

Q1
2014/2015



INTERIM REPORT
1 APRIL TO 30 JUNE 2014

THE ESSENTIALS AT A GLANCE

- IN THE FIRST QUARTER BIG INCREASE IN INCOMING ORDERS, SALES ON PAR WITH PREVIOUS YEAR, EARNINGS CONSIDERABLY STRAINED
- IN THE SECOND QUARTER STABLE SALES, DECLINE IN INCOMING ORDERS
- SALES AND EARNINGS FOR THE FULL YEAR EXPECTED AT THE LOWER END OF THE FORECAST RANGE
- GEOPOLITICAL RISKS NEGATIVELY IMPACT THE BUSINESS CLIMATE OVERALL

GESCO GROUP KEY FIGURES FOR THE FIRST QUARTER OF THE 2014/2015 FINANCIAL YEAR

01.04.-30.06.		I. Quarter 2014/2015	I. Quarter 2013/2014	Change
Incoming orders	(T€)	126,668	110,442	14.7%
Sales revenues	(T€)	109,543	108,914	0.6%
EBITDA	(T€)	11,403	11,951	-4.6%
EBIT	(T€)	6,869	7,874	-12.8%
Earnings before tax	(T€)	6,164	7,208	-14.5%
Group net income after minority interest	(T€)	3,753	4,504	-16.7%
Earnings per share acc. to IFRS	(€)	1.13	1.35	-16.7%
Employees	(No.)	2,422	2,285	6.0%

DEAR SHAREHOLDERS,

GESCO Group recorded stable sales development and an encouragingly high level of incoming orders in the first quarter (1 April to 30 June 2014) of financial year 2014/2015 (1 April 2014 to 31 March 2015). As announced and explained in detail at the annual accounts press conference, however, the difficult situation of two subsidiaries was responsible for putting considerable strain on Group earnings.

All in all, the first quarter, which comprises the subsidiaries' operating business from January to March, saw a cautiously positive economic climate that several Group companies were able to use to their advantage to deliver a solid performance. The difficult situation at the subsidiaries MAE Maschinen- und Apparatebau Götzen GmbH and Protomaster GmbH in particular put considerable strain on Group earnings, however. At the annual accounts press conference on 26 June 2014, we explained that these companies were literally overwhelmed by customer demand and requirements. These companies are facing considerable challenges at the moment on account of such strong growth, which makes structural adjustments necessary.

In addition, our Frank Walz- und Schmiedetechnik GmbH subsidiary, which produces wear parts for the agriculture market, is suffering from the effects of the crisis in Ukraine. The conflicts concerning Ukraine already hit agricultural machinery manufacturers quite hard in the spring as orders from the important markets of Russia, Ukraine and Kazakhstan decreased significantly due to the considerable weakening of the currencies in those countries. This had a direct negative impact on Frank's business in terms of original equipment for agricultural machinery and spare parts.

The deterioration of the overall business climate could be felt in the second quarter, which comprises the subsidiaries' operating business from April to June. Sales were about on par with the first quarter, but there were far fewer incoming orders compared to the large number recorded in the first quarter of the reporting period.

DEVELOPMENT OF GROUP SALES AND EARNINGS

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 interim report for the first three months of financial year 2014/2015 therefore encompasses the operating months January to March 2014 of the Group's subsidiaries. In the reporting period, MAE Eitel Inc., Orwigsburg/USA was included in the consolidated income statement for the first time. We provided detailed information in our Annual Report for financial year 2013/2014 on the acquisition of Eitel Presses Inc.'s business operations through our subsidiary MAE Maschinen- und Apparatebau Götzen GmbH via its American subsidiary in early January 2014.

Incoming orders amounted to € 126.7 million in the first quarter, and as a result were up 14.7 % year on year (previous year's period: € 110.4 million). Group earnings stood at € 109.5 million, which was slightly higher year on year (€ 108.9 million). Earnings were negatively impacted by the reasons already mentioned, which caused earnings before interest, taxes, depreciation and amortisation (EBITDA) to fall to € 11.4 million (€ 11.9 million). The considerable investments made in previous years meant that depreciation and amortisation rose considerably. As a result, earnings before interest and taxes (EBIT) fell more sharply than EBITDA to € 6.9 million (€ 7.9 million). Group net income after minority interest came to € 3.7 million (€ 4.5 million). This equates to earnings per share pursuant to IFRS of € 1.13 (€ 1.35).

Order backlog amounted to € 205.0 million at the end of the first quarter (€ 203.3 million).

SEGMENT REPORTING

The tool manufacture and mechanical engineering segment is still the much larger of the two segments. Incoming orders rose considerably by 17.7 % to € 118.8 million (€ 100.9 million). At € 101.0 million, sales were almost exactly on par with the previous year's period (€ 101.3 million). EBIT declined to € 8.2 million (€ 8.9 million) due to the effects mentioned above.

In the plastics technology segment, incoming orders fell by a substantial margin from € 9.4 million in the first quarter of the previous year to € 7.8 million. However, sales rose from € 7.5 million to € 8.4 million. EBIT came to € 1.0 million (€ 1.1 million).

ASSETS AND FINANCIAL POSITION

Total assets increased by 5.7 % compared to the reporting date 31 March 2014. Inventories in particular increased, which is typical at the beginning of the financial year. Liquidity also rose considerably and came to € 48.3 million (€ 38.8 million).

On the liabilities side, equity rose slightly to € 180.5 million (€ 176.6 million). As a result, the equity ratio as of the reporting date 30 June 2014 amounted to 44.9 % (31 March 2014: 46.5 %). Prepayments received on orders totalled € 28.6 million as of the reporting date, making a considerable contribution to the increase in liquidity. Current liabilities to financial institutions and trade payables were up against the figures as of the reporting date at the beginning of the financial year.

Balance sheet ratios at GESCO Group remain very healthy. Sufficient liquidity and a high equity base ensure that GESCO Group has full freedom to manoeuvre; indebtedness, the ratio of net bank debt to EBITDA, is moderate at 1.2.

INVESTMENTS

In the first quarter, the GESCO Group companies invested approximately € 5.4 million in property, plant and equipment and intangible assets (€ 4.0 million). The main focus of investment was at AstroPlast Kunststofftechnik GmbH & Co. KG, C.F.K. CNC-Fertigungstechnik Kriftel GmbH and Modell Technik GmbH & Co. Formenbau KG.

EMPLOYEES

As at the reporting date, GESCO Group employed 2,422 people compared to 2,285 in the previous year. Among other things, this increase is due to the inclusion of MAE Eitel Inc. in the consolidated income statement for the first time.

OPPORTUNITIES, RISKS AND RISK MANAGEMENT

Our explanations on the subject of opportunities and risks in the consolidated financial statements as of 31 March 2014 remain essentially unchanged and valid. For more details, please refer to the Annual Report 2013/2014, which is available online at www.gesco.de.

OUTLOOK AND EVENTS AFTER THE REPORTING DATE

As explained above, the second quarter of financial year 2014/2015 encompasses the operating months April to June 2014 of the subsidiaries. At approximately € 110 million, sales in this period were up slightly on the previous year's figure and approximately on par with that of the first quarter of the current financial year. After a strong increase in the first quarter, incoming orders fell by a substantial margin to approximately € 100 million. The effects explained above put a strain on earnings in the second quarter as well.

At the annual accounts press conference on 26 June 2014, we forecast Group sales for financial year 2014/2015 of between € 470 million and € 480 million and Group net income after minority interest of between € 17.5 million and € 18.5 million. From the present perspective, we anticipate that sales and earnings will be at the lower end of these ranges. The structural adjustments at MAE Maschinen- und Apparatebau Götzen GmbH and Protomaster GmbH have not been completed yet, and Frank Walz- und Schmiedetechnik GmbH continues to suffer from the effects of the crisis in Ukraine.

In addition, the deterioration of the overall business climate in recent weeks and months can be felt. The crisis in Ukraine, the consequent confrontation with Russia and the many other geopolitical hot spots are all having a noticeable negative impact on the overall business climate and the willingness of customers to invest. Accordingly, the VDMA lowered its production growth forecast from an increase of 3 % down to 1 % for 2014. The full extent of the impact of sanctions against Russia as well as possible countermeasures Russia might take is not clearly foreseeable. However, there is no doubt that the sanctions and possible countermeasures will have a considerable impact on German industry. At GESCO Group, the more restrictive issuance of export permits has currently affected one machine order. There is no way of knowing at the moment whether the energy sector and especially the loading arms of SVT GmbH will also be affected.

We have been experiencing a certain cool-down in the M&A market in terms of the offering to well-positioned industrial SMEs from the sectors that are relevant to us. This could be attributed on the one hand to the rather subdued economic situation of many industrial companies. On the other hand, entrepreneurs who are willing to divest see very few attractive investment opportunities for their sales proceeds. We are nevertheless looking into a company at the moment for purchase by GESCO AG, as well as another company that could be a strategic international addition to one of our subsidiaries.

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

Yours sincerely,

GESCO AG
The Executive Board

Wuppertal, 15 August 2014

GESCO GROUP BALANCE SHEET

AS AT 30 JUNE 2014 AND 31 MARCH 2014

€'000	30.06.2014	31.03.2014
Assets		
A. Non-current assets		
I. Intangible assets		
1. Industrial property rights and similar rights and assets as well as licences	11,555	11,888
2. Goodwill	12,423	12,423
3. Prepayments made	186	264
	24,164	24,575
II. Property, plant and equipment		
1. Land and buildings	50,017	50,213
2. Technical plant and machinery	36,086	35,942
3. Other plant, fixtures and fittings	21,011	21,310
4. Prepayments made and plant under construction	7,013	5,670
5. Property held as financial investments	1,713	1,737
	115,840	114,872
III. Financial investments		
1. Shares in affiliated companies	15	15
2. Shares in associated companies	1,283	1,192
3. Investments	156	156
4. Other loans	181	181
	1,635	1,544
IV. Other assets	2,256	2,344
V. Deferred tax assets	3,062	3,057
	146,957	146,392
B. Current assets		
I. Inventories		
1. Raw materials and supplies	21,113	21,986
2. Unfinished products and services	49,059	41,514
3. Finished products and goods	55,949	55,225
4. Prepayments made	948	443
	127,069	119,168
II. Receivables and other assets		
1. Trade receivables	63,848	65,517
2. Amounts owed by affiliated companies	831	624
3. Amounts owed by companies with which a shareholding relationship exists	1,251	431
4. Other assets	12,152	8,468
	78,082	75,040
III. Cash in hand and credit balances with financial institutions	48,315	38,815
IV. Accounts receivable and payable	1,287	535
	254,753	233,558
	401,710	379,950

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

€'000	I. Quarter 2014/2015	I. Quarter 2013/2014
Sales revenues	109,543	108,914
Change in stocks of finished and unfinished products	6,307	6,345
Other company produced additions to assets	60	69
Other operating income	1,559	1,852
Total income	117,469	117,180
Material expenditure	-60,219	-61,816
Personnel expenditure	-32,534	-30,697
Other operating expenditure	-13,313	-12,716
Earnings before interest, tax, depreciation and amortisation (EBITDA)	11,403	11,951
Depreciation on tangible and intangible assets	-4,534	-4,077
Earnings before interest and tax (EBIT)	6,869	7,874
Earnings from investments	41	13
Other interest and similar income	57	60
Interest and similar expenditure	-725	-745
Minority interest in partnerships	-78	6
Financial result	-705	-666
Earnings before tax (EBT)	6,164	7,208
Taxes on income and earnings	-1,966	-2,257
Group net income	4,198	4,951
Minority interest in incorporated companies	-445	-447
Group net income after minority interest	3,753	4,504
Earnings per share (€) acc. to IFRS	1.13	1.35
Weighted average number of shares	3,324,763	3,318,143

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

C'000	01.04.2014- 30.06.2014	01.04.2013- 30.06.2013
1. Group net income	4,198	4,951
2. Revaluation of benefit obligations not impacting on income	0	0
3. Items that cannot be transferred into the income statement	0	0
4. Difference from currency translation		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	-28	24
5. Market valuation of hedging instruments		
a) Reclassification into the income statement	-49	-46
b) Changes in value with no effect on income	20	-301
6. Items that can be transferred into the income statement	-57	-323
7. Other income	-57	-323
8. Total result for the period	4,141	4,628
of which shares held by minority interest	436	423
of which shares held by GESCO shareholders	3,705	4,205

GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
Stand 01.04.2013	8,645	54,635	93,711	-31
Other neutral changes				
Result for the period			4,504	
Change in scope of consolidation				
As at 30.06.2013	8,645	54,635	98,215	-31
As at 01.04.2014	8,645	54,662	103,521	-17
Dividends				
Result for the period			3,753	
Change in scope of consolidation				
As at 30.06.2014	8,645	54,662	107,274	-17

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

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	2014/2015	2013/2014	2014/2015	2013/2014
Order backlog	199,515	197,979	5,509	5,275
Incoming orders	118,813	100,934	7,767	9,393
Sales revenues	101,045	101,324	8,410	7,475
of which with other segments	0	0	0	0
Depreciation	3,047	2,791	449	368
EBIT	8,232	8,873	978	1,144
Investments	3,265	3,906	2,172	137
Employees (No./reporting date)	2,262	2,135	144	134

Exchange equalisation items	Revaluation of pensions	Hedging instruments	Total	Minority interest incorporated companies	Equity capital
-427	-2,257	369	154,645	11,855	166,500
				85	85
24		-323	4,205	423	4,628
			0	101	101
-403	-2,257	46	158,850	12,464	171,314
-672	-2,079	143	164,203	12,401	176,604
				-395	-395
-19		-29	3,705	436	4,141
				178	178
-691	-2,079	114	167,908	12,620	180,528

	GESCO AG		Other/consolidation		Group	
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014
	0	0	0	0	205,024	203,254
	0	0	88	115	126,668	110,442
	0	0	88	115	109,543	108,914
	0	0	0	0	0	0
	31	37	1,007	881	4,534	4,077
	-1,388	-1,167	-953	-976	6,869	7,874
	5	1	0	0	5,442	4,044
	16	16	0	0	2,422	2,285

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

€'000	I. Quarter 2014/2015	I. Quarter 2013/2014
Group net income for the year (including share attributable to minority interest in incorporated companies)	4,198	4,951
Depreciation on property, plant and equipment and intangible assets	4,534	4,077
Result from investments in associated companies	-41	-13
Share attributable to minority interest in partnerships	78	-6
Increase in long-term provisions	108	81
Other non-cash expenditure/income	27	-374
Cash flow for the period	8,904	8,716
Losses from the disposal of property, plant and equipment/intangible assets	0	17
Gains from the disposal of property, plant and equipment/intangible assets	-103	-75
Increase in stocks, trade receivables and other assets	-11,654	-23,557
Increase in trade creditors and other liabilities	12,869	14,586
Cash flow from ongoing business activity	10,016	-313
Incoming payments from disposals of property, plant and equipment/intangible assets	89	225
Disbursements for investments in property, plant and equipment	-5,050	-3,862
Disbursements for investments in intangible assets	-391	-127
Incoming payments from disposals of financial assets	0	26
Disbursements for investments in financial assets	-55	-20
Cash flow from investment activity	-5,407	-3,758
Incoming payments from minority interests	178	0
Disbursements to minority interests	-483	0
Incoming payments from raising (financial) loans	14,025	8,479
Outflow for repayment of (financial) loans	-8,829	-2,847
Cash flow from funding activities	4,891	5,632
Cash increase in cash and cash equivalents	9,500	1,561
Financial means on 01.04.	38,815	37,464
Financial means on 30.06.	48,315	39,025

EXPLANATORY NOTES

ACCOUNTING AND VALUATION METHODS

The report of GESCO Group for the first quarter (1 April to 30 June 2014) of financial year 2014/2015 (1 April 2014 to 31 March 2015) 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 of 31 March 2014. 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

In the reporting period, MAE Eitel Inc., Orwigsburg/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 2014.

INFORMATION ON FINANCIAL INSTRUMENTS

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

	30.06.2014	Book value 31.03.2014	30.06.2014	Fair value 31.03.2014
Trade receivables	63,848	65,517	63,848	65,517
Other receivables	8,684	7,427	8,684	7,427
of which hedging instruments	82	116	82	116
Cash and cash equivalents	48,315	38,815	48,315	38,815
Financial assets	120,847	111,759	120,847	111,759
Trade creditors	21,848	14,581	21,848	14,581
Liabilities to financial institutions	102,077	96,881	102,077	96,881
Other liabilities	60,064	56,983	60,064	56,983
of which hedging instruments	279	293	279	293
Financial liabilities	183,989	168,445	183,989	168,445

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

FINANCIAL CALENDAR

14 November 2014

Despatch of the interim report (1 April to 30 September 2014)

February 2015

Figures for the first three quarters (1 April to 31 December 2014)

25 June 2015

Annual Accounts Press Conference and Analysts' Meeting

August 2015

Figures for the first quarter (1 April to 30 June 2015)

18 August 2015

Annual General Meeting

November 2015

Despatch of the interim report (1 April to 30 September 2015)

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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