

Q1

2015/2016



GESCO AG
INTERIM REPORT
1 APRIL TO
30 JUNE 2015

OVERVIEW OF KEY POINTS

- INCOMING ORDERS SHOW STRONG GROWTH IN FIRST QUARTER
- SALES ARE ALSO UP, EARNINGS CONTINUE TO BE WEIGHED DOWN
- INCOMING ORDERS AND SALES ARE ALSO HIGHER YEAR ON YEAR IN THE SECOND QUARTER
- TARGETS FOR THE FULL YEAR REITERATED

GESCO GROUP KEY FIGURES FOR THE FIRST QUARTER OF THE 2015/2016 FINANCIAL YEAR

01.04.-30.06.		I. Quarter 2015/2016	I. Quarter 2014/2015	Change
Incoming orders	(T€)	146,090	126,668	15.3%
Sales revenues	(T€)	118,706	109,543	8.4%
EBITDA	(T€)	11,631	11,403	2.0%
EBIT	(T€)	6,641	6,869	-3.3%
Earnings before tax	(T€)	5,954	6,164	-3.4%
Group net income after minority interest	(T€)	3,174	3,753	-15.4%
Earnings per share acc. to IFRS	(€)	0,95	1,13	-15.4%
Employees	(No.)	2,523	2,422	4.2%

DEAR SHAREHOLDERS,

GESCO Group registered robust customer demand with a significant increase in incoming orders and sales in the first quarter (1 April to 30 June 2015) of financial year 2015/2016 (1 April 2015 to 31 March 2016). As announced during the annual accounts press conference in June 2015, margins in the current financial year are not yet on a par with previous years. Earnings continue to be weighed down by restructuring measures at two subsidiaries. These activities achieved some progress in the first quarter and should be largely completed by the end of the current financial year. In addition, several subsidiaries anticipate declining earnings partly due to cyclical factors and market developments.

Incoming orders and sales were also strong in the second quarter, which comprises the subsidiaries' operating business from April to June, and were higher year on year.

DEVELOPMENT OF GROUP SALES AND EARNINGS

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. The interim report for the first three months of financial year 2015/2016 therefore encompasses the operating months January to March 2015 of the Group's subsidiaries. In the reporting period, Setterstix Inc., Cattaraugus, New York, an indirect subsidiary of Setter GmbH & Co. Papierverarbeitung, was included in the consolidated income statement for the first time. Setterstix was already included in the Group balance sheet as at 31 March 2015.

Incoming orders rose a sharp 15.3 %, from € 126.7 million to € 146.1 million, in the first quarter. These exceptionally high figures include large orders, some of which will only impact sales and earnings in the coming financial year. In organic terms, that is to say excluding the newly consolidated Setterstix, incoming orders would have been up by 13.0 %.

Group sales also saw a positive development and gained 8.4 % to € 118.7 million (previous year's period: € 109.5 million). In organic terms, sales were up 5.8 %.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 2.0 % to € 11.6 million (€ 11.4 million). As investments in the reporting period and the previous year led to higher depreciation and amortisation, earnings before interest and taxes (EBIT) declined from € 6.9 million in the previous year's period to € 6.6 million.

Group net income after minority interest fell more sharply to € 3.2 million (€ 3.7 million) due to the significantly higher tax rate. This corresponds to earnings per share pursuant to IFRS of € 0.95 (€ 1.13).

The order backlog at the close of the first quarter totalled € 208.6 million (€ 205.0 million).

SEGMENT REPORTING

The tool manufacture and mechanical engineering segment is still the much larger of the two segments. Incoming orders increased by 12.4 % to € 133.6 million (€ 118.8 million). Sales also improved and amounted to € 107.3 million compared to € 101.0 million in the previous year's period. EBIT stood at € 7.8 million (€ 8.2 million).

The plastics technology segment recorded a sharp increase in incoming orders to € 12.4 million (€ 7.8 million) also on the back of the first-time consolidation of Setterstix. Sales also improved considerably both in organic terms and on due to acquisitions, amounting to € 11.3 million (€ 8.4 million). EBIT amounted to € 1.2 million (€ 1.0 million).

ASSETS AND FINANCIAL POSITION

Total assets rose by 5.8 % to € 427.0 million compared to 31 March 2015. A sharp increase was reported in trade receivables in particular. Liquid assets declined from € 35.3 million to € 30.7 million.

On the liabilities side, equity rose slightly to € 184.5 million (31 March 2015: € 182.8 million). As a result, the equity ratio as at 30 June 2015 amounted to 43.2 % (45.3 %). Trade payables increased considerably.

Thanks to a robust equity basis and sufficient liquid assets, GESCO Group continues to maintain the ability to act in terms of investments in the existing Group as well acquiring new companies.

INVESTMENTS

In the first quarter, the GESCO Group companies invested approximately € 3.5 million in property, plant and equipment and intangible assets (previous year's period: € 5.4 million). The main focuses of investment were Frank Walz- und Schmiedetechnik GmbH and the Werkzeugbau Laichingen Group.

EMPLOYEES

As at the reporting date, GESCO Group employed 2,523 people compared to 2,422 in the previous year. Around half of this increase is due to the inclusion of Setterstix in the consolidated income statement for the first time.

OPPORTUNITIES, RISKS AND RISK MANAGEMENT

Our explanations on the subject of opportunities and risks in the consolidated financial statements as at 31 March 2015 remain essentially unchanged and valid. For more details, please refer to the Annual Report 2014/2015, which is available online at www.gesco.de.

OUTLOOK AND EVENTS AFTER THE REPORTING DATE

As explained above, the second quarter of financial year 2015/2016 encompasses the operating months April to June 2015 of the subsidiaries. In this period, incoming orders of approximately € 112 million did not match the first quarter's above-average figure, but were 12 % higher than the previous year's period (€ 99.9 million). At € 117 million, sales in the second quarter were up 6 % on the previous year's period (€ 110.6 million).

The general economic environment for the capital goods industry has deteriorated in the last few months. While the VDMA originally forecast production growth of 2 % for 2015, it reduced its outlook to 0 % in July 2015. While low energy prices are fuelling consumption, they are deterring the oil industry from investing in their technical equipment. As expected, the agriculture market's perspectives still do not show any signs of improvement. The development of the Chinese market, which has been essential to car manufacturers, car suppliers and capital goods manufactures in recent years, is now characterised by a large degree of uncertainty.

At the annual accounts press conference on 25 June 2015, we forecast Group sales for financial year 2015/2016 of between € 480 million and € 490 million and Group net income after minority interest of between € 12.5 million and € 14.0 million. Based on the information available, we confirm this guidance.

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

Yours sincerely,

GESCO AG
The Executive Board

Wuppertal, 14 August 2015

GESCO GROUP BALANCE SHEET

AS AT 30 JUNE 2015 AND 31 MARCH 2015

€'000	30.06.2015	31.03.2015
Assets		
A. Non-current assets		
I. Intangible assets		
1. Industrial property rights and similar rights and assets as well as licences	15,875	15,668
2. Goodwill	14,064	13,815
3. Prepayments made	365	409
	30,304	29,892
II. Property, plant and equipment		
1. Land and buildings	57,522	54,787
2. Technical plant and machinery	40,816	38,745
3. Other plant, fixtures and fittings	22,307	22,539
4. Prepayments made and plant under construction	7,428	12,528
5. Property held as financial investments	164	164
	128,237	128,763
III. Financial investments		
1. Shares in affiliated companies	53	52
2. Shares in companies valued at equity	1,643	1,498
3. Investments	156	156
4. Other loans	284	284
	2,136	1,990
IV. Other assets	2,072	2,117
V. Deferred tax assets	3,680	3,146
	166,429	165,908
B. Current assets		
I. Inventories		
1. Raw materials and supplies	21,655	22,648
2. Unfinished products and services	55,305	52,457
3. Finished products and goods	67,198	59,329
4. Prepayments made	1,152	698
	145,310	135,132
II. Receivables and other assets		
1. Trade receivables	69,529	55,113
2. Amounts owed by affiliated companies	563	391
3. Amounts owed by companies valued at equity	369	439
4. Other assets	11,561	9,499
	82,022	65,442
III. Securities	0	5
IV. Cash in hand and credit balances with financial institutions	30,703	35,251
V. Accounts receivable and payable	1,070	499
	259,105	236,329
C. Assets held for sale	1,502	1,502
	427,036	403,739

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

€'000	I. Quarter 2015/2016	I. Quarter 2014/2015
Sales revenues	118,706	109,543
Change in stocks of finished and unfinished products	2,315	6,307
Other company produced additions to assets	150	60
Other operating income	1,887	1,559
Total income	123,058	117,469
Material expenditure	-61,284	-60,219
Personnel expenditure	-35,174	-32,534
Other operating expenditure	-14,969	-13,313
Earnings before interest, tax, depreciation and amortisation (EBITDA)	11,631	11,403
Depreciation on tangible and intangible assets	-4,990	-4,534
Earnings before interest and tax (EBIT)	6,641	6,869
Earnings from companies valued at equity	80	41
Other interest and similar income	41	57
Interest and similar expenditure	-731	-725
Minority interest in partnerships	-77	-78
Financial result	-687	-705
Earnings before tax (EBT)	5,954	6,164
Taxes on income and earnings	-2,240	-1,966
Group net income	3,714	4,198
Minority interest in incorporated companies	-540	-445
Group net income after minority interest	3,174	3,753
Earnings per share (€) acc. to IFRS	0,95	1,13
Weighted average number of shares	3,324,759	3,324,763

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

€'000	01.04.2015- 30.06.2015	01.04.2014- 30.06.2014
1. Group net income	3,714	4,198
2. Revaluation of benefit obligations not impacting on income	-1,262	0
3. Items that cannot be transferred into the income statement	-1,262	0
4. Difference from currency translation		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	623	-28
5. Market valuation of hedging instruments		
a) Reclassification into the income statement	-6	-49
b) Changes in value with no effect on income	-31	20
6. Items that can be transferred into the income statement	586	-57
7. Other income	-676	-57
8. Total result for the period	3,038	4,141
of which shares held by minority interest	553	436
of which shares held by GESCO shareholders	2,485	3,705

GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
As at 01.04.2014	8,645	54,662	103,521	-17
Other neutral changes				
Capital increases at subsidiaries				
Result for the period			3,753	
As at 30.06.2014	8,645	54,662	107,274	-17
As at 01.04.2015	8,645	54,662	108,887	-17
Distributions				
Result for the period			3,174	
As at 30.06.2015	8,645	54,662	112,061	-17

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

€'000	Tool manufacture and mechanical engineering		Plastics technology		
	2015/2016	2014/2015	2015/2016	2014/2015	
Order backlog	202,344	199,515	6,276	5,509	
Incoming orders	133,562	118,813	12,432	7,767	
Sales revenues	107,287	101,045	11,323	8,410	
of which with other segments	0	0	0	0	
Depreciation	3,368	3,047	746	449	
EBIT	7,823	8,232	1,161	978	
Investments	3,031	3,265	359	2,172	
Employees (No./reporting date)	2,312	2,262	195	144	

Exchange equalisation items	Revaluation of pensions	Hedging instruments	Total	Minority interest incorporated companies	Equity capital
-672	-2,079	143	164,203	12,401	176,604
				-395	-395
				178	178
-19		-29	3,705	436	4,141
-691	-2,079	114	167,908	12,620	180,528
-378	-3,520	-22	168,257	14,546	182,803
				-1,341	-1,341
497	-1,145	-41	2,485	553	3,038
119	-4,665	-63	170,742	13,758	184,500

	GESCO AG		Other/consolidation		Group	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
	0	0	0	0	208,620	205,024
	0	0	96	88	146,090	126,668
	0	0	96	88	118,706	109,543
	0	0	0	0	0	0
	31	31	845	1,007	4,990	4,534
	-1,409	-1,388	-934	-953	6,641	6,869
	82	5	0	0	3,472	5,442
	16	16	0	0	2,523	2,422

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

€'000	I. Quarter 2015/2016	I. Quarter 2014/2015
Group net income for the period (including share attributable to minority interest in incorporated companies)	3,714	4,198
Depreciation on property, plant and equipment and intangible assets	4,990	4,534
Result from companies valued at equity	-80	-41
Share attributable to minority interest in partnerships	77	78
Increase in long-term provisions	41	108
Other non-cash expenditure/income	248	27
Cash flow for the period	8,990	8,904
Losses from the disposal of property, plant and equipment/intangible assets	68	0
Gains from the disposal of property, plant and equipment/intangible assets	-259	-103
Increase in stocks, trade receivables and other assets	-27,297	-11,654
Increase in trade creditors and other liabilities	17,490	12,869
Cash flow from ongoing business activity	-1,008	10,016
Incoming payments from disposals of property, plant and equipment/intangible assets	201	89
Disbursements for investments in property, plant and equipment	-3,244	-5,050
Disbursements for investments in intangible assets	-228	-391
Disbursements for investments in financial assets	0	-55
Cash flow from investment activity	-3,271	-5,407
Incoming payments from minority interests	0	178
Disbursements to minority interests	-1,510	-483
Incoming payments from raising (financial) loans	4,178	14,025
Outflow for repayment of (financial) loans	-2,942	-8,829
Cash flow from funding activities	-274	4,891
Cash increase in cash and cash equivalents	-4,553	9,500
Financial means on 01.04.	35,256	38,815
Financial means on 30.06.	30,703	48,315

EXPLANATORY NOTES

ACCOUNTING AND VALUATION METHODS

The report of GESCO Group for the first quarter (1 April to 30 June 2015) of financial year 2015/2016 (1 April 2015 to 31 March 2016) 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 2015. 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

In the reporting period, Setterstix Inc., Cattaraugus/New York, 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 2015.

INFORMATION ON FINANCIAL INSTRUMENTS

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

	Book value		Fair value	
	30.06.2015	31.03.2015	30.06.2015	31.03.2015
Trade receivables	69,529	55,113	69,529	55,113
Other receivables	7,087	7,621	7,087	7,621
Cash and cash equivalents	30,703	35,251	30,703	35,251
Securities	0	5	0	5
Assets held for sale	1,502	1,502	1,502	1,502
Financial assets	108,821	99,492	108,821	99,492
Trade creditors	23,334	14,067	23,334	14,067
Liabilities to financial institutions	117,031	114,457	117,031	114,457
Other liabilities	59,662	52,994	59,662	52,994
of which hedging instruments	532	562	532	562
Financial liabilities	200,027	181,518	200,027	181,518

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.

FINANCIAL CALENDAR

13 November 2015

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

February 2016

Figures for the first nine months (1 April to 31 December 2015)

30 June 2016

Annual Accounts Press Conference and Analysts' Meeting

August 2016

Figures for the first quarter (1 April to 30 June 2016)

25 August 2016

Annual General Meeting

November 2016

Despatch of the interim report (1 April to 30 September 2016)

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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