



INTERIM REPORT
1 APRIL TO 31 DECEMBER 2014

THE FIRST NINE MONTHS OF FINANCIAL YEAR 2014/2015 AT A GLANCE

- FIRST NINE MONTHS OF THE YEAR DOMINATED BY WEAK FIRST HALF YEAR AND MARGIN IMPROVEMENT IN THE THIRD QUARTER
- STABLE BUSINESS ACTIVITIES IN THE FOURTH QUARTER
- FULL-YEAR FORECAST CONFIRMED
- GESCO SUBSIDIARY SETTER ACQUIRED US PAPER STICKS MARKET LEADER SETTERSTIX CORP.

GESCO GROUP KEY FIGURES FOR THE FIRST NINE MONTHS OF THE 2014/2015 FINANCIAL YEAR

01.04.-31.12.		I.-III.Quarter 2014/2015	I.-III.Quarter 2013/2014	Change
Incoming orders	(€'000)	340,038	325,211	4.6%
Sales revenues	(€'000)	337,924	337,247	0.2%
EBITDA	(€'000)	34,394	36,919	-6.8%
EBIT	(€'000)	20,414	24,254	-15.8%
Earnings before tax	(€'000)	18,223	21,941	-16.9%
Group net income after minority interest	(€'000)	10,453	13,562	-22.9%
Earnings per share acc. to IFRS	(€)	3.14	4.08	-22.9%
Employees	(No.)	2,454	2,368	3.6%

DEAR SHAREHOLDERS,

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. This interim report for the first nine months of financial year 2014/2015 therefore encompasses the operating months January to September 2014 of the Group's subsidiaries.

Results were mixed in the GESCO Group in this period. Some subsidiaries recorded stable or rising sales, while others had to accept declines in sales. Incoming orders rose overall in the nine-month period, while sales remained roughly on par with the previous year's period. The economic development of two subsidiaries, Protomaster GmbH and MAE Maschinen- und Apparatebau Götzen GmbH, had a significantly negative impact on Group earnings. We reported on the restructuring measures at these two companies as part of our annual accounts press conference on 26 June 2014 and in the reports for the first quarter and first half of the financial year. Work continues apace in both projects.

The Ukraine/Russia crisis that began in spring 2014 and has escalated further since the summer also had a negative impact on business at Frank Walz- und Schmiedetechnik GmbH, which produces wear parts for the agriculture market. The devaluation of many Eastern European currencies led to a collapse in demand for Western European and particularly German agricultural machinery among customers in this region. Major declines in sales of original equipment for agricultural machinery and spare parts were direct consequences of this.

There has been a further downturn in the overall business climate since the summer, and geopolitical uncertainty is dampening customers' willingness to invest.

With the first half of the year shaped by poor margins, the third quarter saw recovery return with pleasing sales figures, increased total output and major improvements to margins.

In the fourth quarter, which includes the operating months of October to December for the subsidiaries, the GESCO Group posted stable business performance with both incoming orders and sales at satisfactory levels.

Based on the information available to us at the current time, we confirm the full-year plan that was last revised in November 2014. Group sales are to stand at between € 455 million and € 460 million and Group net income after minority interest between € 14.5 million and € 15.0 million is set to be generated.

EXPANDING THE GESCO PORTFOLIO

At the turn of the year, Setter GmbH & Co. Papierverarbeitung acquired the business operations of the leading US paper sticks manufacturer Setterstix Corp., Cattaraugus, New York, through a subsidiary. Setter and Setterstix have the same roots, but took different paths for many decades.

Setterstix manufactures paper sticks, which are then predominantly sold as supplies to customers from the confectionery industry. These sticks are used for example in producing fruit-flavoured and chocolate lollipops. Setterstix is the US market leader in the segment for papersticks for the confectionery industry. The company generates annual sales of roughly € 10 million and has approximately 40 employees.

For Setter, this acquisition offers an ideal chance to round off its market presence in the US, where the company has so far predominantly supplied customers from the hygiene industry with sticks for ear buds. The company is market leader in this segment. This acquisition has allowed Setter to open up a new market segment in the US and also gain a production site, which simplifies the expansion of business operations in Central and South America.

Setterstix will be included in the Group balance sheet for the first time as at 31 March 2015. The company will be included in the Group income statement for the first time in the new financial year 2015/2016.

At the start of 2014, MAE Maschinen- und Apparatebau Götzen GmbH had acquired the business operations of US competitor Eitel Presses Inc. through a subsidiary. Eitel was already included in the Group balance sheet as at 31 March 2014, however it was included in the Group income statement for the first time in the financial year 2014/2015.

DEVELOPMENT OF GROUP SALES AND EARNINGS IN THE THIRD QUARTER

At € 113.4 million in the third quarter, incoming orders were almost exactly on par with the previous year's figure of € 113.3 million. Group sales amounted to € 117.8 million compared to € 119.5 million in the previous year's period. While total output increased significantly, earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 8.6 % to € 14.3 million (previous year's period: € 13.2 million). Depreciation and amortisation rose considerably due to the investments made in the reporting period and in the previous year. As a result, earnings before interest and taxes (EBIT) grew less sharply than EBITDA by 7.1 % from € 9.0 million to € 9.6 million. Against the backdrop of an improved financial result, an increased tax rate and a major rise in third-party profit share, Group net income after minority interest came to € 5.0 million (€ 4.9 million). Earnings per share pursuant to IFRS came in at € 1.49 (€ 1.48).

DEVELOPMENT OF GROUP SALES AND EARNINGS IN THE FIRST NINE MONTHS OF THE YEAR

Viewed as a whole, the first nine months of the year saw incoming orders increase by 4.6 % to € 340.0 million compared to € 325.2 million in the previous year's period. At € 337.9 million, sales barely changed on the previous year's figure of € 337.2 million.

The decline in EBITDA from € 36.9 million in the previous year's period to € 34.3 million in the reporting period was largely due to the negative impact on earnings of the restructuring measures at two subsidiaries. As depreciation and amortisation rose considerably due to investments made, EBIT fell more sharply than EBITDA and stood at € 20.4 million (€ 24.3 million). Group net income after minority interest came in at € 10.5 million (€ 13.6 million), which equates to earnings per share pursuant to IFRS of € 3.14 (€ 4.08).

SEGMENT REPORTING

The tool manufacture and mechanical engineering segment is still the much larger of the two segments. The segment's incoming orders amounted to € 316.5 million compared to € 302.4 million in the previous year's period. At € 313.4 million, segment sales were down slightly on the previous year's figure of € 315.1 million. EBIT fell from € 27.0 million to € 24.0 million.

The plastics technology segment recorded an increase in incoming orders to € 23.2 million (€ 22.5 million). Sales grew by 11.0 %, from € 21.8 million to € 24.2 million. EBIT amounted to € 3.1 million compared to € 3.6 million in the previous year's period.

ASSETS AND FINANCIAL POSITION

Total assets rose by 5.8 % to € 402.1 million compared to 31 March 2014.

On the assets side, the investments made in the reporting period resulted in a rise in property, plant and equipment. One investment property was reclassified under “assets held for sale”. Inventories increased significantly on account of the operating business, while trade receivables remained practically unchanged. Liquid assets amounted to € 35.0 million as at the reporting date, compared to € 38.8 million as at the beginning of the financial year. A dividend of € 7.3 million was paid in the reporting period.

On the liabilities side, equity increased from € 176.6 million to € 181.0 million. As total assets rose more strongly than equity, the equity ratio dropped from 46.5 % to 45.0 %. Non-current bank liabilities increased slightly on account of the financing required for the investments. Current bank liabilities and prepayments received rose in line with the operating business.

The Group balance sheet continues to show an exceptionally healthy structure with sufficient liquid assets, high equity and moderate indebtedness.

INVESTMENTS

In the first nine months of the year, the GESCO Group companies invested approximately € 20.9 million in property, plant and equipment and intangible assets (previous year's period: € 21.1 million). The main focuses of investment were AstroPlast Kunststofftechnik GmbH & Co. KG, Frank Walz- und Schmiedetechnik GmbH and Protomaster GmbH. We anticipate an investment volume of approximately € 30 million for the full year.

EMPLOYEES

The number of people employed by GESCO Group increased by 3.6 % year on year, from 2,368 to 2,454. This increase was largely the result of the addition of Eitel Presses.

OUTLOOK AND EVENTS AFTER THE REPORTING DATE

As explained above, this nine-month interim report comprises the subsidiaries' operating business from January to September. In the following fourth quarter, the months October to December in the case of the subsidiaries, incoming orders and sales stood at satisfactory levels. According to preliminary figures, incoming orders came to roughly € 108 million (previous year's period: € 110.4 million) while sales stood at approximately € 116 million (€ 116.1 million).

As explained above, we confirm the current full-year plan and anticipate Group sales of between € 455 million and € 460 million and Group net income after minority interest of between € 14.5 million and € 15.0 million for the full year.

In the half-year interim report, we reported on two acquisition projects currently under review. One of these projects was successfully concluded with the aforementioned acquisition of Setterstix Corp. by Setter GmbH & Co. Papierverarbeitung. The second project has been postponed until further notice, as we were unable to reach an agreement with the seller. Despite the downturn in market conditions for buyers, we currently have a number of other projects in the pipeline that we will continue to pursue over the next few months.

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

Yours sincerely,

GESCO AG
The Executive Board

Wuppertal, 13 February 2015

GESCO GROUP BALANCE SHEET

AS AT 31 DECEMBER 2014 AND 31 MARCH 2014

€'000	31.12.2014	31.03.2014
Assets		
A. Non-current assets		
I. Intangible assets		
1. Industrial property rights and similar rights and assets as well as licences	11,360	11,888
2. Goodwill	12,429	12,423
3. Prepayments made	150	264
	23,939	24,575
II. Property, plant and equipment		
1. Land and buildings	50,493	50,213
2. Technical plant and machinery	37,165	35,942
3. Other plant, fixtures and fittings	22,046	21,310
4. Prepayments made and plant under construction	10,792	5,670
5. Property held as financial investments	165	1,737
	120,661	114,872
III. Financial investments		
1. Shares in affiliated companies	51	15
2. Shares in associated companies	1,426	1,192
3. Investments	156	156
4. Other loans	158	181
	1,791	1,544
IV. Other assets	2,348	2,344
V. Deferred tax assets	4,983	3,057
	153,722	146,392
B. Current assets		
I. Inventories		
1. Raw materials and supplies	22,074	21,986
2. Unfinished products and services	53,794	41,514
3. Finished products and goods	58,252	55,225
4. Prepayments made	1,886	443
	136,006	119,168
II. Receivables and other assets		
1. Trade receivables	65,450	65,517
2. Amounts owed by affiliated companies	511	624
3. Amounts owed by associated companies	1,119	431
4. Other assets	8,245	8,468
	75,325	75,040
III. Cash in hand and credit balances with financial institutions	35,026	38,815
IV. Accounts receivable and payable	509	535
	246,866	233,558
C. Assets held for sale	1,501	0
	402,089	379,950

GESCO GROUP INCOME STATEMENT FOR THE THIRD QUARTER (1 OCTOBER TO 31 DECEMBER)

€'000	III. Quarter 2014/2015	III. Quarter 2013/2014
Sales revenues	117,811	119,455
Change in stocks of finished and unfinished products	3,191	-6,631
Other company produced additions to assets	805	189
Other operating income	1,116	1,459
Total income	122,923	114,472
Material expenditure	-62,208	-56,479
Personnel expenditure	-32,601	-30,349
Other operating expenditure	-13,788	-14,454
Earnings before interest, tax, depreciation and amortisation (EBITDA)	14,326	13,190
Depreciation on tangible and intangible assets	-4,720	-4,223
Earnings before interest and tax (EBIT)	9,606	8,967
Earnings from investments in associated companies	98	-147
Other interest and similar income	117	62
Interest and similar expenditure	-861	-726
Minority interest in partnerships	-89	-61
Financial result	-735	-872
Earnings before tax (EBT)	8,871	8,095
Taxes on income and earnings	-3,112	-2,665
Group net income	5,759	5,430
Minority interest in incorporated companies	-803	-508
Group net income after minority interest	4,956	4,922
Earnings per share (€) acc. to IFRS	1.49	1.48
Weighted average number of shares	3,320,395	3,320,935

GESCO GROUP INCOME STATEMENT FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER)

€'000	I.-III. Quarter 2014/2015	I.-III. Quarter 2013/2014
Sales revenues	337,924	337,247
Change in stocks of finished and unfinished products	10,401	4,618
Other company produced additions to assets	1,119	383
Other operating income	3,903	4,955
Total income	353,347	347,203
Material expenditure	-180,492	-177,225
Personnel expenditure	-97,654	-91,492
Other operating expenditure	-40,807	-41,567
Earnings before interest, tax, depreciation and amortisation (EBITDA)	34,394	36,919
Depreciation on tangible and intangible assets	-13,980	-12,665
Earnings before interest and tax (EBIT)	20,414	24,254
Earnings from investments	37	0
Earnings from investments in associated companies	117	-162
Other interest and similar income	235	249
Interest and similar expenditure	-2,341	-2,274
Third party profit share in incorporated companies	-239	-126
Financial result	-2,191	-2,313
Earnings before tax (EBT)	18,223	21,941
Taxes on income and earnings	-6,094	-7,000
Group net income	12,129	14,941
Third party profit share in incorporated companies	-1,676	-1,379
Group net income after minority interest	10,453	13,562
Earnings per share (€) acc. to IFRS	3.14	4.08
Weighted average number of shares	3,323,307	3,323,326

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER)

€'000	I.-III. Quarter 2014/2015	I.-III. Quarter 2013/2014
Group net income	12,129	14,941
Revaluation of benefit liabilities not impacting on income	-1,372	0
Items that cannot be transferred into the income statement	-1,372	0
Difference from currency translation		
Reclassification into the income statement	0	0
Changes in value with no effect on income	260	-171
Market valuation of hedging instruments		
Reclassification into the income statement	-94	-229
Changes in value with no effect on income	-35	-42
Items that can be transferred into the income statement	131	-442
Other comprehensive income	-1,241	-442
Total result for the period	10,888	14,499
of which shares held by minority interest	1,608	1,358
of which shares held by GESCO shareholders	9,280	13,141

GESCO GROUP CASH FLOW STATEMENT

FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER)

€'000	I.-III. Quarter 2014/2015	I.-III. Quarter 2013/2014
Result for the period (including share attributable to minority interest in incorporated companies)	12,129	14,941
Depreciation on fixed assets	13,980	12,665
Result from investments in associated companies	-117	162
Share attributable to minority interest in partnerships	239	126
Increase in long-term provisions	188	17
Other non-cash result	475	-416
Cash flow for the period	26,894	27,495
Losses from the disposal of property, plant and equipment/intangible assets	65	45
Gains from the disposal of property, plant and equipment/intangible assets	-297	-215
Increase in stocks, trade receivables and other assets	-18,671	-20,473
Increase in trade creditors and other liabilities	6,796	6,340
Cash flow from ongoing business activity	14,787	13,192
Incoming payments from disposals of tangible assets/intangible assets	168	372
Disbursements for investments in property, plant and equipment	-19,501	-20,477
Disbursements for investments in intangible assets	-1,409	-603
Incoming payments from disposals of financial assets	23	28
Disbursements for investments in financial assets	-55	-196
Cash flow from investment activity	-20,774	-20,876
Disbursements to shareholders (dividend)	-7,313	-8,311
Incoming payments from minority interests	1,738	0
Disbursements to minority interests	-1,254	-1,238
Incoming payments from the sale of own shares	792	814
Disbursement for the purchase of own shares	-829	-800
Incoming payments from raising (financial) loans	27,321	28,032
Outflow for repayment of (financial) loans	-18,257	-9,832
Cash flow from funding activities	2,198	8,665
Cash increase in cash and cash equivalents	-3,789	981
Financial means on 01.04.	38,815	37,464
Financial means on 31.12.	35,026	38,445

GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
As at 01.04.2013	8,645	54,635	93,711	-31
Dividends			-8,311	
Acquisition of own shares				-800
Disposal of own shares		27		814
Other neutral changes				
Result for the period			13,562	
Changes in scope of consolidation				
As at 31.12.2013	8,645	54,662	98,962	-17
As at 01.04.2014	8,645	54,662	103,521	-17
Dividends			-7,314	
Acquisition of own shares				-829
Disposal of own shares		-37		829
Disposal of shares in subsidiaries			437	
Other neutral changes				
Result for the period			10,453	
Changes in scope of consolidation				
As at 31.12.2014	8,645	54,625	107,097	-17

GESCO GROUP SEGMENT REPORT FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER)

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	I.-III.Quarter 2014/2015	I.-III.Quarter 2013/2014	I.-III.Quarter 2014/2015	I.-III.Quarter 2013/2014
Order backlog	185,719	182,559	5,302	4,302
Incoming orders	316,537	302,397	23,236	22,531
Sales revenues	313,423	315,126	24,236	21,838
of which with other segments	0	0	0	0
Depreciation	9,919	8,796	1,522	1,101
EBIT	24,036	27,007	3,140	3,620
Investments	16,322	16,213	4,396	4,843
Employees (No./reporting date)	2,282	2,215	154	138

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	-894	-9,205
			-800		-800
			841		841
			0	-187	-187
-171		-250	13,141	1,358	14,499
			0	109	109
-598	-2,257	119	159,516	12,241	171,757
-672	-2,079	143	164,203	12,401	176,604
			-7,314	-945	-8,259
			-829		-829
			792		792
			437	110	547
			0	42	42
194	-1,237	-130	9,280	1,608	10,888
			0	1,191	1,191
-478	-3,316	13	166,569	14,407	180,976

	GESCO AG		Other/Consolidation		Group	
	I.-III.Quarter 2014/2015	I.-III.Quarter 2013/2014	I.-III.Quarter 2014/2015	I.-III.Quarter 2013/2014	I.-III.Quarter 2014/2015	I.-III.Quarter 2013/2014
	0	0	0	0	191,021	186,861
	0	0	265	283	340,038	325,211
	0	0	265	283	337,924	337,247
	0	0	0	0	0	0
	96	109	2,443	2,659	13,980	12,665
	-3,628	-3,122	-3,134	-3,251	20,414	24,254
	192	24	0	0	20,910	21,080
	18	15	0	0	2,454	2,368

EXPLANATORY NOTES

ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The report of GESCO Group for the first nine months (1 April to 31 December 2014) of financial year 2014/2015 was prepared on the basis of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB). It was drawn up in compliance with IAS 34.

The accounting and valuation principles applied generally correspond to those in the Group financial statements as at 31 March 2014. The financial statements are affected by the accounting and valuation methods as well as assumptions and estimates which affect the level and recognition of assets, liabilities and contingent liabilities on the balance sheet and of the income and expenditure items. Sales-related figures are accrued throughout the year.

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

MAE Eitel Inc., Orwigsburg/USA was included in the Group income statement for the first time in the first quarter of the current financial year, and is therefore included in the nine months of the present report. 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 with retroactive effect as at 1 January 2014.

INFORMATION ON FINANCIAL INSTRUMENTS

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

	Book value		Fair value	
	31.12.2014	31.03.2014	31.12.2014	31.03.2014
Trade receivables	65,450	65,517	65,450	65,517
Other receivables	7,683	7,427	7,683	7,427
of which hedging instruments	55	116	55	116
Cash and cash equivalents	35,026	38,815	35,026	38,815
Assets held for sale	1,501	0	1,501	0
Financial assets	109,660	111,759	109,660	111,759
Trade creditors	19,916	14,581	19,916	14,581
Liabilities to financial institutions	105,945	96,881	105,945	96,881
Other liabilities	57,377	56,983	57,377	56,983
of which hedging instruments	265	293	265	293
Liabilities held for sale	0	0	0	0
Financial liabilities	183,238	168,445	183,238	168,445

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.

RELATED PARTY TRANSACTIONS

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 Connex SVT Inc., USA, and Frank Lemeks Tow, Ukraine. Entrepreneur Stefan Heimöller, member of the Supervisory Board of GESCO AG, maintains business relationships to a minor extent with Dörrenberg Edelstahl GmbH, a 90 % subsidiary of GESCO AG, through his company Platestahl Umformtechnik GmbH. These business relationships are conducted under regular market terms and conditions.

FINANCIAL CALENDAR

13 February 2015

Figures for the first nine months (1 April to 31 December 2014)

25 June 2015

Annual Accounts Press Conference and Analysts' Meeting

14 August 2015

Figures for the first quarter (1 April to 30 June 2015)

18 August 2015

Annual General Meeting in the Stadthalle, Wuppertal

13 November 2015

Despatch of the interim report (1 April to 30 September 2015)

DEAR SHAREHOLDERS,

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

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