

Q2

2015/2016



HALF-YEAR
INTERIM REPORT
2015/2016
1 APRIL TO
30 SEPTEMBER 2015

THE FIRST SIX MONTHS OF FINANCIAL YEAR 2015/2016 AT A GLANCE

- INCOMING ORDERS AND SALES INCREASED IN THE FIRST HALF OF THE YEAR
- DISPROPORTIONATELY HIGH INCREASE IN EARNINGS
- INCOMING ORDERS AND SALES AT A STABLE LEVEL IN THE THIRD QUARTER
- OUTLOOK FOR FINANCIAL YEAR FULLY CONFIRMED

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

01.04.-30.09.		I. Half year 2015/2016	I. Half year 2014/2015	Change
Incoming orders	(T€)	258,109	226,604	13.9%
Sales	(T€)	237,307	220,113	7.8%
EBITDA	(T€)	26,136	20,068	30.2%
EBIT	(T€)	16,048	10,808	48.5%
Earnings before tax	(T€)	14,675	9,352	56.9%
Group net income after minority interest	(T€)	7,958	5,497	44.8%
Earnings per share acc. to IFRS	(€)	2.39	1.65	44.8%
Employees	(No.)	2,538	2,425	4.7%

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 half of financial year 2015/2016 therefore encompasses the operating months January to June 2015 of the Group's subsidiaries.

In this period, the economic environment proved to be largely stable in most areas. Progress was made in restructuring measures at two subsidiaries, and GESCO Group recorded relatively brisk business overall. Incoming orders rose considerably year on year, and sales also grew. Key earnings figures climbed by a disproportionately high margin; however, these did include a one-off effect that will not be repeated in the second half of the year.

In the third quarter, which encompasses the operating months July to September 2015 of the Group's subsidiaries, the level of sales and incoming orders was stable.

At the annual accounts press conference on 25 June 2015, we forecast Group sales for the full 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 to us at the current time, we can confirm our outlook in terms of sales. We currently expect Group net income after minority interest to stand at the upper limit of the stated range or exceed it slightly.

CHANGES TO THE SCOPE OF CONSOLIDATION

Setterstix Inc., Cattaraugus/New York, USA has been included in the consolidated income statement since the first quarter of the current financial year. The company was not included in the consolidated income statement for the previous year's period. We reported extensively on the acquisition of Setterstix by Setter GmbH & Co. Papierverarbeitung through a subsidiary in early January 2015 in the Annual Report for financial year 2014/2015.

DEVELOPMENT OF GROUP SALES AND EARNINGS IN THE SECOND QUARTER

At € 112.0 million in the second quarter, which encompasses the operating months April to June 2015 of the subsidiaries, incoming orders were up 12.1 % on the previous year's figure of € 99.9 million. Group sales also rose, amounting to € 118.6 million – 7.3 % higher than the previous year's figure (€ 110.6 million). In organic terms, in other words excluding the newly acquired company Setterstix, incoming orders climbed by 8.8 % while sales increased by 4.2 %.

The second-quarter result also includes price rises related to sales that concern operating activities for the whole first half of the year. In addition, the second quarter also saw the utilisation of provisions amounting to € 1.3 million, which had been formed in the previous year for impending losses. Overall, the margin in the second quarter was disproportionately high and key earnings figures therefore rose much more sharply than sales revenues. At € 14.5 million, earnings before interest, taxes, depreciation and amortisation (EBITDA) were up 67.4 % on the previous year's figure of € 8.7 million. Earnings before interest and taxes (EBIT) stood at € 9.4 million, more than double the previous year's figure of € 3.9 million. With a slight improvement in the financial result, a year-on-year rise in the tax rate and an increase in minority interest in incorporated companies, Group net income after minority interest climbed to € 4.8 million, significantly higher than the previous-year figure of € 1.7 million.

DEVELOPMENT OF GROUP SALES AND EARNINGS IN THE FIRST HALF OF THE YEAR

In the first half of financial year 2015/2016, incoming orders increased year on year by 13.9 % to € 258.1 million (previous year's period: € 226.6 million). Incoming orders in the first quarter were unusually high at € 146.1 million and also included some major orders that will only impact sales and earnings in the coming financial year. The level of incoming orders normalised in the second quarter. Group sales rose in the first half of the year by 7.8 % to € 237.3 million (€ 220.1 million). In organic terms, incoming orders were up by 11.2 % and sales by 5.0 %.

Earnings development in the first half of the year was shaped by a relatively weak first quarter and the much stronger second quarter, in which both operating improvements and the aforementioned one-off effect had a positive impact on business. Provisions for impending losses of € 1.9 million were utilised in the first half of the year. All in all, earnings before interest, taxes, depreciation and amortisation (EBITDA) increased in the first six months of the year by 30.2 % to € 26.1 million, up from € 20.1 million in the previous-year period. Due to the lower increase in depreciation and amortisation, earnings before interest and taxes (EBIT) rose more sharply by 48.5 % to € 16.0 million from € 10.8 million in the previous-year period. The financial result experienced slight improvement, but the tax rate also rose year on year as some deferred taxes on tax loss carry-forwards were not capitalised. Group net income after minority interest climbed by a total of 44.8 % to € 7.9 million (€ 5.5 million). This equates to earnings per share pursuant to IFRS of € 2.39 (€ 1.65). The order backlog at the close of the first half of the year totalled € 202.1 million (€ 195.3 million).

SEGMENT REPORTING

The tool manufacture and mechanical engineering segment is still the much larger of the two segments. Its incoming orders climbed by 11.8 % from € 210.0 million to € 234.9 million. Sales also increased, reaching € 214.4 million (€ 203.3 million). EBIT rose significantly from € 13.7 million to € 17.4 million. This significant increase includes both operating improvements and the aforementioned one-off effects.

In the plastics technology segment, the first-time consolidation of Setterstix resulted in a sharp increase in key figures. Incoming orders increased by 40.5 % from € 16.4 million to € 23.1 million, while sales also experienced a sharp rise and amounted to € 22.7 million (€ 16.6 million). EBIT increased from € 2.2 million to € 3.1 million.

ASSETS AND FINANCIAL POSITION

Total assets rose by 8.3 % to € 437.2 million compared to the reporting date 31 March 2015. On the assets side, inventories increased in particular on account of the expansion of operating business, as did trade receivables. Liquid assets amounted to € 27.2 million as at the reporting date 30 September 2015, compared to € 35.3 million as at the reporting date 31 March 2015. In the second quarter, the dividend for financial year 2014/2015 of € 1.75 per share, which had been resolved at the Annual General Meeting on 18 August 2015, was paid to the shareholders, corresponding to a total payout of € 5.8 million. On the liabilities side, equity increased slightly to € 184.8 million from € 182.8 million as at 31 March 2015. In light of the increase in total assets, the equity ratio decreased from 45.3 % to 42.3 %. Non-current and current liabilities to financial institutions rose by 4.1 % and 29.9 % respectively. Overall, the Group balance sheet included liabilities to financial institutions of € 128.3 million.

INVESTMENTS

In the first half of the year, GESCO Group companies invested approximately € 10.8 million (previous year's period: € 13.4 million) in property, plant and equipment and intangible assets. The main focus of investment was in the Coating & Hardening business segment at Dörrenberg Edelstahl GmbH, a forging line at Frank Walz- und Schmiedetechnik GmbH and a large press at Werkzeugbau Laichingen Group.

EMPLOYEES

The number of people employed by GESCO Group increased by 4.7 % year on year, from 2,425 to 2,538. This increase was partially due to the acquisition of Setterstix.

OPPORTUNITIES, RISKS AND RISK MANAGEMENT

Our general explanations on the subject of opportunities and risks in the Group 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. Major risks posed to the achievement of the targets for the current financial year include a further decline in demand, particularly in China, and delays in the delivery of larger machinery, plants or components to the next financial year. There also remains uncertainty regarding the progress of the two restructuring measures.

OTHER INFORMATION

Stefan Heimöller, entrepreneur and member of GESCO AG's Supervisory Board, notified the company in September and October 2015 of the acquisition of approximately 20,000 GESCO shares. Mr Heimöller therefore holds 14.24 % of the company's share capital.

Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn/Germany, currently holds approximately 9.9 % of voting rights in GESCO AG.

OUTLOOK AND EVENTS AFTER THE REPORTING DATE

This half-year interim report comprises the subsidiaries' operating business from January to June 2015. In the following third quarter, which accounts for the months July to September 2015 in the case of the subsidiaries, Group incoming orders amounted to approximately € 120 million (previous year's period: € 113.4 million). Group sales came to approximately € 130 million (€ 117.8 million). Order backlog at the end of the third quarter stood at approximately € 193 million (€ 191.0 million).

As explained above, we expect sales in the current financial year 2015/2016 to stand within the forecast range. Earnings are expected to come in at the upper limit of the forecast range or exceed it slightly. Progress has been made in restructuring activities and second-quarter performance was better than expected; however, the economic climate has taken a further downturn since the summer. Sluggish economic growth in China is affecting demand there for vehicles, supplier parts, materials and capital goods from Germany. The oil industry is also reluctant to invest given the low oil price, while the chemicals industry is suffering from a lack of growth momentum in the global economy. At GESCO Group, we do not see any indications of a significant, widespread decline in demand, but there is also a distinct lack of notable growth impetus. In this environment, we expect demand to dip slightly overall in the fourth quarter.

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

Yours sincerely,

GESCO AG
The Executive Board

Wuppertal, 13 November 2015

GESCO GROUP BALANCE SHEET

AS AT 30 SEPTEMBER 2015 AND 31 MARCH 2015

€'000	30.09.2015	31.03.2015
Assets		
A. Non-current assets		
I. Intangible assets		
1. Industrial property rights and similar rights and assets as well as licences	15,042	15,668
2. Goodwill	13,965	13,815
3. Prepayments made	221	409
	29,228	29,892
II. Property, plant and equipment		
1. Land and buildings	56,467	54,787
2. Technical plant and machinery	42,016	38,745
3. Other plants, fixtures and fittings	22,612	22,539
4. Prepayments made and assets under construction	9,639	12,528
5. Property held as financial investments	0	164
	130,734	128,763
III. Financial investments		
1. Shares in affiliated companies	53	52
2. Shares in companies valued at equity	1,607	1,498
3. Investments	156	156
4. Other loans	261	284
	2,077	1,990
IV. Other assets	1,842	2,117
V. Deferred tax assets	3,470	3,146
	167,351	165,908
B. Current assets		
I. Inventories		
1. Raw materials and supplies	21,636	22,648
2. Unfinished products and services	59,629	52,457
3. Finished products and goods	68,516	59,329
4. Prepayments made	1,127	698
	150,908	135,132
II. Receivables and other assets		
1. Trade receivables	74,353	55,113
2. Amounts owed by affiliated companies	1,184	391
3. Amounts owed by companies valued at equity	548	439
4. Other assets	13,187	9,499
	89,272	65,442
III. Securities	0	5
IV. Cash and credit balances with financial institutions	27,187	35,251
V. Accounts receivable and payable	821	499
	268,188	236,329
C. Assets held for sale	1,667	1,502
	437,206	403,739

GESCO GROUP INCOME STATEMENT FOR THE SECOND QUARTER (1 JULY TO 30 SEPTEMBER)

€'000	II. Quarter 2015/2016	II. Quarter 2014/2015
Sales revenues	118,601	110,570
Change in stocks of finished and unfinished products	3,171	903
Other company-produced additions to assets	165	254
Other operating income	2,144	1,228
Total income	124,081	112,955
Material expenditure	-60,924	-58,065
Personnel expenditure	-34,700	-32,519
Other operating expenditure	-13,951	-13,706
Earnings before interest, tax, depreciation and amortisation (EBITDA)	14,506	8,665
Depreciation on property, plant and equipment and intangible assets	-5,099	-4,726
Earnings before interest and tax (EBIT)	9,407	3,939
Earnings from companies valued at equity	55	15
Other interest and similar income	44	61
Interest and similar expenditure	-709	-755
Minority interest in partnerships	-76	-72
Financial result	-686	-751
Earnings before tax (EBT)	8,721	3,188
Taxes on income and earnings	-3,179	-1,016
Group net income	5,542	2,172
Minority interest in incorporated companies	-757	-428
Group net income after minority interest	4,785	1,744
Earnings per share (€) acc. to IFRS	1.44	0.52
Weighted average number of shares	3,323,026	3,318,143

GESCO GROUP INCOME STATEMENT FOR THE FIRST HALF YEAR (1 APRIL TO 30 SEPTEMBER)

€'000	I. Half year 2015/2016	I. Half year 2014/2015
Sales revenues	237,307	220,113
Change in stocks of finished and unfinished products	5,487	7,210
Other company-produced additions to assets	315	314
Other operating income	4,031	2,787
Total income	247,140	230,424
Material expenditure	-122,208	-118,284
Personnel expenditure	-69,876	-65,053
Other operating expenditure	-28,920	-27,019
Earnings before interest, tax, depreciation and amortisation (EBITDA)	26,136	20,068
Depreciation on property, plant and equipment and intangible assets	-10,088	-9,260
Earnings before interest and tax (EBIT)	16,048	10,808
Earnings from companies valued at equity	135	56
Other interest and similar income	85	118
Interest and similar expenditure	-1,440	-1,480
Minority interest in partnerships	-153	-150
Financial result	-1,373	-1,456
Earnings before tax (EBT)	14,675	9,352
Taxes on income and earnings	-5,420	-2,982
Group net income	9,255	6,370
Minority interest in incorporated companies	-1,297	-873
Group net income after minority interest	7,958	5,497
Earnings per share (€) acc. to IFRS	2.39	1.65
Weighted average number of shares	3,323,892	3,324,763

GESCO GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST HALF YEAR (1 APRIL TO 30 SEPTEMBER)

€'000	I. Half year 2015/2016	I. Half year 2014/2015
1. Group net income	9,255	6,370
2. Revaluation of benefit obligations not impacting on income	207	0
3. Items that cannot be transferred into the income statement	207	0
4. Difference from currency translation		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	252	35
5. Market valuation of hedging instruments		
a) Reclassification into the income statement	-6	-88
b) Changes in value with no effect on income	-177	50
6. Items that can be transferred into the income statement	69	-3
7. Other income	276	-3
8. Total result for the period	9,531	6,367
of which shares held by minority interest	1,384	871
of which shares held by GESCO shareholders	8,147	5,496

GESCO GROUP CASH FLOW STATEMENT FOR THE FIRST HALF YEAR (1 APRIL TO 30 SEPTEMBER)

€'000	I. Half year 2015/2016	I. Half year 2015/2016
Group net income for the period (including share attributable to minority interest in incorporated companies)	9,255	6,370
Depreciation and amortisation on property, plant and equipment and intangible assets	10,088	9,260
Earnings from companies valued at equity	-135	-56
Share attributable to minority interests in partnerships	153	150
Increase in non-current provisions	36	110
Other non-cash expenditure/income	-141	136
Cash flow for the period	19,956	15,970
Losses from the disposal of property, plant and equipment/intangible assets	99	31
Gains from the disposal of property, plant and equipment/intangible assets	-379	-208
Increase in stocks, trade receivables and other assets	-39,975	-14,910
Increase in trade creditors and other liabilities	17,786	10,779
Cash flow from ongoing business activities	-3,213	11,662
Incoming payments from disposals of tangible assets/intangible assets	436	144
Disbursements for investments in property, plant and equipment	-10,404	-12,480
Disbursements for investments in intangible assets	-427	-897
Incoming payments from disposals of financial assets	23	23
Disbursements for investments in financial assets	0	-55
Cash flow from investment activities	-10,372	-13,265
Disbursements to shareholders (dividend)	-5,818	-7,313
Disbursements for the purchase of own shares	-352	0
Disbursements to minority interests	-1,562	-1,215
Incoming payments from minority interests	0	1,738
Incoming payments from raising (financial) loans	15,239	20,863
Outflow for repayment of (financial) loans	-1,991	-14,223
Cash flow from funding activities	5,516	-150
Decrease in cash and cash equivalents	-8,069	-1,753
Financial means on 01.04.	35,256	38,815
Financial means on 30.09.	27,187	37,062

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
Distributions			-7,314	
Disposal of shares in subsidiaries			437	
Result for the period			5,497	
Changes in scope of consolidation				
As at 30.09.2014	8,645	54,662	102,141	-17
As at 01.04.2015	8,645	54,662	108,887	-17
Distributions			-5,818	
Acquisition of own shares				-352
Result for the period			7,958	
As at 30.09.2015	8,645	54,662	111,027	-369

GESCO GROUP SEGMENT REPORT FOR THE FIRST HALF YEAR (1 APRIL TO 30 SEPTEMBER)

€'000	Tool manufacture and mechanical engineering		Plastics technology		
	2015/2016	2014/2015	2015/2016	2014/2015	
Order backlog	196,740	188,735	5,388	6,558	
Incoming orders	234,859	210,020	23,057	16,408	
Sales revenues	214,379	203,295	22,735	16,642	
of which with other segments	0	0	0	0	
Depreciation	6,916	6,180	1,452	1,020	
EBIT	17,393	13,701	3,059	2,165	
Investments	10,218	9,258	521	4,109	
Employees (No./reporting date)	2,328	2,257	194	151	

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
			-7,314	-945	-8,259
			437	110	547
38		-39	5,496	871	6,367
				1,191	1,191
-634	-2,079	104	162,822	13,628	176,450
-378	-3,520	-22	168,257	14,546	182,803
			-5,818	-1,341	-7,159
			-352		-352
169	188	-168	8,147	1,384	9,531
-209	-3,332	-190	170,234	14,589	184,823

	GESCO AG		Other/Consolidation		Group	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
	0	0	0	0	202,128	195,293
	0	0	193	176	258,109	226,604
	0	0	193	176	237,307	220,113
	0	0	0	0	0	0
	62	62	1,658	1,998	10,088	9,260
	-2,787	-1,923	-1,617	-3,135	16,048	10,808
	92	10	0	0	10,831	13,377
	16	17	0	0	2,538	2,425

EXPLANATORY NOTES

ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The report of GESCO Group for the first half of the year (1 April to 30 September 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

Setterstix Inc., Cattaraugus/New York, USA, was included in the consolidated income statement for the first time in the first quarter of the current financial year, and is therefore included in the six months of the present half-year report. 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	
	30.09.2015	31.03.2015	30.09.2015	31.03.2015
Trade receivables	74,353	55,113	74,353	55,113
Other receivables	8,062	7,621	8,062	7,621
of which hedging instruments	0	0	0	0
Cash and cash equivalents	27,187	35,251	27,187	35,251
Securities	0	5	0	5
Financial assets	109,602	97,990	109,602	97,990
Trade payables	23,606	14,067	23,606	14,067
Liabilities to financial institutions	128,303	114,457	128,303	114,457
Other liabilities	60,665	52,993	60,665	52,993
of which hedging instruments	447	562	447	562
Financial liabilities	212,574	181,517	212,574	181,517

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. Stefan Heimöller, member of the Supervisory Board, 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 AUDIT

The condensed half-year interim financial statements as at 30 September 2015 and the interim management report were neither audited in accordance with Section 317 HGB nor reviewed by an auditor.

STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim 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.

GESCO AG
The Executive Board

Wuppertal, 13 November 2015

FINANCIAL CALENDAR

13 November 2015

Publication of the half-year interim report (1 April to 30 September 2015)

February 2016

Publication of figures for the first nine months (1 April to 31 December 2015)

30 June 2016

Annual Accounts Press Conference and Analysts' Meeting

August 2016

Publication of figures for the first quarter (1 April to 30 June 2016)

25 August 2016

Annual General Meeting

November 2016

Publication of the half-year 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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First name/name: _____

Street/house number: _____

Zip code/City: _____

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