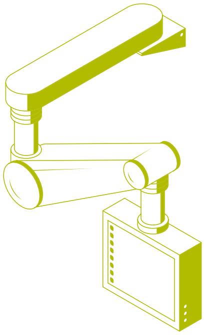
THE INDUSTRIAL GROUP

GESCO

HIDDEN CHAMPIONS

TECHNOLOGY MADE IN GERMANY

FOR THE WORLD'S MARKETS



LONG-TERM INVESTMENTS

ANNUAL REPORT 2015/2016

GESCO AG

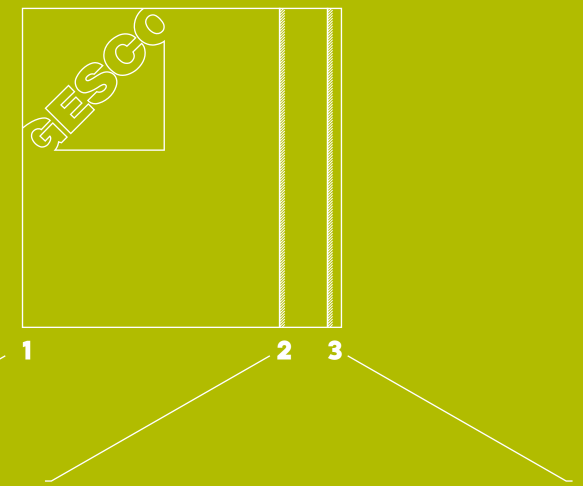
Since it was founded in 1989, GESCO AG has been acquiring stakes in financially sound companies in the German industrial SME sector for the purpose of maintaining and developing them over the long term.

INVESTMENTS

As at the reporting date, in GESCO Group there were 17 material operating subsidiaries directly under the roof of GESCO AG, as well as domestic and foreign subsidiaries of subsidiaries.

MARKETS

The group of “hidden champions” and market and technology leaders produces goods for global markets with a broadly diversified customer base.



YOU CAN FIND THE GESCO PHILOSOPHY AND STRATEGY IN THE FIRST PART OF THIS PUBLICATION STARTING ON PAGE 3

YOU CAN FIND A DETAILED OVERVIEW OF GESCO’S SUBSIDIARIES IN THE SECOND PART OF THIS PUBLICATION STARTING ON PAGE 32

YOU CAN FIND INFORMATION ON FINANCIAL YEAR 2015/2016 IN THIS PUBLICATION STARTING ON PAGE 72

GESCO GROUP

To acquire, hold and develop healthy industrial SMEs – that is the strategy of GESCO AG. Under the umbrella of a lean holding, the companies are independently operating entities and are integrated into GESCO Group's reporting, controlling and risk management system.

17 EMPLOYEES BASED IN WUPPERTAL

116,

SUCCESSION PLANNING

WHAT WILL CHANGE? WHAT WILL REMAIN THE SAME?

IN GOOD HANDS / In the SME sector, there are quite a few successful companies that do not have a successor within the family. According to the Association of German Chambers of Commerce and Industry (Deutscher Industrie- und Handelskammertag), the problems are the greatest in the industrial sector: there is only one potential successor or buyer for every five departing owners. GESCO AG focuses on such companies. In most cases, we take over 100% of the shares as part of a succession planning process. We do not pursue an exit strategy aimed at a later sale of the company. It is precisely this sustainability that many entrepreneurs, who want to place their life's work in good hands, are looking for. When companies are acquired, the new management is able to buy a share in its company, transforming the end of one entrepreneurial career into the beginning of a new one.

580,000

SMES ARE LOOKING FOR A SUCCESSOR (BY 2017)

20%

ONE OUT OF FIVE IS LOOKING FOR AN EXTERNAL SUCCESSOR

100-150

COMPANIES ARE ANALYSED BY GESCO EVERY YEAR WITH AN EYE TO AN ACQUISITION

THE CRITERIA:

- SALES OF APPROX. € 10 MILLION AND UP
- POSITIVE CASH FLOW
- NOT IN NEED OF RESTRUCTURING
- HEADQUARTERED IN GERMANY
- SOLID EQUITY BASE
- CONVINCING, ESTABLISHED BUSINESS MODEL
- STRONGEST POSSIBLE NICHE MARKET POSITION

1-3

COMPANIES IS WHAT GESCO AG PLANS TO PURCHASE EVERY YEAR – IF THEY ARE A GOOD FIT FOR THE GROUP AND AN AGREEMENT CAN BE REACHED WITH THE SELLER

Source: KFW ECONOMIC RESEARCH: Fokus-Nr.-91-April-2015.pdf

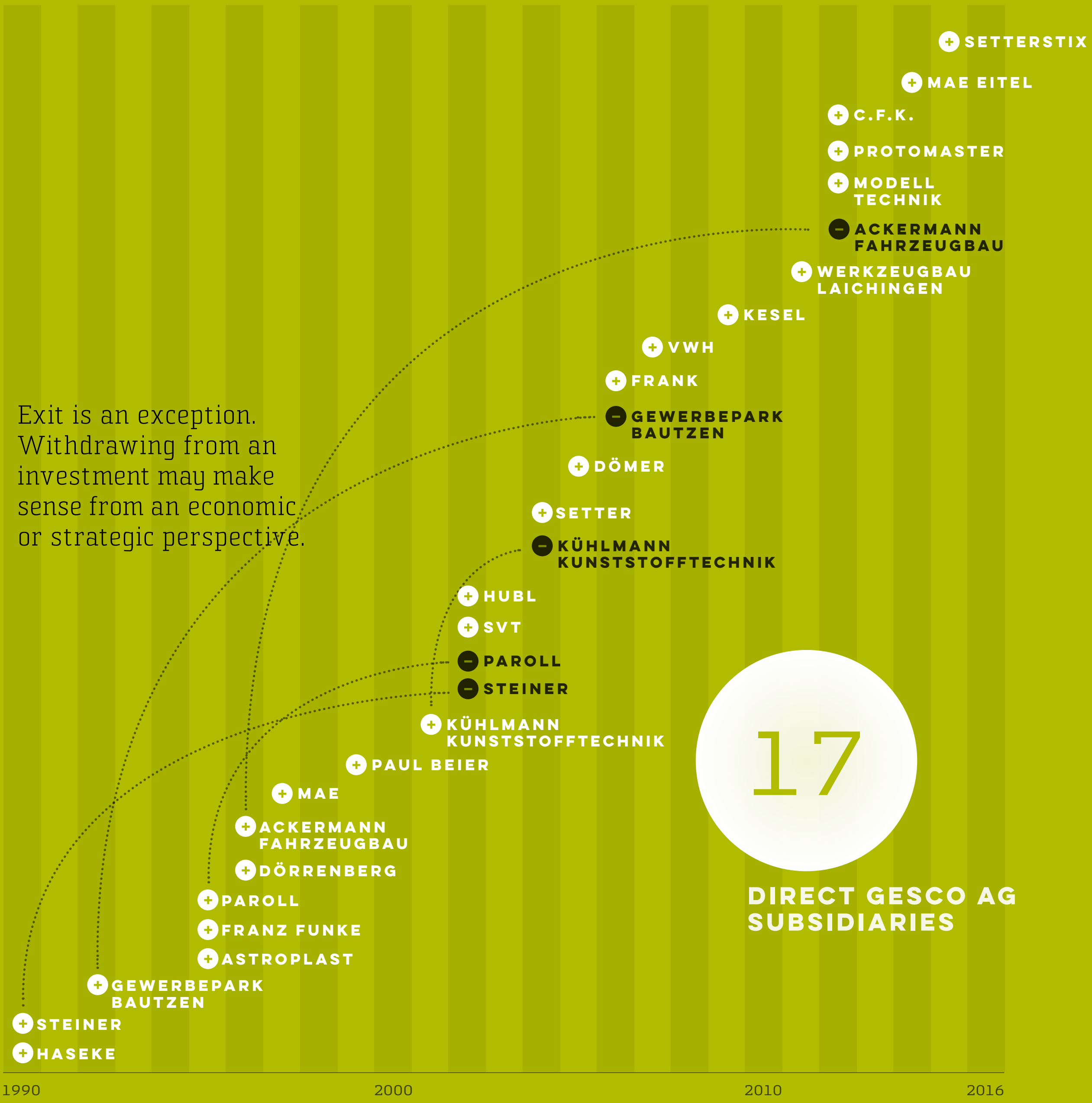
EM&AOTIONS

SPECIALISTS WANTED / GESCO AG searches for hidden champions and market and technology leaders from the technology-driven German "Mittelstand".

As a general rule, GESCO acquires established companies within the framework of succession planning solutions. Transparency and trust are essential to making such transactions a success.

SIGNIFICANT ACQUISITIONS AND DISINVESTMENTS BY GESCO GROUP SINCE 1990

Exit is an exception. Withdrawing from an investment may make sense from an economic or strategic perspective.



AN ACQUISITION OUGHT TO BE SUCCESSFUL FOR BOTH SIDES: WHAT ARE TYPICAL CHALLENGES DURING THE TRANSACTION PROCESS?

As an investment holding company, GESCO AG talks to many business owners to discuss an acquisition. In our experience, it is essential that entrepreneurs **define and prioritise their very own personal goals** for a transaction to be a success. Do they want a maximum selling price? Should their life's work be preserved in the long term? Must it be protected from falling into the hands of the competition? Do jobs matter greatly to them? Owners should find their own answers to these questions and discuss them carefully with those around them, especially their families. Some of these aims can be reconciled, whereas others cancel each other out. The more clearly entrepreneurs define and prioritise their own goals, the better the chances that they will successfully sell their companies.

Important from the seller's perspective: GESCO AG offers not only **transaction security,** but also **maximum transparency** thanks to its listing on the stock market. We make reliable statements that we have to be measured against. Yet we also need to be able to trust. The sudden surfacing of problems during due diligence affects not only the previously agreed purchase price, but also damages trust first and foremost. And nothing is possible without **trust.**

Ultimately, a transaction is successful if both sides look back on it with **satisfaction,** even after time has passed.

FAIR PURCHASE PRICE

"THE MORE CLEARLY ENTREPRENEURS DEFINE AND PRIORITISE THEIR OWN GOALS, THE BETTER THE CHANCES THAT THEY WILL SUCCESSFULLY SELL THEIR COMPANIES."

DR-ING HANS-GERT MAYROSE

SECURING THE FUTURE THROUGH INVESTMENTS

PRESERVATION OF JOBS

NO SALE TO COMPETITORS

LIFE'S WORK IN GOOD HANDS

HIDDEN CHAMPION
SMALL-TOWN POWER

The term “hidden champions” refers to SMEs that have a leading position in a niche market segment. They are considered to be hidden champions because they are not well known to the general public and are usually not listed on the stock market. As a result, they are not monitored by analysts and investors. Their niche markets are usually very limited in terms of volume, yet their lead in terms of expertise is tremendous. For new competitors, entering such markets is therefore not very attractive.

Source: Springer Gabler Verlag (ed.), Gabler Wirtschaftslexikon

84 %

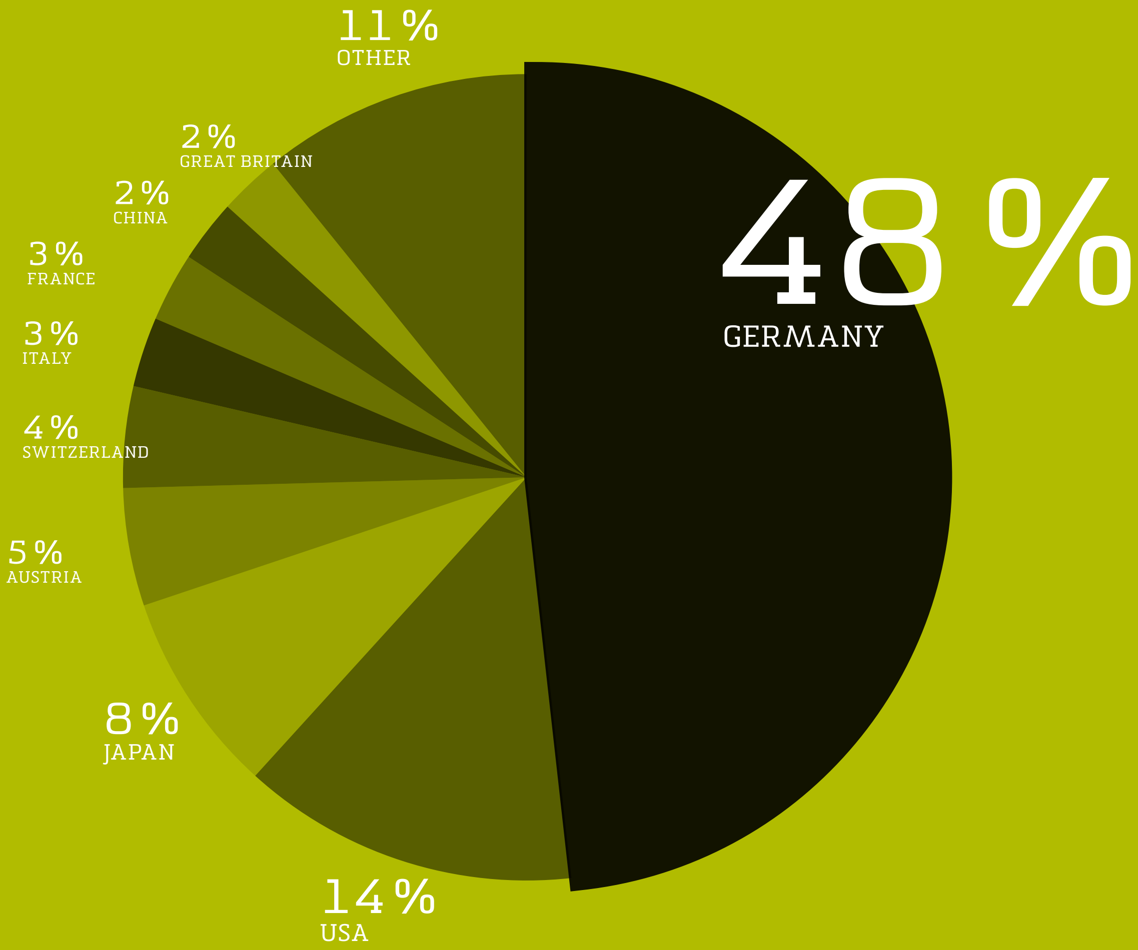
OF ALL TRAINEES IN GERMANY WORK IN THE SME SECTOR

59 %

OF ALL EMPLOYEES WORK IN THE GERMAN SME SECTOR

Source: IfM Bonn; Ernst & Young

ADVANTAGE GERMANY: DISTRIBUTION OF "HIDDEN CHAMPIONS" BY COUNTRY



Source: Simon, H.: Hidden Champions – Aufbruch nach Globalia, Campus Verlag, Frankfurt/Main 2012

THE INNOVATION STRATEGIES OF GERMAN SMES ARE PAVING THE WAY TO ECONOMIC SUCCESS – AND INNOVATIVE POWER IS THE STARTING POINT. SMES ARE THE NUMBER ONE WORLDWIDE.

THE GERMAN "HIDDEN CHAMPIONS" IN MECHANICAL ENGINEERING, THE ELECTRICAL ENGINEERING SECTOR AND INDUSTRIAL PRODUCTION ARE PARTICULARLY STRONG.

Source: Von Gotthard-Bohrer bis Rollleine: Deutscher Mittelstand weltspitze – n-tv.de; BMWi 2014

A GROUP OF SPECIALISTS.

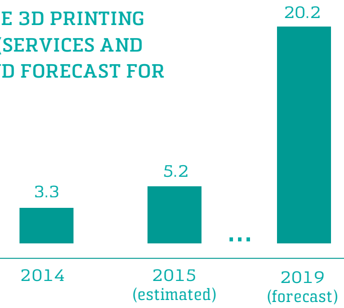
New technologies are important for the German SME sector. But more important is the question of how they can be integrated into existing, **successful business models.** Even if companies change their business models through digitalisation and Industry 4.0, it will still not be possible to manufacture products without materials in the future. We therefore continue to see very good prospects going forward for our subsidiary Dörrenberg Edelstahl, for example. As **Europe's leading specialist for tool steel,** it has metallurgy expertise that is growing even more important in the era of 3D printing. Companies such as Werkzeugbau Laichingen, which produces large forming tools for body parts, are highly skilled in the use of **modern materials** such as high-strength sheet metal, which itself is rooted in the trend towards lightweight vehicles. It is often worth taking a second look to see who is benefiting from which trends.

Time and time again, we also discover business models that no one could have previously had on their radar on account of their particular specialisation or niche positioning, especially in the SME sector. It is worth keeping an open mind so that the Group may be able to grow by adding successful **specialists** just like these.

3D PRINTING AT CFK

One example of innovation is the 3D printing division of our subsidiary CFK. It manufactures medical implants or parts for aerospace from metal, among other products. Despite still accounting for a small share of the Group's business, this field is growing rapidly. Other subsidiaries are also looking into the use of 3D printing in their production activities. Gaining experience with this technology in-house is exciting for us as an industrial group.

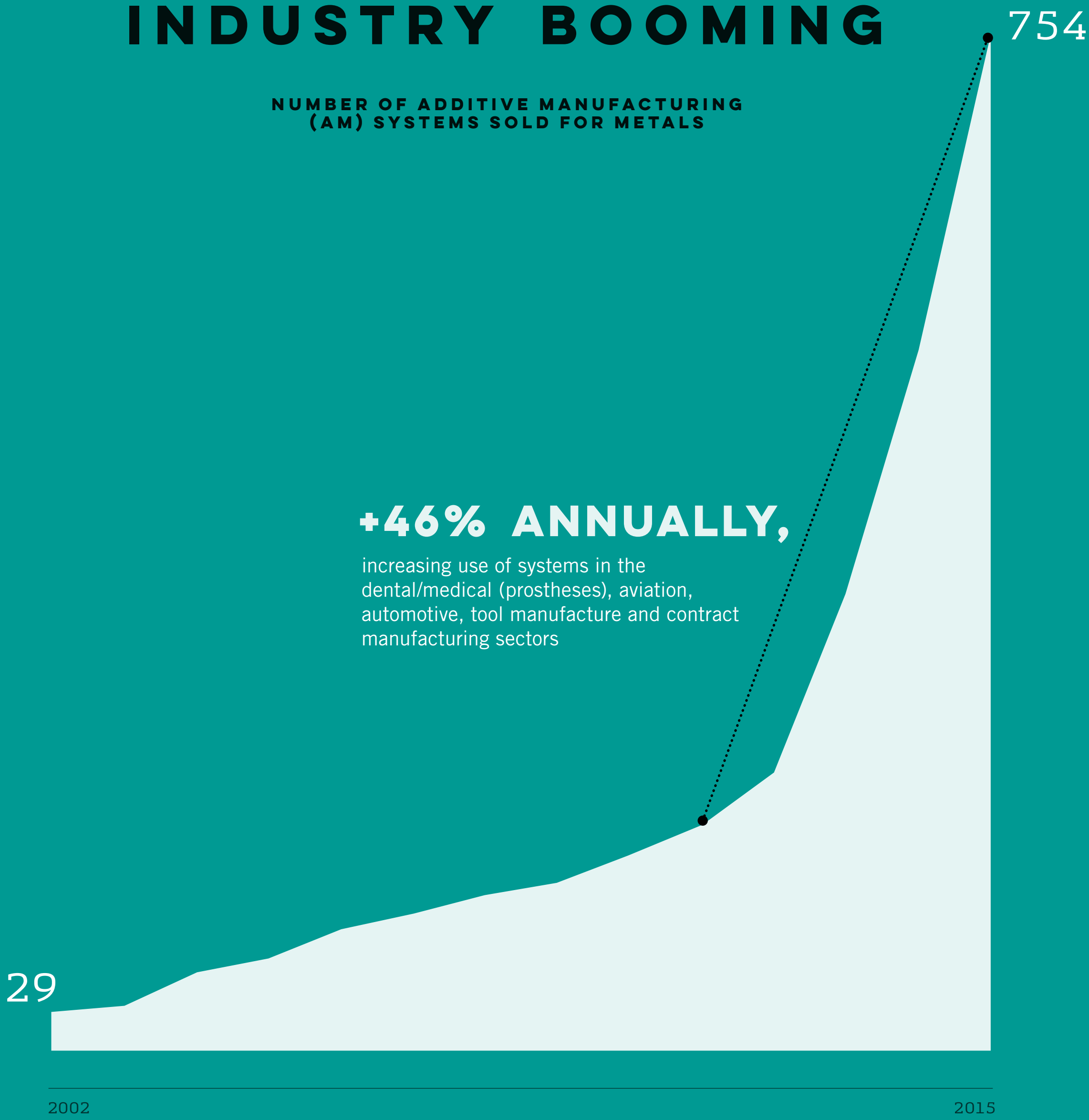
ESTIMATED SALES OF THE 3D PRINTING INDUSTRY WORLDWIDE (SERVICES AND MATERIALS) IN 2014 AND FORECAST FOR 2015 AND 2019
(in US$ billion)



Source: Statista 2016

3D PRINTING INDUSTRY BOOMING

NUMBER OF ADDITIVE MANUFACTURING (AM) SYSTEMS SOLD FOR METALS



Source: Wohlers, CONTECT, CODEX Partners

HOW DOES GESCO AG FINANCE THE PURCHASE OF A COMPANY?

Traditionally, own capital and borrowed funds are used to purchase a company. The ratio between the two is always decided on a case-by-case basis. Above all, the important thing is that **the liabilities from the debt financing of the purchase price remain at holding level.** They are not imposed on the acquired company, which is the customary practice when private equity firms invest.

We see the **operational independence** of the individual subsidiaries as a precious good. Debt financing for investments and operating resources, among other things, is also part of the subsidiaries' operating business. There is therefore **no central financing** mechanism – here, too, GESCO is different from other models. As a result, the Group works with a vast network of financial institutions, with loans featuring different tranches and terms. We are able to act flexibly as a group and are **not dependent on individual banks.**

HEALTHY FINANCES ARE ULTIMATELY THE PREREQUISITE FOR SUSTAINABLE OPERATING SUCCESS: A STRONG BALANCE SHEET, A HIGH EQUITY RATIO AND MODERATE INDEBTEDNESS AS THE CONSEQUENCE OF SOLID RESULTS.

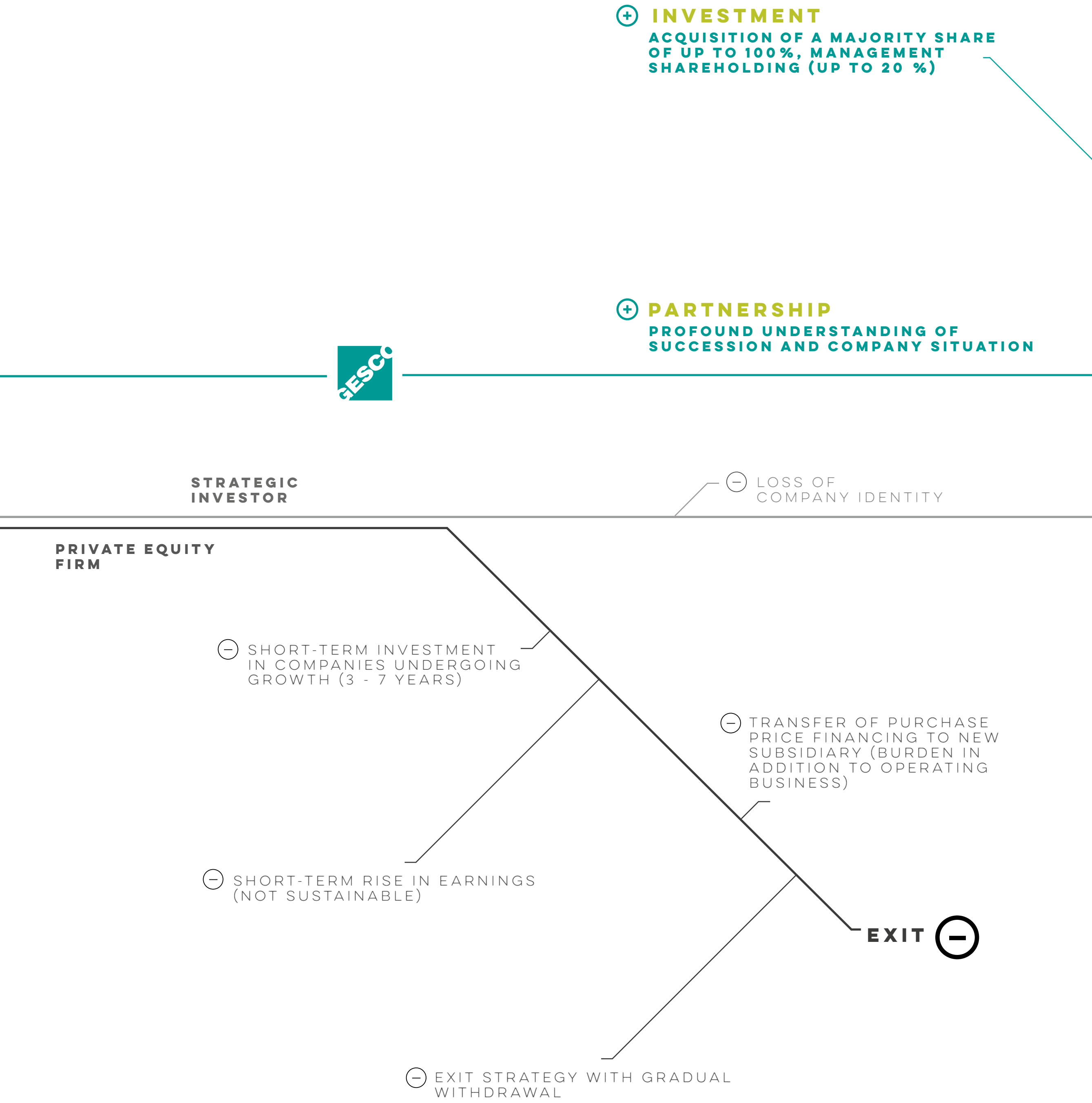
LONG-TERM INVESTMENTS

TRUST

VERSUS

EXIT

GESCO VS. PRIVATE EQUITY / In contrast to most other financial investors, GESCO invests with the long term in mind, without an exit strategy. We acquire majority shareholdings – usually 100 % of the shares. This distinguishes us from private equity firms in a major way: their actions are aimed at selling shareholdings as quickly and profitably as possible. As an owner with a focus on the long term, we, on the other hand, are interested in making sure that our subsidiaries are sustainably successful. GESCO lives from its subsidiaries' profit distributions, not from exit proceeds. Together with the respective company's management, we work on developing the business model through new ideas such as digitalisation, automation, innovation or internationalisation.


INVESTMENT
ACQUISITION OF A MAJORITY SHARE OF UP TO 100%, MANAGEMENT SHAREHOLDING (UP TO 20 %)
PARTNERSHIP
PROFOUND UNDERSTANDING OF SUCCESSION AND COMPANY SITUATION
GESCO
STRATEGIC INVESTOR
LOSS OF COMPANY IDENTITY
PRIVATE EQUITY FIRM
SHORT-TERM INVESTMENT IN COMPANIES UNDERGOING GROWTH (3 - 7 YEARS)
TRANSFER OF PURCHASE PRICE FINANCING TO NEW SUBSIDIARY (BURDEN IN ADDITION TO OPERATING BUSINESS)
SHORT-TERM RISE IN EARNINGS (NOT SUSTAINABLE)
EXIT
EXIT STRATEGY WITH GRADUAL WITHDRAWAL

EXCHANGE
CONTROLLING, REPORTING AND EXCHANGE BETWEEN GESCO AG AND THE INDIVIDUAL SUBSIDIARIES

SUSTAINABLE GROWTH
DEVELOPMENT OF THE SUBSIDIARY, LONG-TERM COMMITMENT WITH AN OPEN END

INVESTMENT
STATE-OF-THE-ART TECHNICAL EQUIPMENT AND IT SECURE FUTURE VIABILITY

BEST PRACTICE
WITHIN THE GROUP

IDENTITY
PRESERVATION AND DEVELOPMENT OF BUSINESS MODEL AND CORPORATE CULTURE

COMPETITOR THAT MAY ONLY BE LOOKING TO EXPAND ITS OWN PORTFOLIO WITH PARTS OF THE NEW COMPANY

REMOVE COMPETITORS FROM THE MARKET

WAY TO GET HANDS ON EXPERTISE, TECHNOLOGIES AND PATENTS

SHUTTERING OF SITES/ RELOCATION

INCREASE OWN MARKET SHARE, OPEN END

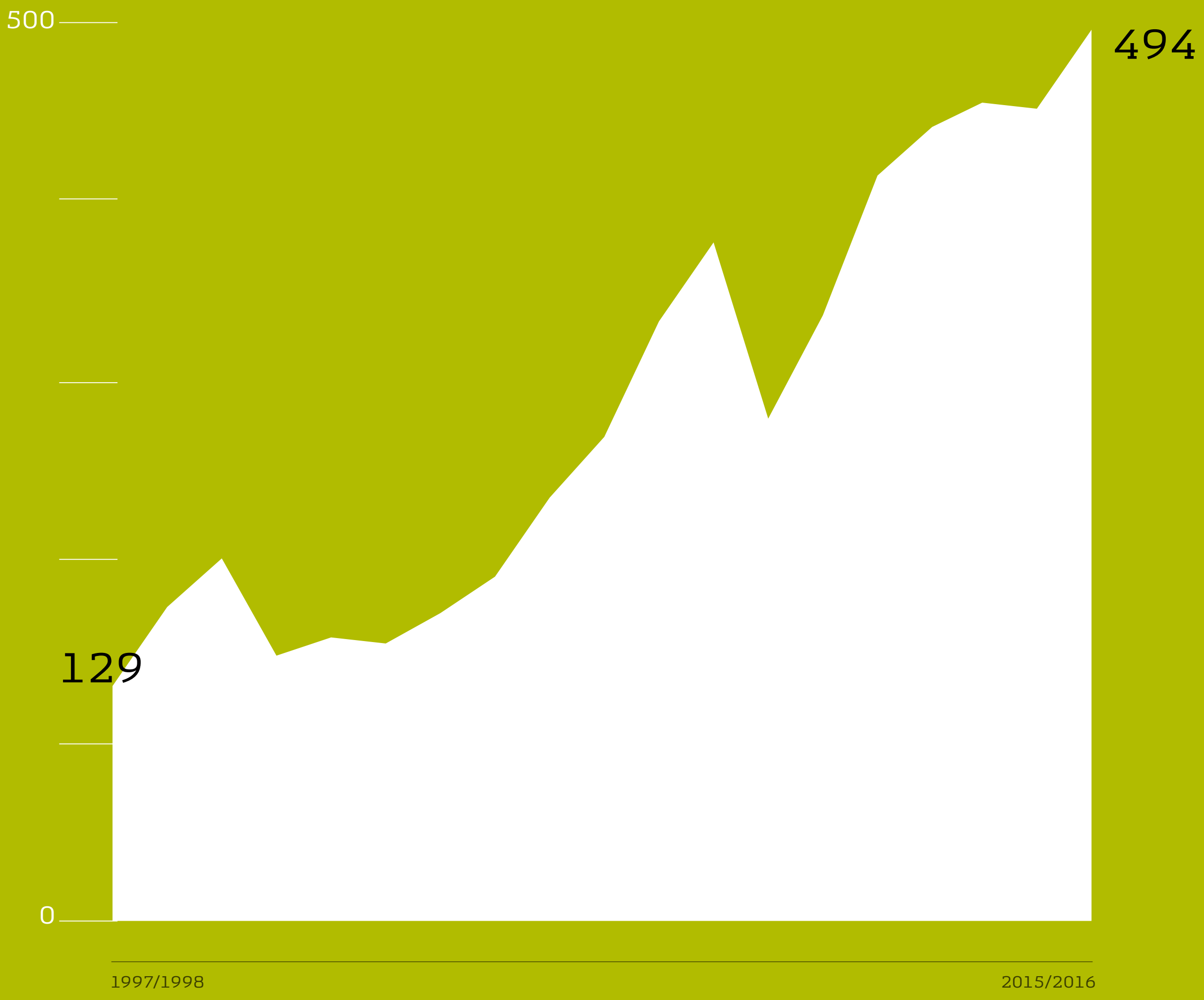
LONG-TERM INVESTMENT ORIENTATION AND STOCK MARKET LISTING: NOT A CONTRADICTION.

According to the cliché, the SME sector thinks in generations – but the stock market thinks in quarters. Our experience shows that there are also **investors** on the capital market **who think sustainably**, see themselves as owners and pursue a **long-term outlook.** The GESCO idea is also based on the concept of the stock market: to make it possible for investors to gain **access to business models** and provide companies with capital. Our pooled status as a group allows us to offer investors the opportunity to participate in successful SME business models in which they would otherwise not have been able to invest. The stock market offers us the opportunity to raise fresh capital for **further growth,** if necessary.

WIDELY SPREAD: THE SHARE CAPITAL OF GESCO IS IN THE HANDS OF SOME 7,500 INVESTORS. JUST UNDER 90% IS HELD BY GERMAN INVESTORS.

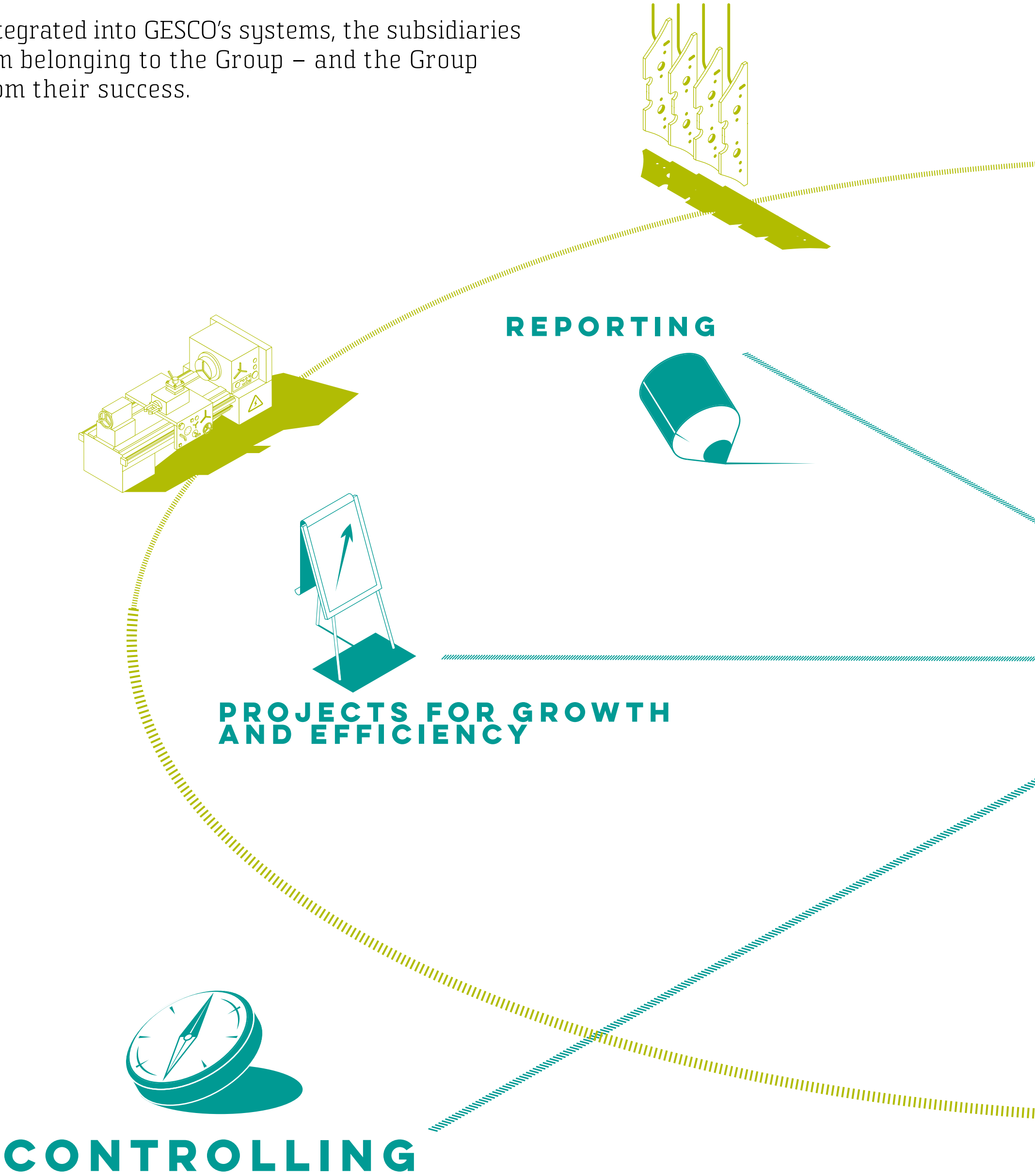
Find out more in the chapter entitled “The GESCO share” on page 87 →

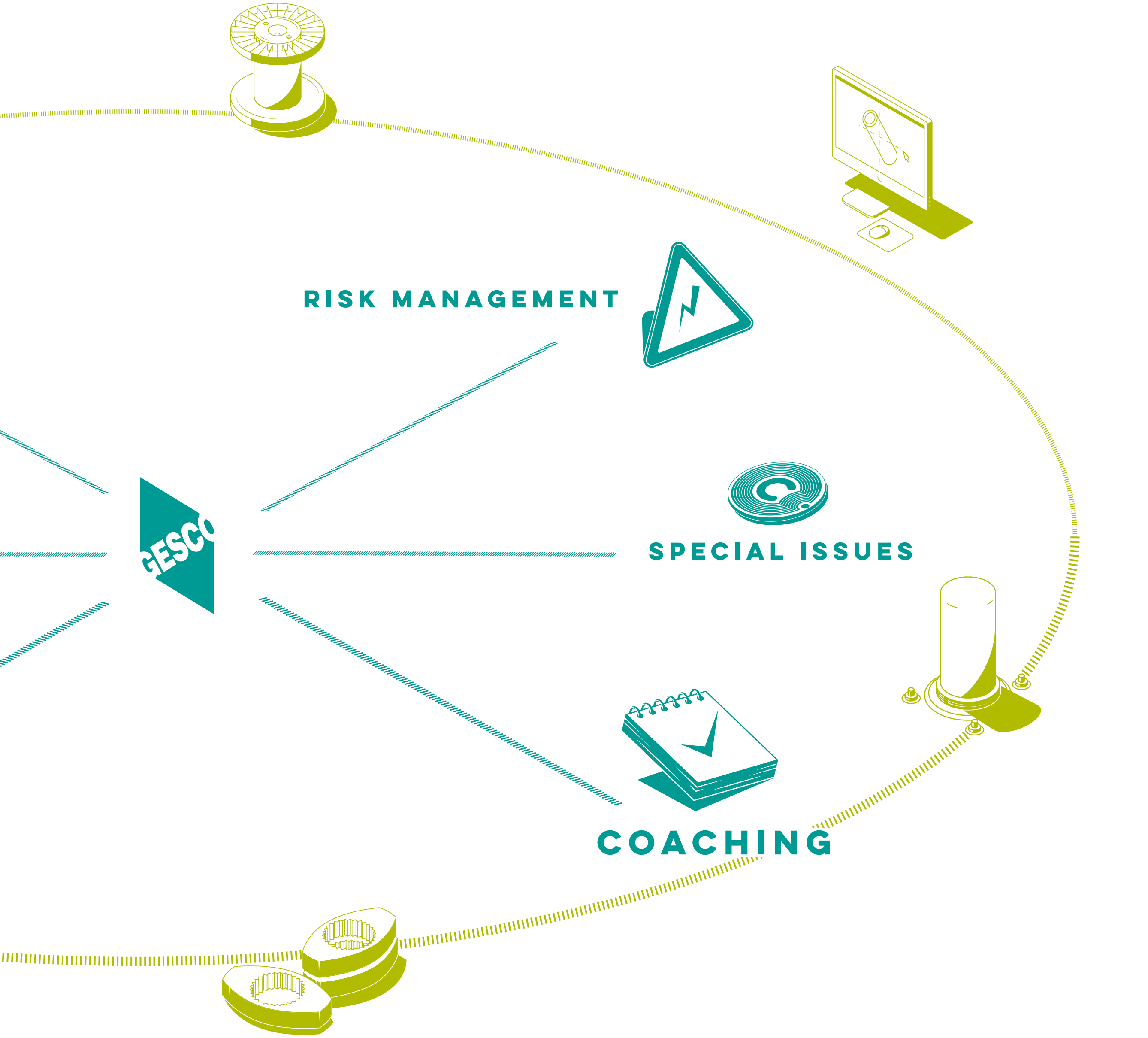
GROWTH OF GESCO GROUP'S SALES IN € MILLION



GESCO GROUP: THE BEST OF BOTH WORLDS

By being integrated into GESCO's systems, the subsidiaries benefit from belonging to the Group – and the Group benefits from their success.




RISK MANAGEMENT
GESCO
SPECIAL ISSUES
COACHING

3 QUESTIONS FOR: DR ERIC BERNHARD

**BORN IN 1972.
MEMBER OF THE EXECUTIVE BOARD
OF GESCO AG SINCE 1 JANUARY 2016.
CHAIRMAN OF THE EXECUTIVE BOARD
FROM 1 JULY 2016.**

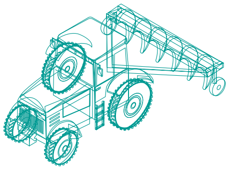
As a member of the Executive Board, responsible for the overall strategic and operational development of all of the Group's industrial companies. Many years of service on behalf of McKinsey. Leadership roles on international executive and supervisory boards and as a CEO in the metal and plastics processing industry, including the establishment of stock-listed Interseroh SE's raw materials division as well as the integration of the industrial SULO group into the stock-listed Plastic Omnium corporation. Completed his studies in international management and earned his doctorate in business at ESCP Europe in France, the UK and Germany.

1

QUESTION:

DR BERNHARD, YOU HAVE BEEN RESPONSIBLE FOR THE GESCO PORTFOLIO STRATEGY SINCE JANUARY THIS YEAR. WHAT CHANGES DOES THE STRATEGY HAVE FOR THE GROUP?

We really got to grips with the portfolio and how it will develop moving forward, in terms of **future markets** and **technologies**. On the basis of our findings, we, the GESCO Executive Board, developed a strategy for profitable growth in early 2016: the **GESCO Portfolio Strategy 2022.** The strategy also enjoys the full backing of the Supervisory Board.



FRANK GROUP, HATZFELD, FOUNDED IN 1836
EUROPE'S LARGEST FORGE FOR THE PRODUCTION OF WEAR PARTS AND COMPONENTS FOR THE AGRICULTURE MARKET

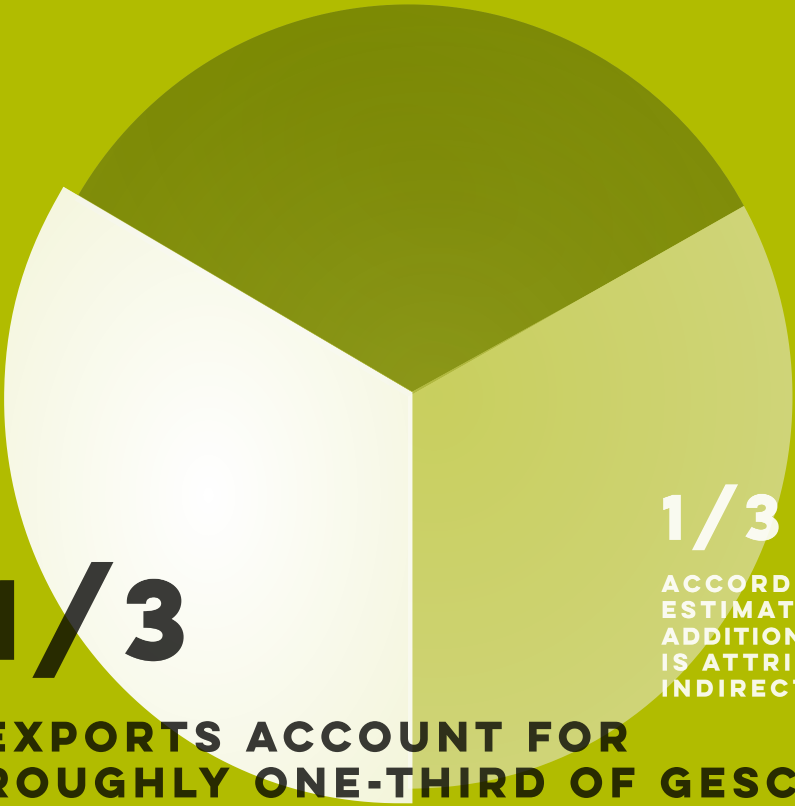
Find out more on page 46 →

A **successful past** may lay the foundation for a **successful future**, but it is by no means a guarantee. That applies to today's climate more than ever. Many in the economy warn that SMEs, hampered by a lack of conceptual ideas or access to investment capital, are running the risk of missing out on the transition to **Industry 4.0** and leaving others to capitalise on the opportunities of **digitalisation.** At GESCO, we see it as our mission to **advise** our Group companies and **assist** them in structuring their respective business models to meet the challenges of the future.

Ultimately, it is our responsibility to safeguard and expand the **competitive position on global sales markets** of each and every one of our Group companies. Given the variety of business models in the portfolio, it is impossible to define any standard targets for growth rates or profit margins. However, the **growth and profitability** of each company in their respective market can certainly be measured against individual industry and competition benchmarks. Together with our managing directors, our aim is to continuously measure ourselves against the competition with a great deal of professional ambition and be among **the best the industry has to offer** – as should be the case for **"hidden champions".**

Unlike private equity investors, our focus is not on short-term optimisation of financial ratios. We strive to generate **competitive results over the long term** at each of our portfolio companies, as this leads to greater freedom for investments in technology of the future and paves the way for profitable growth moving forward. **Companies that enjoy long-term success** also find it easier to attract the best employees, too.

DIRECT AND INDIRECT EXPORT



1/3

EXPORTS ACCOUNT FOR ROUGHLY ONE-THIRD OF GESCO GROUP'S SALES.

1/3

ACCORDING TO ESTIMATES, AN ADDITIONAL ONE-THIRD IS ATTRIBUTABLE TO INDIRECT EXPORTS.

Find out more in the consolidated financial statements on page 117 →

MANY OF OUR COMPANIES' DOMESTIC CUSTOMERS ARE EXPORT-ORIENTED. IT IS THEREFORE LIKELY THAT GESCO GROUP HAS A NOTABLE LEVEL OF INDIRECT EXPORTS. AS A RESULT, IT BENEFITS FROM GLOBAL ECONOMIC GROWTH MORE STRONGLY THAN THE DIRECT EXPORT QUOTA WOULD INDICATE.

2

QUESTION:

HOW ARE RESPONSIBILITIES DIVIDED BETWEEN THE HOLDING COMPANY AND INDIVIDUAL GROUP COMPANIES IN THE GESCO PORTFOLIO STRATEGY 2022?

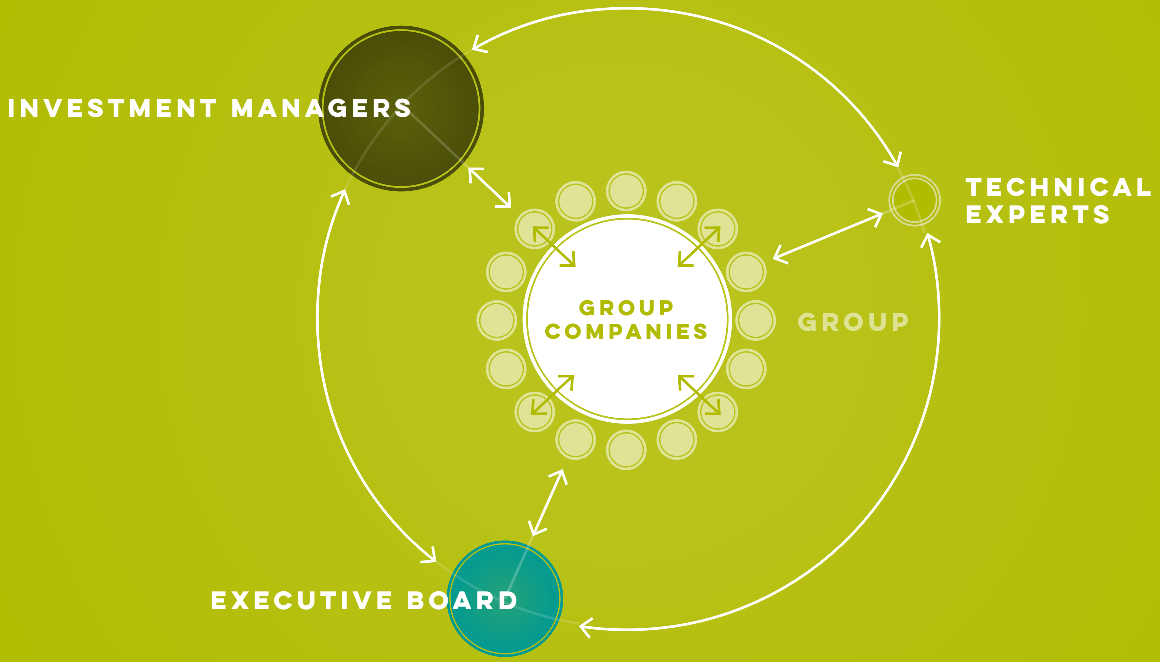
Since it was founded, GESCO has successfully followed the principle that the managing directors of portfolio companies, most of whom hold a stake in the company as minority shareholders, are solely responsible for the company's operative management. This **established principle** has been retained in the GESCO Portfolio Strategy 2022.

As the **majority shareholder,** we also have a responsibility to our shareholders to actively fulfil our role as an owner in the interest of long-term, successful development. GESCO AG has three key levers in this regard: First of all, we identify and appoint **the best possible management.** Secondly, priority is given to **investments promising the highest returns on capital employed** in the respective company. And thirdly, we offer our companies **active advice and support.** This advice takes the shape of continuous dialogue within the scope of monthly meetings at every subsidiary. Commercial investment managers at the respective company do not simply act as controllers, but are also **sparring partners** for any issues relating to the development of the company. The holding company also has **experts in technical fields,** who help the managing directors to define and implement optimisation projects outside of day-to-day business. These can be **sales or customer strategies,** pilot projects relating to **digitalisation** or also **automation** measures geared towards **Industry 4.0** and boosting **efficiency in production**.

Once a year, each subsidiary holds a **strategy day** with the involvement of GESCO AG. At **managing directors' meetings,** we also provide inspiration regarding overarching issues and offer a platform for exchange and synergies between the individual companies. In this we see a decisive strength over individual companies. What helps us is the fact that all those involved ultimately have the same goal: the sustainably successful development of their companies. This is in the interest of the respective company's management, their employees and the majority owner GESCO.

360° COMMUNICATION

ACTIVE ADVICE AND SUPPORT



3

QUESTION:

WHAT IMPACT DOES THE NEW STRATEGY HAVE ON M&A POLICY?

As part of the GESCO Portfolio Strategy 2022, we identified four market segments in which GESCO will systematically target acquisitions moving forward. These are the **"Production Process Technology", "Resource Technology", "Healthcare and Infrastructure Technology"** and **"Mobility Technology"** segments. Our **market research** shows that these segments will be subject to **positive long-term megatrends** and therefore provide opportunities for profitable growth. Over the last few months, we have expanded our M&A strategy by actively targeting prospective acquisitions for which we see ourselves as the **"best owner"** to bring the **company forward and generate long-term profitable growth.** Besides this direct approach, we also maintain a close-knit network in the M&A world, through which we can also initiate transactions.

In terms of prospective portfolio consolidation, there will be no changes to our policy under the GESCO Portfolio Strategy 2022. GESCO has only sold off few investments in its **27-year history.** Unlike private equity investors, we stand by our principle of actively **not pursuing an exit strategy.** In fact, our strategy is centred on acquiring "hidden champions" and, as an expert majority shareholder, putting them in a position to generate long-term profitable growth.

PRODUCTION PROCESS TECHNOLOGY

MOBILITY TECHNOLOGY

GESCO PORTFOLIO STRATEGY 2022

RESOURCE TECHNOLOGY

HEALTHCARE AND INFRASTRUCTURE TECHNOLOGY

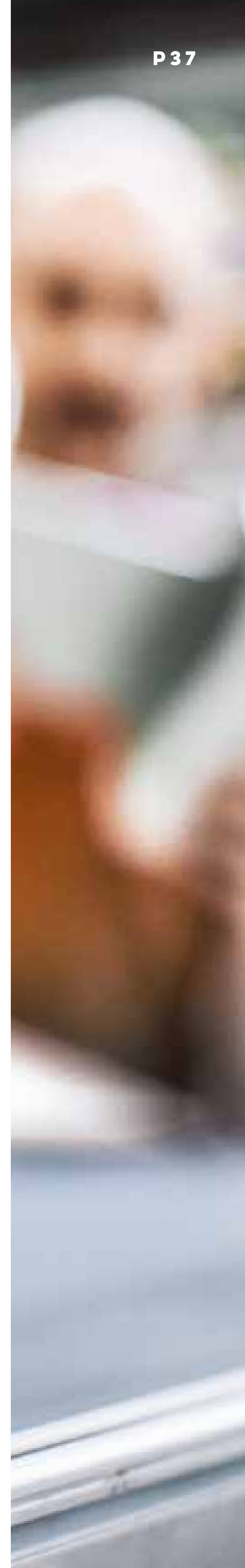

SVT

17 SUBSIDIARIES

IN PROFILE

INDEPENDENT OPERATIONS THAT ARE PART OF A STRONG GROUP: AN OVERVIEW OF THE MAIN SUBSIDIARIES AND THEIR PRODUCTS, MARKETS AND MANAGERS.


HASEKE
SETTER
FUNKE/ASTROPLAST
GESCO
DÖMER
SVT
MAE
PAUL BEIER
WERKZEUGBAU LEIPZIG
DÖRRENBERG
FRANK
MODELL TECHNIK
VWH
C.F.K.
PROTOMASTER
HUBL
WERKZEUGBAU LAICHINGEN
KESEL



ASTROPLAST KUNSTSTOFFTECHNIK GMBH & CO. KG, SUNDERN

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 electrical and household appliances, as well as the waste disposal and logistics sectors. 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.

FINANCIAL YEAR 2015

Following strong growth in the previous year, AstroPlast recorded a slight drop in revenue in 2015. In 2013 and 2014, the company established a modern production and logistics location in Meschede, in order to gradually move its headquarters there from Sundern. Additional production machinery was transferred to the new location over the course of the reporting year.

OUTLOOK AND GOALS FOR 2016

AstroPlast expects declining sales in the new financial year 2016.

MANAGING DIRECTOR: DR WOLFGANG KEMPER

80 %

GESCO AG SHAREHOLDING

20 %

MANAGEMENT SHAREHOLDING

19.8 %

CAPITAL RATIO (31.12.2015)

16.3 € MILLION (-2.3%)

2015 SALES

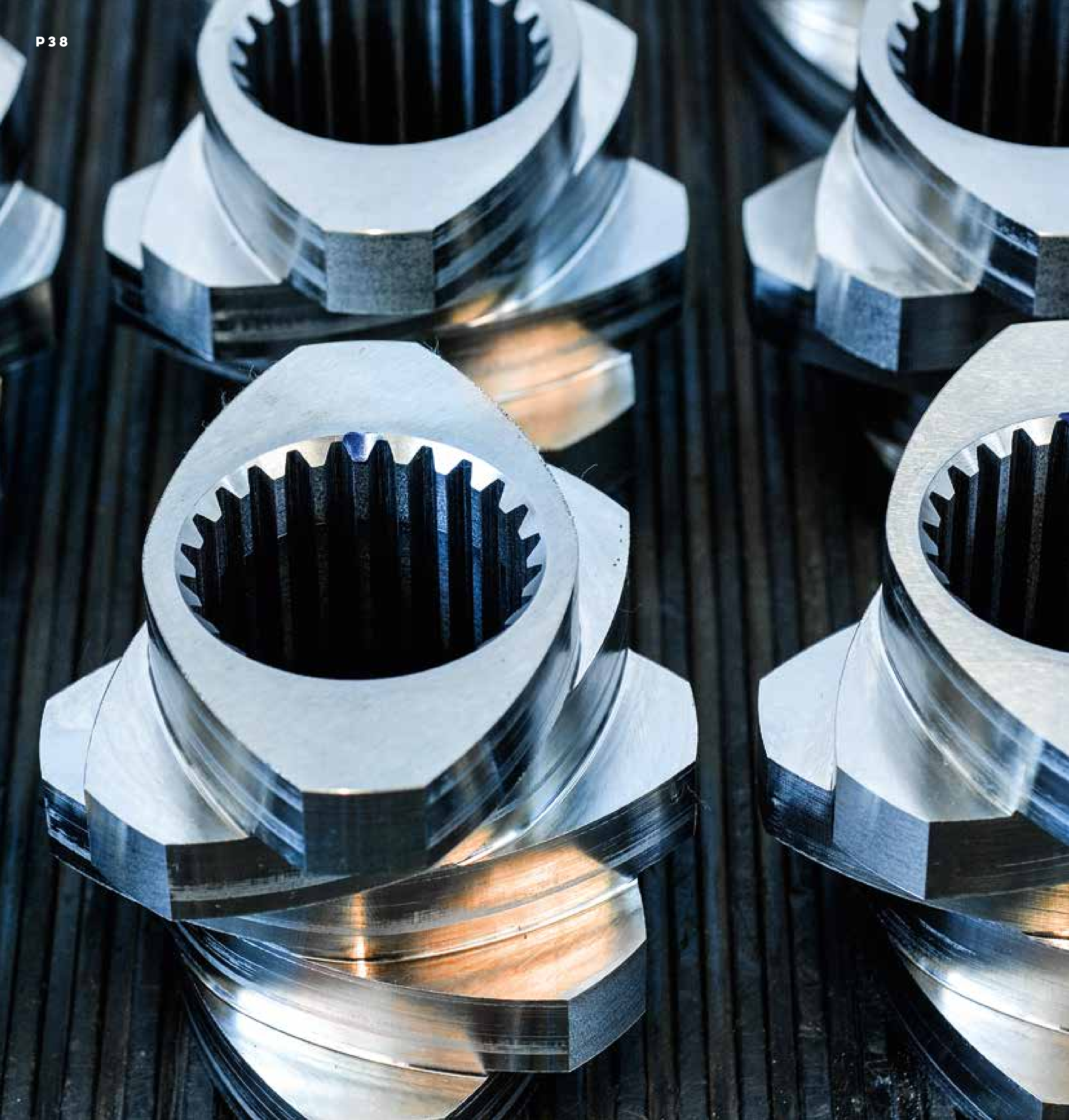
92 (UNCHANGED)

STAFF (31.12.2015)

1995

ACQUISITION BY GESCO


>ABS<



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

STRATEGY AND BUSINESS SEGMENTS

The company was founded in 1924 and specialises 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. Thanks to its grading tools for parts with rotational symmetry, Paul Beier 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 2015

Paul Beier was able to increase sales significantly compared to the previous year, partly due to major orders. Comparatively low demand in the machinery segment was offset by a high level of orders in tool manufacturing.

OUTLOOK AND GOALS FOR 2016

As the level of major orders for 2016 is not as high as in 2015, the company expects sales to decrease slightly.

MANAGING DIRECTOR: DR ANDREAS WENDE

100 %

GESCO AG SHAREHOLDING

27.5 %

CAPITAL RATIO (31.12.2015)

12.1 € MILLION (+27.7 %)

2015 SALES

117 (+8.3 %)

STAFF (31.12.2015)

1999

ACQUISITION BY GESCO


3X1975
NDARD FORCE

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

STRATEGY AND BUSINESS SEGMENTS

Founded in 1986, CFK is one of the leading names in high-precision wire erosion and die sinking in Germany. The company is also a pioneer in the field of selective laser melting. This growth 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.

In the erosion segment, 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 microgrammes 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 47 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.

FINANCIAL YEAR 2015

Following strong growth in the previous year, CFK was again able to achieve a significant increase in sales in 2015, partly due to major orders. Demand grew in all segments, with particularly dynamic development in laser melting. There was broad growth in many industries, from the automotive supply industry and mechanical engineering to energy technology and the aerospace sector.

OUTLOOK AND GOALS FOR 2016

After two years of strong growth, the company expects a period of consolidation and a slight decrease in sales in 2016.

MANAGING DIRECTOR: DR CHRISTOPH OVER

80 %

GESCO AG SHAREHOLDING

20 %

MANAGEMENT SHAREHOLDING

64.9 %

CAPITAL RATIO (31.12.2015)

9.7 € MILLION (+16.5%)

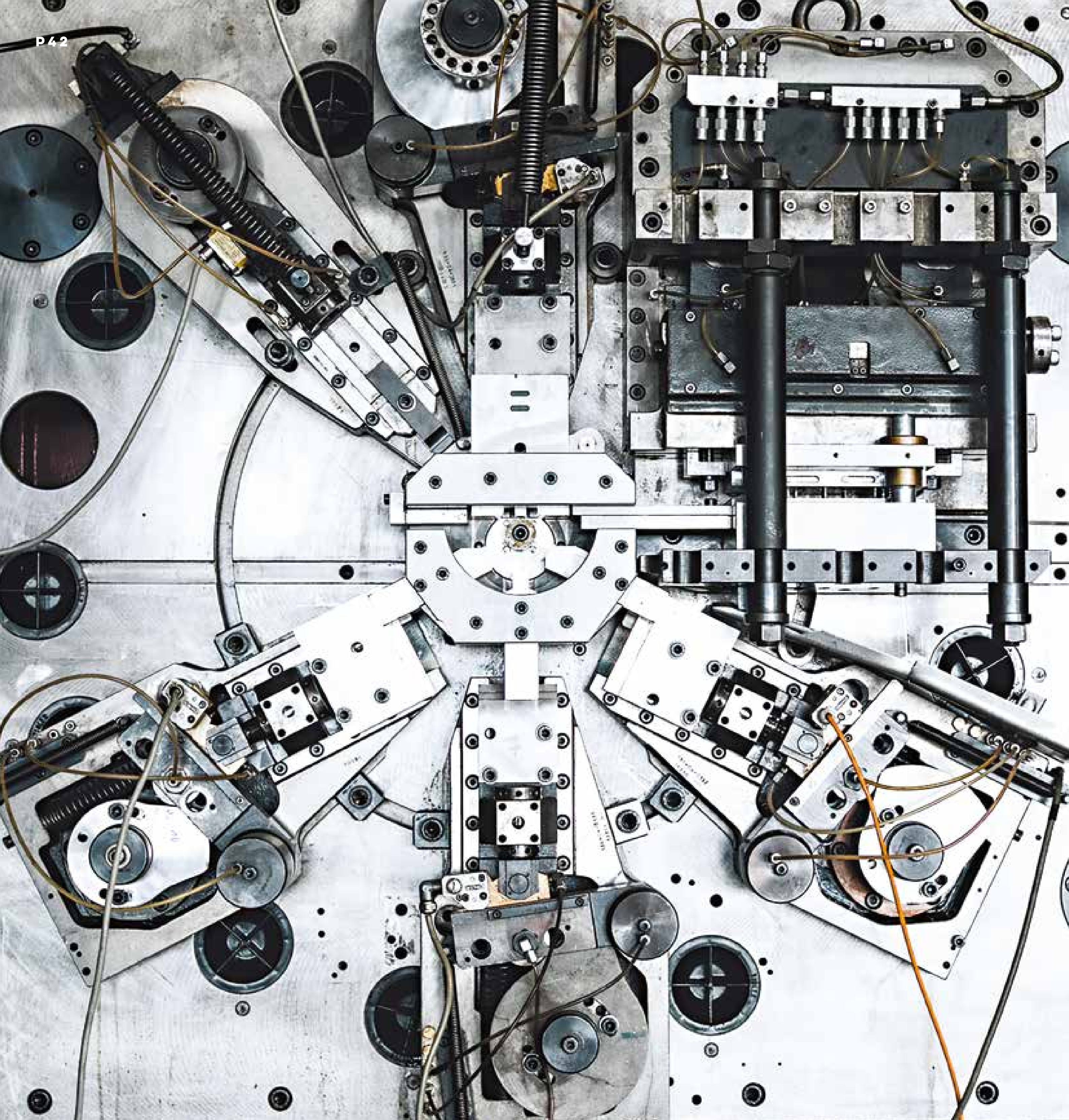
2015 SALES

66 (+15.8%)

STAFF (31.12.2015)

2012

ACQUISITION BY GESCO



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

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 is 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.

FINANCIAL YEAR 2015

Dömer was able to increase sales again, partly due to a major order from the railway engineering segment.

OUTLOOK AND GOALS FOR 2016

The major order from the railway engineering segment will not be repeated in the coming year. While Dömer expects increased sales from new projects in the automotive sector, it anticipates lower overall sales.

MANAGING DIRECTOR: DR MICHAEL DAMMER

100 %

GESCO AG SHAREHOLDING

52.3 %

CAPITAL RATIO (31.12.2015)

15.7 € MILLION (+6.4 %)

2015 SALES

104 (+2.0 %)

STAFF (31.12.2015)

2005

ACQUISITION BY GESCO

DÖRRENBERG EDELSTAHL GMBH, ENGELSKIRCHEN

STRATEGY AND BUSINESS SEGMENTS

Dörrenberg is active in the fields of special steels, steel foundry, casting products and coating & hardening. The company offers its customers from 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. The company also has subsidiaries in Singapore, Taiwan, China, and South 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 2015

Dörrenberg was able to increase sales despite an economic environment that continues to present challenges and is characterised by consolidation processes. It improved revenue despite decreasing steel prices by increasing the sales volume.

OUTLOOK AND GOALS FOR 2016

Dörrenberg does not see any signs of a significant recovery in the relevant capital goods industry markets in financial year 2016 and expects sales to decline compared to 2015.

MANAGING DIRECTORS: DR FRANK STAHL AND GERD BÖHNER

90 %

GESCO AG SHAREHOLDING

10 %

MANAGEMENT SHAREHOLDING

71.3 %

CAPITAL RATIO (31.12.2015)

179.2 € MILLION (+4.4 %)

2015 SALES

509 (+1.6 %)

STAFF (31.12.2015)

1996

ACQUISITION BY GESCO

FRANK-GROUP, HATZFELD

STRATEGY AND BUSINESS SEGMENTS

Frank Walz- und Schmiedetechnik GmbH is Europe's leading supplier of wear parts and components for the agriculture market. Its 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 original equipment manufacturer to 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/Hessen as well as at its Hungarian subsidiary Frank Hungária Kft./Ozd. Frank also owns the distribution company Frank Lemeks TOW/Ternopil, which operates a number of locations in Ukraine.

FINANCIAL YEAR 2015

The agricultural technology industry continued to face significant difficulties in 2015. In light of the Russia/Ukraine crisis, the Russian sanctions against Western agricultural products and the low price of agricultural goods, customers were extremely reluctant to make investments. In this ongoing challenging environment, Frank was able to achieve almost stable sales. Frank made an anti-cyclical investment in a new automated production line, which went into operation in 2016.

OUTLOOK AND GOALS FOR 2016

There are currently no signs of sustainable improvement in the industry. Frank therefore predicts that sales will remain at the level of the previous year.

MANAGING DIRECTOR: DR FRANK GROTE

90 %

GESCO AG SHAREHOLDING

10 %

MANAGEMENT SHAREHOLDING

43.7 %

CAPITAL RATIO (31.12.2015)

27.6 € MILLION (–2.1%)

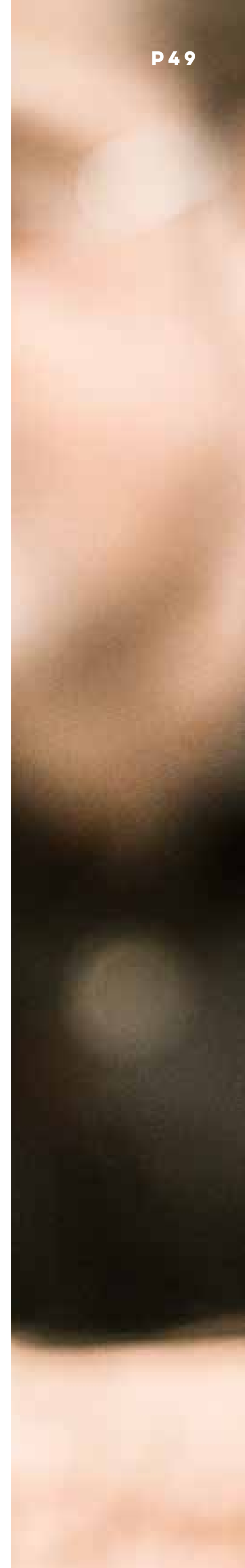
2015 SALES

258 (–5.8%)

STAFF (31.12.2015)

2006

ACQUISITION BY GESCO



FRANZ FUNKE ZERSPANUNGSTECHNIK GMBH & CO. KG, SUNDERN

STRATEGY AND BUSINESS SEGMENTS

Franz Funke Zerspanungstechnik turns parts made of brass, aluminium, red brass and steel in dimensions from 6 to 140 mm using its machine park of more than 20 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 2015

Franz Funke recorded a decline in sales compared to the previous year.

OUTLOOK AND GOALS FOR 2016

Funke started the new financial year with a solid level of orders. It therefore expects significant positive sales development and to reach the sales volumes seen in previous years.

MANAGING DIRECTOR: DR WOLFGANG KEMPER

80 %

GESCO AG SHAREHOLDING

20 %

MANAGEMENT SHAREHOLDING

24.9 %

CAPITAL RATIO (31.12.2015)

15.4 € MILLION (–8.8 %)

2015 SALES

80 (–1.2 %)

STAFF (31.12.2015)

1995

ACQUISITION BY GESCO


231002
18498
Corp

HASEKE GMBH & CO. KG, PORTA WESTFALICA

STRATEGY AND BUSINESS SEGMENTS

Haseke manufactures ergonomically optimised interfaces between man and machine, e.g. equipment for optimally placing monitors or operator panels in working environments. The company develops and sells precision raising, lowering and swivel technology based on its “Intelligent Movement” concept to customers in the medical industry, who are served by its “Medical” division, and customers of its “Industry” division in the manufacturing and office technology segments.

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 2015

Both of Haseke’s divisions achieved a slight increase in sales in 2015, maintaining the continuous growth seen in recent years.

OUTLOOK AND GOALS FOR 2016

As a number of new projects with various customers were launched in 2015, the company expects record sales in 2016.

MANAGING DIRECTOR: UWE KUNITSCHKE

80 %

GESCO AG SHAREHOLDING

20 %

MANAGEMENT SHAREHOLDING

46.6 %

CAPITAL RATIO (31.12.2015)

13.0 € MILLION (+1.8 %)

2015 SALES

64 (+1.6 %)

STAFF (31.12.2015)

1990

ACQUISITION BY GESCO

HUBL GMBH, VAIHINGEN/ENZ

STRATEGY AND BUSINESS SEGMENTS

Hubl GmbH develops and produces high-end precision machine cladding, coverings, housings and stainless steel sheet components. Important customers include the mechanical engineering, biotechnology, pharmaceutical, medical and clean room technology, semiconductor and food industries. 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 2015

In 2015, Hubl achieved a significant increase in sales and the highest revenues in its history. The company saw particular improvement in the mechanical engineering and food industries. Its strong growth was driven by increased capacities in sales, reduced delivery times and innovations with regard to production technology.

OUTLOOK AND GOALS FOR 2016

Hubl expects to slightly exceed the record sales achieved in 2015.

MANAGING DIRECTOR: RAINER KIEFER

80 %

GESCO AG SHAREHOLDING

20 %

MANAGEMENT SHAREHOLDING

51.9 %

CAPITAL RATIO (31.12.2015)

12.8 € MILLION (+18.2 %)

2015 SALES

106 (+5.0 %)

STAFF (31.12.2015)

2002

ACQUISITION BY GESCO


FlexAct


DEMAG
CNC
kesel
kesel
kesel

GEORG KESEL GMBH & CO. KG, KEMPTEN

STRATEGY AND BUSINESS SEGMENTS

Established in 1889, Kesel develops and manufactures machine tools with a focus on highly specialised rack and bandsaw blade milling systems. Machines for milling steering racks are a special product of the company. The company also develops and produces clamping systems to a range of specifications and with a variety of clamping forces. Kesel's customer base operates primarily in the steel, gear-cutting and automotive industries.

FINANCIAL YEAR 2015

Following strong sales growth in the previous year, in 2015 Kesel recorded a significant decrease in revenue, due in particular to lower demand from China. That resulted in a reduction of the proportion of exports from 81 % to 48 %.

OUTLOOK AND GOALS FOR 2016

Kesel does not anticipate any notable increase in demand in financial year 2016 and expects sales to decrease.

MANAGING DIRECTOR: MARTIN KLUG

90 %

GESCO AG SHAREHOLDING

10 %

MANAGEMENT SHAREHOLDING

58.9 %

CAPITAL RATIO (31.12.2015)

11.2 € MILLION (-9.8 %)

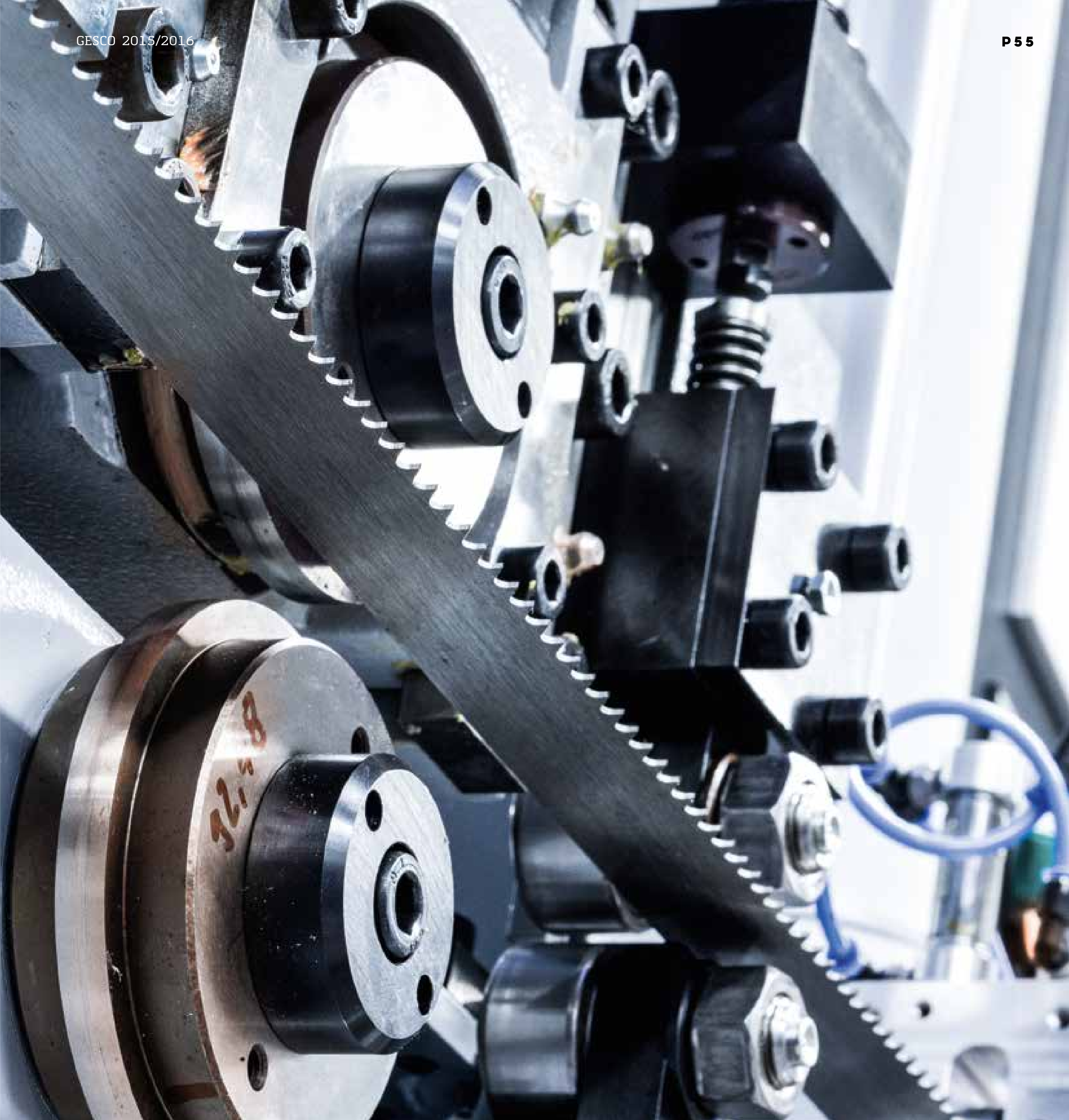
2015 SALES

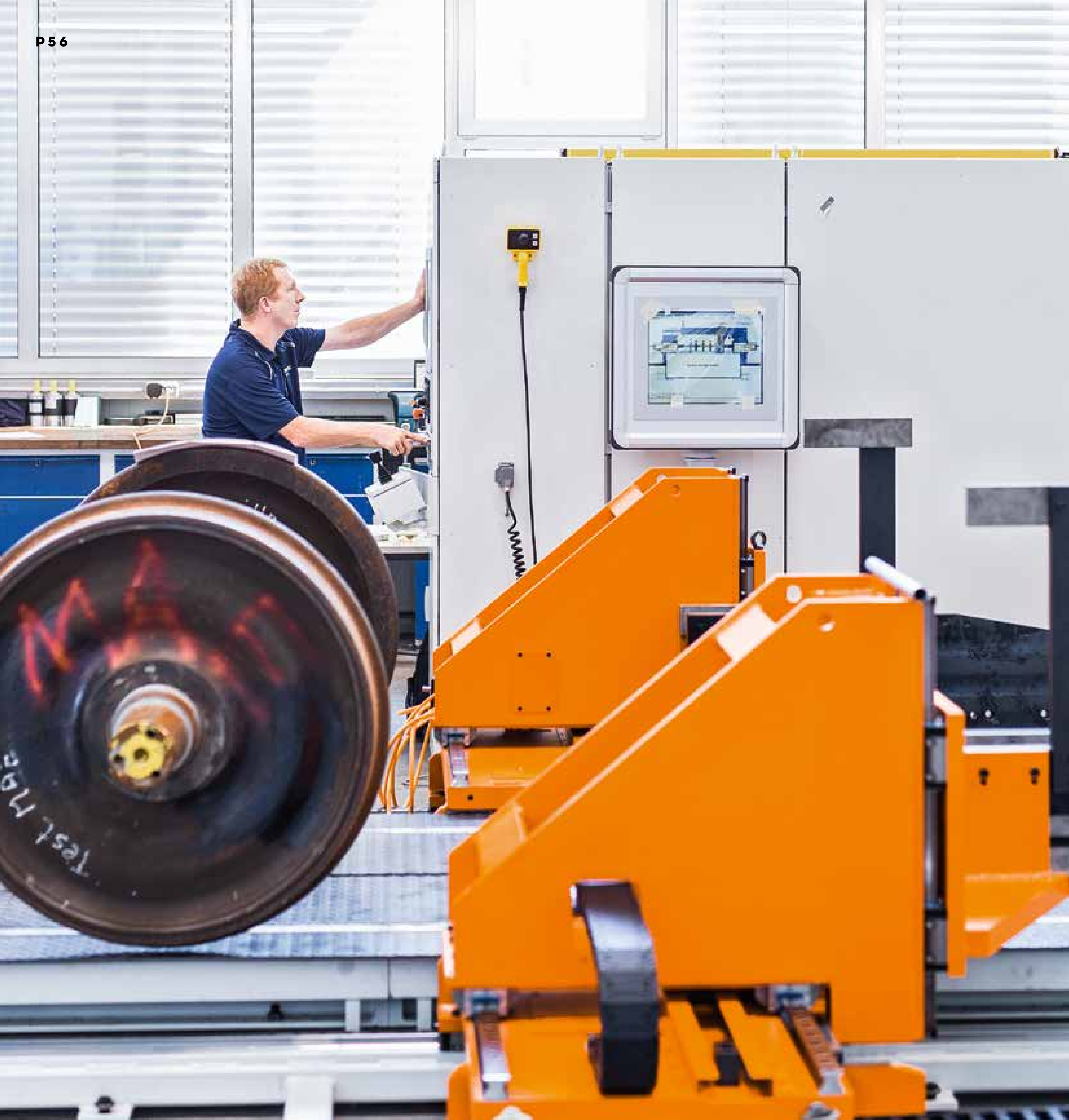
60 (-13.0 %)

STAFF (31.12.2015)

2009

ACQUISITION BY GESCO





MAE GROUP, ERKRATH

STRATEGY AND BUSINESS SEGMENTS

The company, founded in 1931, is a global leader in automatic straightening machines as well as in wheel presses for rolling stock. 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 joining, 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.

Along with the parent company in Erkrath, since early 2014 the MAE Group has included a newly formed subsidiary in the US, MAE Eitel, and a sales and services subsidiary in China.

FINANCIAL YEAR 2015

While restructuring and complex development projects had a negative impact on the previous year, in financial year 2015 MAE was again able to achieve the sales volumes seen in previous years, and finished processing the development machines as planned. In the reporting period, MAE increased its proportion of exports from 54 % to 60 %, partly as a result of increased demand from China.

The American subsidiary was also able to significantly increase its volume of business.

In 2014/2015, MAE once again underlined its leading role in technological development by delivering the world's largest straightening machine, which generates a pressing force of 40,000 kN and is used in the steel industry.

OUTLOOK AND GOALS FOR 2016

MAE started the year with a positive level of orders and anticipates sales at approximately the level seen in 2015, despite the challenging environment. The company expects to compensate for the impending decrease in demand from China with increased sales in other regions.

MANAGING DIRECTORS: RÜDIGER SCHURY AND MARTIN BÖRGER

100%

GESCO AG SHAREHOLDING

39.2%

CAPITAL RATIO (31.12.2015)

44.4 € MILLION (+53.4%)

2015 SALES

222 (+3.3%)

STAFF (31.12.2015)

1997

ACQUISITION BY GESCO


MAE

MODELL TECHNIK FORMENBAU GMBH, SÖMMERDA

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 48 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, oil pans 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 2015

In 2015, Modell Technik achieved sales at almost exactly the same high level as in the previous year. However, the lack of qualified staff worsened noticeably in the reporting period. The company has reacted by increasing its personnel marketing activities. Further optimisation of machine utilisation should also partially compensate for the shortage of staff.

OUTLOOK AND GOALS FOR 2016

The company does not anticipate any significant growth momentum in the new financial year and expects sales to decline slightly.

MANAGING DIRECTOR: MATTHIAS HUKE

100 %

GESCO AG SHAREHOLDING

64.3 %

CAPITAL RATIO (31.12.2015)

14.0 € MILLION (+0.1%)

2015 SALES

115 (UNCHANGED)

STAFF (31.12.2015)

2012

ACQUISITION BY GESCO


SORALUCE
FP-4000

PROTOMASTER GMBH, WILKAU-HASSLAU

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 2015

In previous years, Protomaster acquired major orders that increased significantly in terms of volume and complexity as the projects progressed. That created major challenges in terms of personnel, organisation and investment, particularly in 2014 and 2015. In 2015 the focus was on stabilising processes and strengthening the company's internal organisation. Protomaster achieved significant progress in close cooperation with its customers.

Protomaster's project business, which combines tool manufacturing and component production, can result in large fluctuations in sales. In financial year 2015 production activities for one customer project commenced and a major project tool kit from the previous year was billed. As a result, sales more than doubled compared to 2014.

The interim managing director, Klaus Blau, left the company at short notice at the end of April 2015. Dr Hans-Gert Mayrose, member of the Executive Board of GESCO AG, has been responsible for the interim management of Protomaster's business since that time.

OUTLOOK AND GOALS FOR 2016

Protomaster expects to achieve slightly higher sales in the new financial year. From the present perspective, there appears to be a realistic chance of a turnaround in 2016. However, the company's project business and fluctuating demand continue to present significant risks.

MANAGING DIRECTORS: KLAUS BLAU (UNTIL 29.04.2015) AND DR-ING HANS-GERT MAYROSE (SINCE 29.04.2015)

82.17%

GESCO AG SHAREHOLDING

17.83%

MINORITY INTEREST

5.5%

CAPITAL RATIO (31.12.2015)

17.7 € MILLION (+105.0%)

2015 SALES

123 (+11.8%)

STAFF (31.12.2015)

2012

ACQUISITION BY GESCO


PM 64-24 GMA E2
DP60
PM 64-24 GMA E2

SETTER GROUP, EMMERICH

STRATEGY AND BUSINESS SEGMENTS

The Setter Group was founded in 1964. It manufactures paper and plastic sticks, which are sold to customers from the confectionery and hygiene industries. The sticks are used in products such as lollipops, cotton buds or medical products. The German company markets its products across all continents and generates some 90 % of its sales revenue from exports. It sees itself as a quality and volume leader, particularly in the niche market for paper sticks.

FINANCIAL YEAR 2015

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

The takeover generated significant external growth, and Setter was also able to increase revenue through organic growth. Overall, the company achieved strong sales growth.

OUTLOOK AND GOALS FOR 2016

Because a major order in 2015 will not be repeated, and due to a lack of currency effects, Setter expects sales to decrease slightly in the current financial year.

MANAGING DIRECTOR: STEFFEN GRASSE

100%

GESCO AG SHAREHOLDING

42.0%

CAPITAL RATIO (31.12.2015)

27.0 € MILLION (+85.2%)

2015 SALES

98 (+66.1%)

STAFF (31.12.2015)

2004

ACQUISITION BY GESCO

SVT GMBH, SCHWELM

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 2015

In 2015, the continuing low oil price led to a drastic decline in investment in the oil industry, and the chemical industry was also reluctant to spend given the subdued global economic climate. In this environment, SVT recorded a significant decrease in sales in 2015. Weak demand was more pronounced abroad than in Germany, so the proportion of exports decreased from 82 % to 77 %.

In May 2015 SVT installed the world's first LNG bunkering loading arm. It supplies ferries with LNG fuel in Stavanger, Norway. Because passengers and vehicles are loaded during the refuelling process, the system's safety technology had to meet particularly stringent requirements.

OUTLOOK AND GOALS FOR 2016

Although the level of investment in the chemical and oil industries remains low, SVT expects sales to increase slightly in 2016. Among other things, it will deliver an important export order.

MANAGING DIRECTOR: HARM STÖVER

90 %

GESCO AG SHAREHOLDING

10 %

MANAGEMENT SHAREHOLDING

57.9 %

CAPITAL RATIO (31.12.2015)

33.5 € MILLION (–24.1%)

2015 SALES

186 (+2.2%)

STAFF (31.12.2015)

2002

ACQUISITION BY GESCO

VWH VORRICHTUNGS- UND WERKZEUGBAU HERSCHBACH GMBH, HERSCHBACH

STRATEGY AND BUSINESS SEGMENTS

VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH specialises in automation technology, mould design and construction and hybrid technology. Its core competencies are the development and production of complex automated production systems, in-line systems for the manufacture of hybrid components and sophisticated injection moulding forms. The company's extensive experience in the networking of intelligent production systems, today referred to as "Industry 4.0", creates significant potential for the future development of the company.

Most of the company's customers are active in the automobile manufacturing and supply sectors, as well as the electrical, electronics and medical technology industries. VWH's clients benefit from its high degree of technical expertise and its solution and customer-oriented approach, by relying on the company as a competent development partner.

FINANCIAL YEAR 2015

In the 2015 financial year, VWH again expanded its customer base and achieved a slight increase in sales. It extended its service and maintenance offering in a targeted manner to sustainably increase customer loyalty.

OUTLOOK AND GOALS FOR 2016

VWH expects sales to remain at the 2015 level in the new financial year. It will continue to focus on the qualification of employees for the development of intelligent production solutions.

MANAGING DIRECTOR: THOMAS STURM

80%

GESCO AG SHAREHOLDING

20%

MANAGEMENT SHAREHOLDING

38.5%

CAPITAL RATIO (31.12.2015)

11.4 (+2.4%) € MILLION

2015 SALES

109 (UNCHANGED)

STAFF (31.12.2015)

2007

ACQUISITION BY GESCO


LOIRESAFE
EDIMC-2500

WERKZEUGBAU LAICHINGEN GROUP, LAICHINGEN AND LEIPZIG

STRATEGY AND BUSINESS SEGMENTS

The Werkzeugbau Laichingen Group, comprising WBL Holding GmbH and its 100 % subsidiaries Werkzeugbau Laichingen GmbH at its headquarters in Baden-Württemberg and Werkzeugbau Leipzig GmbH, produce high-performance tools for the automotive and automotive supply industry and for household goods manufacturers. 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 on-site 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.

The long-serving managing director Jürgen Mangold retires in June 2016. After a joint orientation period, his successor, Uwe Born, runs WBL as sole managing director.

FINANCIAL YEAR 2015

The WBL Group initially expected a decline in sales in 2015 due to limited demand for new (large) tools for the automotive industry across Europe. However, WBL was able to compensate for the decline in demand with service contracts and even managed to achieve an overall increase in sales.

A new large area press with a pressing force of 25,000 kN and a surface size of 5,000 mm × 2,600 mm was commissioned in 2015 at the company's headquarters in Laichingen. That has extended its ability to press prototype and series-produced body parts for customers, and allows it to manufacture large tools with higher pressing forces and more complex functions.

OUTLOOK AND GOALS FOR 2016

Industry projections for 2016 uniformly predict weak demand for new (large) tools. WBL therefore expects sales to decrease in the new financial year.

MANAGING DIRECTORS: JÜRGEN MANGOLD (UNTIL 30.06.2016) AND UWE BORN (SINCE 15.02.2016)

85 %

GESCO AG SHAREHOLDING

15 %

MANAGEMENT SHAREHOLDING

23.0 %

CAPITAL RATIO (31.12.2015)

26.5 € MILLION (+5.5 %)

2015 SALES

177 (–0.6 %)

STAFF (31.12.2015)

2011

ACQUISITION BY GESCO

GESCO GROUP: SIGNIFICANT COMPANIES

Company	Sales 2015 €'000	Staff 31.12.2015	GESCO AG share-holding in %
AstroPlast Kunststofftechnik GmbH & Co. KG, Sundern	16,262	92	80
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel	12,117	117	100
C.F.K. CNC-Fertigungstechnik Kriftel GmbH, Kriftel	9,708	66	80
Dömer GmbH & Co. KG Stanz- und Umformtechnologie, Lennestadt	15,661	104	100
Dörrenberg Edelstahl GmbH, Engelskirchen	179,243	509	90
Frank Group, Hatzfeld	27,629	258	90
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern	15,383	80	80
Haseke GmbH & Co. KG, Porta Westfalica	12,969	64	80
Hubl GmbH, Vaihingen/Enz	12,775	106	80
Georg Kesel GmbH & Co. KG, Kempten	11,239	60	90
MAE Group, Erkrath	44,359	222	100
Modell Technik Formenbau GmbH, Sömmerda	13,961	115	100
Protomaster GmbH, Wilkau-Haßlau	17,688	123	82.17
Setter Group, Emmerich	26,984	98	100
SVT GmbH, Schwelm	33,464	186	90
VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH, Herschbach	11,421	109	80
Werkzeugbau Laichingen Group, Laichingen/Leipzig	26,594	177	85

GESCO GROUP KEY FIGURES (IFRS)

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

[1] Without additions from changes to the scope of consolidation.

[2] Including dividend bonus of € 0.22 due to 10-year anniversary of IPO.

[3] Dividend proposal to the AGM on 25.08.2016.

2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	Change
277,664	335,237	415,426	440,417	453,336	451,434	494,014	9.4%
183,536	219,981	270,888	286,609	300,263	303,597	323,862	6.7%
94,128	115,256	144,538	153,808	153,073	147,837	170,152	15.1%
27,156	38,180	51,186	51,763	48,719	46,171	53,261	15.4%
16,470	26,958	39,116	37,341	32,010	27,300	31,457	15.2%
13,965	24,091	35,672	33,825	29,018	24,553	28,828	17.4%
-4,389	-7,651	-11,087	-11,088	-9,261	-10,401	-10,307	-0.9%
31.4	31.8	31.1	32.8	31.9	42.4	35.8	–
8,896	15,251	22,531	20,916	18,121	12,350	16,128	30.6%
2.95	5.05	7.40	6.30	5.45	3.72	4.85	30.6%
8,417	9,915	14,937	21,609	27,164	29,525	23,974	-18.8%
8,758	9,058	9,850	12,190	14,136	15,475	16,940	9.5%
105,173	114,678	154,988	166,500	176,604	182,803	195,773	7.1%
246,356	260,246	321,138	357,547	379,950	403,739	410,175	1.6%
42.7	44.1	48.3	46.6	46.5	45.3	47.7	–
1,733	1,775	1,899	2,292	2,360	2,465	2,537	2.9%
99	92	97	120	144	156	153	-1.9%
40.00	58.89	65.40	75.54	76.15	76.38	74.14	-2.9%
1.30	2.00	2.90	2.50	2.20	1.75	2.00 [3]	14.3%

4.85 €

EARNINGS PER SHARE

2.00 €

DIVIDEND PER SHARE

2,537

STAFF

494 € MILLION SALES

CONTENTS

FOREWORD BY THE EXECUTIVE BOARD

DR-ING HANS-GERT MAYROSE,
DR ERIC BERNHARD AND
ROBERT SPARTMANN

DEAR SHAREHOLDERS,

There was a noticeable improvement in our performance in financial year 2015/2016 compared to the previous year: profit rose significantly, and the dividend is also set to increase as a result. However, the outlook for the new financial year is more cautious.

SALES RISE, EARNINGS INCREASE DISPROPORTIONATELY

GESCO Group succeeded in generating brisk demand, increasing sales by some 9 % to € 494 million. Business was even better than expected at certain subsidiaries, with earnings contributions from the reversal of provisions higher than anticipated. We also made considerable progress in our two restructuring programmes we reported on last year. MAE was able to resolve the issues caused by its significant growth and will return to turning a considerable profit in the new financial year 2016/2017. By contrast, Protomaster still has a great deal of uncertainty to contend with, but has also made major progress in its restructuring measures. All in all, Group earnings of € 16 million not only exceeded the previous year's figure by over 30 %, but they were also considerably higher than originally expected.

DIVIDEND PER SHARE SET TO RISE TO € 2.00

GESCO AG pays a performance-based divided that amounts to roughly 40 % of Group net income after minority interest, so this is to be increased too: The Executive Board and Supervisory Board will propose to the Annual General Meeting on 25 August 2016 an increase in the dividend from € 1.75 to € 2.00 per share.

SHARE PRICE DEVELOPMENT SHORT OF BENCHMARK

The performance of the GESCO share was less satisfactory. It fell slightly by 2.9 % over the course of the year, while our benchmark index, the SDAX, increased by 4.7 %. The share price's underperformance, falling share trading volumes and IPOs from larger companies saw us slip down the SDAX ranking, resulting in us leaving the benchmark index in December 2015. This is a disadvantage, but we have yet to register any direct negative consequences from the decision. Our aim is to pave the way for rising share prices through organic earnings growth and acquisitions and be re-admitted to the SDAX.

CAUTIOUS OUTLOOK FOR THE NEW FINANCIAL YEAR

Although financial year 2015/2016 was successful overall, it was clear that the general investment climate deteriorated over the course of the year. The VDMA (Mechanical Engineering Industry Association) was forced to lower its forecast once again in summer 2015. The lower oil price was no longer considered to be a driver of growth, rather was seen to weigh down on the economy and hamper investment. The decline in economic growth in China also spread uncertainty. This, coupled with various political crises, dampened investment propensity. Unfortunately, this trend has continued. As a result, we are unable to forecast any earnings growth for the new financial year 2016/2017; in fact, we anticipate a decline in profit.

CHANGES TO THE EXECUTIVE BOARD

Dr Eric Bernhard joined the Executive Board of GESCO AG on 1 January 2016 and was appointed Chairman of the Executive Board by the Supervisory Board effective as at 1 July 2016 in May 2016. Dr Mayrose declared to the Supervisory Board in May 2016 that he would not be standing for re-election once his term of office comes to an end on 31 December 2016 due to his personal plans for the future; Dr Mayrose will therefore leave the Executive Board at the end of the year.

PORTFOLIO STRATEGY AND M&A

We analysed the portfolio and how it will develop moving forward, in terms of future markets and technologies. Based on our findings, the Executive Board and Supervisory Board developed a strategy for profitable growth in April 2016 named GESCO Portfolio Strategy 2022. As part of this strategy, we will be intensifying our advisory and support functions for our subsidiaries without affecting the operative independence of the companies.

Besides developing the portfolio internally, we have always pursued the aim of expanding the Group through further acquisitions. However, M&A in the SME sector is currently more of a seller's market, as a great deal of demand is being met by a limited supply of attractive investments. We have intensified our activities accordingly and, in spite of the challenging conditions, believe that we have a good chance of making acquisitions, not least because of the solid reputation of the GESCO brand. It cannot be denied that sellers now have much higher expectations in terms of price; in some cases, valuations have returned to pre-crisis levels.

All in all, we are confident that we will be able to generate value by combining internal development and external growth – in the shape of rising earnings, higher dividends and, last but not least, a higher share price.

THANK YOU!

We feel a great sense of commitment to all of our stakeholders, but particularly to the employees of the GESCO Group. We would like to take this opportunity to thank them and the managing directors of our subsidiaries for their dedication in the past financial year. Of course we are also committed to you, our GESCO AG shareholders, whose interest, as owners of the company, we represent. We would like to thank you for your longstanding support and trust.

Yours sincerely,

Dr Eric Bernhard

Dr-Ing Hans-Gert Mayrose

Robert Spartmann

REPORT FROM THE SUPERVISORY BOARD 2015/2016

During financial year 2015/2016, the GESCO Group succeeded in increasing sales and achieving disproportionately high earnings growth within a subdued economic climate. Significant progress was made with the two cases of restructuring.

In this report, the Supervisory Board provides information about its activities during financial year 2015/2016. The main topics are its 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 the regular exchange of information with the Executive Board and the supervision of the company's management with regard to its legality, regularity, appropriateness 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 two cases of restructuring continued to be a key focus of discussion between the Executive Board and the Supervisory Board.

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. The Supervisory Board engaged with the structure and content of this system, as planned. In all cases, the members of the Supervisory Board dealt closely and critically with the reports presented to them and contributed their own recommendations.

Detailed annual plans of the significant subsidiaries were submitted to the Supervisory Board and discussed with the Executive Board. Deviations in the course of business

GESCO AG'S SUPERVISORY BOARD (L. TO R.):
KLAUS MÖLLERFRIEDRICH (CHAIRMAN),
STEFAN HEIMÖLLER (DEPUTY CHAIRMAN),
DR NANNA RAPP

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 considered 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 to exchange ideas directly with the individual managing directors of GESCO AG subsidiaries during the management meeting of GESCO Group in September 2015.

The Supervisory Board discussed GESCO AG's acquisition plans at length with the Executive Board and the employee responsible for acquisitions. In the run-up to an acquisition, target companies are also subjected to an on-site appraisal by a Supervisory Board member.

In financial year 2015/2016, the Supervisory and Executive Boards discussed the acquisition strategy, which is a key issue, at one of their meetings, and they once again worked together to address 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 until the conclusion of the Annual General Meeting on 18 August 2015 were Klaus Möllerfriedrich (Chairman), Rolf-Peter Rosenthal (Deputy Chairman) and Stefan Heimöller. After reaching the specified age limit, Mr Rosenthal did not stand for re-election to the Supervisory Board. His term on the Supervisory Board ended at the conclusion of the Annual General Meeting on 18 August 2015 after having served as a member for 25 years. Mr Möllerfriedrich, Mr Heimöller and a new member – Dr Nanna Rapp – were elected to the Supervisory Board at the Annual General Meeting. At the inaugural meeting of the newly elected Supervisory Board, Mr Möllerfriedrich was elected to serve as Chairman and Stefan Heimöller as Deputy Chairman. We provided detailed information about the selection of Dr Rapp as a candidate in the report of the Supervisory Board for financial year 2014/2015.

The size of the Supervisory Board of GESCO AG has not changed; it has been deliberately kept small with three members in order to facilitate efficient work and in-depth discussions on both strategic and detailed issues. The Supervisory Board therefore believes that it is not sensible or appropriate to create Supervisory Board committees. This also applies to an audit committee, whose tasks continue to be carried out by the entire Supervisory Board. Supervisory Board committees were therefore not created in financial year 2015/2016.

MEETINGS AND RESOLUTIONS OF THE SUPERVISORY BOARD

A total of 18 Supervisory Board meetings took place in financial year 2015/2016. All members of the Supervisory Board attended each of these meetings. The Supervisory Board discussed and, if required, passed resolutions on the following key issues:

Meeting of 2 April 2015:
Major investments at two subsidiaries, appointment of the Supervisory Board

Meeting of 24 April 2015:
Current situation of individual subsidiaries, major investments at two subsidiaries, expansion of the Executive Board

Meeting of 6 May 2015:
Appointment of the Supervisory Board, major investments at two subsidiaries, current situation of individual subsidiaries

Meeting of 20 May 2015:
Job interviews of management candidates

Meeting of 27 May 2015:
Internal control system and risk management, current economic performance of GESCO Group, discussion and audit of the preliminary annual financial statements and consolidated financial statements as at 31 March 2015, acquisition matters

Meeting of 29 May 2015:
Expansion of the Executive Board, efficiency audit, various items for the agenda of the 2015 Annual General Meeting

Meeting of 2 June 2015:
Discussion and audit of the annual financial statements and consolidated financial statements as at 31 March 2015

Meeting of 3 June 2015:
Adoption of the annual financial statements as at 31 March 2015, approval of the consolidated financial statements as at 31 March 2015, Executive Board matters

Meeting of 15 June 2015:
Current situation of a subsidiary, Executive Board matters

Meeting of 17 July 2015:
Current situation of individual subsidiaries, acquisition matters

Meeting of 13 August 2015:
Internal control system and risk management, current economic performance of GESCO Group, preparations for the Annual General Meeting

Meeting of 18 August 2015:
Inaugural meeting of the Supervisory Board

Meeting of 2 September 2015:
Job interview of a management candidate, acquisition matters

Meeting of 19 October 2015:
Current situation of individual subsidiaries, job interview of a management candidate, acquisition matters

Meeting of 7 December 2015:
Visit to a subsidiary, internal control system and risk management, current economic performance of GESCO Group, Executive Board matters, follow-up on the 2015 management meeting

Meeting of 25 January 2016:
Situation of individual subsidiaries, acquisition matters, Executive Board matters

Meeting of 22 February 2016:
Acquisition strategy, current situation of individual subsidiaries, Executive Board matters

Meeting of 17 March 2016:
Internal control system and risk management, current economic performance of GESCO Group, job interview of a management candidate

Furthermore, the Supervisory Board conducted many job interviews in connection with the change in membership on the Supervisory Board and the expansion of the Executive Board.

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.

CORPORATE GOVERNANCE

As announced already at the Annual General Meeting on 18 August 2015, the Supervisory Board expanded the Executive Board and appointed a third member – Dr Eric Bernhard – to it with effect from 1 January 2016. As a member of the Executive Board of GESCO AG, Dr Bernhard is responsible for the strategic and operational development of the Group's portfolio of industrial companies. Dr-Ing Hans-Gert Mayrose continues to be responsible for M&A, Investor Relations and IT, and Robert Spartmann retains responsibility for Finance, Legal, HR and Compliance. All of the Executive Board members have also been assigned specific subsidiaries that they are responsible for supervising.

By Supervisory Board resolution of 25 May 2016, Dr Bernhard was appointed Chairman of the Executive Board with effect from 1 July 2016. Dr Mayrose informed the Supervisory Board on 30 May 2016 that he will not be available for an extension of his term on the Executive Board, which is set to end on 31 December 2016, due to his personal plans for the future. The Supervisory Board regrets this decision and would like to thank Dr Mayrose very much for his many successful years of work on behalf of GESCO Group.

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 duly submitted the Declaration of Compliance as required by law in December 2015 and made it permanently accessible to the shareholders on the company's website. In May 2016, the Executive Board and the Supervisory Board updated the Declaration of Compliance from December 2015; this update was also made permanently available to 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 remuneration system on 2 September 2010 as part 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 18 August 2015, RSM Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Wuppertal, was commissioned by the Supervisory Board on 19 October 2015 to audit the annual financial statements and consolidated financial statements. The auditor confirmed its independence to us in a letter dated 21 May 2015. Furthermore, 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 Public Accountants.

The annual financial statements drawn up by the Executive Board for the financial year from 1 April 2015 to 31 March 2016 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 audit report.

The consolidated financial statements and Group management report of GESCO Group for the financial year from 1 April 2015 to 31 March 2016 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 audit report.

This year, the focal points of the audit for the individual financial statements of GESCO AG were the valuation of investments (devaluation and value recovery), accrual and recoverable amount of receivables from associated companies and the completeness and valuation of other provisions. The focal points of the audit of the consolidated financial statements were 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. The focal points of the audit identified by the auditor already included the Supervisory Board's desired scope. The Supervisory Board and the auditor were in contact during the ongoing audit activities with regard to exchanging information about the audit.

The complete financial statements as well as the auditor's accompanying audit reports were sent to all members of the Supervisory Board in good time before the accounts meeting. They were the subject of intensive discussions in the meeting of the Supervisory Board on 25 May 2016. The auditors were in attendance at this meeting, reported in detail 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 31 May 2016. 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.

THANKS FOR ALL THE EFFORT

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

Wuppertal, 31 May 2016
Klaus Möllerfriedrich
Chairman of the Supervisory Board

THE GESCO SHARE

GESCO OFFERS INVESTORS ACCESS TO A PORTFOLIO OF INDUSTRIAL SMES. BY INVESTING IN GESCO SHARES, YOU ARE ALSO INVESTING IN AN ENTREPRENEURIAL AND SUSTAINABLE BUSINESS MODEL.

German stock markets recorded further gains in 2015, although the secondary indices SDAX and MDAX significantly outperformed the DAX. The GESCO share was unable to match this positive development: Whereas the SDAX, our benchmark index, recorded growth of 26.6 %, the price of the GESCO share only rose by 1.2 %. In terms of the financial year of GESCO AG, the index increased by 4.7 %, while the GESCO share recorded a marginal decline of 2.9 %.

Effective as at 21 December 2015, the GESCO share left the SDAX index, which it had been originally admitted to in June 2008. Criteria for index selection are free float market capitalisation and liquidity, in other words the volume of trading in the share. The share's underperformance, falling market volumes and IPOs by larger companies saw the GESCO share slip down the index ranking. Leaving the SDAX is a disadvantage, as index association bolsters the visibility of the company and remains a criterion of investment in the eyes of some institutional investors. However, so far we have yet to register any major negative implications. As explained in the foreword by the Executive Board in this year's annual report, our aim is to pave the way for rising share prices through organic and inorganic revenue growth and be re-admitted to the SDAX.

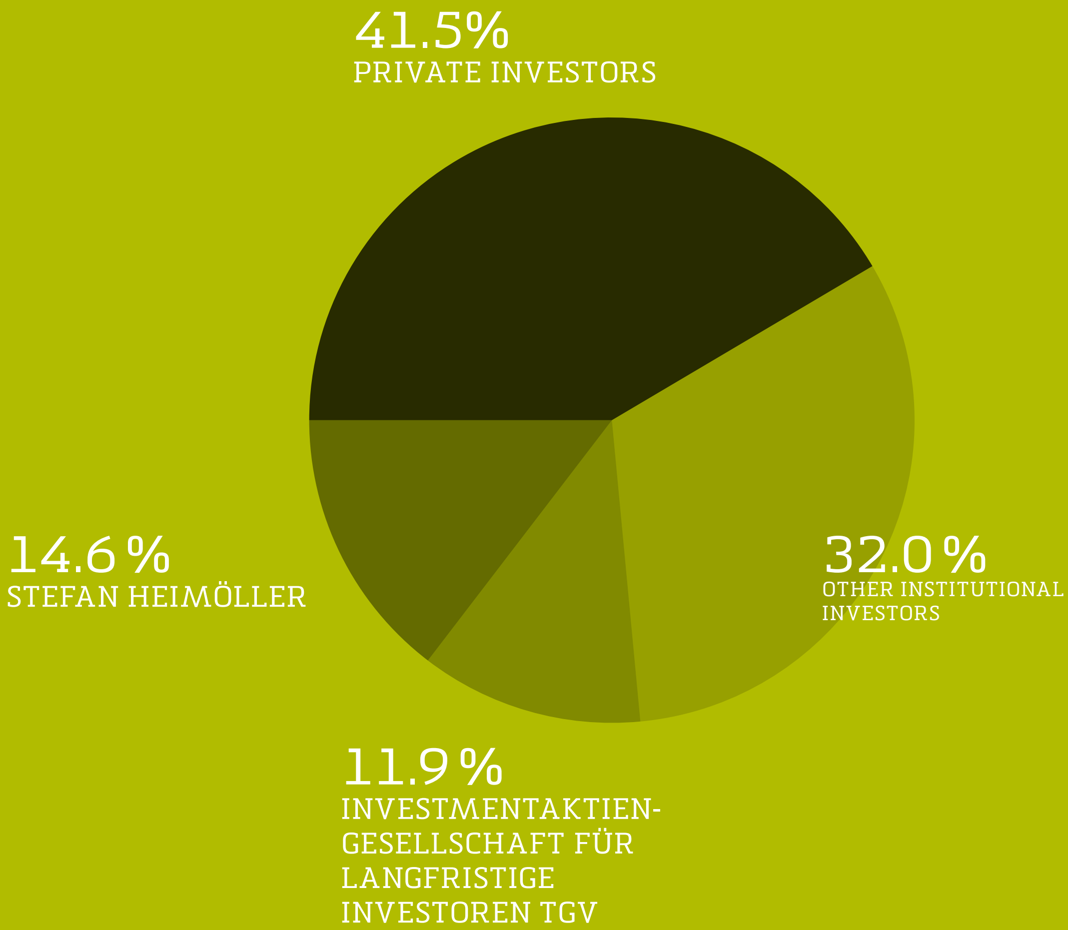
The GESCO share remains widely spread, with share capital in the hands of some 7,500 investors.

The entrepreneur Stefan Heimöller, who has been a member of the GESCO AG Supervisory Board since the 2013 Annual General Meeting, holds the largest share of the share capital. Mr Heimöller increased his investment in the reporting year and held roughly 14.6 % of shares as at the reporting date. 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 85.4 %.

Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn/Germany, is the second-largest shareholder. This investor also acquired further shares in the company in the reporting year, notifying us that it had exceeded the 10 % threshold in December 2015. As at the reporting date, this investment company owned approximately 11.9 % of the voting rights in GESCO AG.

SHAREHOLDER STRUCTURE

AS OF 31.03.2016



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 41.5 % of the remaining shares are held by private investors and some 32 % by institutional investors. Around 90 % of shares are held by German investors. Further key shareholder markets continue to include Luxembourg, the US, the UK, Austria and Switzerland.

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 SMC Research. On the reporting date, all analysts rated the share as "hold" or "neutral".

DIVIDEND POLICY

GESCO AG has for years pursued a sustainable, calculable dividend policy with a distribution ratio of roughly 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 dividend policy strikes an appropriate balance between investors' desire for distributions and GESCO Group's need to retain sufficient liquid assets in order to secure future growth. For our shareholders, this clearly defined distribution policy is transparent and calculable.

On 19 August 2015, a dividend for financial year 2014/2015 amounting to € 1.75 per share was paid out, corresponding to a total volume of around € 5.8 million. Given that Group net income after minority interest in financial year 2015/2016 rose considerably year on year, the Executive Board and Supervisory Board will propose to the Annual General Meeting on 25 August 2016 an increase in the dividend for financial year 2015/2016 to € 2.00 per share. At the time this decision was made, the dividend return, based on the proposed dividend, amounted to 2.8 %.

INVESTOR RELATIONS

We have 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 working groups.

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.

As in previous years, the GESCO AG annual reports were once again prize-winning publications. The annual report for financial year 2013/2014 went home with the Reddot Award 2014 in the Annual Report category, as well as the ICMA Gold 2015 award in the Corporate Media, Annual Reports, Industry category. In addition, the annual reports for financial years 2011/2012 and 2013/2014 won the German Design Award in the Editorial category in 2015.

Our website, www.gesco.de, is the 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 its IPO in 1998, GESCO AG has taken an active, transparent approach to its investor relations and public relations activities. Besides responding to questions from shareholders, activities also include attending roadshows and meeting investors and analysts in Germany and abroad. Important platforms for us include capital market events for the financial community and for private investors alike.

A1K020

INFORMATION ON THE GESCO SHARE

International Securities Identification Number (ISIN)	DE000A1K0201
Securities Identification Number (SIN)	A1K020
Stock market abbreviation	GSC1
Share capital (31/03/2016)	€ 8,645,000
Number of shares (31/03/2016)	3,325,000
IPO	24 March 1998
Issue price	DM 42 / € 21.47
Year-end price, previous year (31/03/2015)	€ 76.38
Year-end price, reporting year (31/03/2016)	€ 74.14
Reporting year high (05/05/2015)	€ 78.07
Reporting year low (13/10/2015)	€ 62.85
Market capitalisation as at 31/03/2016	approximately € 246.5 million
Free float	approximately 85.4 %
Free float market capitalisation as at 31/03/2016	approximately € 210.5 million
Shares held by members of the Supervisory Board (31/03/2016)	14.6 %
Shares held by members of the Executive Board (31/03/2016)	0.7 %
Transparency standard	Prime Standard
Indices	CDAX overall index Prime All Share Prime Industrial Classic All Share Prime Industrial Diversified

[1] All share prices reflect the XETRA closing price

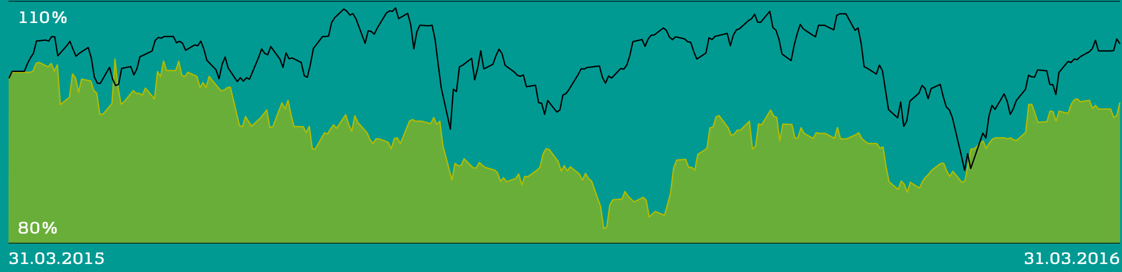
STOCK EXCHANGES

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

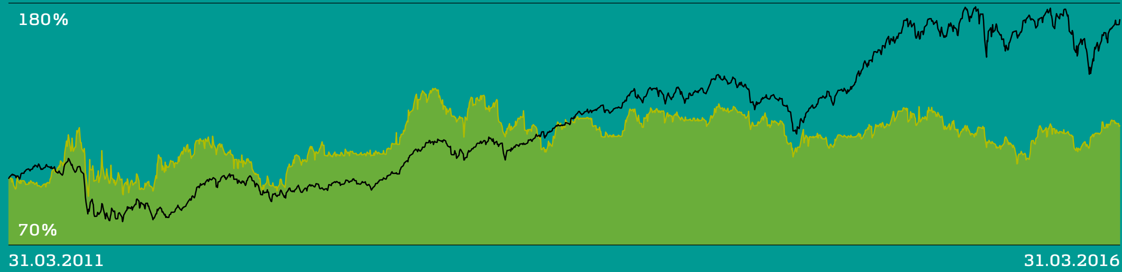
GOOD REASONS TO BUY THE GESCO SHARE

- The GESCO share is the key 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
- Abundance of unresolved succession issues
- Active investor relations, high level of reporting transparency

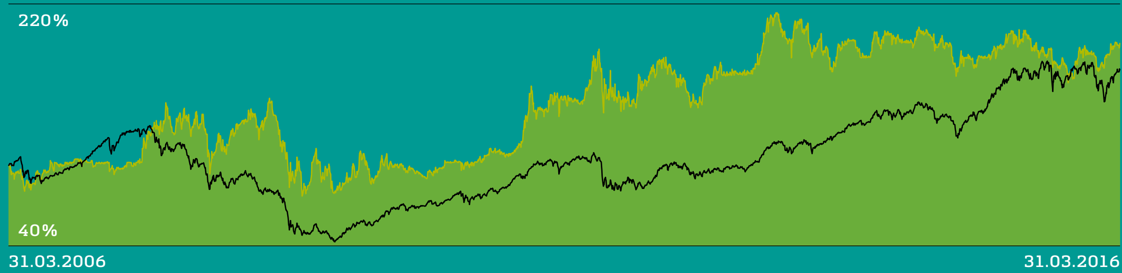
GESCO VS. SDAX (1 YEAR)



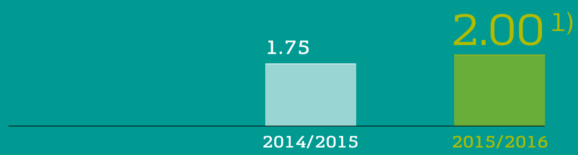
GESCO VS. SDAX (5 YEARS)



GESCO VS. SDAX (10 YEARS)

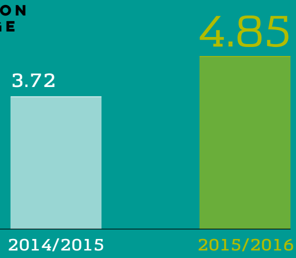


DIVIDEND PER SHARE IN €



EARNINGS PER SHARE IN €

(ACC. TO IFRS; BASED ON THE WEIGHTED AVERAGE NUMBER OF SHARES)



1) Dividend proposal to the AGM on 25 August 2016.

DECLARATION OF COMPLIANCE AND CORPORATE GOVERNANCE REPORT

FINANCIAL YEAR 2015/2016

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 of GESCO AG agree with the aims of the 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 submitted a declaration of compliance on schedule and as required by law in December 2015 and made it permanently available to shareholders on the company's website (www.gesco.de). That declaration is based on the versions of the Code dated 24 June 2014 and 5 May 2015. In May 2016, the Executive Board and the Supervisory Board updated the declaration of compliance from December 2015; this update was also made permanently available to shareholders on the company's website (www.gesco.de). Both the declaration of compliance issued in December 2015 and the updated version issued in May 2016 are 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 enables shareholders to order tickets, complete their postal vote and appoint a proxy via an online tool. 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 controlling. In addition, the Executive Board prepares the quarterly reports and quarterly statements, the half-year interim report, 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.

In the reporting year, Dr Eric Bernhard (since 1 January 2016), Dr Hans-Gert Mayrose and Mr Robert Spartmann were Executive Board members.

Dr Bernhard is responsible for the strategic portfolio management, Dr Mayrose for M&A, IT and Investor Relations and Mr Spartmann for Finance, Legal, HR and Compliance. Each Executive Board member is also allocated to a particular subsidiary and is responsible for the operative management of this subsidiary.

The Executive Board of GESCO AG previously consisted of members with equal rights; no Chairman or Spokesman had been appointed. This deviated from the recommendations of Section 4.2.1, sentence 1 GCGC. By Supervisory Board resolution of 25 May 2016, Dr Bernhard was appointed Chairman of the Executive Board effective as at 1 July 2016, meaning that this deviation no longer applies.

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. GESCO AG does not pursue any relevant management practices that go beyond these standards.

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 involved in 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 and term of office of the Supervisory Board members, on the constitution of the Supervisory Board, its meetings and decisions and the rights and responsibilities of its members are defined by the Articles of Association of GESCO AG. They are available from the company's website (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.

Until the Annual General Meeting on 18 August 2015, Supervisory Board members in the reporting year were Mr Klaus Möllerfriedrich (Chairman), Mr Rolf-Peter Rosenthal (Deputy Chairman) and Mr Stefan Heimöller. The terms of office of all Supervisory Board members ended at the close of the Annual General Meeting. Mr Möllerfriedrich and Mr Heimöller stood for re-election to the Supervisory Board and were duly elected by the Annual General Meeting. After 25 years on the Supervisory Board, Mr Rosenthal did not stand for re-election on account of reaching the age limit. Dr Nanna Rapp was proposed as his successor and was duly elected. 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 on diversity of Supervisory Board members defined in the Code were followed, in consideration of GESCO AG's specific requirements. The candidate was presented in the Supervisory Board report for the financial year 2014/2015 and the selection process explained. Following the Annual General Meeting, the Supervisory Board appointed Mr Möllerfriedrich as its Chairman and Mr Heimöller as its Deputy Chairman.

All members of the Supervisory Board have the appropriate expertise and personal skills to act as financial experts in accordance with Section 100 para. 5 AktG. All members also meet the requirement of independence pursuant to Section 100 para. 5 AktG.

DIVERSITY AMONG MANAGERS, THE EXECUTIVE BOARD AND THE 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.

According to Section 5.4.1, the Supervisory Board shall specify concrete objectives regarding its composition which, considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest of Supervisory Board members, an age limit to be specified and diversity. In particular, there should be a suitable share of female members. 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. The Supervisory Board believes that these skills are sufficiently represented on the Supervisory Board. One-third of the Supervisory Board is currently made up of female members, in line with the internal target.

The “Act on the Equal Participation of Women and Men in leadership positions in the Private Sector and Public Bodies”, which came into effect on 1 May 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. The Executive Board and Supervisory Board defined corresponding targets on 13 August 2015 and set the maximum possible time limit, 30 June 2017, to achieve these targets.

GESCO Group companies pursue a clear and absolute policy of equal opportunities in their day-to-day business. This is a matter of course, irrespective of any legal obligations. The companies make a conscious effort to attract job applications from female candidates, support interested candidates in their applications, take part in campaigns such as “Girls’ Days” and actively seek dialogue with schools and universities. This is not based on the desire to fulfil a quota, but rather derives from the conviction and necessity to recruit highly qualified individuals for vacant roles. GESCO Group companies have a great interest in positioning themselves as attractive employers.

The Supervisory Board of GESCO AG set a target of a 30 % share of women on the **Supervisory Board** on 13 August 2015. This target was achieved with the election of Dr Nanna Rapp at the Annual General Meeting on 18 August 2015.

At the current time, the **Executive Board** of GESCO AG consists solely of male members. The Executive Board was expanded from two members to three on 1 January 2016. Candidates were selected in a structured search and selection process with the support of an executive search firm. After conducting a multi-stage selection process and weighing up all the factors, the Supervisory Board opted for Dr Eric Bernhard. The target of a 30 % share of women, which the Supervisory Board also defined for the Executive Board, will therefore continue to apply for future changes to the Executive Board.

At the holding company, GESCO AG, there is only one **level of management** (authorised representatives) below the Executive Board, meaning that the legal obligation only applies to this level. No women are currently employed at this level. At present, it is not foreseeable that any jobs will become vacant or be newly created at this level of GESCO AG’s management. As it is not realistic that a target greater than 0 % will be able to be achieved by 30 June 2017, the Executive Board set the target at 0 %.

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 6.2 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 Board, owns 14.6 % 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 15.3 % of the shares issued by the company as at the reporting date. Members of the Supervisory Board own a total of 14.6 % of the shares in the company. Members of the Executive Board own a total of 0.7 % 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 member of the Executive Board a further 24,000 share options, each for the purchase of one GESCO share.

The company received reports on directors' dealings from Mr Heimöller concerning 31,147 shares and from Dr Rapp concerning 100 shares in the reporting year. GESCO AG has published this information in accordance with the requirements of the German Securities Trading Act (WpHG).

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 prepared according to International Financial Reporting Standards (IFRS). The individual and consolidated financial statements were audited by RSM Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Wuppertal. The responsible auditor is Mr Nils-Christian Wendlandt, the fourth time he has held this role.

The following auditing firms were responsible for auditing the individual financial statements of the subsidiaries: RSM Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Wuppertal, Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, and RSM Altavis GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, Düsseldorf office. 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 18 August 2015, the Chairman of the Supervisory Board appointed the auditor for the individual and consolidated financial statements. The interim report, first-quarter report and third-quarter statement were not audited in the reporting year.

DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 AKTG ISSUED IN DECEMBER 2015

The Executive Board and the Supervisory Board issued the following declaration of compliance on schedule in December 2015 in accordance with Section 161 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) 30 September 2014 were being followed pursuant to the version of the Code dated 24 June 2014 since the last declaration of compliance was issued in December 2014 until the effective date of the new version of the Code dated 5 May 2015 on 12 June 2015, 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 5 May 2015 have been and will be followed since its publication in the official section of the Bundesanzeiger (Federal Gazette) on 12 June 2015, with the exceptions to Section 4.2.1 sentence 1, Section 5.3 and Section 5.4.6 para. 2 sentence 2, as well as the following exception, as justified above.

- **Section 5.4.1 para. 2 sentence 1: Regular limit of length of Supervisory Board membership**
  The Supervisory Board of GESCO AG believes that a long term of service on the Supervisory Board goes hand in hand with the sustainable and long-term business model of GESCO AG. For this reason, we do not consider setting a regular limit of length of Supervisory Board membership to be appropriate or practical.

Wuppertal, December 2015

GESCO AG

For the Supervisory Board
Klaus Möllerfriedrich

For the Executive Board
Dr Hans-Gert Mayrose Robert Spartmann”

UPDATE TO THE DECLARATION OF COMPLIANCE ISSUED IN DECEMBER 2015

In May 2016, the Executive Board and the Supervisory Board updated the declaration of compliance issued in December 2015 as follows:

“The Supervisory Board has appointed Dr Bernhard as Chairman of the Executive Board of GESCO AG effective as at 1 July 2016. As a result, the Executive Board and the Supervisory Board update their declaration of compliance issued in December 2015 pursuant to Section 161 AktG as follows:

GESCO AG now also complies with the recommendation detailed in Section 4.2.1 sentence 1 GCGC.

The declaration of compliance issued in December 2015 continues to apply in all other respects.

Wuppertal, May 2016

GESCO AG

For the Supervisory Board
Klaus Möllerfriedrich

For the Executive Board
Dr Eric Bernhard Dr Hans-Gert Mayrose Robert Spartmann”

GROUP MANAGEMENT REPORT 2015/2016

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 new management personnel the chance to acquire a stake in the company they are managing. The shareholding ratio amounts to between 5 % and 20 %, depending on the size of the company.

As at the reporting date, GESCO Group comprised 17 direct material operating subsidiaries of GESCO AG. These companies operate in the tool manufacture/mechanical engineering (segment sales in financial year 2015/2016: € 450 million) and plastics technology segments (segment sales in financial year 2015/2016: € 43 million). While this portfolio has a clear focus, we seek diversity in our customer sectors.

The subsidiaries are independent operating entities which are integrated into GESCO Group's reporting and financial controlling system and risk management system.

GESCO AG has been a listed company since 24 March 1998 and GESCO shares are listed in the Prime Standard.

Significant changes to the scope of consolidation

Setterstix Inc., Cattaraugus/New York, USA, was included in the consolidated income statement for the first time in the reporting period. The company was already included in the Group balance sheet as at 31 March 2015.

MANAGEMENT SYSTEM

Planning and management at GESCO Group is conducted at the levels of the individual subsidiaries and GESCO AG. An annual budget created by the management of the respective company and jointly approved by the Executive Board of GESCO AG establishes the framework for operating development, personnel measures and subsidiary investments. GESCO AG receives monthly figures from the subsidiaries throughout the year 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 subsidiary managers promptly analyse, interpret and evaluate these figures to determine the degree to which objectives have been met.

GESCO AG draws up a Group budget on the basis of the subsidiaries' individual budgets. The Executive Board of GESCO AG presents its 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 further in the course of the quarterly reports. The key performance indicators are incoming orders, sales, EBIT, earnings after tax and the equity ratio, as well as Group net income after minority interest at Group level.

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 during projects related to customer orders.

At Dörrenberg Edelstahl GmbH, research and development is an ongoing process maintained over a whole host of individual projects. The company also cooperates with various universities and institutions as and when required. Once again, 2015 saw a number of different R&D projects, focussing on issues such as the sustainable use of raw materials, materials technology and additive manufacturing of tool steels.

MAE Maschinen- und Apparatebau Götzen GmbH underlined its leading role in the development of automatic straightening presses and delivered the largest straightening machine in the world, with a pressing force of 40,000 kN, to a customer in the steel industry.

SVT GmbH completed the development of its loading arm for LNG bunkering for ships and successfully installed the first arm at a ferry terminal in Norway.

2. ECONOMIC REPORT

MACROECONOMIC AND INDUSTRIAL SECTOR CONDITIONS

Germany's economic development was in stable shape at the beginning of 2015. The economy grew consistently through to the end of the year, resulting in an average increase of 1.7 % in gross domestic product in real terms over the course of the year. As in the previous year, the strongest impetus came from consumption in 2015. The low oil price was initially considered to be a driver of growth, but over the course of the year it became apparent that, although low oil prices were bolstering consumption, they were also leading to a somewhat drastic decline in investment in the oil industry and related sectors, which still prevails today. The chemical industry was also reticent in terms of investment on the back of the decline in economic growth in China and subdued global economic development overall. These factors had a negative impact on the capital goods industry. In the automotive sector, the United States and China set new records in terms of newly registered vehicles, while the Western Europe market also grew considerably. By contrast, Brazil and Russia recorded double-digit declines in new vehicle registrations and the Japanese market also performed poorly.

According to the Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA – German machinery and plant manufacturers association), which is relevant to our largest segment, tool manufacture and mechanical engineering, German machinery and plant manufacturing industry failed to meet expectations in 2015. Instead of the real production growth of roughly 2 % forecast by VDMA economists in autumn 2014, production remained on a par with the previous year, in line with the forecast revised in summer 2015.

The Gesamtverband Kunststoffverarbeitende Industrie e. V. (GKV – Association of Plastics Converters) is the relevant association for our second, much smaller segment, namely plastics technology. It reported moderate sales growth of 1.3 % in 2015; domestic sales stagnated while international sales increased by 3.6 %.

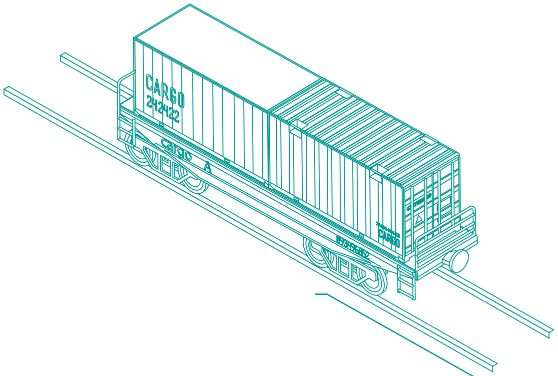
When analysing the figures provided by these associations, it must be noted that both sectors are extremely diverse and the data originates from a vast number of different companies. As most GESCO Group companies are specialised SMEs operating in niche markets, these figures only serve as a rough guide and are of limited value when used as benchmarks for evaluating the actual development of GESCO Group.

In the corporate transactions market, a renewed increase in demand was met by scarcity in supply. Against the backdrop of a low-interest environment, an increasing number of investors are seeking direct investments in industrial SMEs, while family offices are also emerging as potential investors alongside traditional financial investors. In terms of strategic investments, Chinese companies have become increasingly active over the past few years. As a long-term investor which does not pursue an exit strategy, GESCO AG is facing an increasingly difficult acquisition climate. We have strengthened our M&A activities further in the wake of these developments.

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.

The broader economic environment experienced mixed development in this period. While the low price of oil, a weak euro and low interest rates stimulated consumption, the capital goods industry experienced little benefit. As a result, in July 2015 the VDMA reduced its production growth forecast from 2 % to 0 %. The significant decreases in price of oil over the course of the year increasingly came to be seen as an indication of deterioration in the performance of the broader economy. The decreasing price of oil had a direct negative impact on oil industry suppliers. At GESCO Group, this primarily affected SVT GmbH, which manufactures loading equipment for gases and liquids. Given the subdued momentum in the global economy, the chemical industry – which also represents a key customer group for SVT – held back in terms of its investments. The agricultural technology industry continues



to pose challenges. Frank Walz- und Schmiedetechnik GmbH, which produces wear parts for the agricultural industry and the maintenance of grasslands, is active in this area. From summer 2015, decreasing economic growth in China, in particular, continued to generally dampen market sentiment.

In this challenging environment, GESCO Group experienced relatively brisk demand from customers, with an increase in incoming orders and subsequent sales, and a disproportionately high increase in earnings. Companies experiencing strong demand included C.F.K. CNC-Fertigungstechnik Kriftel GmbH, which operates in the field of erosion and 3D printing technology. The Werkzeugbau Laichingen Group and Setter Group also performed better than originally expected. Our largest subsidiary, Dörrenberg Edelstahl GmbH, which supplies a wide range of customers from the capital goods industry, succeeded in defying the overall market trend in a highly competitive environment and increasing its sales in spite of falling steel prices.

MAE Maschinen- und Apparatebau Götzen GmbH, the global market leader in automatic straightening machines and wheel presses, generated significant sales growth. MAE had been affected by significant growth and, in particular, a range of high-tech development machinery in previous years and was one of the two companies that underwent restructuring in 2014. The company was able to finish processing its development machines in 2015 and successfully wrap up the restructuring process. The US subsidiary MAE Eitel Inc., acquired in early 2014, also successfully increased its sales in 2015, to which the postponement of orders in the previous year contributed.

The second company that underwent restructuring, Protomaster GmbH, generated significant sales growth in 2015. Protomaster manufactures body parts and assemblies for high-end vehicles in small and medium-sized runs using self-manufactured tools. In 2015, part production commenced, while a major tool order was also completed. Protomaster made significant progress in its restructuring, but is still exposed to risks such as fluctuation in market demand.

GESCO Group companies regard procurement as a strategic matter and, depending on the task at hand and supply needs, pursue international procurement strategies. Subsidiaries usually maintain long-term, constructive partnerships with their suppliers. They strive to avoid becoming reliant on individual suppliers and conclude framework agreements with suppliers to obtain planning security. On average, prices for raw materials and steel declined in the reporting period. There were no serious supply bottlenecks in the reporting year.

SITUATION OF THE GROUP

EARNINGS POSITION

Setterstix Inc., which was acquired in January 2015, was included in the Group income statement for the first time in financial year 2015/2016.

Incoming orders rose by 7.7 % to € 483.2 million (previous year: € 448.8 million) in the reporting period. In organic terms, that is to say excluding Setterstix, incoming orders would have been up by 5.1 %. Group sales rose by 9.4 % to € 451.4 million (€ 494.0 million). Organically, sales rose by 6.9 %.

Order backlog stood at € 171.7 million at the end of the financial year (€ 183.6 million).

With material prices down, the ratio of material expenditure to total output decreased from 50.5 % to 49.8 %. The personnel expenditure ratio increased slightly from 28.1 % to 28.7 %. The significant increase in other operating income from € 6.6 million to € 9.6 million was partly due to the € 1.8 million increase in the reversal and use of provisions and liabilities. Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 15.4 % – a much higher rate of growth than sales – and came to € 53.3 million (€ 46.2 million). Earnings before interest and taxes (EBIT) increased by almost the same margin at 15.2 % and stood at € 31.5 million (€ 27.3 million).

At € -2.6 million, there was barely any change in the financial result on the previous year's figure of € -2.7 million. With a significant reduction in the tax rate and an increase in minority interest in incorporated companies, the Group net income after minority interest rose by 30.6 % to € 16.1 million (€ 12.4 million). Earnings per share increased accordingly from € 3.72 to € 4.85.

At the accounts press conference on 25 June 2015, we forecasted Group sales of between € 480 million and € 490 million and Group net income after minority interest of between € 12.5 million and € 14.0 million for financial year 2015/2016. We then confirmed the forecast sales in the half-year interim report and declared our aim of generating earnings at or just over the upper limit of the stated range. With the presentation of figures for the first nine months of the year, we forecast sales at the upper limit of the range and raised the outlook for the Group net income after minority interest to roughly € 16 million.

The figures that were ultimately achieved correspond to this increased forecast. The results therefore significantly exceeded the original budget, which was mainly due to three factors: Significant progress was made in restructuring activities, operating business at a number of subsidiaries performed better than expected and reversals of provisions were higher than originally assumed.

SIGNIFICANT PROGRESS WAS MADE IN RESTRUCTURING ACTIVITIES.

Sales and earnings by segment

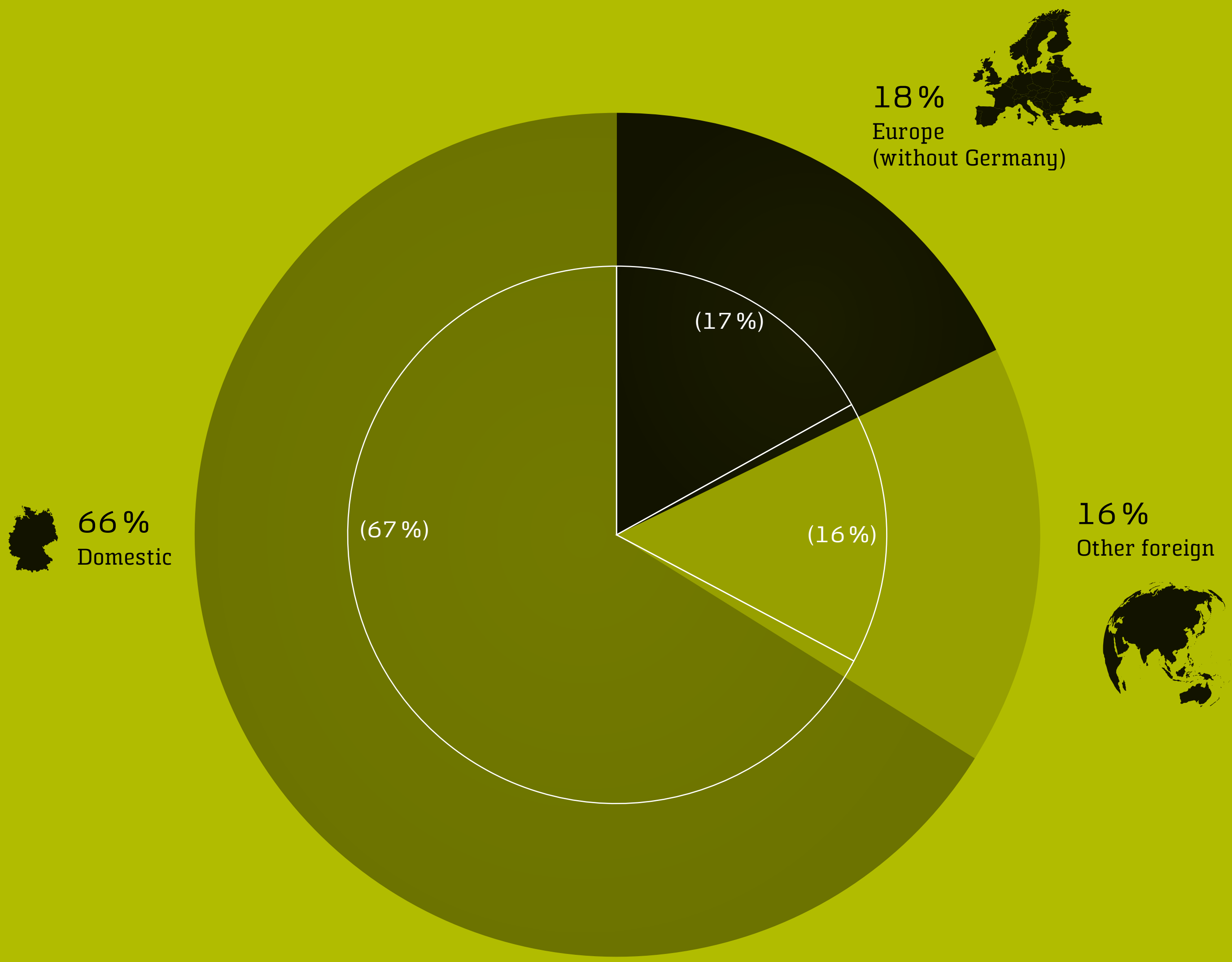
Detailed segment reporting included in the consolidated financial statements is divided into the operating segments tool manufacture/mechanical engineering and plastics technology as well as the segments GESCO AG and other/consolidation. As neither the GESCO AG segment nor the other/consolidation segment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

Order intake in the tool manufacture and mechanical engineering segment rose by 5.3 % to € 440.2 million (€ 417.9 million). Sales increased even more rapidly, by 7.3 % to € 450.4 million (€ 419.9 million), while EBIT increased from € 32.9 million to € 34.9 million.

The first-time inclusion of Setterstix Inc. had an impact on the much smaller plastics technology segment. Order intake climbed by 39.4 % to € 42.6 million (€ 30.5 million), while sales rose by 38.6 % to € 43.2 million (€ 31.2 million). In organic terms, in other words excluding Setterstix, order intake and sales would have risen by 1.4 % and 2.0 % respectively. EBIT also rose, increasing by 49.3 % to € 6.1 million (€ 4.1 million).

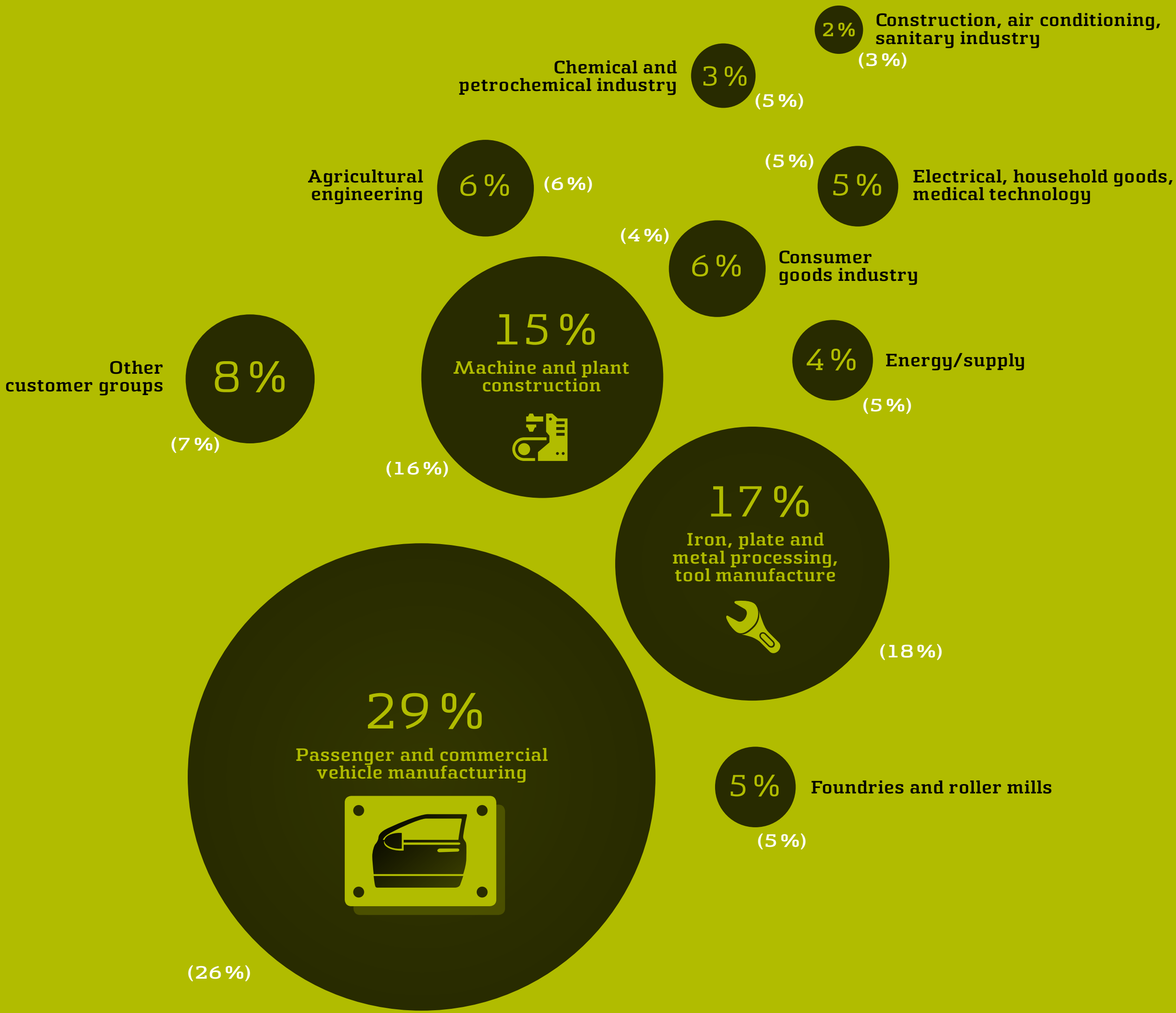
SALES BY REGION

(PREVIOUS YEAR'S VALUE IN BRACKETS)



SALES BY CUSTOMER SECTOR

(PREVIOUS YEAR'S VALUE IN BRACKETS)



Sales by region

There were barely any changes in the regional distribution of sales compared to the previous year, with exports continuing to account for roughly one-third of Group sales. Direct exports are extremely widespread, with no one country making up more than 5 % of Group sales. Italy, Austria, France and the Czech Republic are among the most important importers of GESCO Group products in Europe. In terms of countries outside of Europe, the United States has replaced China as the most important export destination: China's share of Group sales declined from 5.9 % to 3.4 % year on year, while the United States' portion increased from 2.3 % to 4.9 %.

MANY OF OUR COMPANIES' DOMESTIC CUSTOMERS ARE EXPORT-ORIENTED.

However, when looking at these export figures it should be noted that many of our companies' domestic customers are export-oriented. It is therefore likely that GESCO Group has a notable level of indirect exports, which by their very nature cannot be determined precisely.

Setter (89 %), SVT (77 %) and MAE (61 %) offered particularly high direct export ratios in the reporting year.

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.

The share of sales attributed to the passenger and commercial vehicle segment increased year on year due to sales growth at subsidiaries which supply the automotive industry during the reporting year. The lion's share of sales in this customer sector is attributed to capital goods such as tools and machinery, with automotive components accounting for a much smaller share.

FINANCIAL SITUATION

CAPITAL STRUCTURE

The Group has a strong equity base and sufficient liquidity, which could be easily increased by taking out additional loans if necessary. At 1.5, the net bank debt to EBITDA ratio is low. Goodwill amounts to € 13.0 million, or just 6.6 % of equity. The overall balance sheet structure remains healthy. As a result, GESCO Group is on a solid financial footing for internal and external growth.

On the liabilities side, equity primarily changed as a result of the addition of the net profit for the year and the dividend payment for the previous year. All in all, equity increased year on year from € 182.8 million to € 195.8 million. Despite the slight rise in total assets, the equity ratio increased from 45.3 % to 47.7 %.

Current and non-current liabilities to financial institutions increased marginally to € 117.2 million (€ 114.5 million).

INVESTMENTS

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

WE CONSIDER FUTURE-ORIENTED TECHNICAL EQUIPMENT TO BE A KEY COMPETITIVE FACTOR FOR THE SUCCESS OF OUR SUBSIDIARIES.

GESCO Group companies invested approximately € 24.9 million in property, plant and equipment and intangible assets in financial year 2015/2016.

In the tool manufacture/mechanical engineering segment, Dörrenberg Edelstahl GmbH acquired a PVD coating machine for its Coating & Hardening business segment and purchased additional saws for its tool steel activities, along with other assets. Werkzeugbau Laichingen GmbH commissioned a new large area press with a pressing force of 2,500 tonnes. The company can now manufacture large tools with higher pressing forces and more complex functions and can also press prototype and series-produced body parts to fulfil customer orders. Frank Walz- und Schmiedetechnik GmbH has installed a new production line that is set to be commissioned in the course of 2016. Modell Technik Formenbau GmbH, C.F.K. CNC-Fertigungstechnik Kriftel GmbH and a number of other Group companies also invested in new machines as part of regular updates to their technical equipment.

In the plastics technology segment, AstroPlast Kunststofftechnik GmbH & Co. KG has invested significant resources in a new site over the past few years. However, only minor replacement investments were made in this segment in the reporting year.

Depreciation and amortisation on property, plant and equipment and intangible assets increased from € 18.9 million to € 21.8 million due to investments. The value in the reporting year includes a goodwill impairment of € 1.0 million (€ 0.5 million) and impairment losses on the customer base of € 0.3 million (previous year: € 0 million).

LIQUIDITY

Liquid assets stood at € 36.6 million (€ 35.3 million) as at the reporting date of 31 March 2016. A dividend of € 5.8 million for financial year 2014/2015 was paid in the reporting period.

At the end of the year, the Group had access to approved but unused credit lines totalling € 32.0 million. The Group was able to meet its payment obligations at all times.

The increase in earnings and depreciation resulted in a year-on-year rise in cash flow from € 33.1 million to € 40.1 million. Cash flow from ongoing business activities came to € 27.0 million, almost on a par with the previous year's figure of € 27.2 million.

ASSETS

Total assets recorded a slight year-on-year increase from € 403.7 million to € 410.2 million. Non-current assets rose marginally to € 167.8 million (€ 165.9 million). Current assets rose by 2.6 % to € 242.4 million (€ 236.3 million). A slight reduction in inventories was offset by an increase in trade receivables.

The capitalisation ratio increased from 31.9 % to 32.7 % year on year. The ratio of long-term capital to non-current assets amounted to 1.8 (1.7). An investment property reported in the previous year in the "Assets held for sale" balance sheet item with a volume of € 1.5 million was sold in the reporting year.

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.

Aligning development and production to comply with environmental issues opens up attractive market opportunities for the companies, as the sustainable use of resources and energy efficiency represent key selling points. However, it is not only products that are relevant in terms of the environment; energy issues are also taken into account in construction projects at GESCO Group to minimise follow-up costs and emissions.

EMPLOYEES

We are of the belief that the key strength of SMEs lies in technically competent, motivated and loyal workforces, who identify with their employer. That is why training and continuing education is extremely important within the Group.

The number of employees at GESCO Group rose from 2,465 to 2,537, predominantly as a result of the first-time inclusion of Setterstix Inc. in these figures.

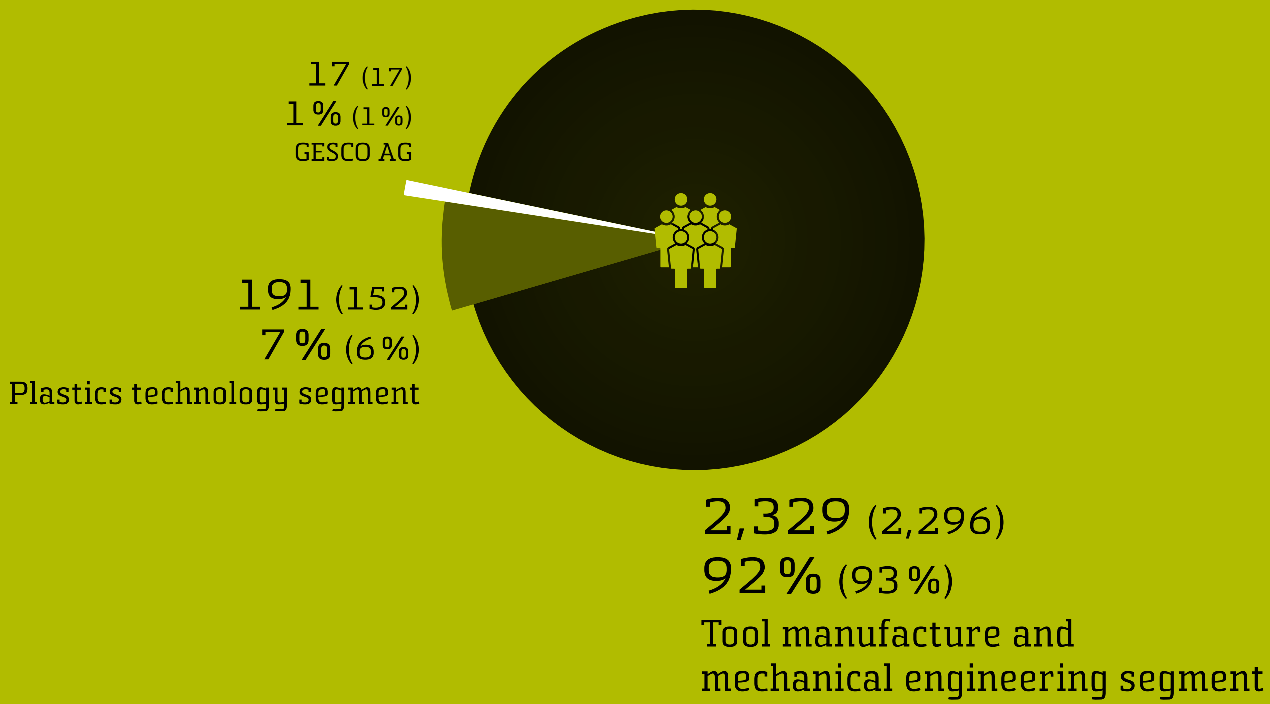
In autumn 2015, GESCO AG offered all Group employees the chance to buy shares in the company at favourable terms for the eighteenth year in succession. As in the previous year, some 45 % of Group employees took this opportunity to make a personal investment. We believe that this consistently high participation ratio reflects the confidence shown in the majority shareholder, GESCO AG.

The subsidiaries use a variety of activities to position themselves as attractive long-term employers. For example, at the beginning of 2015, Dörrenberg Edelstahl GmbH announced its seventh 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 now firmly established competition moving forward and again awarded prizes to four winners in February 2016. 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. The head of Dörrenberg's quality control department has acted as an assistant lecturer at Ruhr-Universität Bochum since 2009. Dörrenberg Edelstahl gives him time off work to deliver these lectures, thereby supporting academic teaching work. In honour of his years of service at the university, he was appointed as an honourary professor in early 2016.

THE SUBSIDIARIES USE A VARIETY OF ACTIVITIES TO POSITION THEMSELVES AS ATTRACTIVE LONG-TERM EMPLOYERS.

EMPLOYEES BY SEGMENT

(END OF THE FINANCIAL YEAR)



A number of different subsidiaries cooperate with universities and other educational facilities to gain access to 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 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 Baden-Wuerttemberg Cooperative State University, Stuttgart.

3. OTHER INFORMATION

CHANGES TO THE EXECUTIVE BODIES OF THE COMPANY

The term of the Supervisory Board elapsed at the close of the Annual General Meeting on 18 August 2015. Dr Nanna Rapp, Managing Director of E.ON Inhouse Consulting GmbH, was elected to the Supervisory Board to succeed Rolf-Peter Rosenthal, who has been a part of the Supervisory Board for some 25 years and did not stand for re-election due to having reached the permitted age limit. Klaus Möllerfriedrich and Stefan Heimöller were re-elected to the Supervisory Board. As announced in the 2015 Annual General Meeting, the Executive Board of GESCO AG was expanded and Dr Eric Bernhard was appointed as a further Executive Board member as at 1 January 2016. By Supervisory Board resolution of 25 May 2016, Dr Bernhard was appointed Chairman of the Executive Board with effect from 1 July 2016. Please refer to the declaration of compliance for further information of the executive bodies of GESCO AG.

REMUNERATION REPORT

The remuneration for Executive Board members comprises three components: a fixed component, a variable, performance-related component and a component linked to long-term incentives. 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, preventative medical examinations.

The variable component is granted in the form of a performance-related bonus, which is geared towards the Group’s net income after minority interest. The total amount 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 net income after minority interest is 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 basis for calculating the bonus. If Group net income after minority interest is negative in the financial year prior to an Executive Board member leaving or in the same year that a member leaves, this particular Executive Board member shares in the loss.

The remuneration components with long-term incentives constitute stock options issued to Executive Board members on the basis of the approved stock option programme. The stock options are issued in annual tranches at an exercise price equating to the average XETRA closing price of the GESCO share on the ten consecutive trading days following the Annual General Meeting in the year the options are issued. The options are issued within one month of the Annual General Meeting taking place. 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 vesting period. Ten options can be purchased for each share. The vesting period is four years and two months after the option is issued; after the end of the vesting 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 of their options. If the absolute target is met, but not the relative target, 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 target is met at the point at which the options may be exercised, all options of the corresponding tranche expire completely without recourse. The maximum profit 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. Up until then, GESCO shares could be acquired through the issue of options or the calculated profit from the programme could be paid out in cash in the event of the targets being met. Now, it is possible to have half of profits paid out 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 obliged to purchase GESCO shares valued at least half of the amount paid.

The Supervisory Board of GESCO AG initiated another tranche in August 2015. 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 25.93 % and a risk-free interest rate of 0.17 %; the exercise price of the options issued in August 2015 is € 69.37. The vesting period lasts for four years and two months after the option is issued; after the end of the vesting period, the options may be exercised at any time up to 15 March of the year after next. The fair value per option as at the issue date was € 6.74.

The Supervisory Board is currently reviewing the structure of long-term remuneration components.

For Executive Board members Dr Hans-Gert Mayrose and Robert Spartmann, the pension commitment (including widow and orphan benefits of 60 % and 30 %) equates to a certain percentage of the annual base salary paid prior to retirement. The actual percentage determined individually for each Executive Board member comprises two components: the base percentage, which corresponds to 10 % of the annual base salary paid prior to retirement after a waiting period of five years, and an annual increase in the base percentage of 0.5 percentage points after each further year of service. A defined benefit contribution plan has been set up for Executive Board member Dr Eric Bernhard, in which contributions are made at a certain percentage of his base salary.

The remuneration of the Executive Board was recognised for the reporting year and the previous year on the basis of the model tables recommended in the German Corporate Governance Code. These tables record 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	Dr Eric Bernhard Member of the Executive Board			Dr-Ing Hans-Gert Mayrose Member of the Executive Board				Robert Spartmann Member of the Executive Board			
€'000	31.03. 2016	31.03. 2016 (min)	31.03. 2016 (max)	31.03. 2015	31.03. 2016	31.03. 2016 (min)	31.03. 2016 (max)	31.03. 2015	31.03. 2016	31.03. 2016 (min)	31.03. 2016 (max)
Fixed remuneration	63	63	63	240	240	240	240	252	252	252	252
Additional benefits	3	3	3	16	19	19	19	16	19	19	19
Total	**66**	**66**	**66**	**256**	**259**	**259**	**259**	**268**	**271**	**271**	**271**
One-year variable remuneration	88	88	88	185	242	0	480	185	242	0	504
Multi-year variable remuneration											
2014 tranche	0	0	0	46	0	0	0	46	0	0	0
2015 tranche	0	0	0	0	40	0	208	0	40	0	208
Total	**88**	**88**	**88**	**231**	**282**	**0**	**688**	**231**	**282**	**0**	**712**
Pension-related expenses	13	13	13	43	55	55	55	40	53	53	53
Total remuneration	**167**	**167**	**167**	**530**	**596**	**314**	**1,002**	**539**	**606**	**324**	**1,036**

EXECUTIVE BOARD REMUNERATION: PAYMENTS

Payments	Dr Eric Bernhard Member of the Executive Board	Dr-Ing Hans-Gert Mayrose Member of the Executive Board		Robert Spartmann Member of the Executive Board	
€'000	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016
Fixed remuneration	63	240	240	252	252
Additional benefits	3	16	19	16	19
Total	**66**	**256**	**259**	**268**	**271**
One-year variable remuneration	0	272	148	272	148
Multi-year variable remuneration	0				
2010 tranche	0	160	0	160	0
Total	**0**	**432**	**148**	**432**	**148**
Pension-related expenses	0	0	0	0	0
Total remuneration	**66**	**688**	**407**	**700**	**419**

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 after minority interest.

4. EVENTS AFTER THE REPORTING DATE

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

5. OUTLOOK, OPPORTUNITY AND RISK REPORT

OUTLOOK

Leading German economic research institutes lowered their growth forecasts for 2016 from 1.8 % to 1.6 % in their spring report. The robust employment market and low-interest environment may be bolstering consumption, but barely any growth impetus is coming from international trade. The German government continues to forecast growth of 1.7 % in 2016.

Economists from the VDMA expect production levels in 2016 to match those of the previous year, despite an array of negative influences in terms of global demand. In other words, they do not anticipate any growth, but rather see stagnation as the best-case scenario. Tumbling prices for many raw materials may be boosting economic development in import-driven countries, but prices have now fallen so low that many producer nations have faced huge challenges and demand for capital goods from these countries has shrunk significantly. The initial effect of the major loss in the value of the euro on the eurozone was similar to that of an economic stimulus programme, according to the economists. But the strength of the US dollar was a major issue for the US manufacturing industry, and this affected investment propensity. In addition, a number of major developing and emerging economies, which have spurred on significant export growth in the German machine and plant construction sector in past years, ran out of steam. Further negative growth is expected moving forward.

The GKV has not published any specific forecasts for the current year, but has released figures on its members' current sentiment. Of the companies surveyed, 57 % anticipate sales growth, 34 % expect sales to remain stable and only 9 % are planning for a decline in sales.

At the moment we do not see any signs of recovery in terms of demand in the agricultural engineering, chemical and oil industries, which are important for our Group. In the automotive industry, we expect business development to remain stable overall, but also anticipate cyclical declines, particularly in tool manufacturing. The subdued development of the fourth quarter of 2015/2016 continued in the first few months of financial year 2016/2017. All in all, we expect order intake and sales at GESCO Group to remain roughly on a par with the previous year in financial year 2016/2017. We currently expect that Group net income after minority interest is likely to come in at roughly 10 % below the level of financial year 2015/2016.

GESCO Group's equity ratio should also be over 40 % in the new financial year.

The statements on future development made in the outlook refer to assumptions and estimates made on the basis of information that was 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

The GESCO Group has a comprehensive internal controlling and risk management system, for which the Executive Board is responsible and which the Supervisory Board monitors and continually develops.

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.

Analysing opportunities and risks is especially important when acquiring companies. GESCO AG generally acquires companies in the tool manufacture/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. If 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.

The "Internal controlling and risk management system in relation to the Group accounting process" section in this management report provides further information on accounting risks.

The annual meeting, monthly meetings and annual 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.

If required and suitable, GESCO Group companies use trade credit insurance to hedge trade receivables. 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 use of insolvency proceedings.

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

GESCO AG mitigates IT risks by means of an IT security management system, which is reviewed on a regular basis. Through training courses, employees are given a fundamental awareness of IT risks as well as specific requirements in dealing with them. IT security guidelines govern the use of in-house hardware and software and cover data protection issues. In addition, we also ensure that our external IT service providers meet defined security standards. The IT security management system is regularly developed and tested in collaboration with an external IT security officer. Within GESCO Group, GESCO AG also regularly checks on the status of subsidiaries' IT security management systems.

GESCO AG works together with an external data protection officer in relation to its data protection issues.

Overall insurance coverage for GESCO Group is regularly evaluated so that sufficient protection under adequate terms and conditions is possible.

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 2016/2017. 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 2015/2016. We are also not aware of any developments with regard to legal conditions that would have a significant impact on the Group. There is a chance that a positive earnings contribution may result from a tax-related issue, in relation to which the final assessment from the responsible authorities is still pending.

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 structural problems still present in the eurozone as well as the risks of political developments, particularly with an eye to Ukraine and Russia, but also to other political hotspots. The development of the price of oil and other raw materials represents another risk. GESCO Group is also exposed to a specific risk in relation to further restructuring and the market situation of Protomaster GmbH; the total risk for GESCO Group as at the reporting date amounted to roughly € 6 million.

There is a fundamental risk of impairment losses after impairment tests in the event of a deterioration in the earnings situation of cash-generating units.

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 faced with customer requirements, which can only be calculated to a limited extent in advance in terms of the time and costs involved to fulfil 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 sufficiently 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 attractive employers in their respective regions.

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

6. INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM IN RELATION TO THE GROUP ACCOUNTING PROCESS

The Executive Board structures and is responsible for the internal controlling and risk management system in relation to the Group accounting process; it is also monitored by the Supervisory Board. It encompasses principles, methods and measures serving to guarantee the orderliness of the internal and external accounting processes and compliance with legal requirements, as well as to identify risks linked to the accounting process promptly. The system is constantly being developed.

The subsidiaries are responsible for their own accounting processes. Employees at GESCO AG carry out the Group accounting process on the basis of reports submitted by subsidiaries. A manual detailing comprehensive Group guidelines constitutes a legally binding standard for all Group companies and auditors. Any changes to the law, accounting standards or other regulations are reviewed in respect of their relevance to the accounting process and, if necessary, are included in the internal guidelines. External service providers are engaged when necessary, such as in the valuation of pension obligations.

The responsible GESCO AG employees are available to advise the subsidiaries' managers, financial officers and relevant employees on all accounting matters and provide support. Employees receive regular training. IT-supported and manual plausibility checks, the principle of the separation of duties and the principle of dual control are some of the measures in place to eliminate risks in the accounting process. Auditors review the functionality and effectiveness of the internal controlling and risk management system in relation to the Group accounting process as part of the annual audit.

7. 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 legal 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 18 August 2015 authorised the Executive Board to increase the company's share capital once or several times by a total of € 864,500.00 until 17 August 2018 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 18 August 2015 authorised the company to acquire up to ten out of every hundred shares of the share capital until 17 August 2020 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 69 treasury shares as at the reporting date.

Shareholdings of more than 10%

Entrepreneur Stefan Heimöller, Germany, member of the Supervisory Board of GESCO AG since 25 July 2013, held roughly 14.6% of shares in GESCO AG as at the reporting date.

Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn/Germany, held approximately 11.9% of voting rights in GESCO AG as at the reporting date.

8. 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.

Wuppertal, 25 May 2016

The Executive Board

Dr Eric Bernhard	Dr-Ing Hans-Gert Mayrose	Robert Spartmann

ANNUAL FINANCIAL STATEMENTS

2015/2016

GESCO AG SUMMARY OF THE ANNUAL FINANCIAL STATEMENTS DATED 31 MARCH 2016

BALANCE SHEET

€'000	31.03.2016	31.03.2015
Assets		
Intangible assets	14	17
Property, plant and equipment	334	351
Financial assets	77,360	77,760
Non-current assets	**77,708**	**78,128**
Receivables and other assets	51,689	52,808
Securities and liquid funds	14,972	13,512
Current assets	**66,661**	**66,320**
Total assets	**144,369**	**144,448**
Equity and liabilities		
Equity	117,354	116,183
Provisions	6,395	5,292
Liabilities	20,620	22,973
Total equity and liabilities	**144,369**	**144,448**

INCOME STATEMENT

€'000	01.04.2015-31.03.2016	01.04.2014-31.03.2015
Earnings from investments	13,403	16,925
Other operating income and expenditure	-1,309	94
Personnel expenditure	-3,454	-3,155
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	-146	-1,341
Financial result	-1,475	-7,178
Earnings from ordinary business activities	7,019	5,345
Taxes on income and earnings	-15	600
Net income	**7,004**	**5,945**
Transfer to revenue reserves	-354	-127
Retained profit	**6,650**	**5,818**

PROPOSED APPROPRIATION OF RETAINED PROFIT

For the 2015/2016 financial year, the Executive Board of GESCO AG is proposing the following appropriation of retained profit for the year in the amount of € 6,649,862.00:

Payment of a dividend in the amount of € 2.00 per share on the current share capital entitled to dividends (3,325,000 shares less 69 own shares)	6,649,862.00 €

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.

GESCO GROUP CONSOLIDATED FINANCIAL STATEMENTS DATED 31 MARCH 2016

GESCO GROUP BALANCE SHEET

€'000			31.03.2016	31.03.2015
Assets				
A.	Non-current assets			
I.	Intangible assets			
1.	Industrial property rights and similar rights and assets as well as licences	(1)	13,635	15,668
2.	Goodwill	(2)	13,005	13,815
3.	Prepayments made	(3)	134	409
			26,774	**29,892**
II.	Property, plant and equipment			
1.	Land and buildings	(4)	57,986	54,787
2.	Technical plants and machinery	(5)	50,058	38,745
3.	Other plants, fixtures and fittings	(6)	21,643	22,539
4.	Prepayments made and assets under construction	(7)	4,445	12,528
5.	Property held as financial investments	(8)	0	164
			134,132	**128,763**
III.	Financial investments			
1.	Shares in affiliated companies	(9)	52	52
2.	Shares in companies valued at equity	(10)	1,743	1,498
3.	Investments	(11)	156	156
4.	Other loans		262	284
			2,213	**1,990**
IV.	Other assets	(12)	2,131	2,117
V.	Deferred tax assets	(13)	2,560	3,146
			167,810	**165,908**
B.	Current assets			
I.	Inventories	(14)		
1.	Raw materials and supplies		21,788	22,648
2.	Unfinished products and services		43,403	52,457
3.	Finished products and goods		66,431	59,329
4.	Prepayments made		1,004	698
			132,626	**135,132**
II.	Receivables and other assets	(12)		
1.	Trade receivables		61,632	55,113
2.	Amounts owed by affiliated companies		1,414	391
3.	Amounts owed by companies valued at equity		968	439
4.	Other assets		8,267	9,499
			72,281	**65,442**
III.	Securities	(15)	0	5
IV.	Cash and credit with financial institutions	(16)	36,581	35,251
V.	Accounts receivable and payable		877	499
			242,365	**236,329**
C.	Assets held for sale	(17)	0	1,502
			410,175	**403,739**

€'000			31.03.2016	31.03.2015
Equity and liabilities				
A.	Equity			
I.	Subscribed capital	(18)	8,645	8,645
II.	Capital reserves		54,662	54,662
III.	Revenue reserves		119,171	108,887
IV.	Own shares		-5	-17
V.	Other comprehensive income		-2,389	-3,920
VI.	Minority interests (incorporated companies)	(19)	15,689	14,546
			195,773	**182,803**
B.	Non-current liabilities			
I.	Minority interests (partnerships)	(19)	3,035	3,066
II.	Provisions for pensions	(20)	16,306	17,141
III.	Other non-current provisions	(20)	598	586
IV.	Liabilities to financial institutions	(21)	76,452	78,995
V.	Other liabilities	(21)	1,517	1,484
VI.	Deferred tax liabilities	(13)	2,837	2,425
			100,745	**103,697**
C.	Current liabilities			
I.	Other provisions	(20)	8,783	13,598
II.	Liabilities	(21)		
1.	Liabilities to financial institutions		40,751	35,462
2.	Trade creditors		14,101	14,067
3.	Prepayments received on orders		21,436	27,149
4.	Liabilities to affiliated companies		337	0
5.	Liabilities to companies valued at equity		1	81
6.	Other liabilities		28,217	26,842
			104,843	**103,601**
III.	Accounts receivable and payable		31	40
			113,657	**117,239**
			410,175	**403,739**

GESCO GROUP INCOME STATEMENT

€'000		01.04.2015-31.03.2016	01.04.2014-31.03.2015
Sales revenues	**(22)**	**494,014**	**451,434**
Change in stocks of finished and unfinished products		-8,105	12,544
Other company-produced additions to assets	(23)	1,623	3,782
Other operating income	(24)	9,590	6,647
Total income		**497,122**	**474,407**
Material expenditure	(25)	-242,928	-236,144
Personnel expenditure	(26)	-139,701	-131,461
Other operating expenditure	(27)	-61,232	-60,631
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**53,261**	**46,171**
Depreciation on property, plant and equipment and intangible assets	(28)	-21,804	-18,871
Earnings before interest and tax (EBIT)		**31,457**	**27,300**
Earnings from securities		1	1
Earnings from investments		305	344
Earnings from companies valued at equity		339	167
Other interest and similar income		156	175
Interest and similar expenditure		-3,084	-3,142
Minority interest in partnerships		-346	-292
Financial result		**-2,629**	**-2,747**
Earnings before tax (EBT)		**28,828**	**24,553**
Taxes on income and earnings	(29)	-10,307	-10,401
Group net income for the year after tax		**18,521**	**14,152**
Minority interest in incorporated companies		-2,393	-1,802
Group net income for the year after minority interest		**16,128**	**12,350**
Earnings per share (€) acc. to IFRS	(30)	4.85	3.72

GESCO GROUP STATEMENT OF COMPREHENSIVE INCOME

€'000		01.04.2015-31.03.2016	01.04.2014-31.03.2015
1. Group net income		**18,521**	**14,152**
2. Revaluation of benefit obligations not impacting on income		420	-1,562
3. Items that cannot be transferred into the income statement		**420**	**-1,562**
4. Difference from currency translation			
a) Reclassification into the income statement		0	0
b) Changes in value with no effect on income		1,297	381
5. Market valuation of hedging instruments			
a) Reclassification into the income statement		-26	-87
b) Changes in value with no effect on income		-60	-78
6. Items that can be transferred into the income statement		**1,211**	**216**
7. Other income	**(31)**	**1,631**	**-1,346**
8. Total result for the period		**20,152**	**12,806**
of which shares held by minority interest		2,493	1,768
of which shares held by GESCO shareholders		17,659	11,038

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	
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	
As at 31.03.2015	**8,645**	**54,662**	**108,887**	**-17**
Distributions			-5,818	
Acquisition of own shares				-843
Disposal of own shares			-26	855
Result for the period			16,128	
As at 31.03.2016	**8,645**	**54,662**	**119,171**	**-5**

GESCO GROUP SEGMENT REPORT

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	2015/2016	**2014/2015**	**2015/2016**	**2014/2015**
Order backlog	167,261	178,321	4,394	5,245
Incoming orders	440,195	417,941	42,574	30,531
Sales revenues	450,378	419,863	43,246	31,213
of which with other segments	10	0	0	0
Depreciation	14,244	12,736	3,016	1,836
of which unscheduled see to IAS 36				
EBIT	34,906	32,887	6,115	4,097
Investments	23,907	25,572	838	5,332
Employees (No./reporting date)	2,329	2,296	191	152

	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
				-828	0	-828
				791	0	791
				367	1,212	1,579
				0	110	110
	294	-1,441	-165	11,038	1,768	12,806
	-378	**-3,520**	**-22**	**168,257**	**14,546**	**182,803**
				-5,818	-1,350	-7,168
				-843	0	-843
				829	0	829
	1,230	380	-79	17,659	2,493	20,152
	852	**-3,140**	**-101**	**180,084**	**15,689**	**195,773**

	GESCO AG		Other/consolidation		Group	
	2015/2016	**2014/2015**	**2015/2016**	**2014/2015**	**2015/2016**	**2014/2015**
	0	0	0	0	171,655	183,566
	0	0	399	358	483,168	448,830
	0	0	390	358	494,014	451,434
	0	0	-10	0	0	0
	146	141	4,398	4,158	21,804	18,871
			1,312	500	1,312	500
	-4,909	-3,202	-4,655	-6,482	31,457	27,300
	125	194	0	0	24,870	31,098
	17	17	0	0	2,537	2,465

GESCO GROUP CASH FLOW STATEMENT

€'000	01.04.2015-31.03.2016	01.04.2014-31.03.2015
Group net income for the year (including share attributable to minority interest in incorporated companies)	**18,521**	**14,152**
Depreciation and amortisation on property, plant and equipment and intangible assets	21,804	18,871
Earnings from companies valued at equity	-339	-167
Share attributable to minority interest in partnerships	345	292
Decrease in non-current provisions	-217	-52
Other non-cash expenditure/income	-35	-22
Cash flow for the year	**40,079**	**33,074**
Losses from the disposal of property, plant and equipment/intangible assets	126	119
Gains from the disposal of property, plant and equipment/intangible assets	-725	-272
Increase in stocks, trade receivables and other assets	-3,076	-3,998
Decrease in trade creditors and other liabilities	-9,453	-1,703
Cash flow from ongoing business activities	**26,951**	**27,220**
Incoming payments from disposals of property, plant and equipment	4,100	502
Disbursements for investments in property, plant and equipment	-24,027	-29,525
Disbursements for investments in intangible assets	-843	-1,573
Incoming payments from disposals of financial assets	22	23
Disbursements for investments in financial assets	0	-219
Disbursements for the acquisition of consolidated companies and other business units	0	-10,538
Cash flow from investment activities	**-20,748**	**-41,330**
Disbursements to shareholders (dividends)	-5,818	-7,314
Incoming payments from the sale of own shares	829	791
Disbursements for the purchase of own shares	-843	-828
Incoming payments from minority interests	0	1,689
Disbursements to minority interests	-1,728	-1,235
Incoming payments from raising (financial) loans	18,551	34,004
Outflow for repayment of (financial) loans	-15,914	-16,556
Cash flow from funding activities	**-4,923**	**10,551**
Cash increase in cash and cash equivalents	**1,280**	**-3,559**
Exchange-rate related changes in cash and cash equivalents	**45**	**0**
Financial means on 01.04	35,256	38,815
Financial means on 31.03	**36,581**	**35,256**

GESCO AG NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, 31 MARCH 2016

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 2016 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 2015. The following new or amended standards had to be considered for financial year 2015/2016:

- Amendment to IAS 19 “Employee Benefits – Defined Benefit Plans: Employee Contributions”
- IFRIC 21 “Levies”
- Annual Improvements to the International Financial Reporting Standards (2010-2012)
- Annual Improvements to the International Financial Reporting Standards (2011-2013)

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 2016/2017 or later:

Standard	Adopted by the EU	Early application
Amendments to IAS 1 – "Disclosure Initiative"	Yes	Yes
Amendments to IAS 16 and IAS 38 – "Acceptable Methods of Depreciation and Amortisation"	Yes	Yes
Amendments to IAS 16 and IAS 41 – "Bearer Plants"	Yes	Yes
Amendments to IAS 27 – "Equity Method in Separate Financial Statements"	Yes	Yes
Amendments to IFRS 11 – "Accounting for Acquisitions of Interests in Joint Operations"	Yes	Yes
Annual Improvements to the International Financial Reporting Standards (2012-2014)	Yes	Yes

The following standards and interpretations are mandatory from financial year 2017/2018 or later:

Standard	Adopted by the EU
Amendments to IAS 7 – "Disclosure Initiative"	Pending
Amendments to IAS 12 – "Recognition of Deferred Tax Assets for Unrealised Losses"	Pending
IFRS 9 "Financial Instruments"	Pending
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities – Applying the Consolidation Exception	Pending
IFRS 15 "Revenue from Contracts with Customers Including Effective Date"	Pending
IFRS 16 "Leasing"	Pending
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending

Based on current information, the application of IFRS 15 only has a limited impact. The impact of the application of IFRS 16, which is expected to be mandatory from financial year 2019/2020, on the assets, liabilities, financial position and profit or loss is currently being examined. Other standards and interpretations that will become mandatory in future periods are not expected to have a 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 2016). 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 2016 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.

In the reporting period, Setterstix Inc., Cattaraugus, 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.

Kesel North America, LLC, Beloit, USA, was founded as a 100 % subsidiary of Georg Kesel GmbH & Co. KG at the end of the reporting period and included in the consolidated financial statements. The company will start sales activities in the following financial year. The inclusion of this company had no impact on the balance sheet or the income statement.

Degedenar Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG was dissolved in November 2015 after it had disposed of the previously leased property. The company had previously been included in the consolidated financial statements as a fully consolidated company.

The shares in Gluckstahl Comercio Importacao e Exportacao Ltda. were sold to the co-shareholder in the reporting period. The company had previously been included in the consolidated financial statements as a company valued at equity.

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 three 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 € 1.0 million (previous year: € 0.4 million). The significant financial information for the non-consolidated companies is shown in the following table:

€'000	31.03.2016	31.03.2015
Shares in affiliated companies	52	52
Current assets	1,338	391
Current liabilities	337	0

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 2016 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. Exchange rate differences from intra-Group receivables are included in equity without affecting income provided that the receivables are to be regarded as part of the net investments in the foreign entity.

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 €=	31.12.2015	31.12.2014	2015	2014
Brazil	BRL	4.3117	3.2207	3.7004	3.1211
China	CNY	7.0608	7.5358	6.9733	8.1857
Singapore	SGD	1.5417	1.6058	1.5255	1.6823
South Korea	KRW	1,280.7800	1,324.8000	1,256.5444	1,398.1424
Taiwan	TWD	35.8200	38.4320	35.0110	40.2524
Turkey	TRY	3.1765	2.8320	3.0255	2.9065
Hungary	HUF	315.9800	315.5400	310.0000	308.7061
USA	USD	1.0887	1.2141	1.1095	1.3285
South Africa	ZAR	16.9530	14.0530	14.1723	14.4037

In the analyses of property, plant and equipment, provisions and equity, the opening and closing amounts are converted using the exchange rate in effect on the reporting date; movements in the course of the year are converted at average exchange rates. Exchange rate differences are reported separately and do not affect 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 cost of acquisition 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.

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 a separate item 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 31.03.2016

€'000	Cost of acquisition or manufacture				
	As at 01.04.2015	Additions	Transfers	Disposals	Change Exchange rate difference
I. Intangible assets					
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	10	0
b. Computer software	9,751	833	272	81	0
c. Technology	16,575	0	0	3	-32
d. Customer base	14,680	0	0	0	785
	41,016	833	272	94	753
2. Goodwill	15,181	0	0	0	208
3. Prepayments made	409	10	-219	66	0
	56,606	**843**	**53**	**160**	**961**
II. Property, plant and equipment					
1. Land and buildings	74,169	1,234	4,142	87	144
2. Technical plant and machinery	100,196	13,772	7,600	1,980	94
3. Other plant, fixtures and fittings	72,479	4,576	626	4,182	52
4. Prepayments made and assets under construction	12,528	4,445	-12,421	107	0
5. Investment properties	321	0	0	321	0
	259,693	**24,027**	**-53**	**6,677**	**290**
III. Financial assets					
1. Shares in affiliated companies	52	0	0	0	0
2. Shares in companies valued at equity	1,498	339	0	0	-94
3. Investments	156	0	0	0	0
4. Other loans	284	0	0	22	0
	1,990	**339**	**0**	**22**	**-94**
	318,289	**25,209**	**0**	**6,859**	**1,157**

	Depreciation and amortisation					Book values	
As at 31.03.2016	As at 01.04.2015	Additions	Disposals	Change Exchange rate difference	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
0	10	0	10	0	0	0	0
10,775	6,917	1,118	80	0	7,955	2,820	2,834
16,540	14,429	733	3	2	15,161	1,379	2,146
15,465	3,992	1,995	0	42	6,029	9,436	10,688
42,780	25,348	3,846	93	44	29,145	13,635	15,668
15,389	1,366	1,018	0	0	2,384	13,005	13,815
134	0	0	0	0	0	134	409
58,303	**26,714**	**4,864**	**93**	**44**	**31,529**	**26,774**	**29,892**
79,602	19,382	2,291	60	3	21,616	57,986	54,787
119,682	61,451	9,216	1,048	5	69,624	50,058	38,745
73,551	49,940	5,433	3,480	15	51,908	21,643	22,539
4,445	0	0	0	0	0	4,445	12,528
0	157	0	157	0	0	0	164
277,280	**130,930**	**16,940**	**4,745**	**23**	**143,148**	**134,132**	**128,763**
52	0	0	0	0	0	52	52
1,743	0	0	0	0	0	1,743	1,498
156	0	0	0	0	0	156	156
262	0	0	0	0	0	262	284
2,213	**0**	**0**	**0**	**0**	**0**	**2,213**	**1,990**
337,796	**157,644**	**21,804**	**4,838**	**67**	**174,677**	**163,119**	**160,645**

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
I. Intangible assets					
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
b. Computer software	8,852	74	880	109	164
c. Technology	16,542	40	0	0	7
d. Customer base	9,088	4,950	409	10	0
	34,492	5,064	1,289	119	171
2. Goodwill	13,289	1,858	25	0	0
3. Prepayments made	264	0	259	-114	0
	48,045	**6,922**	**1,573**	**5**	**171**
II. Property, plant and equipment					
1. Land and buildings	67,562	772	2,085	3.743	57
2. Technical plant and machinery	90,170	806	8,894	1.131	809
3. Other plant, fixtures and fittings	68,173	25	6,415	376	2,547
4. Prepayments made and assets under construction	5,670	0	12,131	-5.255	22
5. Investment properties	5,432	0	0	0	5,111
	237,007	**1,603**	**29,525**	**-5**	**8,546**
III. Financial assets					
1. Shares in affiliated companies	15	0	37	0	0
2. Shares in companies valued at equity	1,192	0	222	0	0
3. Investments	156	0	0	0	0
4. Other loans	181	0	126	0	23
	1,544	**0**	**385**	**0**	**23**
	286,596	**8,525**	**31,483**	**0**	**8,740**

		Depreciation and amortisation					Book values	
Change Exchange rate difference	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
0	10	10	0	0	0	10	0	0
0	9,751	6,079	1,002	164	0	6,917	2,834	2,773
0	16,575	13,642	794	7	0	14,429	2,146	2,900
223	14,680	2,873	1,099	0	20	3,992	10,688	6,215
223	41,016	22,604	2,895	171	20	25,348	15,668	11,888
9	15,181	866	500	0	0	1,366	13,815	12,423
0	409	0	0	0	0	0	409	264
232	**56,606**	**23,470**	**3,395**	**171**	**20**	**26,714**	**29,892**	**24,575**
64	74,169	17,349	2,077	46	2	19,382	54,787	50,213
4	100,196	54,228	8,004	782	1	61,451	38,745	35,942
37	72,479	46,863	5,325	2,260	12	49,940	22,539	21,310
4	12,528	0	0	0	0	0	12,528	5,670
0	321	3,695	70	3,608	0	157	164	1,737
109	**259,693**	**122,135**	**15,476**	**6,696**	**15**	**130,930**	**128,763**	**114,872**
0	52	0	0	0	0	0	52	15
84	1,498	0	0	0	0	0	1,498	1,192
0	156	0	0	0	0	0	156	156
0	284	0	0	0	0	0	284	181
84	**1,990**	**0**	**0**	**0**	**0**	**0**	**1,990**	**1,544**
425	**318,289**	**145,605**	**18,871**	**6,867**	**35**	**157,644**	**160,645**	**140,991**

(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:	7-10 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. Amortisation includes impairment losses recognised on PROTOMASTER GmbH's customer base of € 0.3 million.

(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 in principle 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 pre-tax cost of capital of 8.3 % (previous year: 8.2 %). 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: 15) 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 € 1.0 million was required for PROTOMASTER GmbH as at the reporting date (previous year: € 0.5 million). Goodwill has therefore been written down in full. In the previous year, the book value had come in at € 1.0 million. PROTOMASTER GmbH is assigned to the tool manufacture and mechanical engineering segment.

Pursuant to IAS 36, the Group would have needed to impair goodwill by approximately € 2.9 million more had the pre-tax cost of capital been 0.5 percentage points higher.

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.

(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 5 to 15 year period using the straight-line method. In the previous year, this item had also included 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.

(6) OTHER PLANT, FIXTURES AND FITTINGS

Other plants, fixtures and fittings are always depreciated over a 3 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) INVESTMENT PROPERTY

The investment property that had generated rental income was disposed of in December 2015, resulting in gains of € 96 thousand.

Investment properties, including the assets held for sale, generated rental income in the amount of € 400 thousand (previous year: € 358 thousand) and resulted in directly attributable operating expenditure in the amount of € 117 thousand (previous year: € 124 thousand). Investment properties were not depreciated in the reporting period (previous year: € 72 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 disposals.

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.

€'000	31.03.2016	31.03.2015
Assets	17,899	15,839
Liabilities	11,449	9,862
Sales	23,660	20,434
Net profit	1,001	493

(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	31.03.2016	31.03.2015
Non-current		
Loan receivables	2,129	2,116
Miscellaneous	2	1
Total	**2,131**	**2,117**

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	31.03.2016	31.03.2015
Current		
Loan receivables	240	129
Income tax refund claims	5,687	4,605
Tax prepayments	814	2,726
Refund claims arising from energy tax	80	359
Creditors with debit accounts	119	442
Miscellaneous	1,327	1,238
Total	**8,267**	**9,499**

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

€'000	2015/2016	2014/2015
As at 01.04.	**19**	**21**
Reversals	-3	-2
As at 31.03.	**16**	**19**
(specific adjustments out of this amount)	(16)	(19)

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	2015/2016	2014/2015
As at 01.04.	**2,035**	**1,635**
Claims	-304	-230
Reversals	-411	-176
Additions	480	806
Reclassifications	918	0
As at 31.03.	**2,718**	**2,035**
(specific adjustments out of this amount)	(1,958)	(1,337)

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

The reclassifications are due to allowances with respect to receivables from associated companies. The shares in Gluckstahl Comercio Importacao e Exportacao Ltda. was sold to the co-shareholder in the reporting year. Trade receivables have been written off in full.

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
31.03.2016	64,350	44,669	8,426	4,762	1,390	2,250	2,853
31.03.2015	57,148	42,105	8,436	1,977	657	1,867	2,106

Amounts owed by companies valued at equity

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

€'000	2015/2016	2014/2015
As at 01.04.	**918**	**946**
Reversals	0	-28
Reclassifications	-918	0
As at 31.03.	**0**	**918**
(specific adjustments out of this amount)	(0)	(918)

(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	31.03.2016		31.03.2015	
	Deferred taxes		Deferred taxes	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	1,741	1,355	1,656	1,446
Property, plant and equipment	66	3,603	226	3,956
Inventories	335	514	181	478
Receivables	77	382	175	148
Pension provisions	2,220	0	2,424	0
Other provisions	225	133	326	43
Liabilities	545	0	419	0
Tax loss carry-forwards	577	0	1,478	0
Other	29	105	29	122
	5,815	**6,092**	**6,914**	**6,193**
Net figure [1]	-3,255	-3,255	-3,768	-3,768
Total	**2,560**	**2,837**	**3,146**	**2,425**

[1] 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 € 4,691 thousand (previous year: € 3,489 thousand) from loss carry-forwards for tax purposes were not reported since it is not considered likely that these will be offset against taxable income 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Cost of acquisition or manufacture	24,446	24,975	45,738	55,275	70,776	63,959	1,004	698	141,964	144,907
Write-downs	2,658	2,327	2,335	2,818	4,345	4,630	0	0	9,338	9,775
As at 31.03.	**21,788**	**22,648**	**43,403**	**52,457**	**66,431**	**59,329**	**1,004**	**698**	**132,626**	**135,132**

(15) SECURITIES

Securities reported under current assets in the previous year 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 € 1,457 thousand (previous year: € 2,023 thousand) has been pledged to a financial institution.

(17) ASSETS HELD FOR SALE

In September 2014, it was resolved to dispose of the property included in this item. The property was disposed of in December 2015. The income from the disposal included in the income statements amounts to € 154 thousand. The asset was allocated to the other/ consolidation segment.

€'000	31.03.2016	31.03.2015
Assets held for sale	**0**	**1,502**
of which current excluding liquid assets	0	1,502
Liabilities held for sale	**0**	**0**

(18) EQUITY

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 18 August 2015 authorised the Executive Board to increase the company's share capital once or several times by a total of € 864,500.00 until 17 August 2018 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 18 August 2015 authorised the company to acquire up to ten out of every hundred shares of the share capital until 17 August 2020 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 69 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 %
As at 01.04.2014	**3,324,763**	**237**	**0.01**
Purchases	-12,000	12,000	0.36
Employee share scheme	11,996	-11,996	0.36
As at 31.03.2015	**3,324,759**	**241**	**0.01**
Purchases	-12,250	12,250	0.36
Employee share scheme	12,422	-12,422	0.37
As at 31.03.2016	**3,324,931**	**69**	**0.00**

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 € 829 thousand (previous year: € 791 thousand) disposed of under the employee share scheme were issued to employees at a total selling price of € 531 thousand (previous year: € 504 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 authorised the company to acquire own shares according to Section 71 para. 1 No. 8 of the Stock Corporation Act (AktG) and to use these shares for a stock option programme. 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. A ninth tranche was initiated in September 2015. 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 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 25.93 % and a risk-free interest rate of 0.17 %; the exercise price of the options issued in September 2015 is € 69.37. 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 € 6.74. These annual financial statements are the first to include the expenditure (€ 20 thousand) resulting from the stock option programme initiated in the reporting year for a seven-month period. Taking into account the change in value, total expenditure for the fifth to ninth tranche amounted to € 68 thousand in the reporting year; in the previous year, total expenditure was € 319 thousand. Liabilities came to € 536 thousand as at the reporting date.

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

						Tranche
		2015	2014	2013	2012	2011
End of waiting period		18.10.2019	28.10.2018	25.09.2017	31.10.2016	22.09.2015
End of term		15.03.2021	15.03.2020	15.03.2019	15.03.2018	15.03.2017
Exercise price	€	69.37	73.57	71.93	65.10	67.64
No. of options issued		20.200	20,200	20,200	24,000	24,000
Profit limit per option	€	34.69	36.79	35.97	32.55	33.82
Fair value per option as at the reporting date 31.03.2016	€	7.01	6.97	7.01	9.64	7.22
Fair value per option as at the time of issue	€	6.74	7.59	8.94	8.15	9.49

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

	2015/2016		2014/2015	
	No. of options	Weighted average exercise price €	No. of options	Weighted average exercise price €
Outstanding options 01.04.	88,400	69.28	92,200	61.41
In the financial year				
granted	20,200	69.37	20,200	73.57
returned	0		0	
exercised	0		-24,000	42.65
expired	0		0	
Outstanding options 31.03.	108,600	69.30	88,400	69.28
Options that can be exercised 31.03.	24,000		0	

During the reporting year, **revenue reserves** increased by net earnings for the year in the amount of € 16,128 thousand. The figure was reduced by the dividend of € 5,818 thousand (€ 1.75 per share) for the previous year as well as by the effect on the share price arising from the sale of own shares of € 26 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 € 2.00 as at the financial statement preparation date. With 3,324,931 shares currently issued and outstanding, the proposed dividend payout is € 6,650 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 € 96.9 million (previous year: € 96.6 million). The share of equity in the interest-bearing total capital of € 292.7 million (€ 279.4 million) was 66.9 % (previous year: 65.4 %).

(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, 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	2015/2016	2014/2015
As at 01.04.	**17,793**	**15,566**
Service expenditure	241	212
Interest costs	377	532
Pension annuities paid	-864	-862
Actuarial losses/gains (-)	-574	2,345
As at 31.03.	**16,973**	**17,793**

Development of plan assets (liability insurance):

€'000	2015/2016	2014/2015
As at 01.04.	**652**	**658**
Employer contributions	31	32
Benefits paid	-48	-48
Actuarial gains	32	10
As at 31.03.	**667**	**652**

Pension provisions are derived as follows:

€'000	2016	2015
Projected pension obligations	16,973	17,793
Plan assets (liability insurance)	-667	-652
As at 31.03.	**16,306**	**17,141**

Asset coverage of pension obligations:

€'000	31.03.2016		31.03.2015	
	Pension commitments	Plan assets	Pension commitments	Plan assets
Without asset cover	16,206	0	17,043	0
Some asset cover	767	667	750	652
As at 31.03.	**16,973**	**667**	**17,793**	**652**

Pension costs consist of the following:

€'000	2015/2016	2014/2015
Service expenditure	241	212
Interest accruing on expected pension obligations	377	532
	618	**744**

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

	2015/2016	2014/2015
Interest rate	2.35 %	2.15 %
Increase in salaries	2.75 %	2.75 %
Increase in pensions	1.75 %	1.75 %
Staff turnover	1.00 %	1.00 %

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

€'000	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
Pension commitments	16,973	17,793	15,566	16,003	12,904
Plan assets	-667	-652	-658	-654	-708
Funded status	16,306	17,141	14,908	15,349	12,196

Expected contribution payments for financial year 2016/2017 are € 32 thousand.

Expected future pensions are as follows:

€'000	2016/2017	2017/2018-2020/2021	2021/2022-2025/2026
Expected future pensions	860	3,452	4,168

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 € 1,993 thousand lower (previous year: € 2,155 thousand) or € 2,490 thousand higher (previous year: € 2,707 thousand).

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

€'000	As at 01.04.2015	Utilisation	Addition/new creation	Release	As at 31.03.2016
Non-current					
Purchase price annuity obligation	586	-75	87	0	598
Total	**586**	**-75**	**87**	**0**	**598**
Current					
Sewer renovation	880	0	0	0	880
Guarantees and warranties	4,058	-793	1,450	-1,498	3,217
Cost of annual financial statements	890	-761	865	-15	979
Follow-up costs	2,906	-2,293	1,731	-342	2,002
Taxes and incendental tax expenses	1,155	0	52	-8	1,199
Impending losses	2,995	-2,349	45	-504	187
Miscellaneous	714	-503	259	-151	319
Total	**13,598**	**-6,699**	**4,402**	**-2,518**	**8,783**

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 31.03.2016 (31.03.2015)	Residual term up to 1 year	Residual term up to 5 years	Residual term > 5 years
Liabilities to financial institutions	117,203	40,751	51,273	25,179
	(114,457)	(35,462)	(50,454)	(28,541)
Trade creditors	14,101	14,101	0	0
	(14,067)	(14,067)	(0)	(0)
Payments received on account of orders	21,436	21,436	0	0
	(27,149)	(27,149)	(0)	(0)
Liabilities to affiliated companies	337	337	0	0
	(0)	(0)	(0)	(0)
Liabilities to companies valued at equity	1	1	0	0
	(81)	(81)	(0)	(0)
Other liabilities	29,734	28,217	1,500	17
	(28,326)	(26,842)	(1,467)	(17)
Total	**182,812**	**104,843**	**52,773**	**25,196**
	(184,080)	**(103,601)**	**(51,921)**	**(28,558)**

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

€'000	As at 31.03.2016 (31.03.2015)	Residual term up to 30 days	Residual term 30 to 90 days	Residual term 90 to 360 days
Liabilities to financial institutions	40,751	23,229	4,627	12,895
	(35,462)	(19,081)	(2,370)	(14,011)
Trade creditors	14,101	12,574	759	768
	(14,067)	(12,445)	(1,209)	(413)
Payments received on account of orders	21,436	6,450	2,732	12,254
	(27,149)	(3,233)	(3,714)	(20,202)
Liabilities to affiliated companies	337	337	0	0
	(0)	(0)	(0)	(0)
Liabilities to companies valued at equity	1	1	0	0
	(81)	(81)	(0)	(0)
Other liabilities	28,217	14,914	7,781	5,522
	(26,842)	(13,663)	(5,068)	(8,111)
Total	**104,843**	**57,505**	**15,899**	**31,439**
	(103,601)	**(48,503)**	**(12,361)**	**(42,737)**

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

€'000	31.03.2016	31.03.2015
Load charges	43,248	49,236
of which on assets held for sale	0	4,090
Book value of existing property and property under construction	48,649	50,540
Assignment of		
moveable fixed assets	24,344	19,156
inventories	7,065	3,253
Assignment of receivables	7,338	5,339

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

€ 100,305 thousand (previous year: € 89,836 thousand) of the liabilities to financial institutions result from long-term loans of domestic companies with fixed repayment terms and a remaining term between 1 and 17 years (previous year between 1 and 18 years).

Interest rates for the Euro loans vary between 0.47 % and 5.00 % (previous year: 0.68 % 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	31.03.2016	31.03.2015
Wages, salaries, bonuses, social security	14,134	13,740
Other taxes	3,333	3,324
Income taxes	4,588	3,079
Outstanding incoming invoices	3,428	2,326
Finance leasing	0	262
Purchase price commitments company acquisitions	0	228
Miscellaneous liabilities	4,251	5,367
Total	**29,734**	**28,326**

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 € 596 thousand (previous year: € 572 thousand) that will be due in more than one year.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Setterstix Inc. was included in the income statement for financial year 2015/2016 for the first time for a 12-month period.

(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 wing cell as well as technical equipment and tools.

(24) OTHER OPERATING INCOME

Other operating income breaks down as follows:

€'000	2015/2016	2014/2015
Income from writing back/utilising provisions	4,442	2,622
Price gains	784	948
Income from public subsidies	298	73
Income from the reversal of value adjustments and from the payment of receivables previously written off	309	331
Income from the disposal of fixes assets	725	272
Income from insurance refunds	253	101
Income from payments in kind	936	831
Income from settlement in dispute	350	0
Miscellaneous	1,493	1,469
Total	**9,590**	**6,647**

(25) MATERIAL EXPENDITURE

Material expenditure includes:

€'000	2015/2016	2014/2015
Expenditure on raw materials and supplies and goods supplied	213,700	203,361
Expenditure on services purchased	29,228	32,783
Total	**242,928**	**236,144**

(26) PERSONNEL EXPENDITURE

Personnel expenditure includes:

€'000	2015/2016	2014/2015
Wages and salaries	117,411	110,844
Social security contributions/expenditure on pensions and benefits	22,290	20,617
Total	**139,701**	**131,461**

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

(27) OTHER OPERATING EXPENDITURE

Other operating expenditure breaks down as follows:

€'000	2015/2016	2014/2015
Operating expenditure	26,180	24,065
Administrative expensiture	8,423	8,635
Expenditure on distribution	19,202	18,148
Miscellaneous expenditure	7,427	9,783
of which allowances on receivables and other assets	480	806
Total	**61,232**	**60,631**

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

Depreciation on property, plant and equipment and amortisation of 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	2015/2016	2014/2015
Actual taxes	9,652	10,747
Deferred taxes	655	-346
Total	**10,307**	**10,401**

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	2015/2016	2014/2015
Group result before income tax	**28.828**	**24,553**
Anticipated income tax expenditure	-8,793	-7,489
Permanent differences arising on expenditure which is not tax deductible	-246	-229
Income tax for different reporting periods	25	119
Consolidation effects	-252	-127
Temporary differences from losses for which no deferred tax assets have been recognised	-1,157	-2,708
Differences in tax rates	59	156
Miscellaneous	57	-123
Total	**-10,307**	**-10,401**

The capitalisation of deferred taxes on tax loss carry-forwards led to a tax obligation of € 0.9 million (previous year: tax obligation of € 0.1 million) in the 2015/2016 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:

	2015/2016	2014/2015
Group net income (€'000)	16,128	12,350
Weighted number of shares (number)	3,322,529	3,323,307
Earnings per share in accordance with IAS 33 (€)	**4.85**	**3.72**

There are no factors that would cause dilution.

(31) OTHER COMPREHENSIVE INCOME

The actuarial gains and losses from pension obligations, effects from currency translation and currency hedging transactions contained in this item were reduced by income taxes of € 446 thousand (previous year: € 784 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 (€ 36,581 thousand; previous year: € 35,251 thousand) and securities (€ 0 thousand; previous year: € 5 thousand).

Cash flow from investment activity includes € 1,884 thousand (previous year: € 116 thousand) in unpaid investments.

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

€'000	2015/2016	2014/2015
Interest paid	2,619	2,721
Interest received	117	194
Dividends received	304	344
Taxes paid	9,268	11,182

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 net earnings for the year can be derived from **Group EBIT** based on the consolidated income statement.

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

	2015/2016		2014/2015	
	€'000	%	€'000	%
Germany	323,862	65.5	303,597	67.2
Europe (excluding Germany)	89,317	18.1	75,792	16.8
Other	80,835	16.4	72,045	16.0
Total	**494,014**	**100.0**	**451,434**	**100.0**

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:

	2015/2016		2014/2015	
	€'000	%	€'000	%
Germany	146,656	91.1	144,463	91.1
Other regions	14,250	8.9	14,191	8.9
Total	**160,906**	**100.0**	**158,654**	**100.0**

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	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Trade receivables	61,632	55,113	61,632	55,113
Other receivables	7,013	7,621	7,013	7,621
of which hedging instruments	0	0	0	0
Cash and cash equivalents	36,581	35,251	36,581	35,251
Securities	0	5	0	5
Financial assets	**105,226**	**97,990**	**105,226**	**97,990**
Trade payables	14,101	14,067	14,101	14,067
Liabilities to financial institutions	117,203	114,457	117,203	114,457
Other liabilities	49,847	52,993	49,847	52,993
of which hedging instruments	295	562	295	562
Financial liabilities	**181,151**	**181,517**	**181,151**	**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.

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	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Loans and receivables	105,226	97,990	105,226	97,990	153	176
Assets available for sale	0	0	0	0	0	0
Financial assets	**105,226**	**97,990**	**105.226**	**97,990**	**153**	**176**
Liabilities held for trading	295	562	295	562	176	80
Other financial liabilities	180,856	180,955	180,856	180,955	-2,695	-2,566
Financial liabilities	**181,151**	**181,517**	**181,151**	**181,517**	**-2,519**	**-2,486**

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 € 3,578 thousand (previous year: € 5,957 thousand). These investments will be concluded in financial year 2016/2017.

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

In January 2016, a sales agent lodged a claim for damages at the appropriate court with a value of € 1.75 million arising from the termination of an agency agreement. Claims from this dispute are deemed unlikely and have therefore not been accounted for pursuant to IAS 37.

There are no other 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.

GESCO AG reached an agreement with Dr Mayrose whereby GESCO AG will exempt Dr Mayrose from liability claims of up to € 20 million arising from certain breaches of duty, plus any legal fees, or those arising in connection with his activities as managing director of PROTOMASTER GmbH. This exemption from liability is subordinate to the insurance coverage on the grounds of D&O insurance.

RENTAL AND LEASE AGREEMENTS

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 € 3,511 thousand for the reporting year (previous year: € 3,535 thousand).

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

€'000	2015/2016	2014/2015
Up to one year	3,747	3,739
One to five years	8,044	7,537
Over five years	3,783	4,816
Total	**15,574**	**16,092**

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 related to business operations as well as interest rate and exchange rate changes related to financing.

Since the type and scope of the respective risks affect 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 derivate 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 € 791 thousand (previous year: € 690 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 € 6,931 thousand (previous year: € 6,026 thousand) as at the reporting date. This corresponds to 11.2 % (previous year: 10.9 %) of total trade receivables. Receivables are denominated in the following currencies:

€'000	2015/2016	2014/2015
US dollar:	5,288	4,453
British pound:	21	13
Taiwanese dollar:	639	685
South African rand:	78	130
Hungarian forint:	9	10
Chinese renminbi yuan:	650	735
Mexican peso:	246	0

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 € -378 thousand or € +462 thousand (previous year: € -326 thousand or € +398 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 € -153 thousand as at the reporting date (previous year: € -28 thousand). Other comprehensive income amounted to € -101 thousand after deferred taxes and minority interest (third party) (previous year: € -22 thousand). Cash flows of USD 11.0 million are hedged.

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

in TUSD	2016/2017	2017/2018	2018/2019
Expected cash flows	10,356	668	0

RELATED PARTY DISCLOSURES

Business relationships between fully consolidated and non-fully consolidated companies within the Group are conducted under regular market terms and conditions. Receivables from and liabilities to related companies are mainly due from Connex SVT Inc., USA, and Frank Lemeks TOW, Ukraine. Entrepreneur Stefan Heimöller, elected to GESCO AG's Supervisory Board by the Annual General Meeting, 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.

EMPLOYEES

The average number of employees was as follows:

	2015/2016	2014/2015
Factory staff	1,518	1,450
Office staff	878	846
Trainees	138	142
Total	**2,534**	**2,438**

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, Molineus & Co. GmbH + Co. KG, Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Q-Plast GmbH & Co. Kunststoffverarbeitung, Setter GmbH & Co. Papierverarbeitung, IV Industrieverwaltungs 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 and Modell Technik Formenbau GmbH are 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 2015/2016 are to be examined and approved by the Supervisory Board of GESCO AG in its meeting on 31 May 2016 and are then authorised for publication.

The consolidated financial statements will be published on 30 June 2016 in conjunction with an annual accounts press conference and analysts' meeting in Engelskirchen.

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 0.7 % of company shares. Members of the Supervisory Board hold a total of approximately 14.6 % of company shares.

AUDITOR

The fee included in expenditure for the financial year amounted to € 150 thousand (previous year: € 148 thousand) for the audit of the annual and consolidated financial statements of GESCO AG, € 17 thousand (previous year: € 219 thousand) for other audit services, € 3 thousand (previous year: € 3 thousand) for tax consulting services and € 14 thousand (previous year: € 8 thousand) for other services.

Fees were also incurred in the amount of € 243 thousand (previous year: € 228 thousand) for the audit of consolidated subsidiaries, € 9 thousand (previous year: € 11 thousand) for other audit services, € 71 thousand (previous year: € 65 thousand) for tax consulting services and € 4 thousand (previous year: € 15 thousand) for other services.

EXECUTIVE BODIES OF THE COMPANY

EXECUTIVE BOARD

Dr Eric Bernhard, Langenfeld,
Member of the Executive Board since 1 January 2016, Chairman of the Executive Board from 1 July 2016

Dr-Ing Hans-Gert Mayrose, Mettmann
Member of the Executive Board

Robert Spartmann, Gevelsberg
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	
Dr Eric Bernhard	66	(0)	88	(0)	0	(0)	154	(0)
Dr-Ing Hans-Gert Mayrose	259	(256)	242	(185)	40	(46)	541	(487)
Robert Spartmann	271	(268)	242	(185)	40	(46)	553	(499)
Total	**596**	**(524)**	**572**	**(370)**	**80**	**(92)**	**1,248**	**(986)**

The Executive Board members Robert Spartmann and Dr Hans-Gert Mayrose each 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):

Dr-Ing Hans-Gert Mayrose	15.5 %
Robert Spartmann	15.0 %

As at the reporting date, defined benefit obligations (DBO) and changes for 2015/2016 came to:

€'000	Pension commitments		Additions	
Dr-Ing Hans-Gert Mayrose	827	(815)	12	(29)
Robert Spartmann	821	(809)	12	(29)
Total	**1,648**	**(1,624)**	**24**	**(58)**

Remuneration received by a former member of the Executive Board amounted to € 62 thousand in the financial year (€ 62 thousand). To cover this, the company's pension obligations (DBO) amounted to € 780 thousand (€ 832 thousand) as at 31 March 2016.

SUPERVISORY BOARD

Klaus Möllerfriedrich, Düsseldorf
Chairman, Auditor

Deputy Chairman of the Supervisory Board:
- TopAgers AG, Langenfeld

Member of the Supervisory Board:
- Dr Ing Thomas Schmidt AG, Cologne
- HINKEL & CIE. Vermögensverwaltungs AG, Düsseldorf

Rolf-Peter Rosenthal, Wuppertal (until 18 August 2015)
Deputy Chairman (until 18 August 2015), 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
Deputy Chairman (from 18 August 2015)
Managing partner at Platestahl Umformtechnik GmbH, Ludenscheid and at Helios GmbH, Neuenrade

Dr Nanna Rapp, Düsseldorf (from 18 August 2015)
Managing director of E.ON Inhouse Consulting GmbH, Essen

Chairwoman of the Supervisory Board:
- E.ON Energie AG, Düsseldorf

Member of the Supervisory Board:
- E.ON Kernkraft GmbH, Hanover
- E.ON Kraftwerk GmbH, Düsseldorf (until 31 December 2015)
- E.ON Generation GmbH, Hanover (until 31 December 2015)

ation received by the Supervisory Board – distributed among its members – is as follows:

€'000	Fixed remuneration		Variable remuneration		Total	
Klaus Möllerfriedrich	24	(23)	58	(43)	82	(66)
Rolf-Peter Rosenthal (until 18 August 2015)	12	(21)	22	(43)	34	(64)
Stefan Heimöller	20	(18)	58	(43)	78	(61)
Dr Nanna Rapp (from 18 August 2015)	8	(0)	36	(0)	44	(0)
Total	**64**	**(62)**	**174**	**(129)**	**238**	**(191)**

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 € 45 thousand (previous year: € 32 thousand) were paid during financial year 2015/2016.

Wuppertal, 25 May 2016

The Executive Board

Dr Eric Bernhard

Dr-Ing Hans-Gert Mayrose

Robert Spartmann

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, 25 May 2016

The Executive Board

Dr Eric Bernhard

Dr-Ing Hans-Gert Mayrose

Robert Spartmann

SIGNIFICANT GROUP SHAREHOLDINGS

Fully consolidated companies [1]	Proportion of capital in %
Alro GmbH, Wuppertal	100
AstroPlast Kunststofftechnik GmbH & Co. KG, Sundern	80
AstroPlast Verwaltungs GmbH, Sundern [2]	100
C.F.K. CNC-Fertigungstechnik Kriftel GmbH, Kriftel	80
Dömer GmbH & Co. KG Stanz- und Umformtechnologie, Lennestadt	100
Dömer GmbH, Lennestadt [2]	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., Òzd, Hungary	100
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern	80
Franz Funke Verwaltungs GmbH, Sundern [2]	100
Georg Kesel GmbH & Co. KG, Kempten	90
Kesel International GmbH, Kempten	100
Georg Kesel Machinery (Beijing) Co., Ltd., China	100
Kesel North America, LLC, Beloit, USA	100
Kesel & Probst Verwaltungs-GmbH, Kempten [2]	100
Haseke GmbH & Co. KG, Porta Westfalica	80
Haseke Beteiligungs-GmbH, Porta Westfalica [2]	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 Formenbau GmbH, Sömmerda	100
Modell Technik Beteiligungsgesellschaft mbH, Sömmerda	100
Molineus & Co. GmbH + Co. KG, Wuppertal	100
Grafic Beteiligungs-GmbH, Wuppertal [2]	100
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel	100
WM Werkzeug- und Maschinenbau Verwaltungs-GmbH, Kassel [2]	100
PROTOMASTER GmbH, Wilkau-Haßlau	82.17
Q-Plast GmbH & Co. Kunststoffverarbeitung, Emmerich	100

Fully consolidated companies [1]	**Proportion of capital in %**
Q-Plast Beteiligungs-GmbH, Emmerich [2]	100
Setter GmbH & Co. Papierverarbeitung, Emmerich	100
Setter GmbH, Emmerich [2]	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
IV Industrieverwaltungs GmbH & Co. KG, Wuppertal	100
MV Anlagen GmbH & Co. KG, Wuppertal	100
IMV Verwaltungs GmbH, Wuppertal [2]	100
VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH, Herschbach	80
WBL Holding GmbH, Laichingen	85
Werkzeugbau Laichingen GmbH, Laichingen	100
Werkzeugbau Leipzig GmbH, Leipzig	100
TM Erste Grundstücksgesellschaft mbH, Wuppertal	100

Companies valued at equity [1]	**Proportion of capital in %**
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

Companies which are not consolidated [1]	**Proportion of capital in %**
Connex SVT Inc., Houston, USA	100
MAE.ch GmbH, Unterstammheim, Switzerland, i.L.	100
Frank Lemeks Tow, Ternopil, Ukraine	75
Papersticks S.A. Ltd., Durban, South Africa	100

[1] Share capital held directly or via majority shareholdings

[2] Corporation as the general partner

AUDITOR'S REPORT

We 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 2015 to 31 March 2016. 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, 25 May 2016

RSM Breidenbach und Partner PartG mbB
Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft

(Straube)	(Wendlandt)
Auditor	Auditor

FINANCIAL CALENDAR

30 June 2016
Annual Accounts Press Conference and Analysts' Meeting

15 August 2016
Figures for the first quarter
(01.04.-30.06.2016)

25 August 2016
Annual General Meeting in the Stadthalle, Wuppertal

15 November 2016
Figures for the first half year
(01.04.-30.09.2016)

February 2017
Figures for the first three quarters
(01.04.-31.12.2016)

29 June 2017
Annual Accounts Press Conference and Analysts' Meeting

August 2017
Figures for the first quarter
(01.04.-30.06.2017)

31 August 2017
Annual General Meeting in the Stadthalle, Wuppertal

November 2017
Figures for the first half year
(01.04.-30.09.2017)

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GESCO

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