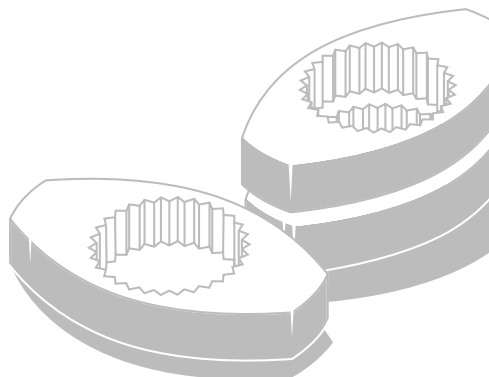


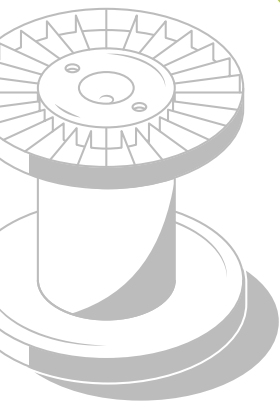
THE  
INDUSTRIAL  
GROUP



Q2

2016 / 2017

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**GESCO AG**  
**GESCO HALF-YEAR INTERIM REPORT 2016/2017**  
**1 APRIL TO 30 SEPTEMBER 2016**

## OVERVIEW OF KEY POINTS

- FIRST HALF OF THE YEAR MARKED BY DELAYS IN MAJOR ORDERS
- IMPROVEMENT IN THE THIRD QUARTER, NEGATIVE IMPACTS IN THE FOURTH QUARTER
- OUTLOOK FOR THE FULL YEAR NARROWED

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

01.04. bis 30.09.		I. Half year 2016/2017	I. Half year 2015/2016	Change
Incoming orders	(€'000)	250,291	258,109	-3.0%
Sales	(€'000)	228,744	237,307	-3.6%
EBITDA	(€'000)	21,019	26,136	-19.6%
EBIT	(€'000)	10,605	16,048	-33.9%
Earnings before tax	(€'000)	9,173	14,675	-37.5%
Group net income after minority interest	(€'000)	4,841	7,958	-39.2%
Earnings per share acc. to IFRS	(€)	1.46	2.39	-39.2%
Employees	(No.)	2,528	2,538	-0.4%


# DEAR SHAREHOLDERS,

In the Annual Report 2015/2016, we presented to you the new portfolio strategy that we developed in spring 2016. The associated reclassification of the operating segments, which is geared towards end customer markets, allows us to offer greater transparency to the capital market. We have also performed benchmark analyses regarding margins and growth rates for the operating subsidiaries of GESCO AG on the basis of the four segments. Many companies already measure up to their benchmark today. Those temporarily deviating from it have defined company-specific optimisation projects focusing on both costs and opportunities.

These medium-term measures will not yet have a positive effect on the income statement for the current financial year. The first half of the year was also particularly impacted by clients postponing deliveries of major orders until the third quarter that were originally scheduled for the first or second quarter. Quite a few machines and plants were delivered during the third quarter, meaning that they had an impact on sales and earnings. Some machines and plants also be delivered during the fourth quarter, although overall business operations decline in the fourth quarter; in addition, earnings are being impacted by non-recurring expenses. We have narrowed our earnings outlook accordingly.

With the new portfolio strategy, we have also defined the framework for future acquisitions. In addition to our proven strategy, we are pursuing a proactive approach here that has already led to talks with entrepreneurs.

Wuppertal, November 2016



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

**250,291** €'000

**INCOMING  
ORDERS**

**228,744** €'000

**SALES  
REVENUES**

**4,841** €'000

**GROUP NET INCOME  
AFTER MINORITY INTEREST**



**2,528**

**EMPLOYEES**

## HALF-YEAR INTERIM REPORT

The financial year of GESCO AG and GESCO Group runs from 1 April to 31 March of the following year, while the financial years of the subsidiaries coincide with the calendar year. This interim report for the first half of financial year 2016/2017 therefore encompasses the operating months January to June 2016 of the Group's subsidiaries.

The economic environment in the capital goods industry, in which the majority of GESCO Group companies operate, continued to be cautious in this period. The statements made in the figures for the first quarter remain essentially valid. Ongoing issues in the eurozone, persistently low oil prices and general political uncertainty continued to dampen investment propensity. Investment spending in the automotive industry was also impacted by the diesel affair. Many companies recorded less capacity utilisation overall, which ramped up the pressure on prices. This affected the large tool manufacturing market, for example, and the tool steel market is also under significant pressure to consolidate as well as price pressure, as explained at the annual accounts press conference. Against this backdrop, GESCO Group sales and earnings fell short of the previous year's figures, as expected. The second quarter in particular was additionally impacted by clients postponing deliveries of major orders until the third quarter.

In this challenging environment, we are implementing cost-cutting measures and scrutinising investments that may not be immediately necessary. In addition, in implementing the portfolio strategy we have kicked off a number of optimisation projects at individual Group subsidiaries which are geared towards leveraging both costs and opportunities and improving margins over the medium term.

## CHANGES TO THE SCOPE OF CONSOLIDATION

As part of retirement agreements, GESCO AG has taken over the respective minority shares of the managing partners of AstroPlast Kunststofftechnik GmbH & Co. KG and Werkzeugbau Laichingen Group. GESCO AG therefore now holds a 100% share of both subsidiaries.

## DEVELOPMENT OF GROUP SALES AND EARNINGS IN THE SECOND QUARTER

At € 127.7 million, incoming orders were up 14.0% on the previous year's figure of € 112.0 million in the second quarter, which encompasses the operating months April to June of the subsidiaries. Sales, by contrast, were down on the previous year's figure of € 118.6 million and stood at € 115.2 million. Both incoming orders and sales increased slightly quarter on quarter in the second quarter.

Because work on larger machinery and plants began in the second quarter but were not yet delivered, earnings figures fell significantly year on year. As a result, earnings before interest and taxes (EBIT) came in at € 5.2 million following € 9.4 million in the second quarter of the previous year, and Group net income after minority interest decreased to € 2.2 million (previous year's period: € 4.8 million).

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

In the entire first half of financial year 2016/2017, incoming orders amounted to € 250.3 million (€ 258.1 million), and sales stood at € 228.7 million (€ 237.3 million). The earnings figures were also down significantly in the first half of the year. EBIT stood at € 10.6 million (€ 16.0 million), and Group income after minority interest came in at € 4.8 million (€ 7.9 million). All told, the first half of the year was characterised by a relatively weak first quarter and by a second quarter that was negatively impacted by the aforementioned postponement of deliveries.

Cash flow, by contrast, posted remarkably positive development in the first half of the year. Cash flow from ongoing business activity improved significantly year on year – from € -3.2 million to € 13.9 million.

## SEGMENT REPORTING

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

The **Production Process Technology** segment houses Group subsidiaries that largely provide products and services for series manufacturers' production processes. In the first half of the year, the segment reported a decline in sales and a disproportionately high decline in earnings year on year. As explained in the report on the first quarter, a number of subsidiaries in this segment have started producing machinery and plants that were partly delivered in the third quarter and, in some cases, will be delivered in the fourth quarter. As a result, we expect sales to be higher in the second half of the year, and, in particular, for earnings to improve substantially compared to the first half of the year.

The **Resource Technology** segment encompasses companies that supply material-intensive companies in the industrial sector. In the first half of the year, the segment continued to be characterised by significant reluctance by the oil and chemicals industry to make investments, which was reflected in declining sales. The pressure on prices in the steel industry strongly affected earnings. Many plants are also scheduled for delivery in this segment in the second half of the year. One major order was already delivered in the third quarter and had an impact on sales and earnings. As a result, we anticipate higher sales in the second half of the year, and, in particular, for earnings to improve significantly compared to the first half of the year.

Companies in the **Healthcare and Infrastructure Technology** segment supply companies in mass consumer markets such as the medical, hygiene, food or sanitary sectors. This segment proved to be robust and not very susceptible to economic trends in the first half of the year. Incoming orders and sales increased, whereas earnings rose disproportionately.



The **Mobility Technology** segment houses companies that supply the automotive, commercial vehicle and rail industry. Sales markets continue to be marked by uncertainty, which is reflected in significant reluctance to invest among customers. However, incoming orders climbed year on year in the first half of the year, partly due to a major order; however, this order will not make its primary impact on sales and earnings until the subsequent financial year. Sales remained more or less unchanged year on year, whereas earnings were negatively impacted by the difficult situation in tool manufacturing in particular.

## ASSETS AND FINANCIAL POSITION

Total assets remained unchanged at € 410 million compared to the reporting date 31 March 2016. On the assets side, inventories and receivables and other assets increased, whereas liquid assets decreased due to the dividend payment of € 6.7 million made for financial year 2015/2016 in the second quarter, among other factors. On the liabilities side, equity fell slightly; the equity ratio stood at 46.0%. Current and non-current liabilities to financial institutions were reduced by just over € 3 million in total.

## INVESTMENTS

In the first half of the year, GESCO Group companies invested a total of € 9.4 million (€ 10.8 million) in property, plant and equipment and intangible assets. The main focus was on Modell Technik Formenbau GmbH, Frank Walz- und Schmiedetechnik GmbH and Dörrenberg Edelstahl GmbH.

## EMPLOYEES

At 2,528, the number of people employed by GESCO Group was down slightly on the figure at the start of the financial year (2,538). Temporary employment contracts were not extended at some subsidiaries in light of the lacklustre economic environment.

## OPPORTUNITIES, RISKS AND RISK MANAGEMENT

Our general explanations on the subject of opportunities and risks as well as the presentation of specific individual risks in the Group financial statements as at 31 March 2016 remain essentially unchanged and valid. For more details, please refer to the Annual Report 2015/2016, which is available online at [www.gesco.de](http://www.gesco.de). As usual in the mechanical engineering and plant construction industry, risks posed to the achievement of the targets for the current financial year include delays in the delivery of larger machinery, plants or components to the next financial year.

As explained in the report on the first quarter in August 2016, general economic risks have risen since the start of the financial year. The Brexit vote in the United Kingdom and the political developments in Turkey are causing insecurity and have increased the general political and economic uncertainty. This is reducing planning security for investment decisions, which is a significant problem for the capital goods industry, in which we predominantly operate. The outcome of the presidential election in the United States, the political and economic consequences of which are currently not yet clear, further increases uncertainty.

## OTHER INFORMATION

Stefan Heimöller, entrepreneur and member of GESCO AG's Supervisory Board, notified the company in the reporting period of the acquisition of additional GESCO shares. Mr Heimöller purchased approximately 9,500 shares and now currently holds around 14.9% of the company's share capital.

Dr Eric Bernhard, Chairman of the Executive Board of GESCO AG, also notified the company in the reporting period of the acquisition of additional GESCO shares, having purchased 3,500 shares.

In the reporting period, Dr-Ing Hans-Gert Mayrose, member of the Executive Board of GESCO AG, notified the company in the reporting period of the transfer of own shares within the family.

The capital increase from own funds with a subsequent share split at a ratio of 1:3, which was resolved by the Annual General Meeting on 25 August 2016, is currently being implemented, and is expected to be completed at the turn of the year. The share capital is to be increased from € 8,645,000 to € 9,975,000 through the conversion of capital reserves and redistributed into 9,975,000 shares, each accounting for € 1.00 of share capital. This will triple the number of shares and reduce the price per share accordingly. This is aimed at making the GESCO share "lighter" and more attractive, particularly for private investors.

## OUTLOOK AND EVENTS AFTER THE REPORTING DATE

This half-year interim report comprises the subsidiaries' operating business from January to June 2016. In the subsequent third quarter, which accounts for the months July to September 2016 in the case of the subsidiaries, both Group incoming orders and Group sales were satisfactory, amounting to approximately € 126 million (previous year's period: € 120 million) and approximately € 128 million (€ 132 million), respectively.

Business operations, on the other hand, will decline in the fourth quarter; in addition, earnings will be impacted by non-recurring expenses. In the report on the first quarter, we explained that we expected Group sales of at best € 480 million and Group net income after minority interest of at best € 13.5 million for the full financial year 2016/2017. We can confirm our outlook for Group sales. Group net income after minority interest of € 13.5 million is no longer realistic, which is why we now anticipate Group net income after minority interest of between € 11.5 million and € 12.5 million.

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

GESCO AG  
The Executive Board

Wuppertal, November 2016

## GESCO GROUP BALANCE SHEET AS AT 30 SEPTEMBER 2016 AND 31 MARCH 2016

€'000	30.09.2016	31.03.2016
<b>Assets</b>		
<b>A. Non-current assets</b>		
<b>I. Intangible assets</b>		
Industrial property rights and similar rights and assets as well as licences	12,060	13,635
2. Goodwill	12,963	13,005
3. Prepayments made	0	134
	<b>25,023</b>	<b>26,774</b>
<b>II. Property, plant and equipment</b>		
1. Land and buildings	56,932	57,986
2. Technical plant and machinery	49,267	50,058
3. Other plants, fixtures and fittings	21,108	21,643
4. Prepayments made and assets under construction	7,224	4,445
	<b>134,531</b>	<b>134,132</b>
<b>III. Financial investments</b>		
1. Shares in affiliated companies	52	52
2. Shares in companies valued at equity	1,819	1,743
3. Investments	156	156
4. Other loans	236	262
	<b>2,263</b>	<b>2,213</b>
<b>IV. Other assets</b>	2,107	2,131
<b>V. Deferred tax assets</b>	3,525	2,560
	<b>167,449</b>	<b>167,810</b>
<b>B. Current assets</b>		
<b>I. Inventories</b>		
1. Raw materials and supplies	20,516	21,788
2. Unfinished products and services	52,178	43,403
3. Finished products and goods	64,133	66,431
4. Prepayments made	2,188	1,004
	<b>139,015</b>	<b>132,626</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables	63,963	61,632
2. Amounts owed by affiliated companies	1,658	1,414
3. Amounts owed by companies valued at equity	893	968
4. Other assets	10,449	8,267
	<b>76,963</b>	<b>72,281</b>
<b>III. Cash and credit balances with financial institutions</b>	26,018	36,581
<b>IV. Accounts receivable and payable</b>	840	877
	<b>242,836</b>	<b>242,365</b>
	<b>410,285</b>	<b>410,175</b>

€'000	30.09.2016	31.03.2016
<b>Equity and liabilities</b>		
A. Equity		
I. Subscribed capital	8,645	8,645
II. Capital reserves	54,662	54,662
III. Revenue reserves	115,459	119,171
IV. Own shares	-5	-5
V. Other comprehensive income	-4,089	-2,389
VI. Minority interests (incorporated companies)	14,118	15,689
	<b>188,790</b>	<b>195,773</b>
B. Non-current liabilities		
I. Minority interests (partnerships)	1,604	3,035
II. Provisions for pensions	18,331	16,306
III. Other non-current provisions	637	598
IV. Liabilities to financial institutions	75,369	76,452
V. Other liabilities	1,322	1,517
VI. Deferred tax liabilities	2,593	2,837
	<b>99,856</b>	<b>100,745</b>
C. Current liabilities		
I. Other provisions	9,311	8,783
II. Liabilities		
1. Liabilities to financial institutions	38,625	40,751
2. Trade creditors	16,187	14,101
3. Prepayments received on orders	29,075	21,436
4. Liabilities to affiliated companies	390	337
5. Liabilities to companies valued at equity	5	1
6. Other liabilities	27,926	28,217
	<b>112,208</b>	<b>104,843</b>
III. Accounts receivable and payable	120	31
	<b>121,639</b>	<b>113,657</b>
	<b>410,285</b>	<b>410,175</b>

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

€'000	II. Quarter 2016/2017	II. Quarter 2015/2016
<b>Sales revenues</b>	<b>115,190</b>	<b>118,601</b>
Change in stocks of finished and unfinished products	2,351	3,171
Other company-produced additions to assets	1,175	165
Other operating income	1,416	2,144
<b>Total income</b>	<b>120,132</b>	<b>124,081</b>
Material expenditure	-59,604	-60,924
Personnel expenditure	-35,896	-34,700
Other operating expenditure	-14,175	-13,951
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>10,457</b>	<b>14,506</b>
Depreciation on property, plant and equipment and intangible assets	-5,271	-5,099
<b>Earnings before interest and tax (EBIT)</b>	<b>5,186</b>	<b>9,407</b>
Earnings from companies valued at equity	41	55
Other interest and similar income	20	44
Interest and similar expenditure	-761	-709
Minority interest in partnerships	-58	-76
<b>Financial result</b>	<b>-758</b>	<b>-686</b>
<b>Earnings before tax (EBT)</b>	<b>4,428</b>	<b>8,721</b>
Taxes on income and earnings	-1,761	-3,179
<b>Group net income</b>	<b>2,667</b>	<b>5,542</b>
Minority interest in incorporated companies	-509	-757
<b>Group net income after minority interest</b>	<b>2,158</b>	<b>4,785</b>
Earnings per share (€) acc. to IFRS	0.65	1.44
Weighted average number of shares	3,324,931	3,323,026

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

€'000	I. Half year 2016/2017	I. Half year 2015/2016
<b>Sales revenues</b>	<b>228,744</b>	<b>237,307</b>
Change in stocks of finished and unfinished products	8,312	5,487
Other company-produced additions to assets	1,234	315
Other operating income	3,524	4,031
<b>Total income</b>	<b>241,814</b>	<b>247,140</b>
Material expenditure	-120,473	-122,208
Personnel expenditure	-71,842	-69,876
Other operating expenditure	-28,480	-28,920
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>21,019</b>	<b>26,136</b>
Depreciation on property, plant and equipment and intangible assets	-10,414	-10,088
<b>Earnings before interest and tax (EBIT)</b>	<b>10,605</b>	<b>16,048</b>
Earnings from companies valued at equity	83	135
Other interest and similar income	50	85
Interest and similar expenditure	-1,519	-1,440
Minority interest in partnerships	-46	-153
<b>Financial result</b>	<b>-1,432</b>	<b>-1,373</b>
<b>Earnings before tax (EBT)</b>	<b>9,173</b>	<b>14,675</b>
Taxes on income and earnings	-3,444	-5,420
<b>Group net income</b>	<b>5,729</b>	<b>9,255</b>
Minority interest in incorporated companies	-888	-1,297
<b>Group net income after minority interest</b>	<b>4,841</b>	<b>7,958</b>
Earnings per share (€) acc. to IFRS	1.46	2.39
Weighted average number of shares	3,324,931	3,323,892

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

€'000	I. Half year 2016/2017	I. Half year 2015/2016
<b>1. Group net income</b>	<b>5,729</b>	<b>9,255</b>
2. Revaluation of benefit obligations not impacting on income	-1,472	207
<b>3. Items that cannot be transferred into the income statement</b>	<b>-1,472</b>	<b>207</b>
4. Difference from currency translation		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	-371	252
5. Market valuation of hedging instruments		
a) Reclassification into the income statement	-38	-6
b) Changes in value with no effect on income	93	-177
6. Revaluation reserves		
a) Reclassification into the income statement	-55	0
b) Changes in value with no effect on income	-1,848	0
<b>7. Items that can be transferred into the income statement</b>	<b>-2,219</b>	<b>69</b>
<b>8. Other income</b>	<b>-3,691</b>	<b>276</b>
<b>9. Total result for the period</b>	<b>2,038</b>	<b>9,531</b>
of which shares held by minority interest	800	1,384
of which shares held by GESCO shareholders	1,238	8,147



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

€'000	I. Half year 2016/2017	I. Half year 2015/2016
<b>Group net income for the period (including share attributable to minority interest in incorporated companies)</b>	<b>5,729</b>	<b>9,255</b>
Depreciation and amortisation on property, plant and equipment and intangible assets	10,414	10,088
Earnings from companies valued at equity	-83	-135
Share attributable to minority interests in partnerships	46	153
Increase in non-current provisions	-51	36
Other non-cash expenditure/income	-202	-141
<b>Cash flow for the period</b>	<b>15,853</b>	<b>19,256</b>
Losses from the disposal of property, plant and equipment/intangible assets	21	99
Gains from the disposal of property, plant and equipment/intangible assets	-251	-379
Increase in stocks, trade receivables and other assets	-11,927	-39,975
Increase in trade creditors and other liabilities	10,193	17,786
<b>Cash flow from ongoing business activities</b>	<b>13,889</b>	<b>-3,213</b>
Incoming payments from disposals of tangible assets/intangible assets	337	436
Disbursements for investments in property, plant and equipment	-9,237	-10,404
Disbursements for investments in intangible assets	-182	-427
Incoming payments from disposals of financial assets	25	23
<b>Cash flow from investment activities</b>	<b>-9,057</b>	<b>-10,372</b>
Disbursements to shareholders (dividend)	-6,650	-5,818
Disbursements for the purchase of own shares	0	-352
Disbursements to minority interests	-5,800	-1,562
Incoming payments from raising (financial) loans	4,000	15,239
Outflow for repayment of (financial) loans	-6,911	-1,991
<b>Cash flow from funding activities</b>	<b>-15,361</b>	<b>5,516</b>
<b>Decrease in cash and cash equivalents</b>	<b>-10,529</b>	<b>-8,069</b>
<b>Exchange-rate related changes in cash and cash-equivalents</b>	<b>-34</b>	<b>0</b>
Financial means on 01.04.	36,581	35,256
<b>Financial means on 30.09.</b>	<b>26,018</b>	<b>27,187</b>

## GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
As at 01.04.2015	8,645	54,662	108,887	-17
Distributions			-5,818	
Acquisition of own shares				-352
Result for the period			7,958	
As at 30.09.2015	8,645	54,662	111,027	-369
As at 01.04.2016	8,645	54,662	119,171	-5
Distributions			-6,650	
Acquisition of shares in subsidiaries			-1,903	
Result for the period			4,841	
As at 30.09.2016	8,645	54,662	115,459	-5

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

€'000	Production Process Technology		Resource Technology	
	2016/2017	2015/2016	2016/2017	2015/2016
Order backlog	45,464	47,450	69,361	70,145
Incoming orders	34,736	35,179	114,251	129,856
Sales revenues	30,656	32,153	100,704	107,659
of which with other segments	1,032	100	256	250
Depreciation	1,534	1,405	1,971	1,925
EBIT	544	1,120	6,356	9,795
Investments	513	1,002	1,525	2,816
Employees (No./reporting date)	464	463	705	715

Exchange equalisation items	Revaluation of pensions	Hedging instruments	Total	Minority interest incorporated companies	Equity capital
-378	-3,520	-22	168,257	14,546	182,803
			-5,818	-1,341	-7,159
			-352		-352
169	188	-168	8,147	1,384	9,531
-209	-3,332	-190	170,234	14,589	184,823
852	-3,140	-101	180,084	15,689	195,773
			-6,650	-735	-7,385
			-1,903	-1,636	-3,539
-324	-1,430	54	3,141	800	3,941
528	-4,570	-47	174,672	14,118	188,790

	Healthcare and Infrastructure Technology		Mobility Technology		Reconciliation		Group	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
	33,040	28,018	45,974	56,515	0	0	193,839	202,128
	59,079	57,211	42,225	35,670	0	193	250,291	258,109
	59,913	58,677	38,760	39,003	-1,289	-185	228,744	237,307
	0	0	0	27	-1,288	-377	0	0
	3,175	3,129	2,264	1,909	1,470	1,720	10,414	10,088
	6,164	5,104	1,534	4,433	-3,993	-4,404	10,605	16,048
	3,065	3,121	4,071	3,800	219	92	9,393	10,831
	719	717	623	627	17	16	2,528	2,538

## **EXPLANATORY NOTES**

### **ACCOUNTS, ACCOUNTING AND VALUATION METHODS**

The report of GESCO Group for the first half of the year (1 April to 30 September 2016) of financial year 2016/2017 (1 April 2016 to 31 March 2017) was prepared on the basis of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB). It was drawn up in compliance with IAS 34.

The accounting and valuation principles applied generally correspond to those in the Group financial statements as at 31 March 2016. The financial statements are affected by the accounting and valuation methods as well as assumptions and estimates which affect the level and recognition of assets, liabilities and contingent liabilities on the balance sheet and of the income and expenditure items. Sales-related figures are accrued throughout the year.

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

As part of retirement agreements, GESCO AG took over the respective minority shares of two managing partners in the second quarter. This relates to AstroPlast Kunststofftechnik GmbH & Co. KG, where the managing director held a 20 % share, and Werkzeugbau Laichingen Group, where the managing director held a 15 % share. GESCO AG therefore now holds a 100 % share of both subsidiaries.

### **RELATED-PARTY TRANSACTIONS**

Business relationships between fully consolidated and not fully consolidated companies within the Group are conducted under regular market terms and conditions. Receivables from related companies are mainly due from Connex SVT Inc., USA, and Frank Lemeks Tow, Ukraine. Stefan Heimöller, member of the Supervisory Board, maintains business relationships to a minor extent with Dörrenberg Edelstahl GmbH, a 90 % subsidiary of GESCO AG, through his company Platestahl Umformtechnik GmbH. These business relationships are conducted under regular market terms and conditions.

## INFORMATION ON FINANCIAL INSTRUMENTS

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

€'000	Book value		Fair value	
	30.09.2016	31.03.2016	30.09.2016	31.03.2016
Trade receivables	63,963	61,632	63,963	61,632
Other receivables	8,481	7,013	8,481	7,013
of which hedging instruments	0	0	0	0
Cash and cash equivalents	26,018	36,581	26,018	36,581
<b>Financial assets</b>	<b>98,462</b>	<b>105,226</b>	<b>98,462</b>	<b>105,226</b>
Trade creditors	16,187	14,101	16,187	14,101
Liabilities to financial institutions	113,994	117,203	113,994	117,203
Other liabilities	57,009	49,847	57,009	49,847
of which hedging instruments	184	295	184	295
<b>Financial liabilities</b>	<b>187,190</b>	<b>181,151</b>	<b>187,190</b>	<b>181,151</b>

Hedging instruments at fair value are measured using the market price method, taking into account generally observable input parameters (such as exchange and interest rates). This method is the equivalent of Level 2 pursuant to IFRS 13.81 et seq.

## FINANCIAL AUDIT

The condensed half-year interim financial statements as at 30 September 2016 and the interim management report were neither audited in accordance with Section 317 HGB nor reviewed by an auditor.

## STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

GESCO AG  
The Executive Board

Wuppertal, November 2016

## FINANCIAL CALENDAR

### **14 November 2016**

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

### **14 February 2017**

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

### **29 June 2017**

Annual accounts press conference and analysts' meeting

### **August 2017**

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

### **31 August 2017**

Annual General Meeting

### **November 2017**

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

## DEAR SHAREHOLDERS,

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

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Street/house number: \_\_\_\_\_

Zip code/City: \_\_\_\_\_

E-mail: \_\_\_\_\_

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- e-mail.
- e-mail (please send annual report per post).
- post.

