESCO AG initiated the eighth tranche in September 2014. A total of 20,200 options were issued to members of the Executive Board and management employees of GESCO AG. The gains under the programme can either be paid out half in cash and half in GESCO shares, or the full amount in cash. However, in the event that the full amount is paid out in cash, beneficiaries are required to purchase GESCO shares valued at least half of the amount paid.

Non-cash expenditure under this programme is determined using a common binomial model, recorded in earnings and recognised in liabilities. The model assumes volatility of 25.7 % and a risk-free interest rate of 0.40 %; the exercise price of the options issued in September 2014 is € 73.57. The waiting period is four years and two months after the option is issued; after the end of the waiting period, the options may be exercised at any time up to 15 March of the year after next. The fair value per option on the issue date is € 7.59. These annual financial statements are the first to include the expenditure (€ 24 thousand) resulting from the stock option programme initiated in the reporting year for a seven-month period. Total expenditure for the fifth to eighth tranche amounted to € 319 thousand in the reporting year; in the previous year, total expenditure was € 289 thousand. Liabilities came to € 468 thousand as at the reporting date.

The key **terms and conditions of the stock option programme** are summarised in the following table:

	<b>Tranche</b>			
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
End of waiting period	28.10.2018	25.09.2017	31.10.2016	22.09.2015
End of term	15.03.2020	15.03.2019	15.03.2018	15.03.2017
Exercise price	€ 73.57	71.93	65.10	67.64
No. of options issued	20,200	20,200	24,000	24,000
Profit limit per option	€ 36.79	35.97	32.55	33.82
Fair value per option as at the reporting date 31.03.2015	€ 8.63	8.82	11.23	9.72
Fair value per option as at the time of issue	€ 7.59	8.94	8.15	9.49

The development of **claims arising from the stock option plan** is as follows:

	<b>2014/2015</b>		<b>2013/2014</b>	
	<b>No. of options</b>	<b>Weighted average exercise price €</b>	<b>No. of options</b>	<b>Weighted average exercise price €</b>
Outstanding options 01.04.	92,200	61.41	72,000	58.46
In the financial year				
granted	20,200	73.57	20,200	71.93
returned	0		0	
exercised	-24,000	42.65	0	
expired	0		0	
Outstanding options 31.03.	88,400	69.28	92,200	61.41
Options that can be exercised 31.03.	0		0	

The company settled any profits for options already exercised in cash.

During the reporting year, **revenue reserves** increased by net earnings for the year in the amount of € 12,350 thousand as well as due to the partial disposal of shares in subsidiaries without a change in status (€ 367 thousand). The figure was reduced by the dividend of € 7,314 thousand (€ 2.20 per share) for the previous year as well as by the effect on the share price arising from the sale of own shares of € 37 thousand for the employee share scheme.

In addition to exchange equalisation items and currency hedging transactions that do not affect income, **other comprehensive income** also includes the effects from actuarial gains and losses from pension obligations that do not impact income.

The **proposed dividend** per share was € 1.75 as at the financial statement preparation date. With 3,324,759 shares currently issued and outstanding, the proposed dividend payout is € 5,818 thousand. This dividend payout has no income tax consequences for the company.

GESCO AG's **capital management** serves to ensure the going-concern assumption as well as income and payments for the shareholders, which will also be assisted by the further optimisation of the capital structure. Interest-bearing debt capital (pension provisions and financial liabilities) less liquid assets amounted to € 96.6 million (previous year: € 73.2 million). The share of equity in the interest-bearing total capital of € 279.4 million (€ 249.8 million) was 65.4 % (previous year: 70.7 %).

## (19) MINORITY INTERESTS

Minority interest consists of capital and earnings interests in the incorporated companies and partnerships. Minority interest in the incorporated companies is reported under equity and is mainly the result of investments in C.F.K. CNC-Fertigungstechnik Kriftel GmbH, Dörrenberg Edelstahl GmbH and its subsidiaries, Hubl GmbH, Frank Walz- und Schmiedetechnik GmbH, MAE-EITEL, Inc., PROTOMASTER GmbH, SVT GmbH, VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH, Herschbach GmbH as well as WBL Holding GmbH and its subsidiaries.

In accordance with IAS 32, minority interest in partnerships is included under non-current liabilities. It is the result of investments in AstroPlast Kunststofftechnik GmbH & Co. KG, Franz Funke Zerspanungstechnik GmbH & Co. KG, Haseke GmbH & Co. KG as well as Georg Kesel GmbH & Co. KG.

No significant minority interest in subsidiaries are included in the consolidated financial statements.



## (20) PROVISIONS

**Pension provisions** are based on salary-dependent direct benefits for managing employees and members of the Executive Board as well as fixed pension benefits for certain employees. Increases for some of the pension plans for managing employees are based on the benefit plans of the Essener Verband. Pension provisions refer exclusively to the defined benefit plans and are calculated according to the projected unit credit method under IAS 19.

Liability insurance policies obtained to finance pension obligations qualify as plan assets and are recorded at the value of the obligation if the insurance benefits coincide with the payments to entitled employees and are paid to the employees in case the employer becomes insolvent. The fair value of plan assets corresponds to the cash value of the underlying obligations.

The **projected unit credit of pension obligations** has developed as follows:

€'000	2014/2015	2013/2014
<b>As at 01.04.</b>	<b>15,566</b>	<b>16,003</b>
Service expenditure	212	203
Interest costs	532	533
Pension annuities paid	-862	-897
Actuarial gains/losses	2,345	-276
<b>As at 31.03.</b>	<b>17,793</b>	<b>15,566</b>

**Development of plan assets** (liability insurance):

€'000	2014/2015	2013/2014
<b>As at 01.04.</b>	<b>658</b>	<b>654</b>
Employer contributions	32	40
Benefits paid	-48	-48
Actuarial losses	10	12
<b>As at 31.03.</b>	<b>652</b>	<b>658</b>

**Pension provisions** are derived as follows:

€'000	2015	2014
Projected pension obligations	17,793	15,566
Plan assets (liability insurance)	-652	-658
<b>As at 31.03.</b>	<b>17,141</b>	<b>14,908</b>

### Asset coverage of pension obligations:

€'000	31.03.2015		31.03.2014	
	Pension commitments	Plan assets	Pension commitments	Plan assets
Without asset cover	17,043	0	14,809	0
Some asset cover	750	652	757	658
<b>As at 31.03.</b>	<b>17,793</b>	<b>652</b>	<b>15,566</b>	<b>658</b>

### Pension costs consist of the following:

€'000	2014/2015	2013/2014
Service expenditure	212	203
Interest accruing on expected pension obligations	532	533
	<b>744</b>	<b>736</b>

The calculations are based on biometric core values according to Prof. Dr. Klaus Heubeck (2005 G) and the following **actuarial assumptions**:

	2014/2015	2013/2014
Interest rate	2.15 %	3.50 %
Increase in salaries	2.75 %	3.00 %
Increase in pensions	1.75 %	2.00 %
Staff turnover	1.00 %	1.00 %

The development of **pension obligations and fund assets** is shown in the following table:

€'000	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011
Pension commitments	17,793	15,566	16,003	12,904	10,055
Plan assets	-652	-658	-654	-708	-747
Funded status	17,141	14,908	15,349	12,196	9,308

Expected contribution payments for financial year 2015/2016 are € 32 thousand.

Expected future pensions are as follows:

€'000	2015/16	2016/17- 2019/20	2020/21- 2024/25
Expected future pensions	869	3,488	4,701

Of the above-mentioned actuarial assumptions, the interest rate in particular has a material impact on the measurement of pension obligations as at the reporting date. Had the discount factor for otherwise constant other assumptions been 100 basis points higher or lower as at the reporting date, pension obligations would have been € 2,155 thousand lower (previous year: € 1,721 thousand) or € 2,707 thousand higher (previous year: € 2,138 thousand).

The composition and development of **other provisions** is shown in the following table:

€'000	As at 01.04.2014	Utilisation	Addition/ new creation	Release	As at 31.03.2015
<b>Non-current</b>					
Purchase price annuity obligation	593	-57	50	0	586
<b>Total</b>	<b>593</b>	<b>-57</b>	<b>50</b>	<b>0</b>	<b>586</b>
<b>Current</b>					
Sewer renovation	880	0	0	0	880
Guarantees and warranties	4,062	-839	1,084	-249	4,058
Cost of annual financial statements	842	-757	826	-21	890
Follow-up costs	1,854	-1,120	2,192	-20	2,906
Taxes and incidental tax expenses	1,085	0	156	-86	1,155
Impending losses	442	-442	2,995	0	2,995
Miscellaneous	651	-214	314	-37	714
<b>Total</b>	<b>9,816</b>	<b>-3,372</b>	<b>7,567</b>	<b>-413</b>	<b>13,598</b>

The purchase price annuity obligation resulted from the acquisition of shares in a subsidiary and is reported at the projected unit credit according to IAS 19.

## (21) LIABILITIES

€'000	As at 31.03.2015 (31.03.2014)	Residual term up to 1 year	Residual term up to 5 years	Residual term > 5 years
Liabilities to financial institutions	114,457	35,462	50,454	28,541
	(96,881)	(31,971)	(48,827)	(16,083)
Trade creditors	14,067	14,067	0	0
	(14,581)	(14,581)	(0)	(0)
Payments received on account of orders	27,149	27,149	0	0
	(25,513)	(25,513)	(0)	(0)
Liabilities to affiliated companies	0	0	0	0
	(3)	(3)	(0)	(0)
Liabilities to companies valued at equity	81	81	0	0
	(7)	(7)	(0)	(0)
Other liabilities	28,326	26,842	1,467	17
	(34,400)	(32,573)	(1,805)	(22)
<b>Total</b>	<b>184,080</b>	<b>103,601</b>	<b>51,921</b>	<b>28,558</b>
	<b>(171,385)</b>	<b>(104,648)</b>	<b>(50,632)</b>	<b>(16,105)</b>

Liabilities with a remaining term of up to one year are as follows:

€'000	As at 31.03.2015 (31.03.2014)	Residual term up to 30 days	Residual term 30 to 90 days	Residual term 90 to 360 days
Liabilities to financial institutions	35,462	19,081	2,370	14,011
	(31,971)	(20,979)	(1,488)	(9,504)
Trade creditors	14,067	12,445	1,209	413
	(14,581)	(13,831)	(646)	(104)
Payments received on account of orders	27,149	3,233	3,714	20,202
	(25,513)	(2,865)	(3,691)	(18,957)
Liabilities to affiliated companies	0	0	0	0
	(3)	(3)	(0)	(0)
Liabilities to companies valued at equity	81	81	0	0
	(7)	(7)	(0)	(0)
Other liabilities	26,842	13,663	5,068	8,111
	(32,573)	(12,960)	(5,354)	(14,259)
<b>Total</b>	<b>103,601</b>	<b>48,503</b>	<b>12,361</b>	<b>42,737</b>
	<b>(104,648)</b>	<b>(50,645)</b>	<b>(11,179)</b>	<b>(42,824)</b>

Liabilities to financial institutions and bank guarantee lines of credit are mainly secured by:

€'000	31.03.2015	31.03.2014
Load charges	49,236	46,751
of which on investment properties	0	4,090
of which on assets held for sale	4,090	0
Book value of existing property and property under construction	50,540	46,601
Assignment of		
moveable fixed assets	19,156	17,504
inventories	3,253	7,542
Assignment of receivables	5,339	6,728

Shares in subsidiaries with a total book value of € 47,435 thousand (previous year: € 46,222 thousand) have also been pledged.

€ 89,836 thousand (previous year: € 83,261 thousand) of the liabilities to financial institutions result from long-term loans of domestic companies with fixed repayment terms and a remaining term between one and 20 years (previous year between one and 20 years).

Interest rates for the Euro loans vary between 0.68 % and 6.10 % (previous year: 0.50 % and 6.10 %). These interest rates correspond to the market rates for the respective loans and companies. Other liabilities to financial institutions consist of current accounts.

**Other liabilities** consist of the following:

€'000	31.03.2015	31.03.2014
Wages, salaries, social security	13,740	14,510
Other taxes	3,324	3,300
Income taxes	3,079	4,140
Outstanding incoming invoices	2,326	2,259
Finance leasing	262	505
Purchase price commitments company acquisitions	228	4,605
Miscellaneous liabilities	5,367	5,081
<b>Total</b>	<b>28,326</b>	<b>34,400</b>

Most of the other liabilities result from current liabilities owed to third parties. Wage, salary and social security liabilities include partial retirement and anniversary obligations in the amount of € 572 thousand (previous year: € 681 thousand) that will be due in more than one year.

## INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

MAE-EITEL INC. was included in the income statement for financial year 2014/2015 for the first time for a 12-month period. Setterstix Inc. is not yet included in the reporting year.

### (22) SALES REVENUES

Sales revenue is recognised with the transfer of liabilities and benefits related to the assets that are sold. For more information, please consult the section on segment reporting.

### (23) OTHER COMPANY PRODUCED ADDITIONS TO ASSETS

This item mainly consists of reportable expenditure for a riveting and gluing cell as well as technical equipment and tools.

### (24) OTHER OPERATING INCOME

Other operating income breaks down as follows:

€'000	2014/2015	2013/2014
Income from writing back/utilising provisions	2,622	3,324
Price gains	948	131
Income from public subsidies	73	180
Income from the reversal of value adjustments and from the payment of receivables previously written off	331	353
Income from the disposal of fixes assets	272	309
Income from insurance refunds	101	184
Income from payments in kind	709	617
Income from licences	200	245
Miscellaneous	1,391	1,234
<b>Total</b>	<b>6,647</b>	<b>6,577</b>

### (25) MATERIAL EXPENDITURE

Material expenditure includes:

€'000	2014/2015	2013/2014
Expenditure on raw materials and supplies and goods supplied	203,361	195,802
Expenditure on services purchased	32,783	31,409
<b>Total</b>	<b>236,144</b>	<b>227,211</b>



## (26) PERSONNEL EXPENDITURE

Personnel expenditure includes:

€'000	2014/2015	2013/2014
Wages and salaries	110,844	103,559
Social security contributions/expenditure on pensions and benefits	20,617	19,226
<b>Total</b>	<b>131,461</b>	<b>122,785</b>

The interest on pension provisions is included under interest and similar expenditure.

## (27) OTHER OPERATING EXPENDITURE

Other operating expenditure breaks down as follows:

€'000	2014/2015	2013/2014
Operating expenditure	24,065	22,550
Administrative expenditure	8,635	6,382
Expenditure on distribution	18,148	18,637
Miscellaneous expenditure	9,783	7,038
of which allowances on receivables and other assets	806	1,137
<b>Total</b>	<b>60,631</b>	<b>54,607</b>

## (28) DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Depreciation on property, plant and equipment and amortisation on intangible assets is reported in the Group asset history sheet. Additional information can be found in the notes regarding the corresponding balance sheet items.

## (29) TAXES ON INCOME AND EARNINGS

Actual taxes on income and earnings as well as deferred taxes are reported as income tax. Income tax breaks down as follows:

€'000	2014/2015	2013/2014
Actual taxes	10,747	10,846
Deferred taxes	-346	-1,585
<b>Total</b>	<b>10,401</b>	<b>9,261</b>

The reconciliation between budgeted income tax expenditure based on a tax rate of 30.5 % (previous year: 30.5 %) and actual income tax expenditure reported on the income statement is as follows:

€'000	2014/2015	2013/2014
<b>Group result before income tax</b>	<b>24,553</b>	<b>29,018</b>
Anticipated income tax expenditure	-7,489	-8,850
Permanent differences arising on expenditure which is not tax deductible	-229	-325
Income tax for different reporting periods	119	-154
Consolidation effects	-127	-177
Temporary differences from losses for which no deferred tax assets have been recognised	-2,708	0
Differences in tax rates	156	161
Miscellaneous	-123	84
<b>Total</b>	<b>-10,401</b>	<b>-9,261</b>

The capitalisation of deferred taxes on tax loss carry-forwards led to a tax obligation of € 0.1 million (previous year: tax asset of € 0.5 million) in the 2014/2015 reporting year.

### (30) EARNINGS PER SHARE

According to IAS 33, earnings per share are calculated by dividing the Group net earnings attributable to shareholders by the weighted average number of shares issued and outstanding:

	2014/2015	2013/2014
Group net income (€'000)	12,350	18,121
Weighted number of shares (number)	3,323,307	3,324,386
<b>Earnings per share in accordance with IAS 33 (€)</b>	<b>3.72</b>	<b>5.45</b>

There are no factors that would cause dilution.

### (31) OTHER COMPREHENSIVE INCOME

The actuarial gains and losses from pension obligations contained in this item and currency hedging transactions were reduced by income taxes of € 784 thousand (previous year: € 22 thousand).

## INFORMATION ON THE CASH FLOW STATEMENT

In accordance with IAS 7 (Statement of Cash Flows), the **cash flow statement** shows the movement in the inflows and outflows of funds in the Group during the reporting year. The financial resources portfolio includes credit balances held by financial institutions (€ 35,251 thousand; previous year: € 38,815 thousand) and securities (€ 5 thousand; previous year: € 0 thousand).

Cash flow from investment activity includes € 116 thousand (previous year: € 205 thousand) in unpaid investments.

The company paid and received the following cash flows during the financial year:

€'000	2014/2015	2013/2014
Interest paid	2,721	2,154
Interest received	194	320
Dividends received	344	57
Taxes paid	11,182	14,703

## INFORMATION ON THE SEGMENT REPORTING

The companies are assigned to segments according to their respective field of activity. Companies in the **tool manufacture and mechanical engineering segment** mainly focus on the production of machines and tools as well as the provision of related services. The **plastics technology segment** includes plastic processing companies that manufacture injection-moulded plastic parts as well as plastic and paper sticks.

The **GESCO AG** segment comprises the activities of GESCO AG as an investment holding company. Companies that are not assigned to any other segment as well as consolidation effects and reconciliations to the corresponding Group values are reported in the **other/consolidation segment**.

There are no material **business relationships** between the segments.

**Segment investments** relate to intangible assets (excluding goodwill) as well as property, plant and equipment.

The **evaluation of the results** of the reportable segments is based on German commercial law. The conversion to international accounting standards occurs in the other/consolidation segment. **Group EBIT** can be derived from Group net earnings for the year based on the consolidated income statement.

**Sales revenues** are divided by **region** as follows:

	2014/2015		2013/2014	
	€'000	%	€'000	%
Germany	303,597	67.2	300,263	66.2
Europe (excluding Germany)	75,792	16.8	81,907	18.1
Other	72,045	16.0	71,166	15.7
<b>Total</b>	<b>451,434</b>	<b>100.0</b>	<b>453,336</b>	<b>100.0</b>

Displaying information on sales revenues from products and services pursuant to IFRS 8.32 would incur disproportionate effort and expense due to the diverse range of products and services.

**Non-current assets** (only intangible assets and property, plant and equipment) broken down by **region** are as follows:

	2014/2015		2013/2014	
	€'000	%	€'000	%
Germany	144,463	91.1	133,845	96.0
Other regions	14,191	8.9	5,602	4.0
<b>Total</b>	<b>158,654</b>	<b>100.0</b>	<b>139,447</b>	<b>100.0</b>

## OTHER INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

### RESEARCH AND DEVELOPMENT COSTS

Research and development costs are treated as current expenditure. No capitalisation was required. Research and development costs totalled approximately 2 % of sales in both financial years.

### INFORMATION ON FINANCIAL INSTRUMENTS

The **book values of the financial instruments** are divided into the following classes:

€'000	Book value		Fair value	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Trade receivables	55,113	65,517	55,113	65,517
Other receivables	7,621	7,427	7,621	7,27
of which hedging instruments	0	116	0	116
Cash and cash equivalents	35,251	38,815	35,251	38,815
Securities	5	0	5	0
<b>Financial assets</b>	<b>97,990</b>	<b>111,759</b>	<b>97,990</b>	<b>111,759</b>
Trade payables	14,067	14,581	14,067	14,581
Liabilities to financial institutions	114,457	96,881	114,457	96,881
Other liabilities	52,993	56,983	52,993	56,983
of which hedging instruments	562	293	562	293
<b>Financial liabilities</b>	<b>181,517</b>	<b>168,445</b>	<b>181,517</b>	<b>168,445</b>

**Hedging instruments** at fair value **are measured** using the market price method, taking into account generally observable input parameters (such as exchange and interest rates). This method is the equivalent of Level 2 pursuant to IFRS 13.81 et seq.

The following table shows the **assignment of assets and liabilities to categories according to IAS 39**:

€'000	Balance sheet amount		Fair value		Net result on the income statement	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Loans and receivables	97,990	111,759	97,990	111,759	176	244
Assets available for sale	0	0	0	0	0	3
<b>Financial assets</b>	<b>97,990</b>	<b>111,759</b>	<b>97,990</b>	<b>111,759</b>	<b>176</b>	<b>247</b>
Liabilities held for trading	562	293	562	293	80	225
Other financial liabilities	180,955	168,152	180,955	168,152	-2,566	-2,372
<b>Financial liabilities</b>	<b>181,517</b>	<b>168,445</b>	<b>181,517</b>	<b>168,445</b>	<b>-2,486</b>	<b>-2,147</b>

The net result mainly includes interest, dividends as well as income and expenditure from derivative financial instruments.

## CONTINGENT LIABILITIES

Investment projects initiated during the reporting year resulted in commitments in the amount of € 5,957 thousand (previous year: € 3,562 thousand). These investments will be concluded in financial year 2015/2016.

Various companies in GESCO Group are required to maintain specific covenants.

There are no ongoing legal disputes that are expected to result in a material effect on income in excess of the provisions that have already been established. The guarantees received are within industry standards. Where claims are expected, provisions have been established for the expected amounts based on current information.

## RENTAL AND LEASE AGREEMENTS

The following payment obligations exist for finance lease arrangements:

€'000	Total	2015/16	2016/17- 2019/20	2020/21 & following years
Minimum lease payments	273	273	0	0
Discounting amount	11	11	0	0
<b>Cash amount</b>	<b>262</b>	<b>262</b>	<b>0</b>	<b>0</b>

Some of the lease agreements contain purchase options to acquire the leased items at the end of the lease term.

Rental and lease agreements (operating leases) have been concluded for buildings as well as other plant, fixtures and fittings. Related rental and lease payments amounted to € 3,535 thousand for the reporting year (previous year: € 3,674 thousand).

Due dates for the minimum lease payments arising from operating leases and rental agreements are as follows:

€'000	2014/2015	2013/2014
Up to one year	3,739	3,179
One to five years	7,537	6,404
Over five years	4,816	5,311
<b>Total</b>	<b>16,092</b>	<b>14,894</b>

Some of the lease agreements contain purchase options to acquire the leased items at the end of the lease term.

## RISK MANAGEMENT

In order to recognise risks as early as possible and initiate compensating measures, GESCO Group implemented a Group-wide risk management system in 1999. Detailed information regarding risks and opportunities can be found in the Group management report.

The GESCO Group is exposed to **financial instrument risk** in the form of credit risk, liquidity risk and market price risk. All types of risk may affect the assets, financial position and earnings of the Group.

**Credit risk** mainly affects trade receivables.

**Liquidity risk** refers to the risk of being unable to meet payment obligations as they come due.

**Market price risk** mainly consists of exchange rate changes relating to business operations as well as interest rate and exchange rate changes related to financing.

Since the type and scope of the respective risks affects every company differently, the management of these risks is defined separately for each company in the Group. Most risk management activities are implemented as part of business operations and financing activities.

Information on the individual risk categories:

### 1. CREDIT RISK

Credit risk consists of the potential for an economic loss when a contractual partner does not pay on time or fails to meet all or part of the payment obligations. Great emphasis is placed on the management of trade receivables within the Group. The receivables are highly diversified; there are no debtors that owe more than 10 % of the Group's receivables portfolio. The type and extent of credit insurance coverage depends on the credit rating of the respective customer. Commonly used instruments include export insurance, letters of credit, credit insurance, prepayments, guarantees, bonds and the retention of title. The risk of default for the Group is limited to the ordinary business risk. Allowances for doubtful accounts were established for identifiable default risks. Counterparty risk for derivative financial instruments is limited by only entering into derivative transactions with well-known domestic financial institutions.

The theoretical maximum default risk (credit risk) equals a total loss of the book value of the financial instruments. Based on current information, the default risk for unadjusted financial instruments is low since risk management tools limit the probability of default.

### 2. LIQUIDITY RISK

Cash is managed separately by each company in the Group; there is no centralised cash pooling for the Group. Expected cash flows from business operations as well as financial assets and liabilities are considered for cash management purposes.

Future payments are largely covered by inflows from business operations. Peak financing requirements are covered by the existing liquidity and by lines of credit.



### 3. MARKET PRICE RISK

Market price risk refers to the risk of exchange rate changes related to business operations as well as the risk of interest rate changes related to financing and fluctuations in the market price of securities.

Market price risk due to the **risk of exchange rate changes** is the result of international business relationships. Exchange rate fluctuations are constantly monitored using a variety of information sources. The relationship between the US dollar and the Euro is especially important. The general competitiveness and profitability of specific projects for companies within the Group that have production facilities in the Euro region while issuing invoices in US dollars is naturally affected by changes in the relationship between the US dollar and the Euro.

For significant business transactions, exchange rate risks are hedged by means of forward exchange transactions. These forward exchange transactions may be subject to market price risk to the extent that currencies must be sold at the current spot price on the settlement date. The ultimate purpose of forward transactions is to avoid risks resulting from exchange rate fluctuations. As a result, potential losses due to exchange rate changes are eliminated along with potential gains. The term and scope of these transactions corresponds to the underlying business transactions.

In accordance with IFRS 7, the company prepares a sensitivity analysis for market price risk in order to determine the effects of hypothetical changes to the risk variables. These hypothetical changes are applied to the financial instrument portfolio as at the reporting date. This process assumes that the portfolio as at the reporting date is representative for the entire year.

**Interest rate risk** mainly results from debt financing. According to IFRS 7, interest rate risk is represented by means of a sensitivity analysis. The sensitivity analysis illustrates the effects of hypothetical changes in market interest rates on interest expenditure. Had market interest rates been 100 basis points higher or lower during the reporting year, Group net earnings and consolidated equity after minority interest would have been € 690 thousand (previous year: € 618 thousand) lower or higher.

**Currency risks from the supply of goods and services** are only limited for GESCO Group. For goods supplied by subsidiaries outside the Eurozone, larger orders are almost entirely hedged by forward transactions.

Trade receivables denominated in foreign currencies amounted to € 6,026 thousand (previous year: € 5,133 thousand) as at the reporting date. This corresponds to 10.9 % (previous year: 7.8 %) of total trade receivables. Receivables are denominated in the following currencies:

€'000	2014/2015	2013/2014
US dollar:	4,453	4,332
Pound sterling:	13	0
Taiwanese dollar:	685	92
South African rand:	130	106
Hungarian forint:	10	14
Chinese renminbi yuan:	735	536
Swiss franc:	0	53

A 10% fluctuation in exchange rates as at the reporting date would have affected both equity and Group net earnings after minority interest by either € -326 thousand or € +398 thousand (previous year: € -297 thousand or € +363 thousand).

Forward exchange transactions and foreign currency loans are used to hedge pending sales transactions in USD against exchange rate risks. The fair value of hedging transactions amounted to € -28 thousand as at the reporting date (previous year: € 210 thousand). Other comprehensive income amounted to € -22 thousand after deferred taxes and minority interest (third party) (previous year: € 143 thousand). Cash flows of USD 2.7 million are hedged.

The following cash flows are expected to be due in the following financial years:

USD '000	2015/2016	2016/2017	2017/2018
Expected cash flows	2,120	578	0

Two foreign currency loans in USD were used to hedge against exchange rate risks for the acquisition of the business operations of Setterstix Corp.

## RELATED PARTY DISCLOSURES

Business relationships between fully consolidated and not fully consolidated companies within the Group are conducted under regular market terms and conditions. Receivables from related companies are mainly due from Frank Lemeks TOW, Ukraine. Entrepreneur Stefan Heimöller, elected to GESCO AG's Supervisory Board by the Annual General Meeting on 25 July 2013, maintains business relationships to a minor extent with Dörrenberg Edelstahl GmbH, a 90% subsidiary of GESCO AG, through his company Plate Stahl Umformtechnik GmbH. These business relationships are conducted under regular market terms and conditions.

## EMPLOYEES

The average number of employees was as follows:

	2014/2015	2013/2014
Factory staff	1,450	1,395
Office staff	846	800
Trainees	142	125
<b>Total</b>	<b>2,438</b>	<b>2,320</b>

Marginal part-time employees were converted to the equivalent in full-time employees.

## EXEMPTION REQUIREMENTS FOR GROUP COMPANIES

Since AstroPlast Kunststofftechnik GmbH & Co. KG, Dömer GmbH & Co. KG Stanz- und Umformtechnologie, Franz Funke Zerspanungstechnik GmbH & Co. KG, Haseke GmbH & Co. KG, Georg Kesel GmbH & Co. KG, Modell Technik GmbH & Co. Formenbau KG, Molineus & Co. GmbH + Co. KG, Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Q-Plast GmbH & Co. Kunststoffverarbeitung, Setter GmbH & Co. Papierverarbeitung, IV Industrierwaltungs GmbH & Co. KG and MV Anlagen GmbH & Co. KG have been included in the consolidated financial statements of GESCO AG, they are exempt from the obligation to prepare, audit and publish annual financial statements and a management report in accordance with the applicable regulations for incorporated companies as per Section 264b of the German Commercial Code (HGB).

According to Section 264 para. 3 HGB, MAE Maschinen- und Apparatebau Götzen GmbH is exempt from the obligation to prepare, audit and publish annual financial statements and a management report according to Sections 264 HGB et seq.

## PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for 2014/2015 are to be examined and approved by the Supervisory Board of GESCO AG in its meeting on 3 June 2015 and are then authorised for publication.

The consolidated financial statements will be published on 25 June 2015 in conjunction with an annual accounts press conference and analysts' meeting in Frankfurt am Main.

## CORPORATE GOVERNANCE

The Executive Board and Supervisory Board of GESCO AG comply with the German Corporate Governance Code and have made a Declaration of Compliance available to shareholders on the website of GESCO AG.

The Executive Board holds a total of approximately 0.6 % of company shares. Members of the Supervisory Board hold a total of approximately 13.7 % of company shares.

## AUDITOR

The fee included in expenditure for the financial year amounted to € 148 thousand (previous year: € 143 thousand) for the audit of the annual and consolidated financial statements of GESCO AG, € 219 thousand (previous year: € 0 thousand) for other audit services, € 3 thousand (previous year: € 6 thousand) for tax consulting services and € 8 thousand (previous year: € 15 thousand) for other services.

Fees were also incurred in the amount of € 228 thousand (previous year: € 232 thousand) for the audit of consolidated subsidiaries, € 11 thousand (previous year: € 160 thousand) for other audit services, € 65 thousand (previous year: € 68 thousand) for tax consulting services and € 15 thousand (previous year: € 6 thousand) for other services.

Of the other audit services, € 116 thousand relate to recharged invoices (primarily from Mc Gladrey, USA) in connection with due diligence audits (particularly at Setterstix, Inc., USA).

## EXECUTIVE BODIES OF THE COMPANY

### EXECUTIVE BOARD

**Robert Spartmann, Gevelsberg**

**Member of the Executive Board**

**Dr.-Ing. Hans-Gert Mayrose, Mettmann**

**Member of the Executive Board**

Remuneration received by the Executive Board – distributed among its members – is as follows (previous year):

€'000	Fixed remuneration		Variable remuneration		Stock options		Total	
Robert Spartmann	268	(255)	185	(272)	46	(54)	499	(581)
Dr.-Ing. Hans-Gert Mayrose	256	(244)	185	(272)	46	(54)	487	(570)
<b>Total</b>	<b>524</b>	<b>(499)</b>	<b>370</b>	<b>(544)</b>	<b>92</b>	<b>(108)</b>	<b>986</b>	<b>(1,151)</b>

Each Executive Board member received 6,000 stock options.

By the reporting date, members of the Executive Board achieved an entitlement to the following percentages of their pensions commitments based on their assessment value (most recent fixed salary):

Robert Spartmann 14,5 %

Dr.-Ing. Hans-Gert Mayrose 15,0 %

As at the reporting date, defined benefit obligations (DBO) and changes for 2014/2015 came to:

€'000	Pension commitments		Additions	
Robert Spartmann	792	(558)	234	(29)
Dr.-Ing. Hans-Gert Mayrose	832	(592)	240	(29)
<b>Total</b>	<b>1,624</b>	<b>(1,150)</b>	<b>474</b>	<b>(58)</b>

Remuneration received by a former member of the Executive Board amounted to € 62 thousand in the financial year (€ 60 thousand). To cover this, the company's pension obligations (DBO) amounted to € 832 thousand (€ 797 thousand) as at 31 March 2015.

## SUPERVISORY BOARD

### **Klaus Möllerfriedrich, Düsseldorf** **Chairman, Auditor**

Deputy Chairman of the Supervisory Board:

- TopAgers AG, Langenfeld
- Alexanderwerk AG, Remscheid (until 18 June 2014)

Member of the Supervisory Board:

- Dr. Ing. Thomas Schmidt AG, Cologne
- HINKEL & CIE. Vermögensverwaltungs AG (previously: Artus Asset Management AG), Düsseldorf

### **Rolf-Peter Rosenthal, Wuppertal** **Deputy Chairman,** **Retired bank director**

Deputy Chairman of the Supervisory Board:

- ETRIS Bank GmbH, Wuppertal

Member of the Advisory Board:

- Jackstädt Holding GmbH, Wuppertal
- Coroplast Fritz Müller GmbH & Co. KG, Wuppertal
- Siegfried Leithäuser GmbH & Co. KG, Hamm

### **Stefan Heimöller, Neuenrade** **Managing partner at Plate Stahl Umformtechnik GmbH, Lüdenscheid and at Helios GmbH, Neuenrade**

Remuneration received by the Supervisory Board – distributed among its members – is as follows (previous year):

€'000	Fixed remuneration		Variable remuneration		Total	
Klaus Möllerfriedrich	23	(19)	43	(64)	66	(83)
Rolf-Peter Rosenthal	21	(16)	43	(64)	64	(80)
Willi Back (until 25.07.2013)	0	(6)	0	(20)	0	(26)
Stefan Heimöller (from 25.07.2013)	18	(8)	43	(43)	61	(51)
<b>Total</b>	<b>62</b>	<b>(49)</b>	<b>129</b>	<b>(191)</b>	<b>191</b>	<b>(240)</b>

GESCO AG has obtained a “Directors’ and Officers’ Liability Insurance” (D&O Insurance) policy for Group management. This policy covers, among others, the members of the Executive Board and Supervisory Board of GESCO AG as well as the managers of the subsidiaries. Insurance premiums of € 32 thousand (previous year: € 32 thousand) were paid during financial year 2014/2015.

Wuppertal, 2 June 2015

The Executive Board

R. Spartmann     Dr.-Ing. H.-G. Mayrose

## STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Wuppertal, 2 June 2015

The Executive Board

R. Spartmann     Dr.-Ing. H.-G. Mayrose

## SIGNIFICANT GROUP SHAREHOLDINGS

Fully consolidated companies <sup>1)</sup>	Proportion of capital in %
Alro GmbH, Wuppertal	100
AstroPlast Kunststofftechnik GmbH & Co. KG, Sundern	80
AstroPlast Verwaltungs GmbH, Sundern <sup>2)</sup>	100
C.F.K. CNC-Fertigungstechnik Kriftel GmbH, Kriftel	80
Degedenar Grundstückverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG, Eschborn	100
Dömer GmbH & Co. KG Stanz- und Umformtechnologie, Lennestadt	100
Dömer GmbH, Lennestadt <sup>2)</sup>	100
Dörrenberg Edelstahl GmbH, Engelskirchen	90
Dörrenberg Tratamientos Térmicos SL, Alasua, Navarra, Spain	60
Dörrenberg Special Steels PTE. Ltd., Singapore	90
Dörrenberg International PTE. Ltd., Singapore	90
Doerrenberg Special Steels Taiwan Ltd., Tainan, Taiwan	100
Middle Kingdom Special Steels PTE Ltd., Singapore	60
Jiashan Doerrenberg Mould & Die Trading Co., China	100
Frank Walz- und Schmiedetechnik GmbH, Hatzfeld	90
Frank-Hungaria Kft., Özd, Hungary	100
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern	80
Franz Funke Verwaltungs GmbH, Sundern <sup>2)</sup>	100
Georg Kesel GmbH & Co. KG, Kempten	90
Kesel International GmbH, Kempten	100
Georg Kesel Machinery (Beijing) Co., Ltd., China	100
Kesel & Probst Verwaltungs-GmbH, Kempten <sup>2)</sup>	100
Haseke GmbH & Co. KG, Porta Westfalica	80
Haseke Beteiligungs-GmbH, Porta Westfalica <sup>2)</sup>	100
Hubl GmbH, Vaihingen/Enz	80
MAE Maschinen- und Apparatebau Götzen GmbH, Erkrath	100
MAE International GmbH, Erkrath	100
MAE Machines (Beijing) Co., Ltd., China	100
MAE Amerika GmbH, Erkrath	100
MAE-EITEL INC., Orwigsburg, USA	90
Modell Technik GmbH & Co. Formenbau KG, Sömmerda	100
Modell Technik Beteiligungsgesellschaft mbH, Sömmerda <sup>2)</sup>	100
Molineus & Co. GmbH + Co. KG, Wuppertal	100
Grafic Beteiligungs-GmbH, Wuppertal <sup>2)</sup>	100
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel	100
WM Werkzeug- und Maschinenbau Verwaltungs-GmbH, Kassel <sup>2)</sup>	100
PROTOMASTER GmbH, Wilkau-Haßlau	82.17
Q-Plast GmbH & Co. Kunststoffverarbeitung, Emmerich	100
Q-Plast Beteiligungs-GmbH, Emmerich <sup>2)</sup>	100
Setter GmbH & Co. Papierverarbeitung, Emmerich	100
Setter GmbH, Emmerich <sup>2)</sup>	100
HRP-Leasing GmbH, Emmerich	100
Setter International GmbH, Emmerich	100
Setterstix Inc., Cattaraugus, USA	100
SQG Verwaltungs GmbH, Emmerich	100
SVT GmbH, Schwelm	90



<b>Fully consolidated companies <sup>1)</sup></b>	<b>Proportion of capital in %</b>
IV Industrierwaltungs GmbH & Co. KG, Wuppertal	100
MV Anlagen GmbH & Co. KG, Wuppertal	100
IMV Verwaltungs GmbH, Wuppertal <sup>2)</sup>	100
VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH, Herschbach	80
WBL Holding GmbH, Laichingen	85
Werkzeughau Laichingen GmbH, Laichingen	100
Werkzeughau Leipzig GmbH, Leipzig	100
TM Erste Grundstücksgesellschaft mbH, Wuppertal	100

<b>Companies valued at equity <sup>1)</sup></b>	<b>Proportion of capital in %</b>
Saglam Metal Sanayi Ticaret A.S., Istanbul, Turkey	20
Doerrenberg Special Steels Korea Co. Ltd, Jeongwang-dong, South Korea	50
Tiangong South East Asia Pte Ltd, Singapore	50
Gluckstahl Comercio Importacao e Exportacao Ltda, Sao Paulo, Brazil	50

<b>Companies which are not consolidated <sup>1)</sup></b>	<b>Proportion of capital in %</b>
Connex SVT Inc., Houston, USA	100
MAE.ch GmbH, Unterstammheim, Switzerland	100
Frank Lemeks Tow, Ternopil, Ukraine	75
Papersticks S.A. Ltd., Durban, South Africa	100

<sup>1)</sup> Share capital held directly or via majority shareholdings

<sup>2)</sup> Corporation as the general partner



# AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by GESCO AG comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the financial year from 1 April 2014 to 31 March 2015. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of Section 315a para. 1 of the German Commercial Code (HGB) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit so that material misstatements and infringements affecting the presentation of the assets, financial position and earnings in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and economic and legal environment of the Group as well as expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our assessment.

Our audit did not lead to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements under German commercial law pursuant to Section 315a para. 1 of the German Commercial Code (HGB) and give a true and fair view of the assets, financial position and earnings of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable presentation of the Group's position and the opportunities and risks of future development.

Wuppertal, 2 June 2015

RSM Breidenbach und Partner PartG mbB  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

(Straube)	(Wendlandt)
Auditor	Auditor

# REPORT FROM THE SUPERVISORY BOARD 2014/2015

**GESCO Group recorded a stable order situation in financial year 2014/2015. However, the Russia/Ukraine crisis and restructuring measures at two companies impacted earnings significantly. It goes without saying that we cannot be at all satisfied with this development. Together with the Executive Board, we have implemented measures to improve the situation.**

In this report, the Supervisory Board provides information about its activities in financial year 2014/2015. Reporting focuses on the continuous dialogue with the Executive Board and the audit of the annual financial statements and consolidated financial statements.

## COOPERATION BETWEEN THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

Throughout the reporting year, the Supervisory Board observed the control and advisory tasks incumbent upon it in accordance with German law and the Articles of Association. These tasks included in particular the regular exchange of information with the Executive Board and the supervision of the company's management with regard to its legality, regularity, expediency and economic viability.

The Supervisory Board was directly involved in all decision-making of fundamental importance to the company. The financial position of GESCO AG and the subsidiaries as well as the strategic development of the Group were discussed in detail. The main focal points of the Executive Board and Supervisory Board's discussions included the restructuring measures at two companies, subsidiaries with high levels of investments and the appointment of managers at subsidiaries.

The Executive Board regularly briefed the Supervisory Board both in writing and verbally, promptly and comprehensively on all relevant issues of corporate planning and its strategic development, on the course of transactions, the position of the Group and the individual subsidiaries including the risk situation, as well as on risk management and compliance. The Supervisory Board was also briefed in detail between meetings in the form of written reports on all projects and plans which were of particular importance to the company. The Supervisory Board received detailed reports of the internal control and risk management system from the GESCO AG employee responsible for these areas at its four regular quarterly meetings. As scheduled, the Supervisory Board engaged with the structure and content of this system. In all cases, the members of the Supervisory Board dealt closely with the reports presented to it and contributed its own recommendations. The respective auditors audited the risk management system at GESCO AG and subsidiary level and found them to be in accordance with the rules and appropriate.

During the reporting year, the auditor audited GESCO AG's internal control system including the list of Executive Board transactions requiring the approval of the Supervisory Board on behalf of the Supervisory Board and confirmed in a written report that they were completely appropriate and in accordance with the rules.

SUPERVISORY BOARD –  
KLAUS MÖLLERFRIEDRICH (CHAIRMAN),  
ROLF-PETER ROSENTHAL  
(DEPUTY CHAIRMAN),  
STEFAN HEIMÖLLER (L. TO R.)



Detailed annual plans of certain subsidiaries were submitted to the Supervisory Board and discussed with the Executive Board. Deviations in the course of business from the respective annual plans and objectives were explained to the Supervisory Board in detail and collectively analysed by both the Executive Board and Supervisory Board. The members of the Supervisory Board and the Chairman in particular were also in regular contact with the Executive Board outside Supervisory Board meetings and stayed informed on current trends in the business situation and any significant business transactions. The Supervisory Board thoroughly investigated the reports and proposals for resolutions from the Executive Board and, as far as this was required in accordance with legal and statutory provisions, cast its vote.

In order to gain a better understanding of the individual subsidiaries, the Supervisory Board visits one or two subsidiaries per year together with the Executive Board. Major, strategic investments at subsidiaries are also associated with on-site visits and in-depth discussions. The Supervisory Board also used the opportunity of a direct exchange of ideas with the individual managers of subsidiaries of GESCO AG during the management meeting of GESCO Group in December 2014.

GESCO AG's acquisition plans were extensively discussed by the Supervisory and Executive Boards. In the run-up to an acquisition, target companies are also appraised at their locations by a Supervisory Board member.

In financial year 2014/2015, the Supervisory and Executive Boards once again worked together to engage with GESCO Group's strategic objectives and their realisation.

## ORGANISATION OF THE SUPERVISORY BOARD

The Supervisory Board of GESCO AG consists solely of shareholder representatives who are elected by the Annual General Meeting. Supervisory Board members in the reporting year were Klaus Möllerfriedrich (Chairman), Rolf-Peter Rosenthal (Deputy Chairman) and Stefan Heimöller.

The Supervisory Board of GESCO AG has consciously been kept small with three members in order to facilitate efficient work and intensive discussions both in strategic and detailed issues by the entire Supervisory Board. The Supervisory Board therefore believes that it is not sensible or appropriate to create Supervisory Board committees. This also applies to an accounting committee, whose tasks continue to be carried out by the entire Supervisory Board. Supervisory Board committees were therefore not created in financial year 2014/2015.

## MEETINGS AND RESOLUTIONS OF THE SUPERVISORY BOARD

In light of the restructuring measures, the Supervisory Board intensified its activities in financial year 2014/2015. A total of 16 Supervisory Board meetings took place. All members of the Supervisory Board, with two exceptions, attended each of these meetings. The Supervisory Board's resolutions were passed at the meetings that all members of the Supervisory Board attended. The Supervisory Board discussed and, if required, passed resolutions on the following issues in particular:

Meeting of 10 April 2014:

Organisation of GESCO, guidance for 2014/2015, acquisition matters

Meeting of 21 May 2014:

Corporate law matters, the current situation of specific subsidiaries

Meeting of 26 May 2014:

Internal control system and risk management, current economic performance of GESCO Group, audit of annual financial statements and consolidated financial statements as at 31 March 2014

Meeting of 28 May 2014:

Approval of financial statements, appointment of the Supervisory Board

Meeting of 11 July 2014:

Setterstix acquisition, current situation of specific subsidiaries

Meeting of 25 July 2014:

Current situation of specific subsidiaries

Meeting of 25 August 2014:

Internal control system and risk management, current economic performance of GESCO Group, preparations for the Annual General Meeting, appointment of the Supervisory Board

Meeting of 17 September 2014:

Appointment of the Supervisory Board

Meeting of 14 October 2014:

Setterstix acquisition, appointment of the Supervisory Board, current situation of specific subsidiaries

Meeting of 8 December 2014:

Visit to a subsidiary, consultation on a major investment in a subsidiary

Meeting of 17 December 2014:

Internal control system and risk management, current economic performance of GESCO Group, appointment of the Supervisory Board

Meeting of 2 February 2015:

Corporate law matters, appointment of the Supervisory Board, current situation of specific subsidiaries

Meeting of 23 February 2015:

A major investment in a subsidiary, current situation of specific subsidiaries

Meeting of 5 March 2015:

Appointment of the Supervisory Board, current situation of specific subsidiaries

Meeting of 20 March 2015:

Current situation of specific subsidiaries, organisation

Meeting of 23 March 2015:

Internal control system and risk management, current economic performance of GESCO Group

The Supervisory Board was also briefed in detail between meetings in the form of written reports on all projects and plans which were of particular importance to the company.

Members of the Supervisory Board did not have any conflicts of interest in the reporting period.

## CORPORATE GOVERNANCE

The Supervisory Board continuously monitored the development of corporate governance standards. The Executive Board and the Supervisory Board report on corporate governance at GESCO AG in their joint Corporate Governance Report, which is also contained in the Annual Report. The Executive Board and Supervisory Board submitted an updated declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) in December 2014 and made it permanently accessible to the shareholders on the company's website. GESCO AG complies with the recommendations of the Government Committee on the German Corporate Governance Code, with the exception of the deviations given and explained in the declaration of compliance.

An efficiency audit based on a structured questionnaire was performed on the Supervisory Board in May 2015. The audit confirmed that the Supervisory Board was working efficiently. The insights into potential improvements resulting from the audit will be taken into consideration over the course of the Supervisory Board's future work.

## REMUNERATION OF THE EXECUTIVE BOARD

The management report and notes to the consolidated and individual financial statements include detailed information on the structure of Executive Board remuneration. The Annual General Meeting approved the current remuneration system on 2 September 2010 within the frame of a say on pay ruling.



## AUDIT OF ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Corresponding to the legal provisions, the auditor selected by the Annual General Meeting on 28 August 2014, RSM Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft - Steuerberatungsgesellschaft, Wuppertal, was commissioned by the Supervisory Board to audit the annual financial statements and consolidated financial statements on 17 December 2014. The auditor confirmed its independence to us in a letter dated 23 May 2014. Further, the auditor provided evidence that it is qualified to audit listed companies due to its successful participation in a quality control audit conducted by the German Chamber of Auditors.

The annual financial statements drawn up for the financial year from 1 April 2014 to 31 March 2015 by the Executive Board in accordance with the regulations of the German Commercial Code (HGB) and the management report of GESCO AG were audited by the auditor. The auditor issued an unqualified auditor's report.

The consolidated financial statements and Group management report of GESCO Group for the financial year from 1 April 2014 to 31 March 2015 were drawn up by the Executive Board and audited by the auditor on the basis of the International Financial Reporting Standards (IFRS), taking into account Section 315a of the German Commercial Code (HGB). The auditor furnished the consolidated financial statements and Group management report with an unqualified auditor's report.

This year, the focal points of the audit by the auditor for the individual financial statements of GESCO AG were the valuation of investments, accrual and recoverable amount of receivables from associated companies and the completeness and valuation of other provisions, as well as the determination of tax refund claims, tax provisions and deferred taxes. The focal points of the audit of the consolidated financial statements were business combinations (purchase price allocation) and the impairment of assets including goodwill (impairment test) as well as the recognition and measurement of deferred tax assets.

The Supervisory Board did not place any special demands on the auditor this year because the focal points of the audit identified by the auditor covered the Supervisory Board's desired scope.

The complete financial statements were sent to all members of the Supervisory Board in good time before the accounts meeting. After it became necessary to make changes at short notice to the unaudited financial statements in connection with restructuring measures at two companies within GESCO Group, the meeting on 27 May 2015 initially discussed and dealt in depth only with the preliminary financial statements. The final financial statements and audit reports were the subject of further discussions at the accounts meeting on 2 June 2015. The auditors were in attendance at these meetings, reported on the main results of the audits and were available to the Supervisory Board for questions and additional information. The auditors gave comprehensive answers to all questions from the Supervisory Board. No objections were raised to the annual financial statements, the management report, the consolidated financial statements or the Group management report after the final result of the audit carried out by the Supervisory Board. After its own audit of the annual financial statements, the consolidated financial statements, the management report and the Group management report, the Supervisory Board approved the result of the audit by the auditor and accepted the annual financial statements and the consolidated financial statements in the meeting on 3 June 2015. The annual financial statements of GESCO AG have thereby been adopted. Taking into account the company's earnings and financial position as well as the shareholders' interests, the Supervisory Board endorsed the proposal of the Executive Board to appropriate the retained profit.

## ELECTION OF THE SUPERVISORY BOARD

Rolf-Peter Rosenthal will step down as a member of the Supervisory Board of GESCO AG after 25 years of service effective as at the end of the Annual General Meeting on 18 August 2015. During his term of service, Mr Rosenthal has been instrumental in shaping the establishment and development of the company from the very start. His expertise has made a significant contribution to the success of the company. The Supervisory Board would like to thank Mr Rosenthal in the name of the company and the shareholders for his many years of service at GESCO and for a good working relationship characterised by trust. The Supervisory Board believes that this long, successful term of service proves that the GESCO principle of also focusing on sustainability and the long term when appointing members of the Supervisory Board and Executive Board is the right one.

The succession planning and rejuvenation of the Supervisory Board will continue as planned following Mr Rosenthal's departure. The Supervisory Board will propose to the Annual General Meeting on 18 August 2015 the appointment of Dr Nanna Rapp, Düsseldorf, as Mr Rosenthal's successor. Dr Rapp is the Managing Director of E.ON Inhouse Consulting GmbH, E.ON E&P GmbH and E.ON E&P Algeria GmbH. She also serves on four Supervisory Boards within the E.ON Group, and is the chairwoman of one of those Supervisory Boards. Dr Rapp has many years of professional experience thanks to her work at international consultancy firms and globally operating companies. The candidate was chosen with the support of an executive search firm using a structured search and selection process and under consideration of whether the candidates had time to take on the responsibilities. The recommendations of the German Corporate Governance Code on the diversity of the members of the Supervisory Board were followed in accordance with GESCO AG's specific requirements.

Klaus Möllerfriedrich and Stefan Heimöller will once again stand for election at the Annual General Meeting on 18 August 2015.

## THANKS FOR THE WORK ACHIEVED

The Supervisory Board would like to thank the Executive Board, the managers of the subsidiaries and all GESCO Group employees for their impeccable loyalty and great commitment in the past financial year.

Wuppertal, 3 June 2015

Klaus Möllerfriedrich

Chairman of the Supervisory Board

# FINANCIAL CALENDAR / SHAREHOLDER CONTACT

## FINANCIAL CALENDAR

### **25 June 2015**

Annual Accounts Press Conference and Analysts' Meeting / Frankfurt am Main

### **14 August 2015**

Figures for the first quarter (01.04.-30.06.2015)

### **18 August 2015**

Annual General Meeting in the Stadthalle, Wuppertal

### **13 November 2015**

Figures for the first half year (01.04.-30.09.2015)

### **February 2016**

Figures for the first three quarters (01.04.-31.12.2015)

### **30 June 2016**

Annual Accounts Press Conference and Analysts' Meeting

### **August 2016**

Figures for the first quarter (01.04.-30.06.2016)

### **25 August 2016**

Annual General Meeting in the Stadthalle, Wupperta

### **November 2016**

Figures for the first half year (01.04.-30.09.2016)

## SHAREHOLDER CONTACT

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If you would like to be kept regularly informed, please let us know and ask to be included on our mailing list.

# IMPRINT

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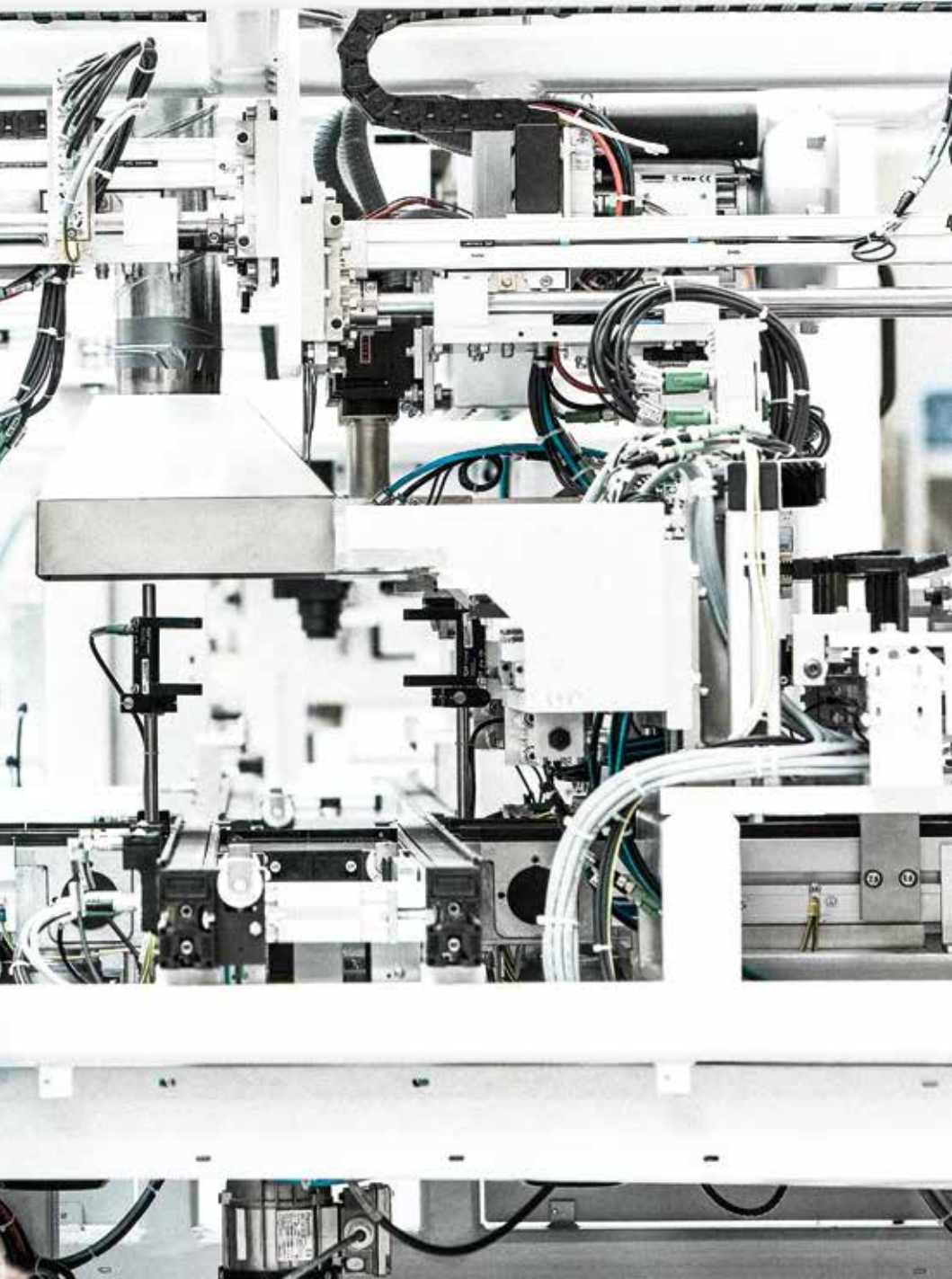
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# GESCO GROUP – PROFILES OF THE COMPANIES







Independent operations that are part of a strong Group: an overview of the main subsidiaries and their products, markets and managers.



ASTROPLAST KUNSTSTOFFTECHNIK  
GMBH & CO. KG, SUNDERN

2014 SALES  
IN € MILLION

16.6



DR WOLFGANG KEMPER,  
MANAGING DIRECTOR

92

STAFF  
(31.12.2014)

## STRATEGY AND BUSINESS SEGMENTS

AstroPlast is a specialist for high precision injection-moulded plastics. The company develops, produces and markets its own range of plastic spools, which are sold to manufacturers of wires, cables, tapes and optical fibres. AstroPlast also produces customised injection-moulded parts for the electrical, household appliances and the automotive industry, as well as the logistics sector. Based on its high level of technical expertise and its state-of-the-art machine park, AstroPlast has positioned itself as a consultant and a partner during development for its customers. Large machines with locking pressure of up to 2,300 tonnes particularly distinguish the company from its competitors.

## OUTLOOK AND GOALS FOR 2015

AstroPlast expects to consolidate its sales at the level it has meanwhile achieved in the new financial year. Additional production machinery will be transferred to the new location in Meschede over the course of the year.

## FINANCIAL YEAR 2014

Following strong growth in the previous year, AstroPlast again increased sales in 2014. Its export quota decreased slightly to 16.6 %, from 18.3 % in the previous year. Major investment in a new production and logistics location in Meschede, which began in 2013, continued in 2014. In order to increase capacity, AstroPlast purchased four injection moulding machines with locking pressure of between 650 and 1,500 tonnes.

Total assets rose considerably as a result of the significant investment. As equity did not increase to the same extent, the equity ratio is currently below the target of the GESCO Group.

<b>GESCO AG SHAREHOLDING</b>	<b>80 %</b>
<b>MANAGEMENT SHAREHOLDING</b>	<b>20 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>17.0 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>16.6 (+16.6 %)</b>
<b>STAFF (31.12.2014)</b>	<b>92 (+19.5 %)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 01.05.1995</b>

PAUL BEIER GMBH WERKZEUG- UND  
MASCHINENBAU & CO. KG, KASSEL



DR ANDREAS WENDE,  
MANAGING DIRECTOR

108

STAFF  
(31.12.2014)

2014 SALES  
IN € MILLION

9.5

**STRATEGY AND BUSINESS SEGMENTS**

The Company was founded in 1924 and has established an excellent reputation as a provider of systems in sophisticated tool manufacturing and single and small-series part and component manufacturing for the specialist machinery industry. Beier offers its customers one-stop solutions starting with consulting and design all the way to production and on-site testing.

Paul Beier's customer base is largely from the automotive and mechanical engineering industries, as well as the chemical and food industries. The company has been a strategic partner to Deutsche Bahn AG for many years. Thanks to its grading tools for parts with rotational symmetry, the company enjoys a special position as a supplier to gear manufacturers. Products include components for heat exchangers for the food industry, gears and worm gears, pumps, as well as complete cutting, stamping, pulling and grading tools. The company also works for the aeronautical engineering industry and is certified to their highest security levels.

**FINANCIAL YEAR 2014**

While Paul Beier was able to increase sales compared to the previous year, the increase was lower than expected due to the postponement of orders by clients.

**OUTLOOK AND GOALS FOR 2015**

The company expects a significant increase in sales in 2015 as a result of postponed orders from 2014.

<b>GESCO AG SHAREHOLDING</b>	<b>100 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>27.6 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>9.5 (+6.6 %)</b>
<b>STAFF (31.12.2014)</b>	<b>108 (-5.3 %)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 01.04.1999</b>

C.F.K.  
CNC-FERTIGUNGSTECHNIK KRIFTEL GMBH,  
KRIFTEL AM TAUNUS

57

STAFF  
(31.12.2014)



DR CHRISTOPH OVER,  
MANAGING DIRECTOR

2014 SALES  
IN € MILLION

8.3

## STRATEGY AND BUSINESS SEGMENTS

Founded in 1986, CFK is one of the leading names in high-precision wire erosion and die sinking in Germany. CFK deploys high-precision technology to produce its domestic and foreign customers' parts, many of which are used in advanced safety and security systems. The items produced range from a few microprogrammes to several tonnes in weight.

The fully climate-controlled production areas are home to a high-quality and constantly updated production line, which currently comprises 48 machines. A high-precision measuring management system ensures that all parts can be produced to the most exacting documented and reproducible standards. CFK processes parts for companies active in different sectors, from mechanical engineering and energy technology to aerospace, the medical industry and micro-technology.

The company's second-to-none expertise in wire erosion and die sinking is complemented by its advanced selective laser melting systems. This technology, also known as 3-D printing, entails the use of 3-D data to construct parts out of powdered metal layer by layer, and it is predominantly used for creating functional prototypes, small series, tool fittings and medical implants. Unlike conventional methods, this production process offers superior freedom of design and also allows small batches and one-off items to be manufactured economically.

## FINANCIAL YEAR 2014

CFK significantly increased sales in 2014. In addition to a general rise in incoming orders, that increase resulted, in particular, from growth in the aerospace sector and a major contract.

## OUTLOOK AND GOALS FOR 2015

As the major order received in 2014 will not be repeated, CFK expects a slight decline in sales in 2015. The company is expecting growth in the aerospace and medical technology sectors, in particular.

<b>GESCO AG SHAREHOLDING</b>	<b>80 %</b>
<b>MANAGEMENT SHAREHOLDING</b>	<b>20 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>61.8 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>8.3 (+23.6 %)</b>
<b>STAFF (31.12.2014)</b>	<b>57 (+16.3 %)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 31.05.2012</b>



# DÖMER GMBH & CO. KG STANZ- UND UMFORMTECHNOLOGIE, LENNESTADT

2014 SALES  
IN € MILLION

14.7



DR MICHAEL DAMMER,  
MANAGING DIRECTOR

102

STAFF  
(31.12.2014)



## STRATEGY AND BUSINESS SEGMENTS

Dömer was formed in 1969 and has long-standing expertise in metal stamping, bending and forming, as well as in related tool manufacture. The company manufactures sophisticated parts for the automotive, metal fittings and railway industries. In-depth expertise in machining technology and an above-average equipped machine park are major strengths, which are particularly important in the areas of advanced special components, complex structures and exacting material specifications. Dömer has special expertise in the production of absorber and cushioning elements which are used in wheel sets on high-speed trains and in regional railway transportation.

## OUTLOOK AND GOALS FOR 2015

The company started the year with a good level of orders and expects further growth in sales. The machine park will be extended by investment in a new press and a stamping/bending machine.

## FINANCIAL YEAR 2014

Dömer was able to increase its volume of business, particularly in the rail technology segment, with sales rising by more than 7 %.

<b>GESCO AG SHAREHOLDING</b>	<b>100 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>60.4 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>14.7 (+7.3%)</b>
<b>STAFF (31.12.2014)</b>	<b>102 (UNCHANGED)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 30.08.2005</b>

# DÖRRENBURG EDELSTAHL GMBH, ENGELSKIRCHEN

2014 SALES  
IN € MILLION

171.7



DR FRANK STAHL (L.) AND  
GERD BÖHNER, MANAGING DIRECTORS

501

STAFF  
(31.12.2014)

## STRATEGY AND BUSINESS SEGMENTS

Dörrenberg is active in the special steel, special steel castings, steel works, investment castings and surface treatment business segments. The company offers its customers in a wide variety of industries expert technical consulting, often as early as in the design stage. The customer industries are widely spread, with the main sectors being machine and plant construction, tool manufacture and automotive.

Over decades, the company has developed an in-depth knowledge of metallurgy, conducts research and development activities with universities and institutes and owns numerous patents on steels developed in-house.

Dörrenberg Edelstahl GmbH has a majority shareholding in a joint venture in Spain with a focus on surface treatment as well as a minority shareholding in a renowned special steel specialist in Turkey. Furthermore, the company has significantly expanded its presence in the emerging markets in recent years and now has subsidiaries in Singapore, Taiwan, China, and Korea.

In 1997, Dörrenberg was the first German special steel manufacturer to introduce an environmental management system. Besides the compulsory quality management system, the company also implemented an energy management system based on the DIN EN ISO 50001 standard.

## FINANCIAL YEAR 2014

Dörrenberg was able to significantly increase sales in a subdued economic climate.

## OUTLOOK AND GOALS FOR 2015

The company thinks it has a realistic chance of achieving a further slight increase in sales in a highly competitive environment in the new financial year.

<b>GESCO AG SHAREHOLDING</b>	<b>90 %</b>
<b>MANAGEMENT SHAREHOLDING</b>	<b>10 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>71.0 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>171.7 (+6.1 %)</b>
<b>STAFF (31.12.2014)</b>	<b>501 (+1.2 %)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 01.01.1996</b>

FRANK GROUP, HATZFELD



DR FRANK GROTE,  
MANAGING DIRECTOR

2014 SALES  
IN € MILLION

28.2

274

STAFF  
(31.12.2014)

## STRATEGY AND BUSINESS SEGMENTS

Frank Walz- und Schmiedetechnik GmbH is Europe's leading supplier of wear parts and components for the agriculture market. The products are also used in the municipal technology sector and in industry. The company produces rolled and forged parts made from specialist steel alloys. Frank is an original equipment manufacturer for agricultural machinery manufacturers in areas such as soil cultivation, feed technology and harvesting technology for root crops and special cultures. It also supplies spare parts to specialist wholesalers and cooperatives. The FRANK ORIGINAL brand has been well established with the relevant target groups for decades and stands for first class quality, both nationally and internationally. The company's production is mainly located at its headquarters in Hatzfeld, Hesse as well as at its Hungarian subsidiary Frank Hungária Kft./Ozd. Frank also owns the distribution company Frank Lemeks TOW/Ternopil in Ukraine.

## FINANCIAL YEAR 2014

In 2014, the Russia/Ukraine crisis had a significant negative impact on the agricultural technology industry, including Frank. The devaluation of Eastern European currencies, compared to the euro, reduced demand from important markets such as Ukraine, Russia and Kazakhstan. The Russian sanctions on Western agricultural products also reduced demand for agricultural technology in Western Europe. That is why Frank's sales decreased significantly, compared to the previous year.

Despite the current weakness of the market, the company has carried out anti-cyclical investment in a new production building and commissioned a new 3D laser system. They allow the manufacturing of products that increase Frank's portfolio.

In August 2014, in line with GESCO's philosophy regarding ownership, the managing director, Dr Grote, acquired a 10 % share in the company.

## OUTLOOK AND GOALS FOR 2015

In view of the ongoing crisis in Eastern Europe and the decrease in the price of Western agricultural products, industry experts expect the difficult environment to continue in 2015. Frank therefore expects a slight decrease in sales.

<b>GESCO AG SHAREHOLDING</b>	<b>90 %</b>
<b>MANAGEMENT SHAREHOLDING</b>	<b>10 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>50.1 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>28.2 (-15.9 %)</b>
<b>STAFF (31.12.2014)</b>	<b>274 (-7.7 %)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 01.08.2006</b>

FRANZ FUNKE ZERSpanUNGSTECHNIK  
GMBH & CO. KG, SUNDERN

2014 SALES  
IN € MILLION

16.9



DR WOLFGANG KEMPER,  
MANAGING DIRECTOR

81

STAFF  
(31.12.2014)

**STRATEGY AND BUSINESS SEGMENTS**

Franz Funke Zerspanungstechnik turns parts made of brass, aluminium, red brass and steel into dimensions from 6 to 65 mm on cutting-edge CNC controlled machines. The company's customers are primarily from the plumbing, air conditioning, electrical and mechanical engineering sectors. In addition to machining-based manufacturing, Funke offers services including galvanic surface finishing, assembly installation and thermal material treatments, as well as connection technology such as soldering, welding and compression. Consulting and other services position Funke as a problem solver and support customer retention.

**FINANCIAL YEAR 2014**

The company achieved a slight increase in sales, compared to the previous year.

**OUTLOOK AND GOALS FOR 2015**

In view of the generally positive development of the economy, Franz Funke expects sales to grow moderately.

<b>GESCO AG SHAREHOLDING</b>	<b>80 %</b>
<b>MANAGEMENT SHAREHOLDING</b>	<b>20 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>29.5 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>16.9 (+4.5 %)</b>
<b>STAFF (31.12.2014)</b>	<b>81 (UNCHANGED)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 01.05.1995</b>



HASEKE GMBH & CO. KG,  
PORTA WESTFALICA



UWE KUNITSCHKE,  
MANAGING DIRECTOR

2014 SALES  
IN € MILLION

12.7

63

STAFF  
(31.12.2014)



## STRATEGY AND BUSINESS SEGMENTS

Haseke manufactures ergonomically optimised solutions at the interface between man and machine, e.g. equipment for optimally placing monitors or operator panels in working environments. In its Medical and Industry business segments, the company develops and sells applications for medical technology and solutions for industrial and office technology based on its “raise, lower, swivel” concept.

Haseke has established itself as a system supplier providing excellent quality “Made in Germany”. Its products are ergonomic, well designed and technologically advanced. The company also offers its customers extensive before and after sales service and advice.

The company uses an innovative, sophisticated modular system to quickly implement individual customer requirements and it develops new products from these ideas.

## FINANCIAL YEAR 2014

Haseke again increased sales in the financial year 2014, with demand in the Industry sector growing faster than in the Medical segment.

## OUTLOOK AND GOALS FOR 2015

The company expects that sales will grow further in 2015, allowing it to continue its stable growth.

<b>GESCO AG SHAREHOLDING</b>	<b>80 %</b>
<b>MANAGEMENT SHAREHOLDING</b>	<b>20 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>45.5 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>12.7 (+3.1 %)</b>
<b>STAFF (31.12.2014)</b>	<b>63 (+3.3 %)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 01.01.1990</b>

HUBL GMBH, VAIHINGEN/ENZ

2014 SALES  
IN € MILLION

10.8



RAINER KIEFER,  
MANAGING DIRECTOR

101

STAFF  
(31.12.2014)

## STRATEGY AND BUSINESS SEGMENTS

Hubl GmbH was founded in 1976 and develops and produces high-end precision machine cladding, coverings, housings and stainless steel sheet components. Important customers include the mechanical engineering, biotechnology, pharmaceutical, semiconductor and food industries. Hubl's strengths include the construction department with its excellent staff and state-of-the-art equipment as well as a high quality machine park. Using its creativity and flexibility, the company develops superior solutions with sophisticated designs. Hubl has positioned itself as an "industrial stainless steel workshop" that serves a wide range of customers and sectors.

As a development partner, the company provides complex development and construction services to its customers and is frequently involved in an advisory capacity in the respective customers' processes to find tailored solutions. The company focuses on product development, design, custom-made products and small batch series of between 500 and 2,000.

## FINANCIAL YEAR 2014

The company increased sales in 2014, particularly as a result of growth in the market for semiconductors.

## OUTLOOK AND GOALS FOR 2015

Due in particular to increased business with new customers, Hubl aims to achieve higher sales in the new financial year.

<b>GESCO AG SHAREHOLDING</b>	<b>80 %</b>
<b>MANAGEMENT SHAREHOLDING</b>	<b>20 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>51.9 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>10.8 (+5.4 %)</b>
<b>STAFF (31.12.2014)</b>	<b>101 (-4.7 %)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 01.01.2002</b>

GEORG KESEL GMBH & CO. KG,  
KEMPTEN

2014 SALES  
IN € MILLION

12.5



MARTIN KLUG,  
MANAGING DIRECTOR

69

STAFF  
(31.12.2014)

## STRATEGY AND BUSINESS SEGMENTS

Established in 1889, Kesel develops and produces milling machines and clamping systems. The milling machine product range includes rack and bandsaw blade milling machines. Machines for milling steering racks are a special product of the company. The company's clamping division has a broad range of systems meeting different specifications and offering a variety of clamping forces. The company's customer base operates primarily in the steel, gear-cutting and automotive industries.

## OUTLOOK AND GOALS FOR 2015

Kesel began the new financial year with a good level of orders, and therefore expects a slight positive development in sales.

## FINANCIAL YEAR 2014

Kesel achieved significant growth in sales, compared to the previous year, particularly as a result of the recovery in demand from Asia. That resulted in a large increase in its export quota, from 73 % to 81 %.

<b>GESCO AG SHAREHOLDING</b>	<b>90 %</b>
<b>MANAGEMENT SHAREHOLDING</b>	<b>10 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>51.7 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>12.5 (+16.1 %)</b>
<b>STAFF (31.12.2014)</b>	<b>69 (+1.5 %)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 23.04.2009</b>

# MAE MASCHINEN- UND APPARATEBAU GÖTZEN GMBH, ERKRATH

2014 SALES  
IN € MILLION

24.8



MANAGING DIRECTORS: RÜDIGER SCHURY, MARTIN BÖRGER  
(SINCE 01.02.2015), MANFRED MITZE (UNTIL 31.01.2015)

160

STAFF  
(31.12.2014)

## STRATEGY AND BUSINESS SEGMENTS

The company, founded in 1931, is a world market leader in automatic straightening machines as well as wheel presses for rolling stock. In recent years, ground-breaking innovations have enabled MAE to expand its market position in both product groups and attract new customers. These activities are complemented by a standard range of manual straightening presses and special machines for clearing, assembling, checking and forming. Major customer sectors include the automotive and automotive supply industry, railway vehicle manufacturers and maintenance workshops, and the machine tools and steel industries.

In 2011, major construction work began in response to strong growth in recent years. It was completed in 2014.

## FINANCIAL YEAR 2014

MAE was subject to significant negative effects in the Financial Year 2014. Follow-up work on particularly demanding customer projects and development machines from previous years tied up significant manpower, and construction and relocation measures, which have now been completed, reduced capacity. The reorganisation of the company due to a consistent increase in volumes also created additional pressure. These factors led to delays in the processing of new orders, resulting in a major decrease in sales. There was a slight increase in the export quota, compared to the previous year, from 52% to 54%.

## OUTLOOK AND GOALS FOR 2015

In the current financial year, MAE will complete the follow up work on development machines and expects significant growth in sales, with the company returning to its previous level of business.

<b>GESCO AG SHAREHOLDING</b>	<b>100%</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>47.2%</b>
<b>2014 SALES (IN € MILLION)</b>	<b>24.8 (-27.3%)</b>
<b>STAFF (31.12.2014)</b>	<b>160 (+14.3%)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 01.01.1997</b>

MODELL TECHNIK GMBH & CO.  
FORMENBAU KG, SÖMMERDA

2014 SALES  
IN € MILLION

13.9



MATTHIAS HUKÉ,  
MANAGING DIRECTOR

115

STAFF  
(31.12.2014)



## STRATEGY AND BUSINESS SEGMENTS

Modell Technik develops and manufactures moulds for aluminium and magnesium die casting. The company specialises in tools for manufacturing highly complex, large components, mainly for use in the automotive industry. The manageable tools weigh between approximately 1.8 tonnes and 45 tonnes. As part of its systematic development towards becoming a full service provider, Modell Technik has significantly expanded its repair and service portfolio in recent years. In addition, the company has its own foundry with three efficient die casting presses (400 tonne, 1,000 tonne and 2,300 tonne clamping force) to test and optimize tools as well as to manufacture prototypes, series start-ups and small-scale series for customers.

Modell Technik can draw on special expertise when it comes to components such as gear boxes, valve bodies, steering gear housing, cylinder valve covers and structural components such as vehicle doors.

With its efficient construction department, well-equipped machine park and in-house foundry, Modell Technik clearly sets itself apart from its European and international competitors.

## FINANCIAL YEAR 2014

Following strong growth in previous years, Modell Technik was able to consolidate its sales at a high level. Modell Technik constantly invests in its technical equipment. Among other things, it added a new spotting press, two CNC milling machines and a spark erosion machine to its machine park in 2014.

## OUTLOOK AND GOALS FOR 2015

Modell Technik expects a slight increase in sales in the new financial year.

<b>GESCO AG SHAREHOLDING</b>	<b>100 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>44.2 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>13.9 (-0.2 %)</b>
<b>STAFF (31.12.2014)</b>	<b>115 (+8.5 %)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 11.07.2012</b>

# 110

PROTOMASTER GMBH,  
WILKAU-HASSLAU

STAFF  
(31.12.2014)



2014 SALES  
IN € MILLION

## 8.6



MANAGING DIRECTORS: MARIO MOSSLER (UNTIL 30.04.2014),  
KLAUS BLAU (24.03.2014 UNTIL 29.04.2015),  
DR HANS-GERT MAYROSE (SINCE 29.04.2015)

## STRATEGY AND BUSINESS SEGMENTS

Protomaster GmbH specialises in prototype construction as well as small and medium series of high-quality outer skin, structural parts and complete assemblies, primarily made from aluminium, for the automotive industry. Protomaster's in-house engineering department develops the necessary tools, which are produced at its own tool production department.

## FINANCIAL YEAR 2014

Protomaster's volume of business from contracts concluded in previous years grew considerably in 2014. The complexity and quantities involved were considerably higher than in its usual past projects. Those projects required the production of a large quantity of tools. A number of tools were produced externally due to insufficient capacity. A semi-automated manufacturing system with several robot cells was also constructed and went into operation, producing components, at the beginning of the financial year 2015. Time pressures and the need to maintain quality standards led to the increased utilisation of temporary staff and external specialists.

## OUTLOOK AND GOALS FOR 2015

The company is expecting a significant increase in sales in 2015, because large tools will be invoiced and small series production will see further growth.

A key aim for 2015 is to successively reduce external support and strengthen the company's internal organisational structures for the small and medium-sized series production of assemblies. The rapid change from a producer of prototypes to a manufacturer will continue to put significant pressure on the company in 2015.

The interim managing director, Klaus Blau, left the company at short notice at the end of April in 2015. Dr Hans-Gert Mayrose, member of the Executive Board of GESCO AG, took over the operational management of the company until a permanent solution is found.

<b>GESCO AG SHAREHOLDING</b>	<b>82.17 %</b>
<b>MINORITY INTEREST</b>	<b>17.83 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>20.6 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>8.6 (+12.1 %)</b>
<b>STAFF (31.12.2014)</b>	<b>110 (+29.4 %)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 03.07.2012</b>

## SETTER GROUP, EMMERICH

2014 SALES  
IN € MILLION

14.6



MANAGING DIRECTORS: ROBERT PRAGER  
(UNTIL 31.12.2014), STEFFEN GRASSE  
(SINCE 01.09.2014)

59

STAFF  
(31.12.2014)

STRATEGY AND BUSINESS SEGMENTS

Setter Group was founded in 1964 and comprises Setter GmbH & Co. Papierverarbeitung, Q-Plast GmbH & Co. as well as HRP Leasing GmbH. The company produces plastic and paper sticks and, marketing its products across all continents, generates some 90 % of its sales revenue from exports. It also sees itself as the quality and volume leader in the niche market of paper sticks. Setter supplies companies in the sweets and hygiene industry. The sticks are used in products such as lollipops, cotton buds or medical products.

FINANCIAL YEAR 2014

Setter recorded stable business performance in 2014 and generated sales almost on par with the level achieved in the previous year.

At the beginning of 2015, Setter took over the operational business of the US-based Setterstix Corp. via a subsidiary. This company generates annual sales of roughly €10 million and has approximately 40 employees. Setterstix is the US market leader in the segment for papersticks for the confectionery industry, while Setter is the US market leader in the market for papersticks for the hygiene industry. The acquisition therefore ideally complements the company's business.

Setter had already taken over the material assets of the significantly smaller competitor Papersticks UK in April 2014. Since then Setter has been supplying most of Papersticks' former customers with products made using Setter's significantly more up-to-date machines.

As part of the sucession planning process for long-serving managing director Robert Prager, Steffen Grasse joined Setter's management team in March 2014. Mr Prager retired at the end of 2014. Mr Grasse has led the Setter group as sole managing director since then. Mr Prager remains available to the company in an advisory capacity.

OUTLOOK AND GOALS FOR 2015

Setter expects organic sales to remain largely constant in the new financial year, with the additional sales from Setterstix creating external growth.

GESCO AG SHAREHOLDING	100 %
CAPITAL RATIO (31.12.2014)	75.4 %
2014 SALES (IN € MILLION)	14.6 (-1.4 %)
STAFF (31.12.2014)	59 (-1.7 %)
MEMBER OF THE GESCO GROUP	SINCE 30.04.2004

SVT GMBH, SCHWELM

2014 SALES  
IN € MILLION

44.1



HARM STÖVER,  
MANAGING DIRECTOR

182

STAFF  
(31.12.2014)

## STRATEGY AND BUSINESS SEGMENTS

SVT develops, manufactures and markets high-quality technical equipment for loading and unloading liquid and gaseous materials on and off ships and tankers. The company's customers come primarily from the chemical, petrochemical, petroleum and gas industries. An important product group manufactured by the company is land and ship loading equipment for so-called liquefied natural gas (LNG), which is natural gas cooled to minus 165° C. In this growth market, SVT offers superior technology and is regarded as the world's second largest provider.

SVT generates the majority of its sales abroad. Products are used globally, including in the EU, the US, the Middle East, Asia and Australia. The company has the technical expertise to design equipment and control units according to the standards in each respective country.

## FINANCIAL YEAR 2014

After record sales in the previous year, revenue decreased in 2014 as expected, returning to its 2012 level. Due to its project business, SVT's annual sales are affected by major contracts and can fluctuate significantly from year to year. The export quota fell from 87% to 82% as a result of increasing domestic and decreasing international sales.

SVT completed the development of a new loading arm for LNG bunkering. The technology allows ships to be safely and reliably refuelled with the environmentally-friendly fuel LNG. The first arm has been installed in Norway, where it is used to refuel a ferry.

## OUTLOOK AND GOALS FOR 2015

In the new financial year, SVT expects sales below the 2014 level. The current low energy prices have led to decreased demand from the oil industry. In the first quarter of 2015, the company also received a major contract, which will not be delivered until 2016. That contract will utilise capacity in 2015, but will not generate revenue until the following year.

<b>GESCO AG SHAREHOLDING</b>	<b>90%</b>
<b>MANAGEMENT SHAREHOLDING</b>	<b>10%</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>67.9%</b>
<b>2014 SALES (IN € MILLION)</b>	<b>44.1 (-14.8%)</b>
<b>STAFF (31.12.2014)</b>	<b>182 (-2.7%)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 01.01.2002</b>



VWH VORRICHTUNGS- UND  
WERKZEUGBAU HERSCHBACH GMBH,  
HERSCHBACH



THOMAS STURM,  
MANAGING DIRECTOR

2014 SALES  
IN € MILLION

11.2

109

STAFF  
(31.12.2014)



## STRATEGY AND BUSINESS SEGMENTS

VWH specialises in automation technology, mould design and construction and sensor technology. The company's core business is the development and manufacture of complex partially and fully automated production systems for the assembly of components, including the appropriate testing technology and packaging.

The company defines itself as a development supplier, manufacturing samples and prototypes for its customers' new products and subsequently supplying injection moulding forms and production systems for serial manufacturing of the respective parts.

VWH supplies well-known companies in the automotive and supplier industry, the electrical and electronics industry and the medical technology sector. Thanks to its high level of technical expertise, its clients turn to VWH as a competent partner from the development phase onwards.

## FINANCIAL YEAR 2014

In 2014, VWH attracted new customers and increased sales compared to the previous year.

## OUTLOOK AND GOALS FOR 2015

The company expects sales at the level achieved in the previous year. VWH is pursuing the strategic aim of increasing its offering in the fields of service and maintenance, in order to increase customer loyalty.

<b>GESCO AG SHAREHOLDING</b>	<b>80 %</b>
<b>MANAGEMENT SHAREHOLDING</b>	<b>20 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>32.1 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>11.2 (+3.2%)</b>
<b>STAFF (31.12.2014)</b>	<b>109 (+3.8%)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 25.04.2007</b>

# WERKZEUGBAU LAICHINGEN GROUP, LAICHINGEN AND LEIPZIG

2014 SALES  
IN € MILLION

25.2



JÜRGEN MANGOLD,  
MANAGING DIRECTOR

178

STAFF  
(31.12.2014)

## STRATEGY AND BUSINESS SEGMENTS

The Werkzeugbau Laichingen Group, comprising WBL Holding GmbH and its 100% subsidiaries Werkzeugbau Laichingen GmbH, headquartered in Baden-Württemberg, and Werkzeugbau Leipzig GmbH, produces high-performance tools for the automotive and automotive supply industry, for household goods manufacturers and power-plant fitters. WBL's specialisation in complex and large sheet metal forming tools, in particular, has made it a renowned partner of major players in the German industrial sector. The company has a sophisticated service concept that includes the provision of permanent services at its customers' production plants. This sets it apart from the competition. In addition, WBL uses its own presses to produce equipment for series start-ups and small-scale series for its customers.

A new large press with a press force of 2,500 tonnes was ordered for the company's headquarters in Laichingen in 2014 and goes into operation in 2015. The construction of a new assembly and press facility began at Werkzeugbau Laichingen GmbH's headquarters in Laichingen in April and was completed in December 2014. In addition to several smaller investments, Werkzeugbau Leipzig GmbH purchased a new surface grinder.

## OUTLOOK AND GOALS FOR 2015

Industry projections for 2015 predict limited demand for new (large) tools across Europe in 2015. As a result, WBL expects decreasing sales in 2015.

## FINANCIAL YEAR 2014

In 2014, as expected, the WBL group's sales decreased slightly compared to the previous year, which had included major contracts. Significant fluctuations in sales from year to year are common on account of the company's project business.

<b>GESCO AG SHAREHOLDING</b>	<b>85 %</b>
<b>MANAGEMENT SHAREHOLDING</b>	<b>15 %</b>
<b>CAPITAL RATIO (31.12.2014)</b>	<b>28.6 %</b>
<b>2014 SALES (IN € MILLION)</b>	<b>25.2 (-5.2 %)</b>
<b>STAFF (31.12.2014)</b>	<b>178 (-2.2 %)</b>
<b>MEMBER OF THE GESCO GROUP</b>	<b>SINCE 30.12.2011</b>

# GESCO GROUP: SIGNIFICANT COMPANIES

