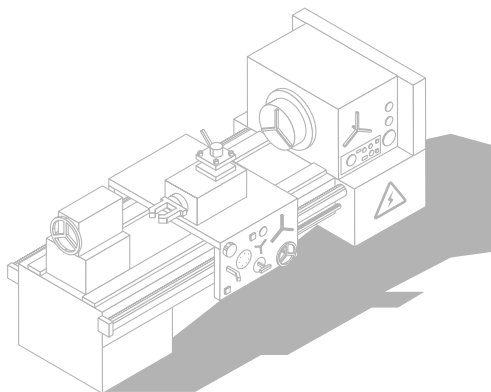


THE
INDUSTRIAL
GROUP



Q1

2016/2017

GESCO AG
QUARTERLY STATEMENT 2016/2017
1 APRIL TO 30 JUNE 2016

OVERVIEW OF KEY POINTS

- SUBDUED START TO NEW FINANCIAL YEAR
- FIRST QUARTER SALES AND EARNINGS SHORT OF PREVIOUS YEAR'S FIGURES AS EXPECTED
- SECOND-QUARTER INCOMING ORDERS AND SALES SLIGHTLY UP ON THE FIRST QUARTER
- SALES AND EARNINGS EXPECTED AT LOWER END OF TARGET RANGES AT BEST
- ANNUAL GENERAL MEETING RESOLVES ON DIVIDEND INCREASE AND SHARE SPLIT

GESCO GROUP KEY FIGURES FOR THE FIRST QUARTER OF THE 2016/2017 FINANCIAL YEAR

01.04.-30.06.		I. Quarter 2016/2017	I. Quarter 2015/2016	Change
Incoming orders	(€'000)	122,543	146,090	-16.1 %
Sales revenues	(€'000)	113,554	118,706	-4.3 %
EBITDA	(€'000)	10,562	11,631	-9.2 %
EBIT	(€'000)	5,419	6,641	-18.4 %
Earnings before tax	(€'000)	4,745	5,954	-20.3 %
Group net income after minority interest	(€'000)	2,684	3,174	-15.4 %
Earnings per share acc. to IFRS	(€)	0.81	0.95	-15.4 %
Employees	(No.)	2,547	2,523	0.8 %


DEAR SHAREHOLDERS,

We will propose to our upcoming Annual General Meeting on 25 August an increase in the dividend per share from € 1.75 to € 2.00. This has been made possible by a significant rise in earnings in the past financial year (2015/2016). In contrast to this positive development, our outlook for the current financial year (2016/2017), which we presented at the annual accounts press conference on 30 June, was cautious. In light of a propensity to invest that remains stifled and widespread pricing pressure, we had announced a decline in sales and earnings. This financial statement for the first quarter confirms this reserved assessment. From today's perspective, sales and earnings are likely to at best reach the bottom limit of our respective forecast target ranges.

A view to the conditions offers little cause for optimism at the present time. The capital markets have reacted neither to Brexit nor the political events in Turkey with major price losses in recent weeks. However, both issues increase general uncertainty for the real economy, which is unfavourable for the propensity to invest – and therefore also for the capital goods sector, in which the focus of our activities lies. The industry association VDMA is accordingly forecasting a year of stagnation.

At GESCO, we have prepared ourselves for the difficult climate. We have initiated cost-cutting measures, taken a critical look at investments and launched optimisation projects that will have an impact in the years ahead.

Wuppertal, August 2016



.....
Dr Eric Bernhard
Chairman of the Executive Board

122,543 €'000

**INCOMING
ORDERS**

113,554 €'000

**SALES
REVENUES**

2,684 €'000

**GROUP NET INCOME
AFTER MINORITY INTEREST**



2,547

EMPLOYEES

BUSINESS DEVELOPMENT

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 statement for the first quarter therefore encompasses the operating months January to March 2016 of the Group's subsidiaries.

Business at the GESCO Group during this period was subdued. The capital goods industry, in which the majority of our Group subsidiaries operate, experienced sluggish development. Ongoing issues in the eurozone, persistently low oil prices and general political uncertainty continued to dampen investment propensity. Many companies recorded less capacity utilisation, which ramped up the pressure on prices. This affected the large tool manufacturing market for example and, as explained in the annual accounts press conference, the tool steel market is also under significant pressure to consolidate. Against this backdrop, GESCO Group sales and earnings fell short of the previous year's figures, as expected. We are implementing cost-cutting measures and scrutinising investments that may not be immediately necessary. In addition, we have kicked off a number of optimisation projects at individual Group subsidiaries which are geared towards leveraging both costs and opportunities and improving margins over the medium term.

DEVELOPMENT OF GROUP SALES AND EARNINGS

At € 122.5 million, incoming orders in the first quarter of financial year 2016/2017 may not have matched the unusually high figure reported in the first quarter of the previous year (€ 146.1 million), but they were up on the last quarter of the previous year (€ 105.1 million) by a significant amount. Group sales amounted to € 113.6 million (previous year's period: € 118.7 million). On the positive side, it should be noted that the ratio of incoming orders to sales (book-to-bill ratio) was greater than 1.

The partial fall in capacity utilisation and general price pressure had an impact on earnings figures. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € 10.6 million, down from € 11.6 million in the same period last year. The slight increase in depreciation and amortisation meant that earnings before interest and taxes (EBIT) fell more sharply than EBITDA to € 5.4 million (€ 6.6 million). Group net income after minority interest closed the period at € 2.7 million (€ 3.2 million).

SEGMENT RECLASSIFICATION

We presented and explained the reclassification of the segments according to the new GESCO AG portfolio strategy in the annual report for the financial year 2015/2016 and within the scope of the annual accounts press conference on 30 June 2016. The aim of this decision was to define strategically attractive segments experiencing positive megatrends in which GESCO AG would like to target acquisitions. In addition, the reclassification offers greater transparency to the capital market. The reclassification of the operating segments is geared towards the respective customer markets and encompasses the Production Process Technology, Resource Technology, Healthcare and Infrastructure Technology as well as Mobility Technology segments. One common element of all these segments is that they all pursue B2B business models with a focus on the capital goods industry. This report on the first quarter marks the first report in which this new segment structure is applied; the previous year's figures have been adjusted accordingly.

The **Production Process Technology** segment houses Group subsidiaries that largely provide products and services for series manufacturers' production processes. The segment reported a decline in sales and a disproportionately high decline in earnings. As is standard practice in the mechanical and plant engineering industry, a number of subsidiaries began producing machinery and plants that are usually only completed in the second half of the year, which is also when these activities first have an impact on sales and earnings. As a result, we expect sales and earnings to improve significantly over the remainder of the year.

The **Resource Technology** segment encompasses companies that supply material-intensive companies in the industrial sector. The reticence in terms of investment in the oil and chemicals industry had an impact on sales in the first quarter, while the pressure on prices in the steel industry strongly affected earnings.

Companies in the **Healthcare and Infrastructure Technology** segment supply companies in mass consumer markets such as the medical, hygiene, food or sanitary sectors. This segment proved to be extremely robust and not very susceptible to economic trends in the first quarter. Disproportionately high earnings growth was achieved with a slight rise in sales.

Last but not least, the **Mobility Technology** segment houses companies that supply the automotive, commercial vehicle and rail industry. Incoming orders climbed year on year, partly due to one major order; however, this order will not make its primary impact on sales and earnings until the subsequent financial year. Overall, the industry is being dominated by marked uncertainty in its sales markets, which is significantly dampening customers' investment propensity. Sales increased in the first quarter, but the challenging tool engineering market impacted earnings.

ASSETS AND FINANCIAL POSITION

Total assets increased by 2.6 % to € 420.6 million compared to 31 March 2016. As is usual at the beginning of the financial year, inventories and trade receivables increased. At € 34.6 million, liquid assets were slightly down on the figure at the start of the financial year (€ 36.6 million).

On the liabilities side, equity rose slightly to € 197.1 million (€ 195.8 million). The equity ratio stood at 46.8 % (47.7 %). Trade payables and prepayments received on orders also increased.

There were few changes in the balance sheet structure of the GESCO Group overall, which remains sound in terms of structure with a high equity ratio, sufficient liquid assets and moderate debt ratio.

EMPLOYEES

At 2,547 employees, the GESCO Group workforce changed only marginally compared to the previous year's figure of 2,523.

OPPORTUNITIES AND RISKS

Our explanations on the subject of opportunities and risks in the consolidated financial statements as at 31 March 2016 remain essentially valid. For more details, please refer to the Annual Report 2015/2016, which is available online at www.gesco.de.

That being said, there has been a noticeable rise in general economic risks in the past few weeks. The implications of the Brexit referendum will not become clear for some time, while developments in Turkey have also fuelled uncertainty. Both of these events have increased general political and financial uncertainty significantly and reduced planning security in terms of investments. This is a particular burden for the capital goods industry in which we predominantly operate.

ANNUAL GENERAL MEETING RESOLVES ON SHARE SPLIT

Besides the dividend proposal and the usual resolution proposals, the Annual General Meeting on 25 August 2016 will also resolve on a capital increase from own funds with a subsequent share split at a ratio of 1:3. The share capital is to be increased from € 8,645,000 to € 9,975,000 through the conversion of capital reserves and redistributed into 9,975,000 shares, each accounting for € 1.00 of share capital. This will triple the number of shares and reduce the price per share while ensuring that shareholders' investments retain the same overall value. This is aimed at making the GESCO share "lighter" and more attractive, particularly for private investors.

OUTLOOK AND EVENTS AFTER THE REPORTING DATE

In the second quarter, which accounts for the operating months April to June 2016 in the case of the subsidiaries, incoming orders amounted to approximately € 127.8 million (previous year's period: € 112.0 million). Sales came to approximately € 115.1 million (€ 118.6 million). This means that both incoming orders and sales increased slightly quarter on quarter; the book-to-bill ratio was also over 1 in the second quarter.

At the annual accounts press conference on 30 June 2016, we forecast Group sales for financial year 2016/2017 of between € 480 million and € 490 million and Group net income after minority interest of between € 13.5 million and € 14.5 million. According to the information available at the current time, we expect sales and earnings to come in at the lower end of these ranges at best.

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

GESCO GROUP BALANCE SHEET AS AT 30 JUNE 2015 AND 31 MARCH 2016

in TC	30.06.2016	31.03.2016
Assets		
A. Non-current assets		
I. Intangible assets		
1. Industrial property rights and similar rights and assets as well as licences	12,555	13,635
2. Goodwill	12,910	13,005
3. Prepayments made	134	134
	25,599	26,774
II. Property, plant and equipment		
1. Land and buildings	57,471	57,986
2. Technical plant and machinery	49,063	50,058
3. Other plant, fixtures and fittings	21,287	21,643
4. Property held as financial investments	6,014	4,445
	133,835	134,132
III. Financial investments		
1. Shares in affiliated companies	52	52
2. Shares in companies valued at equity	1,768	1,743
3. Investments	156	156
4. Other loans	236	262
	2,212	2,213
IV. Other assets	2,173	2,131
V. Deferred tax assets	3,016	2,560
	166,835	167,810
B. Current assets		
I. Inventories		
1. Raw materials and supplies	21,615	21,788
2. Unfinished products and services	49,534	43,403
3. Finished products and goods	67,679	66,431
4. Prepayments made	1,321	1,004
	140,149	132,626
II. Receivables and other assets		
1. Trade receivables	65,714	61,632
2. Amounts owed by affiliated companies	1,443	1,414
3. Amounts owed by companies valued at equity	1,095	968
4. Other assets	9,664	8,267
	77,916	72,281
III. Cash in hand and credit balances with financial institutions	34,604	36,581
IV. Accounts receivable and payable	1,133	877
	253,802	242,365
	420,637	410,175

in T€	30.06.2016	31.03.2016
Equity and liabilities		
A. Equity		
I. Subscribed capital	8,645	8,645
II. Capital reserves	54,662	54,662
III. Revenue reserves	121,855	119,171
IV. Own shares	-5	-5
V. Other comprehensive income	-3,351	-2,389
VI. Minority interests (incorporated companies)	15,248	15,689
	197,054	195,773
B. Non-current liabilities		
I. Minority interests (partnerships)	2,720	3,035
II. Provisions for pensions	17,207	16,306
III. Other long-term provisions	637	598
IV. Liabilities to financial institutions	76,798	76,452
V. Other liabilities	1,272	1,517
VI. Deferred tax liabilities	2,636	2,837
	101,270	100,745
C. Current liabilities		
I. Other provisions	8,637	8,783
II. Liabilities		
1. Liabilities to financial institutions	40,917	40,751
2. Trade creditors	16,826	14,101
3. Prepayments received on orders	26,139	21,436
4. Liabilities to affiliated companies	517	337
5. Liabilities to companies valued at equity	3	1
6. Other liabilities	29,244	28,217
	113,646	104,843
III. Accounts receivable and payable	30	31
	122,313	113,657
	420,637	410,175

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

€'000	I. Quarter 2016/2017	I. Quarter 2015/2016
Sales revenues	113,554	118,706
Change in stocks of finished and unfinished products	5,961	2,315
Other company produced additions to assets	59	150
Other operating income	2,108	1,887
Total income	121,682	123,058
Material expenditure	-60,869	-61,284
Personnel expenditure	-35,946	-35,174
Other operating expenditure	-14,305	-14,969
Earnings before interest, tax, depreciation and amortisation (EBITDA)	10,562	11,631
Depreciation on tangible and intangible assets	-5,143	-4,990
Earnings before interest and tax (EBIT)	5,419	6,641
Earnings from companies valued at equity	42	80
Other interest and similar income	30	41
Interest and similar expenditure	-758	-731
Minority interest in partnerships	12	-77
Financial result	-674	-687
Earnings before tax (EBT)	4,745	5,954
Taxes on income and earnings	-1,682	-2,240
Group net income	3,063	3,714
Minority interest in incorporated companies	-379	-540
Group net income after minority interest	2,684	3,174
Earnings per share (€) acc. to IFRS	0.81	0.95
Weighted average number of shares	3,324,931	3,324,759

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

€'000	I. Quarter 2016/2017	I. Quarter 2015/2016
1. Group net income	3,063	3,714
2. Revaluation of benefit obligations not impacting on income	-690	-1,262
3. Items that cannot be transferred into the income statement	-690	-1,262
4. Difference from currency translation		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	-753	623
5. Market valuation of hedging instruments		
a) Reclassification into the income statement	-15	-6
b) Changes in value with no effect on income	411	-31
6. Items that can be transferred into the income statement	-357	586
7. Other income	-1,047	-676
8. Total result for the period	2,016	3,038
of which shares held by minority interest	294	553
of which shares held by GESCO shareholders	1,722	2,485

GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
As at 01.04.2015	8,645	54,662	108,887	-17
Other neutral changes				
Result for the period			3,174	
As at 30.06.2015	8,645	54,662	112,061	-17
As at 01.04.2016	8,645	54,662	119,171	-5
Distributions				
Result for the period			2,684	
As at 30.06.2016	8,645	54,662	121,855	-5

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

€'000	Production Process Technology		Resource Technology		
	2016/2017	2015/2016	2016/2017	2015/2016	
Order backlog	40,849	49,664	60,674	67,124	
Incoming orders	15,722	22,655	53,902	73,199	
Sales revenues	13,530	16,841	49,492	53,844	
of which with other segments		9	89	148	
Depreciation	747	690	983	964	
EBIT	-149	531	2,447	4,835	
Investments	473	493	470	1,066	
Employees (No./reporting date)	468	453	711	710	

Exchange equalisation items	Revaluation of pensions	Hedging instruments	Total	Minority interest incorporated companies	Equity capital
-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
852	-3,140	-101	180,084	15,689	195,773
				-735	-735
-694	-626	358	1,722	294	2,016
158	-3,766	257	181,806	15,248	197,054

	Healthcare and Infrastructure Technology		Mobility Technology		Reconciliation		Group	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
	32,746	31,011	46,086	60,821	0	0	180,355	208,620
	29,449	31,126	23,470	19,014	0	96	122,543	146,090
	30,967	30,554	19,654	17,552	-89	-85	113,554	118,706
	0	0	0	24	-89	-181	0	0
	1,593	1,575	1,084	885	736	876	5,143	4,990
	3,363	2,406	1,224	1,212	-1,466	-2,343	5,419	6,641
	1,803	896	1,274	936	215	82	4,235	3,473
	715	721	636	623	17	16	2,547	2,523

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

€'000	I. Quarter 2016/2017	I. Quarter 2015/2016
Group net income for the period (including share attributable to minority interest in incorporated companies)	3,063	3,714
Depreciation on property, plant and equipment and intangible assets	5,143	4,990
Result from companies valued at equity	-42	-80
Share attributable to minority interest in partnerships	-12	77
Increase in long-term provisions	-55	41
Other non-cash expenditure/income	-432	248
Cash flow for the period	7,665	8,990
Losses from the disposal of property, plant and equipment/intangible assets	17	68
Gains from the disposal of property, plant and equipment/intangible assets	-134	-259
Increase in stocks, trade receivables and other assets	-13,863	-27,297
Increase in trade creditors and other liabilities	8,574	17,490
Cash flow from ongoing business activity	2,259	-1,008
Incoming payments from disposals of property, plant and equipment/intangible assets	200	201
Disbursements for investments in property, plant and equipment	-4,162	-3,244
Disbursements for investments in intangible assets	-73	-228
Disbursements for investments in financial assets	25	0
Cash flow from investment activity	-4,010	-3,271
Incoming payments from minority interests	0	0
Disbursements to minority interests	-1,040	-1,510
Incoming payments from raising (financial) loans	4,684	4,178
Outflow for repayment of (financial) loans	-3,813	-2,942
Cash flow from funding activities	-169	-274
Changes in cash and cash-equivalents	-1,920	-4,553
Exchange-rate related changes in cash and cash-equivalents	-57	0
Financial means on 01.04.	36,581	35,256
Financial means on 30.06.	34,604	30,703

EXPLANATORY NOTES

ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The statement of GESCO Group for the first quarter (1 April to 30 June 2016) of financial year 2016/2017 (1 April 2016 to 31 March 2017) 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 2016. 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.

INFORMATION ON FINANCIAL INSTRUMENTS

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

€'000	Book value		Fair value	
	30.06.2016	31.03.2016	30.06.2016	31.03.2016
Trade receivables	65,714	61,632	65,714	61,632
Other receivables	8,691	7,013	8,691	7,013
of which hedging instruments	278	0	278	0
Cash and cash equivalents	34,604	36,581	34,604	36,581
Financial assets	109,009	105,226	109,009	105,226
Trade creditors	16,826	14,101	16,826	14,101
Liabilities to financial institutions	117,715	117,203	117,715	117,203
Other liabilities	55,829	49,847	55,829	49,847
of which hedging instruments	139	295	139	295
Financial liabilities	190,370	181,151	190,370	181,151

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

25 August 2016

Annual General Meeting

15 November 2016

Figures for the first half year (1 April to 30 September 2016)

February 2017

Figures for the first nine months (1 April to 31 December 2016)

29 June 2017

Annual accounts press conference and analysts' meeting

August 2017

Figures for the first quarter (1 April to 30 June 2017)

31 August 2017

Annual General Meeting

November 2017

Figures for the first half year (1 April to 30 September 2017)

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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Website: www.gesco.de

First name/name: _____

Street/house number: _____

Zip code/City: _____

E-mail: _____

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