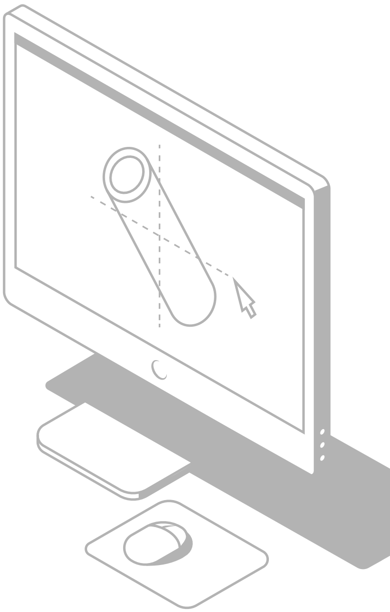
THE
INDUSTRIAL
GROUP

GESCO



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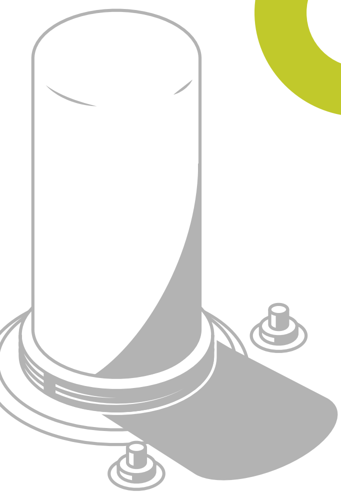

GESCO AG
QUARTERLY STATEMENT 2016/2017
1 APRIL TO 31 DEZEMBER 2016

OVERVIEW OF KEY POINTS

- MARGIN AND EARNINGS IMPROVEMENTS IN THE THIRD QUARTER
- INCOMING ORDERS STABLE, SALE AND EARNINGS DOWN ON THE PREVIOUS YEAR IN THE FIRST NINE MONTHS
- OPERATING PERFORMANCE BETTER THAN EXPECTED IN FOURTH QUARTER
- CHANGES TO PORTFOLIO: ONE ACQUISITION COMPLETED, ONE SALE PLANNED
- FULL-YEAR OPERATING OUTLOOK RAISED, BUT IMPACTED BY THE ONE-OFF EFFECTS FROM THE SALE DECISION
- POSITIVE OUTLOOK FOR THE NEW FINANCIAL YEAR 2017/2018

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

01.04.-31.12.		I.-III. Quarter 2016/2017	I.-III. Quarter 2015/2016	Change
Incoming orders	(€'000)	376,391	378,075	-0.4%
Sales	(€'000)	357,528	369,222	-3.2%
EBITDA	(€'000)	35,667	40,457	-11.8%
EBIT	(€'000)	19,946	25,253	-21.0%
Earnings before tax	(€'000)	17,842	23,043	-22.6%
Group net income after minority interest	(€'000)	9,727	12,970	-25.0%
Earnings per share acc. to IFRS [1)]	(€)	0.98	1.30	-25.0%
Employees	(No.)	2,526	2,550	-0.9%

[1)] Taking into account the share split 1:3 from 22. December 2016.

DEAR SHAREHOLDERS,

The GESCO Group achieved improvements in terms of sales and the margin in the third quarter compared to the relatively weak first two quarters of the financial year. In the fourth quarter, GESCO Group performed better than expected, allowing us to raise our full-year operating outlook for 2016/2017, which was last adjusted in November 2016.

However, the decision made after the end of the reporting period to put our majority share in Protomaster GmbH up for sale will have a significantly negative impact on the outlook. As explained on several occasions, this subsidiary has affected the consolidated financial statements over the past two financial years as well as in the current financial year due to its need for restructuring. The decision to put this company up for sale will impact earnings in the current financial year, but will also lower risks of future development to a major extent. This decision does not affect our strategy to invest in and develop companies over the long term.

The decision to sell-off Protomaster is offset by an attractive addition to the portfolio, with which we lay the foundations for external growth in the new financial year: In December 2016 we acquired the Pickhardt & Gerlach Group (PGW), a leading strip steel processor with sales of roughly € 30 million, as part of a succession planning process. We obtained the necessary approval from antitrust authorities for the acquisition in January 2017, enabling the transaction to be completed. Against the backdrop of this acquisition, GESCO AG is considering the option of utilising the authorised capital granted by the 2016 Annual General Meeting either in full or in part to further strengthen the equity base.

All in all, these changes strengthen our portfolio and make it more robust. In financial year 2017/2018, which begins on 1 April, we also expect to generate organic sales and earnings growth. We will therefore enter the new financial year with a reduced risk portfolio, a positive outlook in terms of operating business and external growth.

Last but not least, the share split at a ratio of 1:3 resolved by the Annual General Meeting was implemented in December 2016. This has allowed us to fulfil the requests of many shareholders to make the GESCO share “lighter” and therefore easier to trade.

Wuppertal, February 2017

Dr. Eric Bernhard
Chairman of the Executive Board

376,391 €'000

INCOMING
ORDERS

357,528 €'000

SALES
REVENUES

9,727 €'000

GROUP NET INCOME
AFTER MINORITY INTEREST

2,526

EMPLOYEES

BUSINESS PERFORMANCE

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

In view of the economic climate in this period, our statements in the half-year interim report remain largely valid, although the outcome of the US presidential election and initial actions by the new administration have significantly increased uncertainty over economic and political development.

At the GESCO Group, we defined a series of optimisation projects in the summer and the autumn within the scope of the portfolio strategy defined at the start of financial year 2016/2017. Some of these measures are currently being implemented while others are planned for financial year 2017/2018. The majority of them are expected to take effect from financial year 2018/2019.

Business performance in the first nine months of the financial year was characterised by a relatively weak first half of the year impacted by customer order deferrals and a livelier third quarter, in which sales rose and margins improved considerably compared to previous quarters. The subsequent fourth quarter was just as dynamic with better-than-expected operating development.

CHANGES TO THE SCOPE OF CONSOLIDATION

In December 2016, GESCO AG acquired 100 % of shares in Pickhardt & Gerlach Group (PGW), Finnentrop. PGW will be included in the Group balance sheet for the first time in the consolidated financial statements for 2016/2017, but will only be part of the Group income statement from the financial year 2017/2018. PGW has been allocated to the Resources Technology segment.

On 2 February 2017, GESCO AG decided to sell its majority share in Protomaster GmbH. As this decision was made in the fourth quarter of the financial year, the balance-sheet and earnings effects from the planned sale are not yet included in the Group financial statements for the first nine months of the year. The anticipated earnings effects are included in the full-year outlook.

DEVELOPMENT OF GROUP SALES AND EARNINGS IN THE THIRD QUARTER

In the third quarter, which spans the operating months July to September of the Group's subsidiaries, GESCO Group recorded order intake at a comparably high level of € 126.1 million, which represents a significant increase of 5.1 % on the previous year's figure of € 120.0 million.

Sales were particularly affected by the deferral by customers of deliveries originally planned for the first half of the year. All in all, Group sales came to € 128.8 million, failing to reach the high previous year's figure of € 131.9 million but significantly exceeding the levels recorded in the first and second quarters. Key earnings figures and margins were also much improved on the first two quarters.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 2.3 % from € 14.3 million to € 14.6 million. EBIT increased by 1.5 % to € 9.3 million (previous year's period: € 9.2 million). In view of the improvement in the financial result coupled with an increase in the tax rate, Group net income after minority interest came in at € 4.9 million, down from € 5.0 million in the same period in the previous year.

Earnings per share according to IFRS stood at € 0.49 on account of the increased number of shares; the previous year's figure, adjusted in line with the increase in share numbers, was € 0.50.

DEVELOPMENT OF SALES AND EARNINGS IN THE FIRST NINE MONTHS OF THE YEAR

With € 376.4 million, incoming orders were stable during the first nine months of the year and were roughly on par with the previous year's figure of € 378.1 million. Sales amounted to € 357.5 million (previous year's period: € 369.2 million). Against the backdrop of the relatively stable material expenditure ratio and the increased personnel expenditure ratio, EBITDA came to € 35.7 million (€ 40.5 million). EBIT stood at € 19.9 million (€ 25.3 million) after the slight increase in depreciation and amortisation. There was little change to the financial result, whereas the tax rate increased by a small margin. In total, Group net income after minority interest stood at € 9.7 million (€ 13.0 million). Based on the increased number of shares, earnings per share according to IFRS came to € 0.98, down from € 1.30 in the previous-year period.

Cash flow developed extremely positively in the reporting period, with cash flow from operating activities almost doubling from € 16.6 million to € 30.7 million. At the same time, liabilities to financial institutions were reduced by € 7.3 million to € 109.9 million.

SEGMENT PERFORMANCE

The **Production Process Technology** segment houses Group subsidiaries that largely provide products and services for series manufacturers' production processes. As in the first half of the year, sales and earnings declined year on year in this segment in the first three quarters. Looking at the year as a whole, we expect there to be a significant improvement in the overall situation: A number of machinery deliveries in the fourth quarter will result in a significant improvement in margins. All in all, the segment is likely to fall short of the previous year's sales but significantly outperform the previous year in terms of earnings.

The **Resources Technology** segment encompasses companies that supply material-intensive companies in the industrial sector. Given that a large number of orders were able to be fulfilled in the third quarter – as expected – there was a significant improvement in the margin compared to the preceding quarters of the reporting year. Sales remained practically unchanged at the same level as the previous year, while earnings declined year on year due to pressure on prices in the steel industry. We expect a distinct improvement in margins in the fourth quarter, meaning that full-year sales and earnings in this segment are likely to increase slightly year on year.

Companies in the **Healthcare and Infrastructure Technology** segment supply companies in mass consumer markets such as the medical, hygiene, food or sanitary sectors. The segment was in robust shape in the reporting period and generated a disproportionately high rise in earnings against the backdrop of practically unchanged sales figures. In year-on-year terms, we expect slight sales growth and a significant rise in earnings on a full-year basis.

The **Mobility Technology** segment houses companies that supply the automotive, commercial vehicle and rail industry. This segment is extremely varied in its make-up. The components supply market is performing well on the back of high production figures from the automotive industry, and we experienced dynamic development in large tools for bodywork parts, particularly in terms of incoming orders. By contrast, other companies in this segment suffered from reticence in terms of investment in the automotive industry. Overall, sales in this segment, to which restructuring case Protomaster also belongs, fell while earnings suffered a disproportionately high decline. We expect significant year-on-year falls in sales and earnings over the year as a whole.

ASSETS AND FINANCIAL POSITION

At € 410.9 million, the balance sheet total remained almost unchanged compared to the start of the financial year. On the assets side, balance sheet items remained largely stable, with inventories and trade receivables increasing slightly. Liquid assets stood at € 35.7 million as at the reporting date (31 March 2016: € 36.6 million).

On the liabilities side, subscribed capital was increased in equity by € 1,330,000 to € 9,975,000 through the conversion of capital reserves. A share split at a ratio of 1:3 was then carried out and the subscribed capital redistributed into 9,975,000 shares each with a nominal share in subscribed capital of € 1.00. This marked the implementation of corresponding resolutions at the Annual General Meeting on 25 August 2016. Equity as at the reporting date came to € 194.0 million, which equates to an equity ratio of 47.2 %. Non-current and current liabilities to financial institutions fell by 6.3 % to € 109.9 million.

INVESTMENTS

In the first nine months of the financial year, GESCO Group companies invested approximately € 12.6 million (previous year's period: € 16.7 million) in property, plant and equipment and intangible assets. The focuses of investment in the reporting period were at Modell Technik Formenbau GmbH, Frank Group and Dörrenberg Edelstahl GmbH.

EMPLOYEES

The number of employees at GESCO Group declined marginally in the reporting period from 2,550 to 2,526 employees. These figures do not include the workforce of the newly acquired Pickhardt & Gerlach Group.

OPPORTUNITIES, RISKS AND RISK MANAGEMENT

General statements on the subject of opportunities and risks, as well as the presentation of specific individual risks, in the consolidated 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.

OTHER DISCLOSURES

The share split at a ratio of 1:3 as resolved by the Annual General Meeting was implemented effective as at 22 December 2016. This measure is our response to requests from a large number of shareholders to make the GESCO share "lighter" and therefore easier to trade. The statements concerning earnings per share according to IFRS in this quarterly statement refer to the new number of shares; previous-year figures have been adjusted accordingly.

EVENTS AFTER THE REPORTING DATE, OUTLOOK AND FORECAST REPORT

This quarterly statement for the first nine months of the financial year encompasses the operating months January to September 2016 of the Group's subsidiaries. In the fourth quarter, which encompasses the operating months October to December 2016 of the Group's subsidiaries, incoming orders at the Group came to roughly € 122 million, a significant increase of some 16 % on the previous year's figure of € 105.1 million. Group sales in the fourth quarter stood at approximately € 125 million and on a par with the previous year (€ 124.8 million). This resulted in incoming orders exceeding sales over the year as a whole, meaning the book-to-bill ratio is above 1, which is a positive sign for future development. Order backlog rose over the course of the year by just under 10 % from € 171.7 million to approximately € 188 million.

In November 2016, we forecast Group net income after minority interest at between € 11.5 million and € 12.5 million for the full financial year 2016/2017. Operating business performed better than expected in the fourth quarter, meaning that we now believe on an operating basis that Group net income after minority interest will come in at between € 12.5 million and € 13.5 million. According to information available at the current time, placing Protomaster up for sale will likely impact earnings with a one-off effect of approximately € 6.5 million. This results in a new outlook for Group net income after minority interest of between € 6.0 million and € 7.0 million for financial year 2016/2017. This does not impact the forecast for Group sales of approximately € 480 million. The majority of the negative effects from the planned sale have no impact on liquidity.

Based on our current knowledge, we anticipate organic sales and earnings growth in the financial year 2017/2018, which begins on 1 April, as well as external growth through the acquisition of the Pickhardt & Gerlach Group.

Yours sincerely,

GESCO AG
The Executive Board

Wuppertal, February 2017

GESCO GROUP BALANCE SHEET AS AT 31 DECEMBER 2016 AND 31 MARCH 2016

€'000	31.12.2016	31.03.2016
Assets		
A. Non-current assets		
I. Intangible assets		
1. Industrial property rights and similar rights and assets as well as licences	11,192	13,635
2. Goodwill	12,952	13,005
3. Prepayments made	0	134
	24,144	**26,774**
II. Property, plant and equipment		
1. Land and buildings	57,116	57,986
2. Technical plant and machinery	48,120	50,058
3. Other plants, fixtures and fittings	21,374	21,643
4. Prepayments made and assets under construction	6,554	4,445
	133,164	**134,132**
III. Financial investments		
1. Shares in affiliated companies	52	52
2. Shares in companies valued at equity	1.817	1,743
3. Investments	156	156
4. Other loans	236	262
	2,261	**2,213**
IV. Other assets	1,620	2,131
V. Deferred tax assets	3,640	2,560
	164,829	**167,810**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	21,153	21,788
2. Unfinished products and services	47,427	43,403
3. Finished products and goods	66,353	66,431
4. Prepayments made	1,260	1,004
	136,193	**132,626**
II. Receivables and other assets		
1. Trade receivables	63,042	61,632
2. Amounts owed by affiliated companies	1,090	1,414
3. Amounts owed by companies valued at equity	830	968
4. Other assets	8,429	8,267
	73,391	**72,281**
III. Cash and credit balances with financial institutions	35,707	36,581
IV. Accounts receivable and payable	768	877
	246,059	**242,365**
	410,888	**410,175**

€'000		31.12.2016	31.03.2016
Equity and liabilities			
A.	Equity		
I.	Subscribed capital	9,975	8,645
II.	Capital reserves	53,332	54,662
III.	Revenue reserves	120,296	119,171
IV.	Own shares	0	-5
V.	Other comprehensive income	-4,362	-2,389
VI.	Minority interests (incorporated companies)	14,795	15,689
		194,036	**195,773**
B.	Non-current liabilities		
I.	Minority interests (partnerships)	1,653	3,035
II.	Provisions for pensions	18,660	16,306
III.	Other non-current provisions	621	598
IV.	Liabilities to financial institutions	74,294	76,452
V.	Other liabilities	1,542	1,517
VI.	Deferred tax liabilities	2,678	2,837
		99,448	**100,745**
C.	Current liabilities		
I.	Other provisions	11,345	8,783
II.	Liabilities		
	1. Liabilities to financial institutions	35,561	40,751
	2. Trade creditors	18,246	14,101
	3. Prepayments received on orders	22,512	21,436
	4. Liabilities to affiliated companies	102	337
	5. Liabilities to companies valued at equity	3	1
	6. Other liabilities	29,476	28,217
		105,900	**104,843**
III.	Accounts receivable and payable	159	31
		117,404	**113,657**
		410,888	**410,175**

GESCO GROUP INCOME STATEMENT FOR THE THIRD QUARTER (1 OCTOBER TO 31 DECEMBER)

€'000	III. Quarter 2016/2017	III. Quarter 2015/2016
Sales revenues	**128,784**	**131,915**
Change in stocks of finished and unfinished products	-5,106	-6,457
Other company-produced additions to assets	405	60
Other operating income	967	940
Total income	**125,050**	**126,458**
Material expenditure	-59,659	-62,010
Personnel expenditure	-35,336	-35,054
Other operating expenditure	-15,407	-15,073
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**14,648**	**14,321**
Depreciation on property, plant and equipment and intangible assets	-5,307	-5,115
Earnings before interest and tax (EBIT)	**9,341**	**9,206**
Earnings from companies valued at equity	12	135
Other interest and similar income	11	48
Interest and similar expenditure	-637	-953
Minority interest in partnerships	-58	-67
Financial result	**-672**	**-837**
Earnings before tax (EBT)	**8,669**	**8,369**
Taxes on income and earnings	-3,083	-2,587
Group net income	**5,586**	**5,782**
Minority interest in incorporated companies	-701	-770
Group net income after minority interest	**4,885**	**5,012**
Earnings per share (€) acc. to IFRS [1)]	0.49	0,50
Weighted average number of shares [1)]	9,958,826	9,952,200

[1)] Taking into account the share split 1:3 from 22. December 2016.

GESCO GROUP INCOME STATEMENT FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER)

€'000	I.-III. Quarter 2016/2017	I.-III. Quarter 2015/2016
Umsatzerlöse	**357,528**	**369,222**
Change in stocks of finished and unfinished products	3,206	-970
Other company-produced additions to assets	1,639	375
Other operating income	4,491	4,971
Total income	**366,864**	**373,598**
Material expenditure	-180,132	-184,218
Personnel expenditure	-107,178	-104,930
Other operating expenditure	-43,887	-43,993
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**35,667**	**40,457**
Depreciation on property, plant and equipment and intangible assets	-15,721	-15,204
Earnings before interest and tax (EBIT)	**19,946**	**25,253**
Depreciation on tangible and intangible assets	0	0
Earnings from companies valued at equity	95	270
Other interest and similar income	61	133
Interest and similar expenditure	-2,156	-2,393
Minority interest in partnerships	-104	-220
Financial result	**-2,104**	**-2,210**
Earnings before tax (EBT)	**17,842**	**23,043**
Taxes on income and earnings	-6,526	-8,006
Group net income	**11,316**	**15,037**
Minority interest in incorporated companies	-1,589	-2,067
Group net income after minority interest	**9,727**	**12,970**
Earnings per share (€) acc. to IFRS [1)]	0.98	1.30
Weighted average number of shares [1)]	9,969,471	9,965,184

[1)] Taking into account the share split 1:3 from 22. December 2016.

GESCO GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER)

€'000		I.-III. Quarter 2016/2017	I.-III. Quarter 2015/2016
1.	**Group net income**	**11,316**	**15,037**
2.	Revaluation of benefit obligations not impacting on income	-1,730	139
3.	**Items that cannot be transferred into the income statement**	**-1,730**	**139**
4.	Difference from currency translation		
	a) Reclassification into the income statement	0	0
	b) Changes in value with no effect on income	-471	9
5.	Market valuation of hedging instruments		
	a) Reclassification into the income statement	-38	-26
	b) Changes in value with no effect on income	154	-144
6.	**Items that can be transferred into the income statement**	**-355**	**-161**
7.	**Other income**	**-2,085**	**-22**
8.	**Total result for the period**	**9,231**	**15,015**
	of which shares held by minority interest	1,477	2,117
	of which shares held by GESCO shareholders	7,754	12,898

GESCO GROUP CASH FLOW STATEMENT FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER)

€'000	I.-III. Quarter 2016/2017	I.-III. Quarter 2015/2016
Result for the period (including share attributable to minority interest in incorporated companies)	**11,316**	**15,037**
Depreciation on fixed assets	15,721	15,204
Result from investments in associated companies	-95	-270
Share attributable to minority interest in partnerships	104	220
Changes in long-term provisions	-110	60
Other non-cash result	-274	-97
Cash flow for the period	**26,662**	**30,154**
Losses from the disposal of property, plant and equipment/intangible assets	58	209
Gains from the disposal of property, plant and equipment/intangible assets	-365	-583
Increase in stocks, trade receivables and other assets	-4,933	-24,234
Increase in trade creditors and other liabilities	9,310	11,021
Cash flow from ongoing business activity	**30,732**	**16,567**
Incoming payments from disposals of tangible assets/intangible assets	558	1,560
Disbursements for investments in property, plant and equipment	-12,405	-16,081
Disbursements for investments in intangible assets	-226	-612
Incoming payments from disposals of financial assets	25	23
Cash flow from investment activity	**-12,048**	**-15,110**
Disbursements to shareholders (dividend)	-6,650	-5,818
Incoming payments from minority interests	-10	0
Disbursements to minority interests	-5,809	-1,612
Incoming payments from the sale of own shares	882	829
Disbursement for the purchase of own shares	-926	-844
Incoming payments from raising (financial) loans	9,359	16,116
Outflow for repayment of (financial) loans	-16,366	-7,475
Cash flow from funding activities	**-19,520**	**1,196**
Decrease in cash and cash equivalents	**-836**	**2,653**
Exchange-rate related changes in cash and cash-equivalents	**-38**	**0**
Financial means on 01.04.	36,581	35,256
Financial means on 31.12.	**35,707**	**37,909**

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**
Dividends			-5,818	
Acquisition of own shares				-844
Disposal of own shares			-63	892
Result for the period			12,970	
As at 31.12.2015	**8,645**	**54,662**	**115,976**	**31**
As at 01.04.2016	**8,645**	**54,662**	**119,171**	**-5**
Dividends			-6,650	
Acquisition of own shares				-926
Disposal of own shares			-49	931
Acquisition of shares in subsidiaries			-1,903	
Increase of Subscribed capital from corporate funds	1,330	-1,330		
Result for the period			9,727	
As at 31.12.2016	**9,975**	**53,332**	**120,296**	**0**

GESCO GROUP SEGMENT REPORT FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER)

€'000	Production Process Technology		Resource Technology	
	2016/2017	2015/2016	2016/2017	2015/2016
Order backlog	47,726	49,264	63,288	64,349
Incoming orders	53,332	56,174	173,547	180,835
Sales revenues	45,222	51,192	166,410	165,830
of which with other segments	1,037	133	570	382
Depreciation	2,329	2,173	2,957	2,892
EBIT	1,377	1,755	13,705	14,964
Investments	914	2,327	2,625	3,456
Employees (No./reporting date)	460	462	712	721

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	-1,350	-7,168
			-844		-844
			829		829
-44	126	-154	12,898	2,117	15,015
-422	**-3,394**	**-176**	**175,322**	**15,313**	**190,635**
852	**-3,140**	**-101**	**180,084**	**15,689**	**195,773**
			-6,650	-735	-7,385
			-926		-926
			882		882
			-1,903	-1,636	-3,539
			0		0
-414	-1,669	110	7,754	1,477	9,231
438	**-4,809**	**9**	**179,241**	**14,795**	**194,036**

Healthcare and Infrastructure Technology		Mobility Technology		Reconsiliation		Group	
2016/2017	**2015/2016**	**2016/2017**	**2015/2016**	**2016/2017**	**2015/2016**	**2016/2017**	**2015/2016**
33,379	31,260	45,651	45,778	0	0	190,044	190,651
87,187	88,423	62,325	52,354	0	289	376,391	378,075
87,840	87,581	59,670	64,872	-1,614	-253	357,528	369,222
0	0	7	27	-1,614	-542	0	0
4,761	4,695	3,439	2,922	2,235	2,522	15,721	15,204
8,743	8,146	3,454	7,552	-7,333	-7,164	19,946	25,253
4,420	4,013	4,350	6,799	322	99	12,631	16,694
720	708	616	643	18	16	2,526	2,550

EXPLANATORY NOTES

ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The GESCO Group's release for the first nine months (1 April to 31 December 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

Following the conclusion of the purchase agreement in December 2016 and the granting of antitrust approval in January 2017, GESCO AG acquired 100 % of shares in Pickhardt & Gerlach Group (PGW), Finnentrop. PGW will be included in the Group balance sheet for the first time in the consolidated financial statements for 2016/2017, but will only be part of the Group income statement from the financial year 2017/2018.

Following the end of the nine-month period, GESCO AG decided to sell its share of Protomaster GmbH, Wilkau-Haßlau. The balance-sheet and earnings effects of this decision will be recorded in the consolidated financial statements for 2016/2017.

INFORMATION ON FINANCIAL INSTRUMENTS

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

€'000	Book value		Fair value	
	31.12.2016	31.03.2016	31.12.2016	31.03.2016
Trade receivables	63,042	61,632	63,042	61,632
Other receivables	7,547	7,013	7,547	7,013
of which hedging instruments	0	0	0	0
Cash and cash equivalents	35,707	36,581	35,707	36,581
Securities	0	0	0	0
Assets held for sale	0	0	0	0
Financial assets	**106,296**	**105,226**	**106,296**	**105,226**
Trade creditors	18,246	14,101	18,246	14,101
Liabilities to financial institutions	109,855	117,203	109,855	117,203
Other liabilities	51,451	49,847	51,451	49,847
of which hedging instruments	152	295	152	295
Liabilities held for sale	0	0	0	0
Financial liabilities	**179,552**	**181,151**	**179,552**	**181,151**

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

RELATED-PARTY TRANSACTIONS

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

FINANCIAL CALENDAR

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

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

31. August 2017
Annual General Meeting

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

DEAR SHAREHOLDERS,

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

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