DOCUMENTATION
OF COMMITMENT

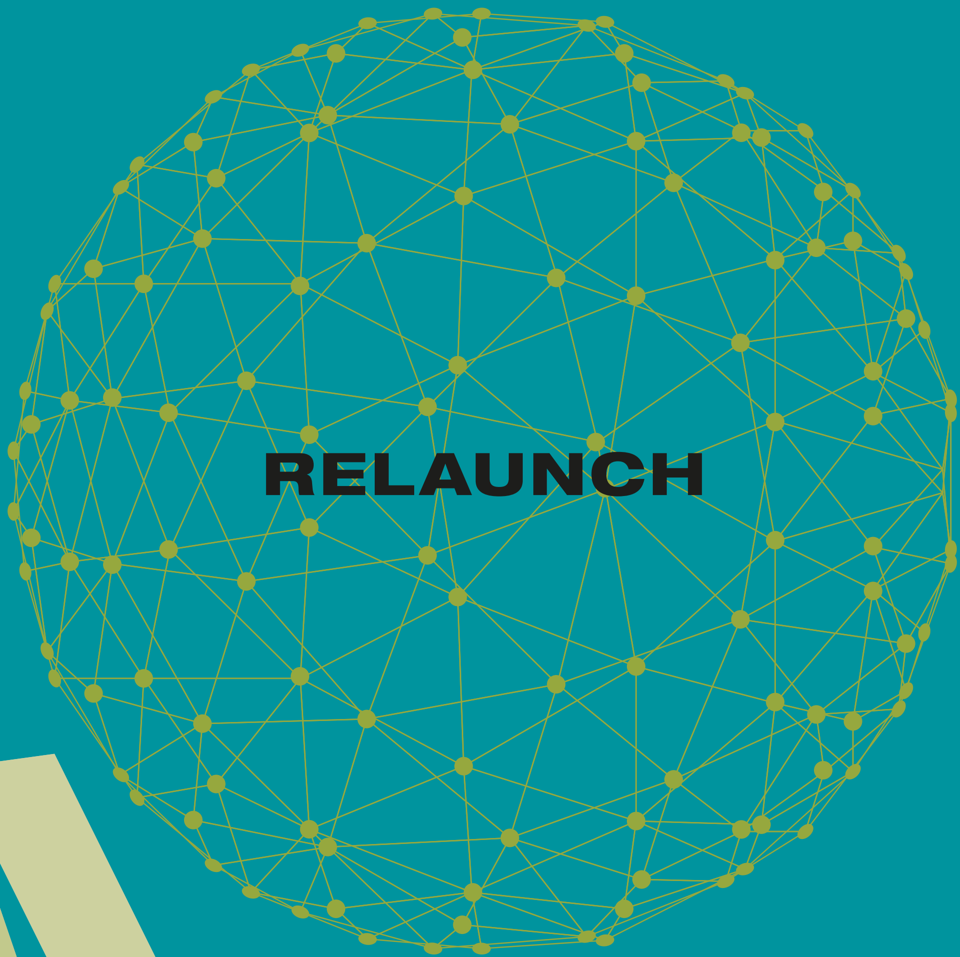
RELAUNCH

ANNUAL REPORT
2016/2017

DOCUMENTATION
OF COMMITMENT

RELAUNCH

EVOLUTION



Starting point:
a long-standing, successful business model had been losing momentum since 2012/2013.

Goal: new, profitable growth by expanding our market position, improving competitiveness and making acquisitions.

1

SITUATION **ANALYSIS**

Goal: to scrutinize the previous business model and the way we carried out our role as shareholder, identifying room for improvement.

Achieved: Q1/2016

What are the attractive markets for us?

MEGA TREND **ANALYSIS**

2

How can we utilize our skills to shape the future?

SEGMENT **STRUCTURING**

3

How can we secure a leading role and good returns on sales?

BENCHMARK **FOR EACH COMPANY**

4

5

MANAGEMENT **LEVERS**

What is the best way for us to meet our obligations as shareholder?

6

GROWTH **LEVERS**

Which mix of measures can we take in order to improve?

7

MANAGEMENT METHODS

How can the holding create clear added value while providing the most freedom?

8

DEVELOPING VALUES & CULTURE

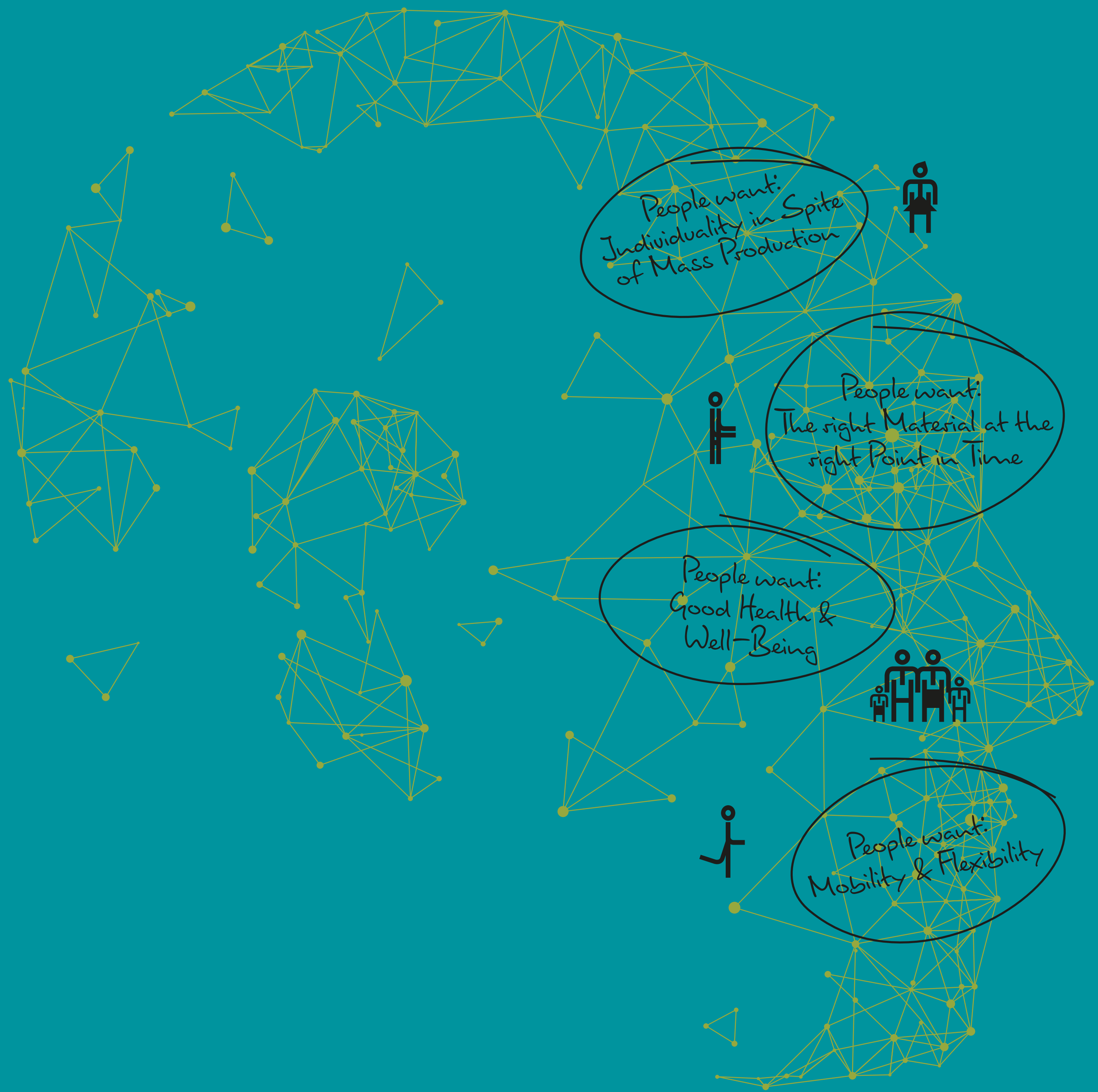
How can we preserve our values while developing a strong culture of performance and results?

What are
the attractive
markets for us?

2 MEGA TREND **ANALYSIS**

Goal: to identify growth markets, detect skills and translate them into segmentation.

Achieved: Q1/2016



How can we utilize our skills to shape the future?

3

SEGMENT
STRUCTURING

Goal: to create a basis for focussed growth

Achieved: Q2/2016

4 investments

PRODUCTION PROCESS
TECHNOLOGY

RESOURCE
TECHNOLOGY

3 investments

6 investments

HEALTHCARE & INFRASTRUCTURE
TECHNOLOGY

4 investments

MOBILITY
TECHNOLOGY

4

How can we secure a leading role and good returns on sales?

BENCHMARK FOR **EACH COMPANY**

Goal: to identify optimisation potentials and areas where assistance is required, set performance targets and enshrine success by carrying out a change in culture.

Achieved: Q3/2016

Market leaders!

Amongst the leading players in their markets -> GESCO provides them with stimuli as a sparring partner

Upwards potential, so: GESCO provides intensive consulting support -> defined measures, some of which have been finalised and are now being implemented

5 MANAGEMENT **LEVERAGE**

What is the best way for us to meet our obligations as shareholder?

Goal: to define robust organisations

Achieved: Q4/2016

STAFFING
MANAGING DIRECTOR ROLES & KEY POSITIONS

A number of managing director positions have been re-staffed and we have begun consistently developing companies into robust organisations, on the second tier as well.

CONSULTING
FOR HOLDINGS

FINANCIAL
PORTFOLIO MANAGERS

A stronger focus due to less companies per investment manager

TECHNICAL
PORTFOLIO MANAGERS

One additional engineer since Oct. '16 to support projects in the companies

MARKETING

New holding position: implemented in Feb. '17.

PRIORITISATION
INVESTMENTS FOR GROWTH AND COMPETITIVENESS

Approx. € 20.2 million invested in 2016/17 FY (19 % below previous year)

6

Which mix of measures can we take in order to improve?

COMPANY**GROWTH**

LEVERS

Goal: to grow organically

Achieved: for the year 16/17

SALES
GROWTH

IMPROVING
COMPETITIVENESS

INTENSIFYING
MARKETING & SALES

INCREASING
INVESTMENT CAPACITY

new machines and expansion areas

INTENSIFYING
INNOVATIONS

new products in a number of companies

OPTIMISING
MARKET IMAGE

new business segments, service concepts and sales approaches

INCREASING
SALES EFFORTS

INCREASING
CASH FLOW

significant reduction in working capital

OPTIMISING
INVENTORY MANAGEMENT

CHANGING
TERMS OF PAYMENT

INVESTMENTS
AUTOMATION

focus of current investment plans

OPTIMISING
COSTS

OPTIMISING
SUPPLY CHAIN

e.g. LEAN projects

OPTIMISING
STAFF RATIO

Goal: to utilise natural fluctuation

HOLDINGGROWTH LEVERS

Goal: to use acquisitions to grow

Achieved: for the year 16/17

GROWTH
ACQUISITIONS

INITIATION OF
DIRECT APPROACH

introduced in 2016 with very positive response, currently being further expanded with good deal flow

FOCUSSING
M&A APPROACH

developing the portfolio whilst remaining aware of risks and reviewing acquisitions intensively

Protomaster put up for sale after several consecutive years of loss
Achieved 2 February 2017

addition of a real hidden champion: acquisition of Pickhardt & Gerlach
Achieved Dec. 2016/Jan. 2017

CAPITAL MARKET GROWTH LEVERS

Goal: to generate growth capital

Achieved: for the year 16/17

INCREASING
SUBSCRIBED CAPITAL

IMPLEMENTING
SHARE SPLIT

turn 1 into 3
Achieved:
22 December 2016

IMPLEMENTING
CAPITAL INCREASE

oversubscribed several times!
Achieved:
21 March 2017

7

How can the holding create clear added value while providing the most freedom?

MANAGEMEMT **METHODS**

Goal: to provide investments with optimal consulting

Achieved: for the year 16/17, new processes introduced

NEW: using the annual strategy days as a kick-off for planning

STRATEGY DAY

ambitious three-year plans in the companies in order to achieve the goals set together with the managing directors

STRATEGIC PLANNING

SPARRINGS-PARTNER & CONSULTING BY THE HOLDING

Portfolio Managers advise companies on business topics and technical projects

REPORTING

accelerated monthly reporting and more detailed KPIs

How can we preserve our values while developing a strong culture of performance and results?

8

DEVELOPING **VALUES & CULTURE**

Goal: to combine tradition and change

Achieved: for the year 16/17, keeping to tradition

NO MERGERS

COMMITMENT TO GERMANY AS A PRODUCTION LOCATION

HEALTHY BALANCE SHEET STRUCTURE

NO EXIT STRATEGIES

LOW GOODWILL

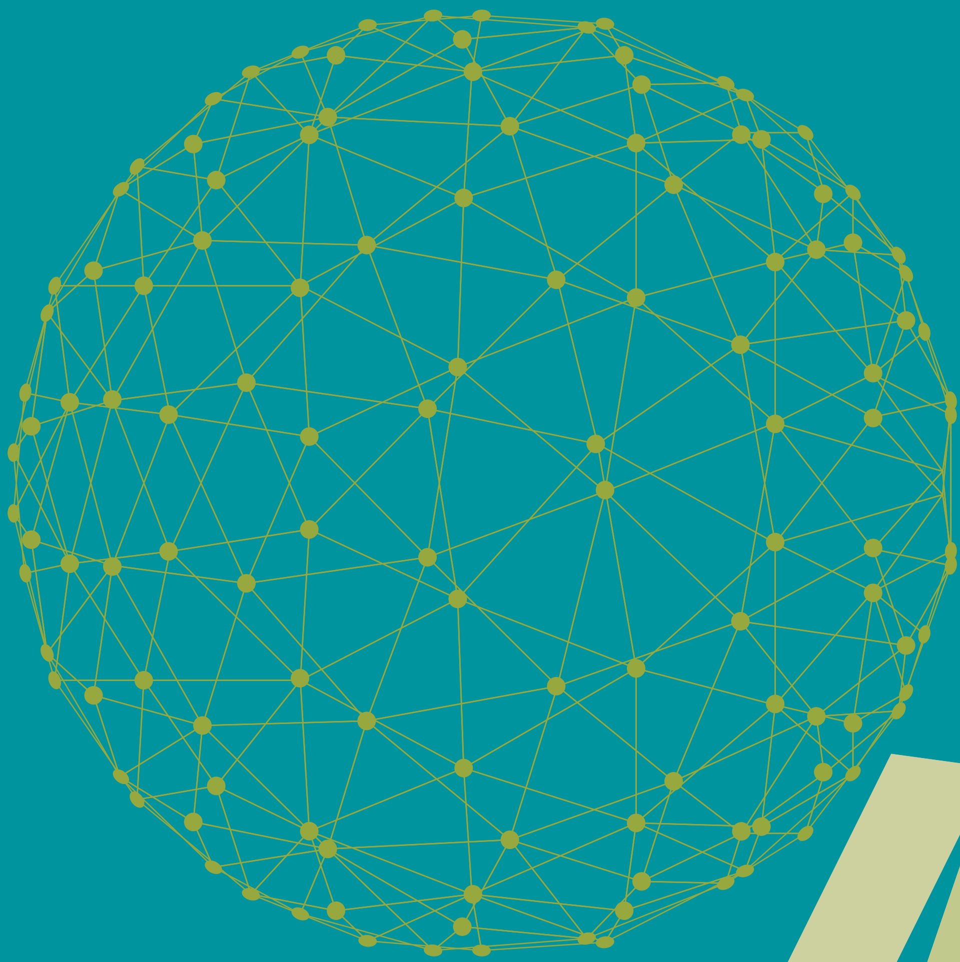
SUSTAINABLE STAFF POLICY

FOCUS ON CASH FLOW

CONTINUOUS INVESTMENTS

NO JOINT LIABILITY SCHEMES

OUTLOOK



2016/2017

We have set a number of measures in motion in order to lead GESCO back to the path of profitable growth.

we have decided upon goals and measures, put processes in place and begun planning their implementation

2017/2018

we expect sales growth and above-average increase in profits

the positive development of the first quarter of 2017/2018 has reinforced our optimism until 2022

profitable growth, achieved with a stronger market position long term, improved competitiveness and successful acquisitions

ambitious, but possible with consistent implementation

PORTFOLIO *STRATEGY*

2022

Motto for 2017/2018: "Just do it"

GESCO IN A NUTSHELL

GESCO is a technology group and provides with access to German SMEs long-term success with the flexibility of shares.

GESCO acquires long-term majority investments in successful, established and market-leading German technology SMEs.

FOUNDING
GESCO GROUP
1989

INITIAL PUBLIC OFFERING
GESCO GROUP
1998

HEADQUARTERS
GESCO GROUP
WUPPERTAL

FINANCIAL YEAR
HOLDING
01.04.-31.03.

FINANCIAL YEAR
GESCO INVESTMENTS
01.01.-31.12.

PORTFOLIO
contains market leaders and players who are established in their industry

forward-looking end markets based on
MEGA TRENDS

17
PORTFOLIO COMPANIES

4
GROUP SEGMENTS

RELAUNCH

HIDDEN CHAMPIONS

ESSENTIAL **GROUP FINANCIAL** FIGURES

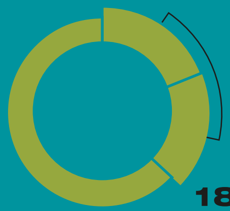
€ 482 Mn.

GROUP SALES

DIRECT SALES
BY REGION

63 %
GERMANY

19 %
EUROPE
(excluding Germany)



18 %
OTHER COUNTRIES
(outside of Europe)

estimate:
half of our sales
in Germany go to
global end customers
as indirect exports.

SALES
BY SEGMENTS

MOBILITY
TECHNOLOGY
€ 73.9 Mn.

PRODUCTION PROCESS
TECHNOLOGY
€ 74,6 Mn.

HEALTHCARE & INFRASTRUCTURE
TECHNOLOGY
€ 113,9 Mn.

RESSOURCE
TECHNOLOGY
€ 222,1 Mn.

€ 41.9 Mn.

CASH FLOW
FROM ONGOING BUSINESS ACTIVITIES

significant increase
compared with
previous year (+56 %)

SALES
OF THE INVESTMENTS

8.6
(min.)

181.1
(max.)

48.7 %

EQUITY
RATIO

in general,
solid equity ratios
in the companies

€ 22.1 Mn.

GROUP
EBIT

€ 7.9 Mn.

GROUP NET INCOME
AFTER MINORITY INTEREST
This includes a negative one-off effect from putting Protomaster GmbH up for sale.

Please find detailed information on the following pages

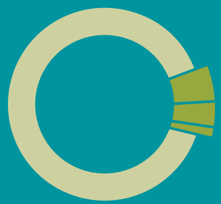
GESCO
EMPLOYEES

2,535
EMPLOYEES WORLDWIDE

6%
APPRENTICESHIP RATIO
(only for Germany)

16
EMPLOYEES
IN THE HOLDING

EMPLOYEES
BY COUNTRY/
CONTINENT



2,296
GERMANY
120
NORTH AMERICA
88
EUROPE
31
ASIA

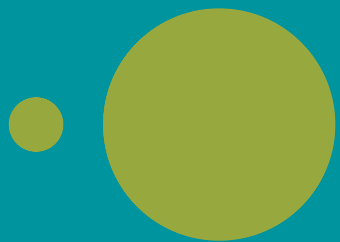
EMPLOYEE SHAREHOLDING
DEVELOPMENT

€ 8,259.50
SUM OF PERSONAL CONTRIBUTIONS (1998-2016)
(launch of the investment programme in 1998)

€ 43,472.86
VALUE OF SHARES (AS OF 31 MARCH 2017)
(with annual participation, excluding divestments, including dividends)

+426 %
INCREASE IN VALUE
(AS OF 31 MARCH 2017)

EMPLOYEES
IN INVESTMENTS



41
(min.)
523
(max.)

GESCO
LOCATIONS

36
LOCATIONS WORLDWIDE

LOCATIONS
BY FUNCTION

GERMANY
19
PRODUCTION
3
SALES / STORAGE / SERVICE

ABROAD
3
PRODUCTION
11
SALES / STORAGE / SERVICE

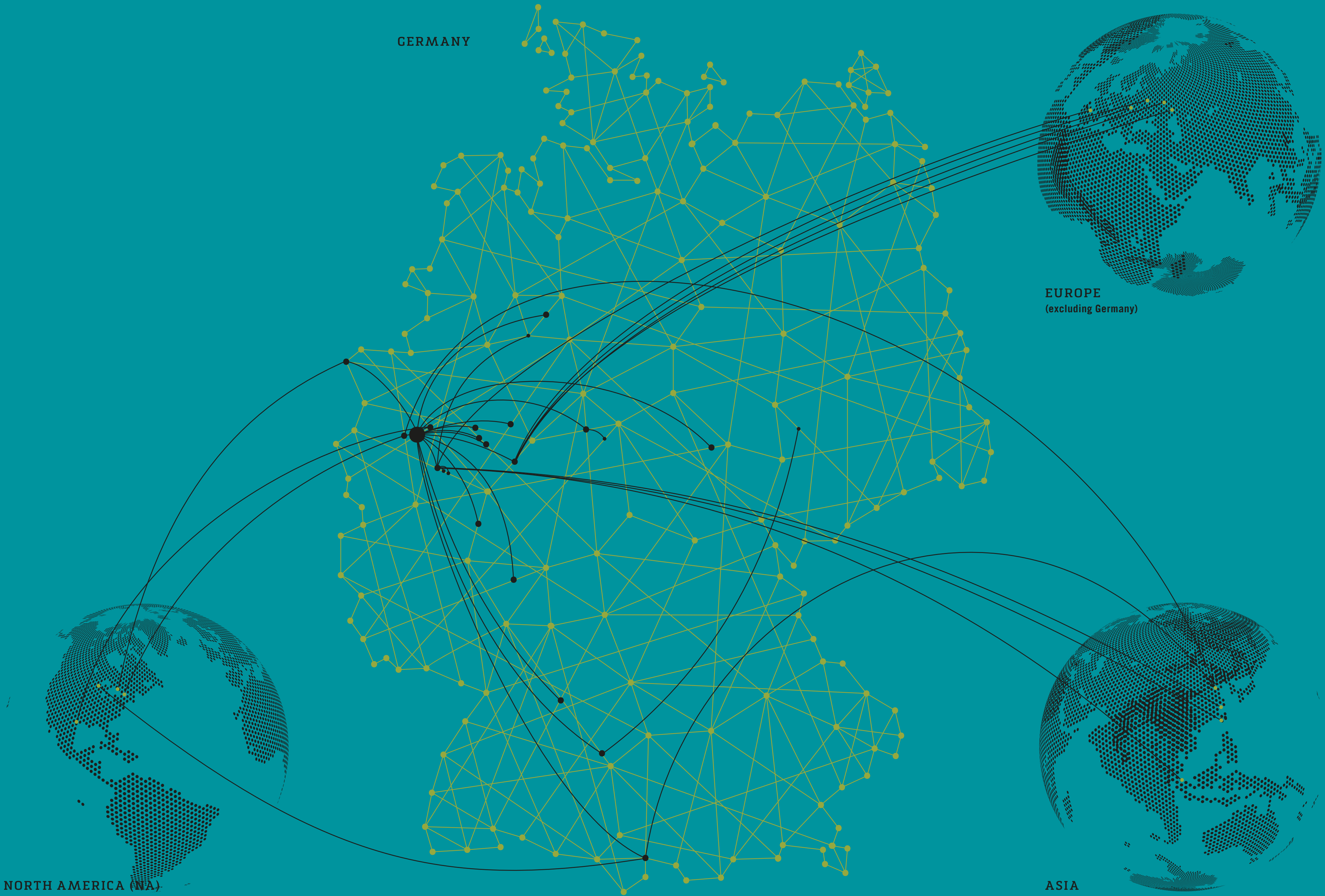
17
MAIN LOCATIONS
OF INVESTMENTS

IN GERMANY

GESCO has never moved a location from Germany abroad

NUMBER OF LOCATIONS
BY CONTINENT

22
(Germany)
5 **4**
(EU) (NA)
5
(ASIA)


GERMANY
EUROPE
(excluding Germany)
NORTH AMERICA (NA)
ASIA

GESCO WITH AN INVESTMENT SCHEME
AS A LONG-TERM INVESTOR

Solutions for business owners with the intention to sell, customised to individual situation

MOTIVATION
TO SELL

Long-term Perspectives for
Family and Workforce

Partner for
Further Growth wanted

Sparring Partner
wanted

EXPANDING
MODEL FOR SUCCESS
COOPERATIVELY

Stronger Position
vis-a-vis Banks due to
renowned Co-Shareholder

Request for Retirement or
a Change in Circumstances
with unresolved Succession Plan

PUTTING ONE'S
LIFE'S WORK
IN GOOD HANDS

New Owner intends
to continue
Corporate Culture

OPTIONS
AFTER SALE

Seller remains a managing minority partner
or managing director and continues
to run the company

Together with GESCO, the seller looks for
an optimal managing director with an investment option,
carries out a smooth, quick handover, leaves the company
and is still available as an optional consultant

WHAT **WE DO**

✓	Develop business models
✓	Maintain locations
✓	Retain jobs
✓	Continuously invest
✓	Grow organically and inorganically with supplementary acquisitions (geographically or in order to expand the value creation chain)

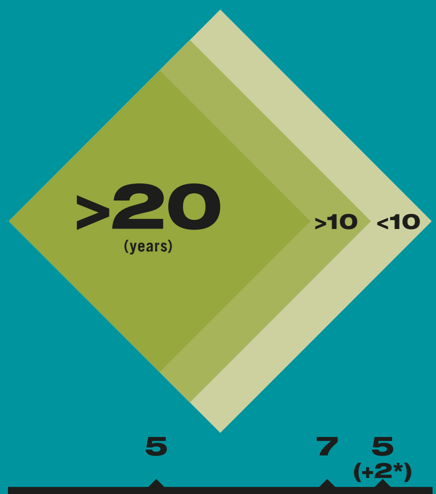
WHAT **WE DON'T DO**

✗	Mergers
✗	Excessive group bureaucracy
✗	Splitting
✗	Internal cost allocation
✗	Royalties/management fees
✗	Centralisation in the holding

ONLY
MAJORITY ACQUISITIONS

PORTFOLIO *MEMBERSHIP*

NUMBER OF ESSENTIAL *GROUP COMPANIES*
(* supplementary acquisitions)



UP TO
3
ACQUISITIONS
PER YEAR & CONTINUOUS
DEAL FLOW

WE ONLY BUY
COMPANIES WITH THEIR
HEADQUARTERS
IN GERMANY

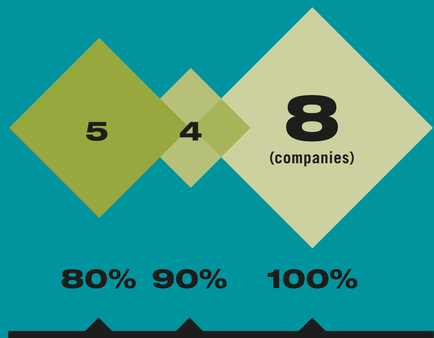
does not apply to supplementary investments

NO
EXIT STRATEGY

9/17
INVESTMENTS
HAVE SHAREHOLDING
MANAGING DIRECTORS

fair business model: payouts are arranged each year with the shareholding managing directors

PARTICIPATION QUOTA
GESCO AG



GESCO
THE SHARE

SHAREHOLDER STRUCTURE

SHAREHOLDER STRUCTURE	as of 31.05.2017
Investmentaktiengesellschaft für langfristige Investoren TGV	14.2 %
Stefan Heimöller	13.7 %
Other private investors	36.1 %*
Other institutional investors	36.0 %*

(* estimate)

86.3 %

FREEFLOAT
(2016/2017)
(according to the Deutsche Börse definition)

~85%

GERMAN INVESTORS
(2016/2017)

DIVIDEND POLICY

~40%

OF ANNUAL NET PROFIT
(after min. interest) IS PAID OUT
EACH YEAR AS DIVIDENDS

GESCO has paid out dividends every year since its initial public offering in 1998

€ 0.35

DIVIDENDS PER SHARE
(2016/2017)
dividend proposal to the AGM

~7,400

GESCO AG SHAREHOLDERS
(2016/2017)

€ 0.79

EARNINGS PER SHARE
PURSUANT TO IFRS
(2016/2017)

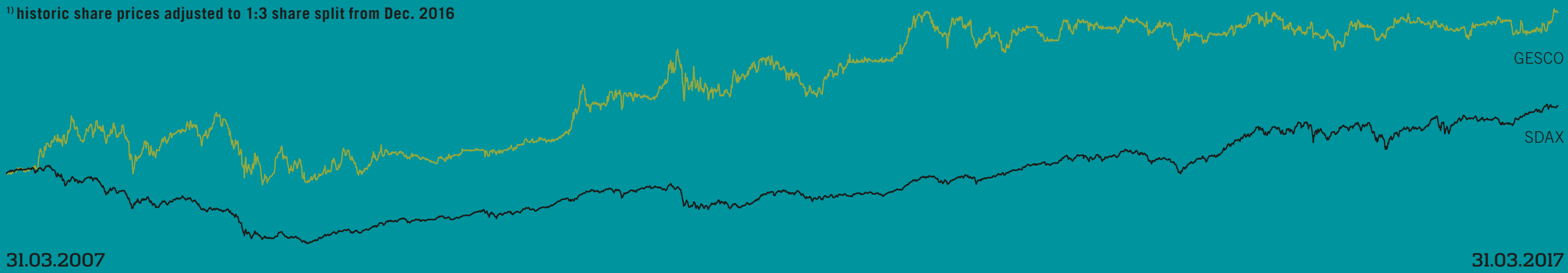
151%

VALUE INCREASE
OVER 10 YEARS
(including dividends)

REGISTERED
SHARES
A1K020
DE000A1K0201
GSC1

GESCO VS. SDAX – 10 YEARS [1] (INCLUDING DIVIDENDS)

[1] historic share prices adjusted to 1:3 share split from Dec. 2016



€ 24.96

SHARE PRICE
(31.03.2017)

Please find detailed information on the following pages.

RELAUNCH

GESCO
THE PEOPLE
Getting to know us.

THE

REMIT

Finance
M&A
Legal
Human Resources
IT
Compliance

Born in 1960
Member of the Executive Board since 1 January 2001

VITA

He holds a degree in business and began working in the auditing field in 1985. In 1991, he completed the exam to become a tax advisor, before taking the exam to become a public auditor in 1994. Afterwards, he worked as a tax advisor and auditor for small and medium-sized enterprises and groups. During this time, he served as the managing director of an auditing firm for three years. From 1995, he also began advising GESCO AG and its most important subsidiaries.

ROBERT SPARTMANN
CHIEF FINANCIAL OFFICER

EXECUTIVE BOARD

DR ERIC BERNHARD

CHIEF EXECUTIVE OFFICER

REMIT

Overall coordination of the Executive Board
Investment portfolio strategy
Strategic and operating development of investments
Investor Relations
Public Relations
Marketing

Born in 1972
Chief Executive Officer
since 1 July 2016,
Member of the Executive Board
since 1 January 2016

VITA

Having served McKinsey & Company for many years, he subsequently took leadership roles on international executive and supervisory boards and as a CEO in the metal and plastics processing industry. These included 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. He holds a PhD in economics, preceded by international management studies at ESCP Europe in France, the UK and Germany.

THE


KLAUS MÖLLERFRIEDRICH
CHAIRMAN
STEFAN HEIMÖLLER
DEPUTY CHAIRMAN
DR NANNA RAPP
MEMBER

SUPERVISORY BOARD

STEFAN HEIMÖLLER

Born in 1963
Deputy Chairman of the Supervisory Board; Member of the Supervisory Board since 25 July 2013

VITA
Mr Heimöller earned his degree studying business administration in Mannheim and Cologne. He has served as Managing Partner of Helios GmbH, Neuenrade, Germany, since 1993, and as Managing Partner of Platestahl Umformtechnik GmbH, Ludenscheid, Germany, since 1994. He has many years of management experience in the industrial SME sector.

KLAUS MÖLLERFRIEDRICH

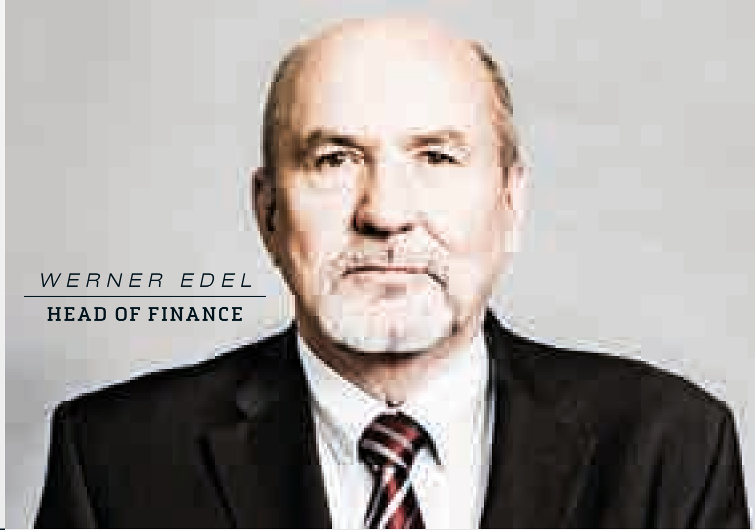
Born in 1947
Chairman of the Supervisory Board, Member of the Supervisory Board since 1989

VITA
Mr Möllerfriedrich is one of the founders of GESCO AG. He has many years of experience as an auditor, tax advisor and consultant. He was a founding partner of a medium-sized audit and tax advisory society, and also served as an executive board member and shareholder of a national auditing firm. Before that, he completed his degree in business administration in Karlsruhe and Cologne, followed by vocational training to become a public auditor and tax advisor at a renowned auditing firm.

DR NANNA RAPP

Born in 1969
Member of the Supervisory Board since 18 August 2015

VITA
Mrs Dr Rapp studied business management in Saarbrücken and London, before earning her doctorate in agricultural science in 1998. She has many years of professional and leadership experience in corporate consultancy and at international companies. Since 2004, she has held various management positions within the E.ON Group, and she has served as the Chief Executive Officer of E.ON Inhouse Consulting GmbH, Essen, since 2014.



GESCO
THE MANAGEMENT

HEINO WOHLERS

FINANCIAL PORTFOLIO MANAGER, MEMBER OF MANAGEMENT

HENDRIK HAHN

FINANCIAL PORTFOLIO MANAGER

JÜRGEN GENTZ

HEAD OF GROUP ACCOUNTING, FINANCIAL PORTFOLIO MANAGER

THOMAS BIERLICH

TECHNICAL PORTFOLIO MANAGER, MEMBER OF MANAGEMENT

CLAAS JORDE

TECHNICAL PORTFOLIO MANAGER

BERNHARD KELLER
PAUL BEIER

DR-ING
WOLFGANG KEMPER
FRANZ FUNKE

UWE KUNITSCHKE
HASEKE

RAINER KIEFER
HUBL

STEFFEN GRASSE
SETTER

MANAGING DIRECTORS
INVESTMENTS

NEW COMPANY

DR-ING
PAUL BRAUN
PICKHARDT & GERLACH

RAINER THEILE
PICKHARDT & GERLACH

DR-ING
MICHAEL DAMMER
DÖMER

MATTHIAS HUKE
MODELL TECHNIK

UWE BORN
WBL

EMPLOYEES AT GESCO INVESTMENTS

~10%

of employees have **FAMILY MEMBERS** who work at the same company

The FRANK Group, steeped in tradition, even has 7 employees who are the **3rd GENERATION** from their families to work there

Susana (l) & Isabel Maria (r) Magalhaes Teixeira
The sisters work as injection moulding machine operators
AstroPlast, Meschede

Manuel Proksch
has been with the company since 2013. He was hired on as a tool technician after completing his vocational training
WBL Group, Laichingen

The German locations of the GESCO companies offer **VOCATIONAL TRAINING** in

15

different technical and commercial professions

Wilfried Hettlich
has been with the company for 9 years. He works as a metalworker/ industrial mechanic in assembly
MAE Group, Erkrath

On average, every employee attended at least 1 seminar in 2016

~50%

of the training seminars focused on **OCCUPATIONAL SAFETY/ ERGONOMICS**

♀

2,535 employees in total

♂

Roman Kloos
is a cutting machine operator. He is pictured here operating a wire EDM machine
CFK, Kriftel

Dragan Petrovic
has been with the company for 21 years. He is an electronics technician for energy systems and works in electrical installation
MAE Group, Erkrath

CULTURAL *DIVERSITY*

~30

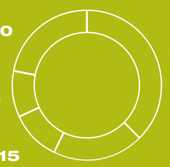
different
NATIONALITIES

Patrick Rauschmaier
has been with the company since 2003. He was hired on as a tool technician after completing vocational training
WBL Group, Laichingen

PROFESSIONAL FIELDS *MALE EMPLOYEES*

Erol Yüksel
Has been with the company since 1982 and works on the shopfloor
Pickhardt & Gerlach Group, Finnentrop

LENGTH OF EMPLOYMENT *IN YEARS*



~1/4

of all employees have been with the company for more than
20 YEARS

Josephin Werner
is a tool technician
WBL Group, Leipzig

PROFESSIONAL FIELDS *FEMALE EMPLOYEES*

Interview with Rainer Kiefer,
Managing Partner
Hubl, Vaihingen/Enz

CULTURAL DIVERSITY FOR TOP QUALITY

Approximately 25 % of your employees are Tamils. How did that come about?

The first Tamils joined HUBL over 20 years ago. The former owner, Mr Hubel, soon discovered that these employees in particular turned out to be naturally gifted when it comes to high-precision grinding of stainless steel surfaces. Our region is home to a lot of Tamils who originally came to Germany in the early '80s. As the company grew, we began looking for more employees, primarily through contacts from our staff. This led to the hiring of more Tamils - a decision we're still proud of to this day.

Why is grinding so important to HUBL?

Grinding stainless steel in particular takes an incredible amount of sure instinct, because one false move, no matter how small, or too much pressure can damage a finished component so that it ends up as scrap. Then again, we have so many different parts that using robots to grind isn't a solution for us. The work has to be done by hand. And since there is no apprenticeship trade for grinding, only one thing matters: talent.

How do the Tamils fit in with the rest of the crew?

We discovered that the Tamil culture and mindset is shaped by great reserve, politeness and reliability, but with one difference: while technical expertise calls the shots in Swabia's SME sector, within Tamil culture, a person's hierarchical position is based on their background. Our Tamil colleagues have adapted in this regard.

~25%

of the employees at HUBL are **TAMILS**

With compliments!
Your GESCO Group

RELAUNCH

2016/2017

MEGA**TRENDS**
INNOVATIONS
PIONEERS
HIDDEN**CHAMPIONS**
TECHNOLOGIES

Our commitments in 2016/2017.

Examples from individual companies

2 TECHNOLOGIES WITH A WIDE RANGE OF INDUSTRIES & AREAS OF APPLICATION

CFK: leading centre of expertise for high-precision wire erosion, die sinking, EDM hole drilling and additive manufacturing from metal.

TECHNOLOGY 1

ELECTRICAL DISCHARGE MACHINING

EDM is used for high-precision manufacturing, as all electrically conductive materials such as aluminium, titanium, nickel-based alloys, steel and carbides can be machined down to the thousandth of a millimetre without mechanical stress.

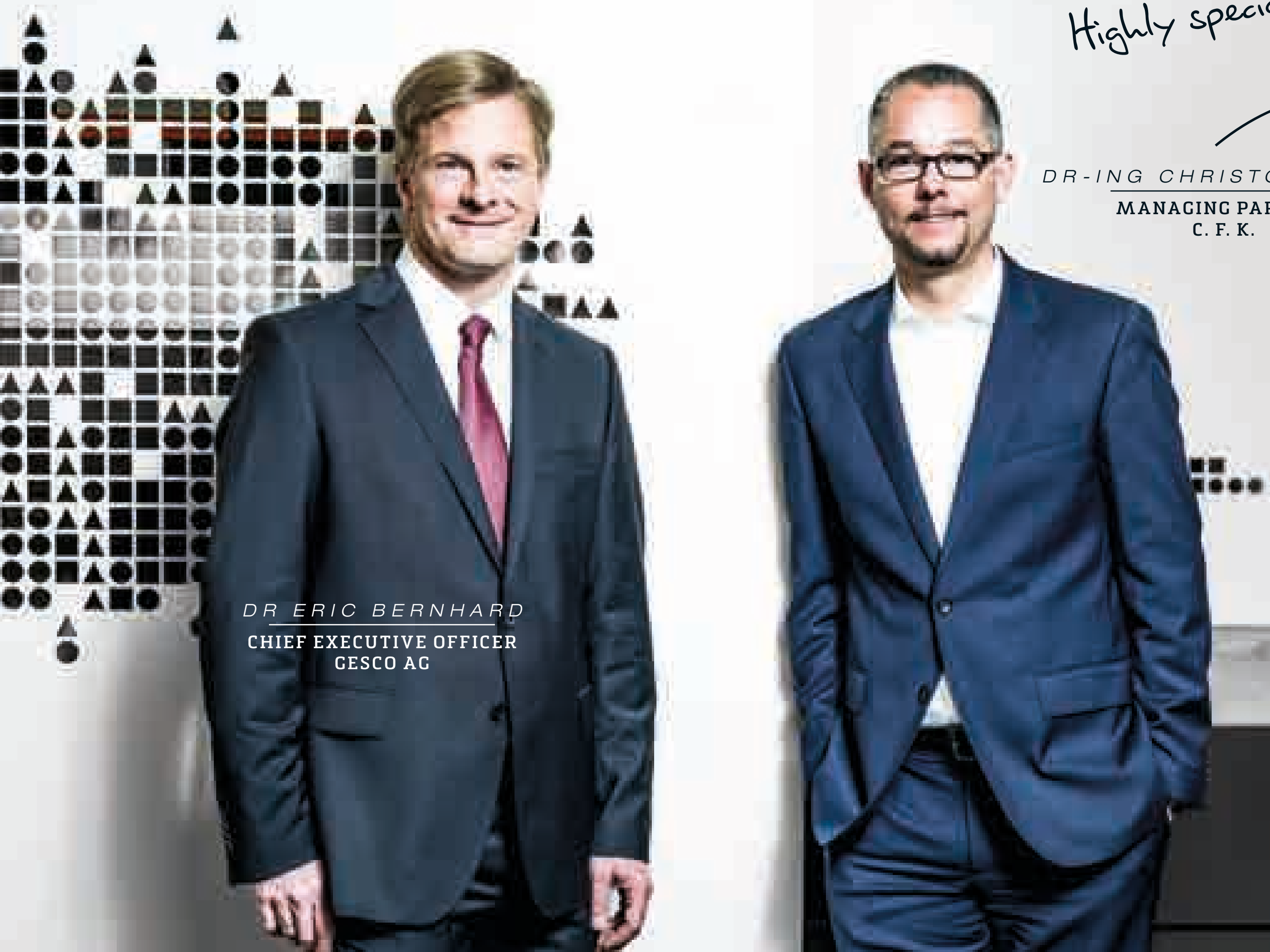
APPLICATION EXAMPLES

High-Precision Instruments for Microsurgery

CERTIFIED (incl. medical and aerospace)

Highly specialised

Components for the Aerospace Sector



DR ERIC BERNHARD
CHIEF EXECUTIVE OFFICER
GESCO AG

DR-ING CHRISTOPH OVER
MANAGING PARTNER
C. F. K.

The Pioneer himself

The extensive expertise in 3D printing is based on selective laser melting, which **Managing Director Dr-Ing Christoph Over helped develop at the Fraunhofer Institute**. He looks back on 15 years of experience in using this technology.

SPECTRUM

PRODUCT-**WEIGHT**
mg to **t**

PRODUCT-**DIMENSIONS**
µm to **m**

> 250
CUSTOMERS

People want: Individuality in Spite of Mass Production

Digitalisation

Niche Expertise

Industry 4.0

TECHNOLOGY 2

3D PRINTING

MEGA TREND

TECHNOLOGY-CHAMPION

AM*

*AM = Additive Manufacturing (laser melting)**

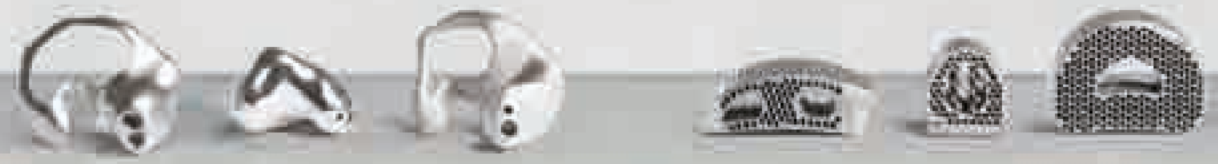
Laser melting is a power-based process in which laser beams melt metal powder layer by layer until the product is complete. This manufacturing method can accommodate complex, three-dimensional structures.

The 3D production process makes it possible to manufacture structures that conventional manufacturing technology cannot. This provides engineers and product developers with entirely new creative freedom of design.

Batch Size 1 in Series Process

e.g. Customised Hearing Aid Shells

GROWTH MARKET Medical Technology:
e.g. Spinal Implants



INNOVATION

PORTFOLIO STRATEGY 2022

GROWTH LEVERS

Focus on megatrends, niche markets and highly specialised skills

LEAGUE OF HIDDEN CHAMPIONS

MARTIN BÖRGER

**MANAGING DIRECTOR
SALES & FINANCE
MAE**

RÜDIGER SCHURY

**MANAGING DIRECTOR
OPERATIONS
MAE**

Rüdiger Schury knows what he is talking about. He has been with MAE for 15 years and began serving as Managing Director in 2011.

DR ERIC BERNHARD

**CHIEF EXECUTIVE OFFICER
GESCO AG**

Industry 4.0

The essence of MAE technology comes down to the development and manufacturing of machines – and particularly their controls – with the power to shape markets. Entirely in line with Industry 4.0, MAE integrates the control software for wheel set presses and straightening machines seamlessly into the customer's IT landscape. Together, M2M communication experts and engineers ensure perfect harmony within the set-up, guaranteeing precision, process speed, process documentation and ease of operation.

No.1
IN THE GLOBAL MARKET

MAE Group is a global leader in **automatic straightening machines** and **wheel set presses for rolling stock**.

SAFETY ON THE **RAILS THANKS** TO INNOVATIONS **MADE BY MAE**

OLD **BULL**

Major Order in 2016 Customer: Deutsche Bahn

MAE once again beat out the competition in 2016 and landed a major order from Deutsche Bahn for the delivery of wheel set presses.

6 FOR **3**

WHEEL SET PRESSES — **DEUTSCHE BAHN SERVICE LOCATIONS**

Course has been set for Future Growth

Customers such as Deutsche Bahn have a reputation in Europe and across the globe for being extremely discerning. Any company that meets their criteria reinforces its pioneering role in the global market with such references – a crucial basis for full order books in future.

The MAE wheel set presses are used to mount wheels on train axles.

PORTFOLIO *STRATEGY* 2022

GROWTH LEVERS

Increasing innovation, stepping up sales activities and optimising costs

RESOURCE TECHNOLOGY

Why?

With years of market success, SVT enjoyed being in the comfortable position that as long as market players were in the mood to invest, sales could be taken for granted.

Now the markets have become more fiercely contested. Competitors began using SVT quality as their benchmark and are taking an increasingly aggressive market approach.

COSMOPOLITANS UNDERGOING CULTURAL CHANGE

Goal

Robust, fast, agile and flexible are the desired attributes for the new SVT organisation, installed in late 2016. It is designed to sustainably strengthen SVT in light of the new market conditions.

LOADING ARMS FOR LIQUID AND GASEOUS MATERIALS

PETROLEUM
LIQUID GAS
CHEMICALS

80-90%
EXPORT SHARE

Action

Enhancing market focus through the new organisation since Dec. 2016

MEGA
TREND

People want:
The right Material
at the right Point in Time

Business Units

To ensure targeted, holistic growth, business units were established for each product group. Each business unit is led by two BU heads, who are responsible for continuous sales activities and the important task of order management. To make better use of innovative strength, the development department has been integrated into the respective business units – both physically and on an organisational level – so that interdisciplinary teams can seize on market trends more quickly and give back to the global market through innovations.

SVT not only delivers its products to all continents, but also to places that are difficult to reach from a logistics perspective. Customers expect flawless service, no matter where they may be in the world. As a result, SVT created a specialised After Sales business unit that focuses on the service and spare parts business.

Remaining a quality leader and performing well in the market with competitive prices also requires the involvement of the supply chain, which includes materials management and production. Here, too, further optimisation projects in the new Supply Chain business unit will strengthen SVT's cost structure. These efforts will be complemented by the Finance & Administration business unit, which ensures the proper tools so that the heads of the operating business units know where they stand. The tools also enable them to precisely guide and further develop their business units.

EIN ENGAGEMENT DER

SVT Transfer complete

THE NEW SVT ORGANISATION

PORTFOLIO STRATEGY 2022

GROWTH LEVERS

Increasing cash flow, stepping up sales activities, optimising costs and optimising resource efficiency

Organisation Reloaded

SVT tackled the challenge of creating the new organisation, consolidating it and then making adjustments based on sound judgement, of growing together in the new teams and of rediscovering tried-and-tested methods in the process of reinventing itself. This transformation requires each individual at SVT to assume responsibility, and it is one that GESCO welcomes and supports.

RELAUNCH
AT ASTROPLAST

Greater sales power

AstroPlast's new site has enhanced its competitiveness, creating new opportunities to expand business. This is the perfect basis for establishing a proactive and systematic sales approach. As a result, AstroPlast strengthened its sales team and launched a campaign at the beginning of the year to acquire new customers. AstroPlast expects this campaign to noticeably boost sales and earnings starting in 2018.

ROUVEN STEFFENS

MANAGING DIRECTOR
ASTROPLAST

New Site

HISTORICAL DUAL-PURPOSE SITE ASTROPLAST/FRANZ FUNKE IS HISTORY

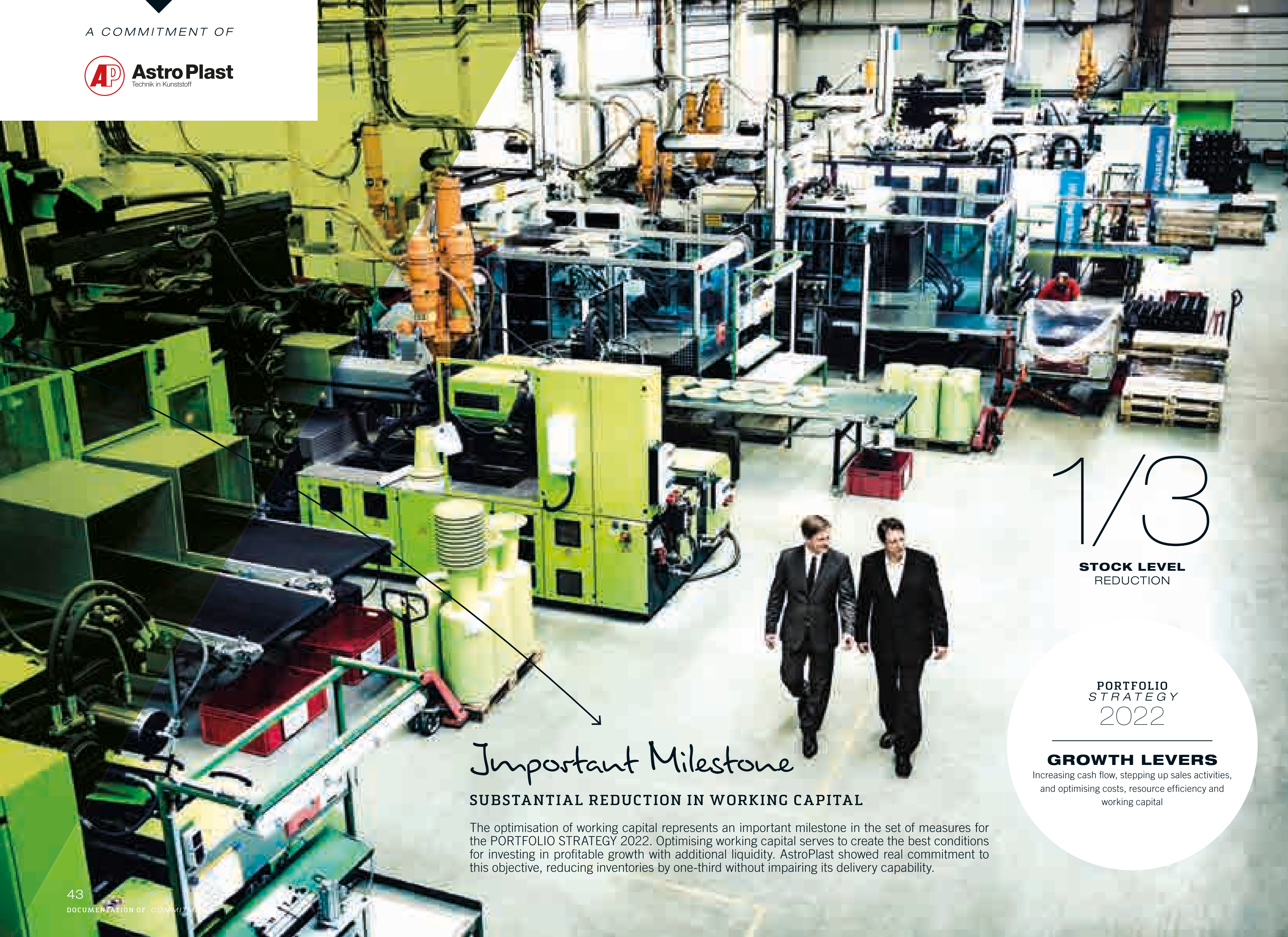
Expanding AstroPlast and Franz Funke at the historical dual-purpose site would not have been possible due to a lack of space. As a result, a new AstroPlast site was established in 2013 25 km away. Since then, it has operated as a second production facility, with the option of relocating the site entirely to Meschede in the medium term.

The benchmark analysis performed as part of the PORTFOLIO STRATEGY 2022 revealed growth potential for AstroPlast, which is why the entire relocation was pushed ahead of schedule last year, sped up and will be completed before the end of 2017.

AstroPlast stands to benefit in the years ahead from the new site that has been perfectly planned with a view to logistics. In addition, resources will be used more efficiently at the sole location in future. At the same time, the costs of managing two sites will be eliminated.

A COMMITMENT OF

AstroPlast
Technik in Kunststoff



EXPANSION

1/3

STOCK LEVEL
REDUCTION

PORTFOLIO
STRATEGY
2022

GROWTH LEVERS

Increasing cash flow, stepping up sales activities, and optimising costs, resource efficiency and working capital

Important Milestone

SUBSTANTIAL REDUCTION IN WORKING CAPITAL

The optimisation of working capital represents an important milestone in the set of measures for the PORTFOLIO STRATEGY 2022. Optimising working capital serves to create the best conditions for investing in profitable growth with additional liquidity. AstroPlast showed real commitment to this objective, reducing inventories by one-third without impairing its delivery capability.

HEALTHCARE & INFRASTRUCTURE TECHNOLOGY

INVESTING IN **AUTOMATION**

Up until several years ago, Frank Group was benefiting significantly from the boom for equipment in the agriculture market. Demand has since subsided in recent years due to increasing market saturation. Producer prices also went down, which was compounded by sanctions on Russia. This development further curbed the appetite to invest, putting considerable pressure on prices.

Growth market: Eastern Europe

Frank Group confronted this trend by successfully expanding in Eastern Europe in recent years. Key factors included systematically expanding Frank Group's local footprint, the quality of the FRANK ORIGINAL brand and a high degree of product availability coupled with fast delivery times. The idea to expand this model for success is currently under consideration.

MEGA **TREND**

Population Growth

People want: Good Health & Well-Being

-> Trend: Organic Products

Sustainability & Renewable Resources

Agriculture

ROBOT

A

In similar plants, it used to be that several employees per shift had to perform hard physical labour to produce comparable products. Today, just one operator monitors a fully automated heat-treating line, in addition to other duties.

A robot removes glowing metal parts from the heat-treating furnace and places them precisely in a forging tool.

INNOVATION THROUGH AUTOMATION

As an innovative partner to original equipment manufacturers, Frank Group enjoys relationships with its customers that have grown deep roots over many years. The fully automated heat-treating line, shown in the image, marks one step on the path towards Industry 4.0. The line makes it possible to flexibly and efficiently manufacture large quantities of a new product group that resulted from a development collaboration.

A COMMITMENT OF

FRANK ORIGINAL

ROBOT

B

Another robot removes the forged and tempered component from the press/tempering tool and positions it for further processing.

CLAAS JORDE
TECHNICAL PORTFOLIO MANAGER

has been with GESCO since 10/2016 and takes care for the automation initiatives at Frank

DR ERIC BERNHARD
CHIEF EXECUTIVE OFFICER GESCO AG

DR-ING FRANK GROTE
MANAGING PARTNER FRANK GRUPPE

PORTFOLIO STRATEGY 2022

GROWTH LEVERS

Improving competitiveness through prioritised investments in automation and optimising costs

Increasing the Degree of Automation

The focus of the commitment for Frank Group is GESCO's technical and commercial investment management regarding advice on automation solutions. The aim is to enhance Frank Group's competitiveness and thereby improve its ability to perform well in markets with intense price competition. As a result, fully automated lines and systems commenced operation in financial year 2016/2017. Others are set to follow this example and raise the traditional forging company to a new technical standard.

FACE-TO-FACE & BASED ON PARTNERSHIP

IN CONSTANT CONTACT

Jan Wittenbecher and Hendrik Hahn have known each other for years. There are many factors that link them, which they discuss during monthly on-site visits or on the phone between those meetings.

SHAREHOLDERS AS PARTNERS

GESCO fosters close communication with its investments, which includes visits from the Chief Executive Officer.
It is just easier to discuss many things face-to-face. This approach also features dialogue with the local management team and site tours.

HENDRIK HAHN
FINANCIAL PORTFOLIO MANAGER
GESCO AG

JAN WITTENBECHER
HEAD OF FINANCE
HUBL

DR ERIC BERNHARD
CHIEF EXECUTIVE OFFICER
GESCO AG

SVEN REICHERT
HEAD OF OPERATIONS
HUBL

RAINER KIEFER
MANAGING
PARTNER
HUBL

THOMAS STEK
HEAD OF SALES
HUBL

Pictured in the background: scale components are just about ready for final inspection.

HAND-CRAFTED QUALITY INDUSTRIALLY MANUFACTURED

HUBL combines the hygienic properties of stainless steel with state-of-the-art industrial design.

An industrial scale, manufactured from stainless steel in compliance with food industry standards, that is used to verify whether each package contains precisely the specified amount of marzipan potatoes

MEGA TREND

People want: Good Health & Well-Being

Recipe for Customer Satisfaction

The Expertise of a Company specialised in professionally processing Stainless Steel

Ingredients:

A well-coordinated Management Team

Experienced Engineers & Industrial Designers

111 committed Employees in Production & Administration

~2,000 UNITS

of these scales have been delivered since the partnership began. At that time, HUBL developed the scale in close collaboration with the customer.

Delicious marzipan treat:

Components from HUBL are used to make this treat.

PORTFOLIO STRATEGY 2022

GROWTH LEVERS

Stepping up sales activities, optimising costs and optimising resource efficiency

TREND TOWARDS BIODEGRADABLE COTTON BUDS

Cotton buds are a household staple with any number of uses. A great deal of expertise can be found in this product – and also the manufacturer that makes the paper sticks for them, such as Setter Group. What's more, paper sticks are a truly environmentally friendly product.

100%
RENEWABLE
RESOURCE &
COMPOSTABLE

RESPONSIBILITY FOR THE ENVIRONMENT

Setter Group takes its responsibility for the environment of future generations very seriously, which is why it minimises the use of environmentally harmful materials in the manufacturing process.

Setter is a long-time member of the Forest Stewardship Council® (FSC®). FSC-C113192 and Programme for the Endorsement of Forest Certification Schemes (PEFC) PEFC-BV/CdC/8666434.

IDEAL FOR COTTON BUDS

Paper sticks, which are used in cotton buds, have been designed in a way that they roll up on their own in moving water.

This is shown in the image to the left. A stick was placed in water for several hours. You can clearly see how it rolls up and begins to disintegrate.

PAPER STICKS!

FROM CONTROLLED FOREST CERTIFICATION SCHEMES

A COMMITMENT OF

SETTER PAPERSTIX

100%

NATURAL & HARMLESS
TO HUMAN HEALTH

Paper sticks are manufactured from natural raw materials and contain no additives, such as optical brighteners. They comply with all global food and health regulations.

People want: Good Health & Well-Being

FROM TOTALLY CHLORINE-FREE PULP

TCF

STEFFEN GRASSE

MANAGING DIRECTOR SETTER

JÜRGEN GENTZ

HEAD OF GROUP ACCOUNTING, FINANCIAL PORTFOLIO MANAGER

DR ERIC BERNHARD

CHIEF EXECUTIVE OFFICER GESCO AG

QUALITY PAPER FOR A QUALITY PRODUCT

Top-quality raw material is necessary for meeting customers' high demands regarding the product quality of paper sticks. The sticks' variety of colours is also found in the paper warehouse of Setter Group in Emmerich.

PORTFOLIO *STRATEGY* 2022

GROWTH LEVERS

Increasing cash flow, stepping up sales activities, optimising costs and optimising resource efficiency

SUSTAINABILITY

PATENTED **INNOVATION** FOR SAFETY RELEVANT **WEAR PARTS**

SPECIALISED IN LARGE-SCALE PRODUCTION **STAMPED & EMBOSSED PARTS**

CARRIER PLATE **FOR LORRY BRAKE LININGS** USING A **PATENTED** PROCESS

Customers

Manufacturers of brake linings for lorries

Wear product

Every time brake linings are changed, a new lining carrier plate is also used, because the lining and carrier plate form a unit

AMONG THE **TOP**

5

items with the highest sales manufactured at Dömer

3

COMPONENT SIZES

KEY FEATURE

Thanks to Dömer's patented process, stamping and embossing occur in one instead of two steps

CONTINUOUS **PURSUIT** OF EFFICIENCY

Dömer specialises in designing cost-efficient products and production processes for the large-scale production of parts used in safety systems. In order to meet growing double-digit demand for the lining carrier plate, Dömer invested in robotics and automation systems in 2017 specifically for manufacturing this product. When it comes to mass production in the automotive industry, continuous improvements to all processes form the foundation for lasting success.

A COMMITMENT OF

DÖMER
STANZ-/UMFORMTECHNOLOGIE

DR-ING
MICHAEL DAMMER
MANAGING DIRECTOR DÖMER

GROWTH MARKET
LORRY LOGISTICS

Economic growth

Companies

Private Individuals

Need & Send more Goods

Greater Prosperity &
Higher Consumption

Shift in Consumer Habits &
double-digit Growth in
Online Retail*

MORE
SHIPMENTS BY LORRY

INNOVATION

PORTFOLIO
STRATEGY
2022

GROWTH LEVERS
Investing in automation, stepping up sales activities and optimising the staff ratio

* Source: Publication of Handelsverband Deutschland (HDE)
from February 2017: E-Commerce-Umsätze [e-commerce sales]

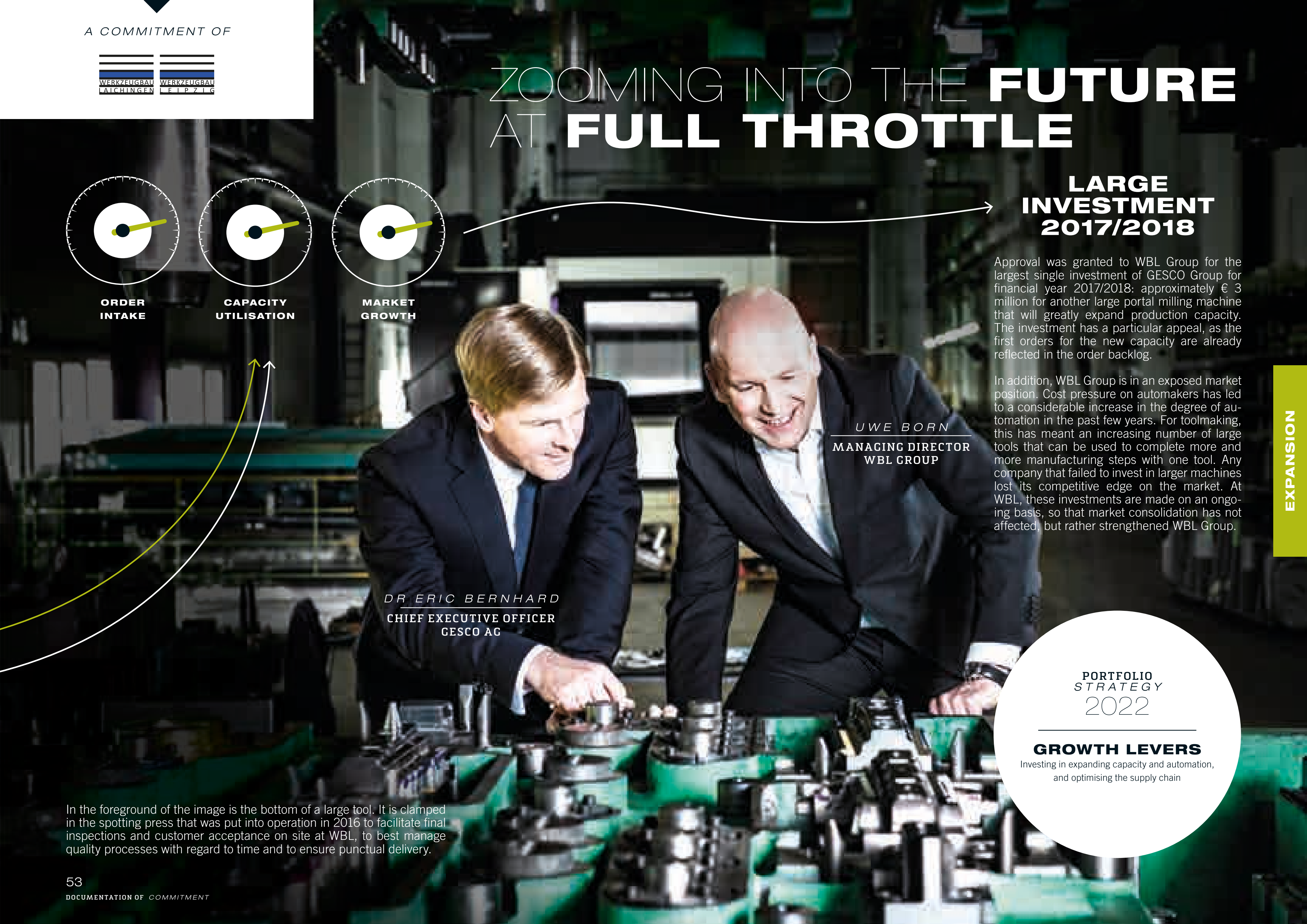
AN INDUSTRY IN THE MOVE

The order books of WBL Group, which specialises in developing and manufacturing large tools for body parts for cars, are nicely filled. Why is that?

A COMMITMENT OF

WERKZEUGBAU LAICHINGEN WERKZEUGBAU LEIPZIG

ZOOMING INTO THE **FUTURE** AT **FULL THROTTLE**



ORDER INTAKE

CAPACITY UTILISATION

MARKET GROWTH

LARGE INVESTMENT 2017/2018

Approval was granted to WBL Group for the largest single investment of GESCO Group for financial year 2017/2018: approximately € 3 million for another large portal milling machine that will greatly expand production capacity. The investment has a particular appeal, as the first orders for the new capacity are already reflected in the order backlog.

In addition, WBL Group is in an exposed market position. Cost pressure on automakers has led to a considerable increase in the degree of automation in the past few years. For toolmaking, this has meant an increasing number of large tools that can be used to complete more and more manufacturing steps with one tool. Any company that failed to invest in larger machines lost its competitive edge on the market. At WBL, these investments are made on an ongoing basis, so that market consolidation has not affected, but rather strengthened WBL Group.

EXPANSION

UWE BORN
MANAGING DIRECTOR
WBL GROUP

DR ERIC BERNHARD
CHIEF EXECUTIVE OFFICER
GESCO AG

PORTFOLIO
STRATEGY
2022

GROWTH LEVERS
Investing in expanding capacity and automation, and optimising the supply chain

In the foreground of the image is the bottom of a large tool. It is clamped in the spotting press that was put into operation in 2016 to facilitate final inspections and customer acceptance on site at WBL, to best manage quality processes with regard to time and to ensure punctual delivery.

IN A WORD

Interview with Dr Eric Bernhard
Chief Executive Officer GESCO AG

You presented the Annual Report with "RELAUNCH" as the title. How did that come about?

"RELAUNCH" is more than just a title. In fact, the term represents all of the changes that we set in motion in the last financial year as a means of putting an end to the phase of GESCO Group's declining performance in recent years and to systematically shape the path towards new and profitable growth. We have changed many things and set ambitious targets that employees at the companies have since tackled with extraordinary commitment. These efforts have resulted in real cultural change. The processes are in place and the levers are beginning to take effect. But this is still just the beginning, which is why we are speaking of a "relaunch". For 2017/2018, the slogan is "staying the path".

Why was this "RELAUNCH" necessary in your view?

We have seen uncertainty mount in the general global political and economic climate in recent years, while the pace and force of changes continues to increase. The development of technology continues to pick up speed as well. Radical changes are the order of the day. What was well established or entrenched is now passé. The world has changed, and waiting for the next upswing is not enough nowadays to sustainably maintain and build on leading positions.

While GESCO always generated a profit against this backdrop in recent years, the trend was on a downward trajectory. GESCO had lost momentum on the whole and perhaps thought itself safe for too long in certain areas in light of previous success. As a result, some of our companies were hoping for the next upswing instead of taking a long, hard look at themselves and confronting the new environment. It called for a "RELAUNCH" to embrace change in order to actively shape the companies' future, especially in challenging times.

What priorities have you set as part of this "RELAUNCH"?

We scrutinised our portfolio, which served as the basis for the PORTFOLIO STRATEGY 2022, and for the first time, we benchmarked every single portfolio company. As the result of these efforts, we were able to agree on targets with all managing directors jointly. While many of our companies are already meeting these targets today, potential for improvement was identified with others. Specific steps have now been worked out to achieve this potential, and the companies have since begun tackling their implementation. These measures will shape the agenda for the coming year as well.

We decided to put our restructuring case Protomaster up for sale after it had several years of loss making. We did so out of responsibility to our shareholders, as well as our responsibility to Protomaster employees. If we realise that we are no longer able to live up to our standard of being the best owner of a company, we have to be prepared in justified cases of this nature to let an investment go to someone else whilst reducing also our own portfolio risks. However, we still maintain our systematic no-exit strategy by principle.

It is more important to us now more than ever that we build our future based on our skills and respond to changes in the markets and the overall environment. And we need to do so faster than others on the market, like true hidden champions.

Is it fair to say that we now have a "new GESCO"?

Last year, we did in fact reinvent GESCO in many respects. On the one hand, we are now taking a more active approach to our shareholder role as part of our advisory holding function. On the other hand, we are holding on to things that are tried and true, such as the high levels of freedom that independent managing directors enjoy, and we are deliberately eschewing centralist group structures. So we are providing help and support, but we are also more insistently demanding progress on reaching the targets that have been agreed on.

GESCO's success depends on the success of its investments. We want to expand this success in order to create additional opportunities for future investments, acquisitions and attractive dividends. We have torn down walls between GESCO and the investments and created a closer connection. As we are now set up in technical and commercial investment management, we have close contact with the managing directors. It enables us to better understand investment plans and to assist as shareholder when the focus is on automation or growth opportunities, for example. As a sparring partner, we debate whether a prompt payback timetable is realistic and the company's organisation can achieve these goals.

You talk about what people want. Why is that so important to you?

Companies that satisfy people's needs and solve their problems are needed and enjoy success. It is no accident that we say "Nobody needs that!" when we talk about useless things. Human needs give rise to megatrends that shape the development of demand in the long term. Given that the four segments established by the PORTFOLIO STRATEGY 2022 include end customer markets that benefit from positive megatrends, GESCO has a good foundation to achieve profitable growth.

What people want is also especially important to me because the competitiveness of our investments does not only come down to future-proof technologies, innovations and automation. In the end, employees alone are the force that brings life and dynamism to these companies. Whether hidden champions, pioneers, visionaries or quality leaders, our investments have innovative and committed people to thank for all they have achieved. Two-thirds of the employees at our companies work in the technical sector, where skilled workers are already difficult to find today. Around one-third of these employees are over 50 years old. The push towards automation and digitalisation will help our companies in the coming years of demographic change to continue developing despite a declining number of available workers. At the same time, it will become increasingly more important for our companies to recruit qualified talent in the competition for dwindling numbers of skilled workers and technical specialists - especially in light of the Fourth Industrial Revolution.

Where do we go from here, Dr Bernhard?

We set out the PORTFOLIO STRATEGY 2022 last year, which has served as our guide since then. We are confident that the strategy's continued implementation will lead GESCO back to a course of sustainable, profitable growth by having our companies invest in growth and strengthen their competitiveness at the same time.

Our goal is to sustainably guide GESCO back to a return-on-sales range by 2022 which the Group already achieved during better years in the past. The benchmarking process revealed that there is room for improvement in this regard. The managing directors are working with their teams at the companies and using the advice and support provided by the holding to translate this potential into lasting quality with regard to earnings.

In the coming financial year, our investments will systematically further develop those measures that have already been initiated and implement them in an orderly fashion. We will continually review and scrutinise established structures and processes to facilitate greater agility and flexibility. These efforts will ultimately "weatherproof" the companies for the future.

Even if we take a careful and prudent approach to acquisitions, we declared our intention as part of the Portfolio Strategy 2022 to begin acquiring several new investments again. Plans call for up to three new investments, year after year, made in a targeted fashion in line with our segments. In early 2017, we acquired Pickhardt & Gerlach Group, securing a model company for the GESCO portfolio that fully meets our criteria. This acquisition also represents our resolute efforts to "RELAUNCH" GESCO and propel its development forward once again in keeping with the slogan, "staying the path".

Thanks go out to the investments for the commitment they have shown!

RELAUNCH

A REFINING ACQUISITION

GESCO PRESENTS THE PICKHARDT & GERLACH GROUP

FINELY
EQUIPPED

SPACE FOR INSPIRATION


The entrance in Finnentrop


Lounge on the upper floor

2013/2014
The entire customer and reception area plus the adjoining offices were modernised in 2013/2014 by the previous owner.


Meeting room for appointments with customers


Corridor to the administrative offices


Common room for employees


Glimpse into an office

SHAREHOLDING GESCO
100%

ACQUIRED BY GESCO
2016/2017

RAINER THEILE
MANAGING DIRECTOR SALES & FINANCE PICKHARDT & GERLACH

CHRISTOPH BORGES
HEAD OF ACQUISITIONS GESCO AG

NEW **HIDDEN CHAMPION** OF THE GROUP

Pickhardt & Gerlach, a strip steel processor from Finnentrop, is GESCO's acquisition in the last financial year. Christoph Borges, Head of Acquisitions at GESCO AG, was excited about the company straightaway. Extensive due diligence only confirmed his positive impression. Industry expert Rainer Theile had a similar reaction when previous owner Michael F. Hekhorn and GESCO asked whether he could imagine serving as the managing director for the renowned group

BRASS
NICKEL
COPPER
ZINC

NEW AT GESCO

FULL OF **IDEAS**

REFINED **STRIP STEEL**

FINE PROCESSED

CROSS-INDUSTRY **APPLICATIONS**

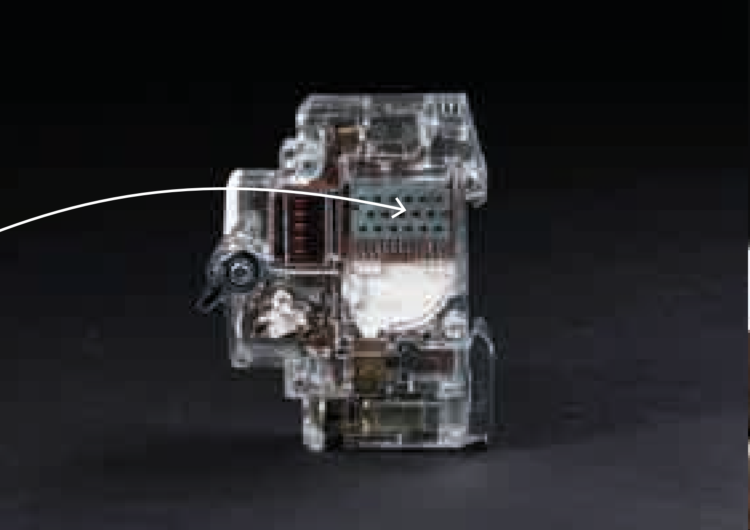
WIDELY DIVERSIFIED

DIVERSIFIED **CUSTOMER BASE**

ELECTRONICS
Components for circuit breakers

HOME ACCESSORIES
Strip steel design: weaving material for manufacturing baskets to store utensils

INTERIOR FITTINGS
Threshold bars



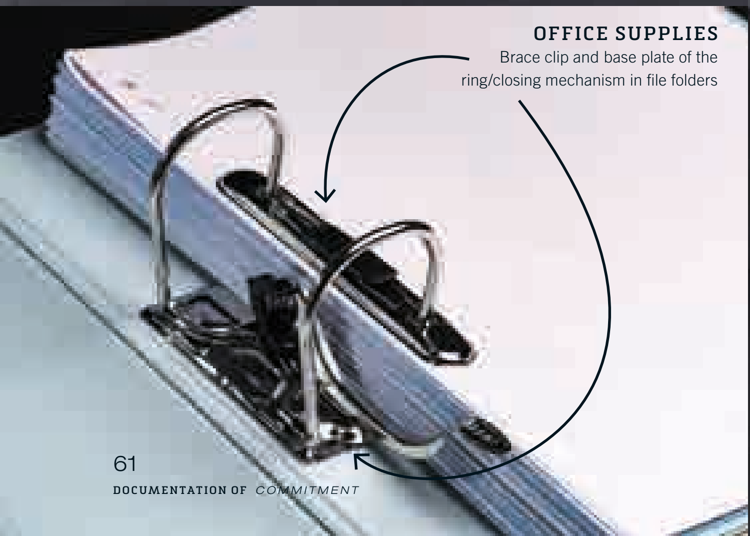
PACKAGING
Clasps, coatings and hinges for wooden boxes

NEW AT GESCO

HOUSEHOLD APPLIANCES
Base plate of a vacuum cleaner head

HANDICRAFT & DIY
Ferrules for paintbrushes

OFFICE SUPPLIES
Brace clip and base plate of the ring/closing mechanism in file folders



FURNITURE ACCESSORIES
Clothes rails, guide rails and coatings

REFINED QUALITY

Manufacturing at the highest level with fully au-tomated state-of-the-art technology nicely cap-tures the set-up in Finnentrop which guarantees uncompromising quality. It helped Pickhardt & Gerlach Group attain a leading market position in Europe. An X-ray instrument that measures thick-ness has been integrated into all production lines. It is responsible for continuously monitor-ing quality. Dr-Ing Paul Braun, an electroplating expert who holds a doctorate in metallurgy and materials science, has been serving in the role of Managing Director Operations – Technology since 2013. He can monitor each individual step in the electroplating manufac-turing process with the help of IT.

PRODUCT RANGE
ELECTROPLATED STRIP STEEL

METALS
brass, nickel, copper, zinc,
partial precious metal coatings

COATING
Thickness of
1-5 µm
per side

DIMENSIONS
5-620 mm
in width
0.2-2.5 mm
in thickness

SURFACE TREATMENTS
polishing, painting, covering
in release sheets/decals,
patterning

EQUIPPED FOR THE PERFECT ELECTROPLATING

RAINER THEILE
MANAGING DIRECTOR
SALES & FINANCE
PICKHARDT & GERLACH

DR-ING PAUL BRAUN
MANAGING DIRECTOR
OPERATIONS
PICKHARDT & GERLACH

WITH CARE FOR REFINED MATERIAL

MEGA
TREND

*People want:
The right Material at
the right Point in Time*

NEW AT GESCO

FINELY
PACKED

AIR-CONDITIONED
FINISHED GOODS WAREHOUSE

100%

DELIVERY RELIABILITY

Pickhardt & Gerlach Group also impresses with first-class service, in which technical advice and application technology play a key role. Whenever possible, every customer also receives a quote on the day they submit a request. Products are carefully packed to provide them with the best protection against moisture.


well protected

an intermediate paper layer is included for all coils for their full width of up to a maximum 620 mm


impressive range and width

all customers receive their strip steel in the width and finish they want

IN A WORD

Interview with Michael F. Hekhorn,
Managing Partner of
Pickhardt & Gerlach Group until 2017

You have decided in favour of a complete sale.
Were there no alternatives for you to continue the company otherwise?

My wife Gisela and I bought Pickhardt & Gerlach, a company with tradition, around 27 years ago. At that time, it was still in Werdohl. We faced the task of a fundamental modernisation. A key milestone was the relocation in 2000 from Werdohl to Finnentrop in the Sauerland region some 30 km away.

I'm 69 now, and my wife is two years younger. We look back on a wonderful period in our lives that involved a major investment in terms of money as well as time.

As neither one of us has any children, there was no possibility of someone from the next generation of our direct family succeeding us. Strip steel processing is a very specific and highly specialised line of business. In order to successfully run a company like this, you have to be passionate about our products. You also need in-depth experience in the industry and an entrepreneurial personality, you need to enjoy having contact with customers, and you need to have the courage to build a long-term attachment to a company located in the heart of the Sauerland region. No one within our extended family fit those criteria.

Being a figurehead goes against my grain, and I'm not a fan of doing things just halfway. Either I bear responsibility, in which case I live up to it completely, or I hand it over entirely. So to keep the company going with an outside managing director while remaining a shareholder was not an option.

What was the perfect moment for you for a sale?

The decision to leave the company was naturally not one that we made overnight. It was important to us to lead the company up until the day of the decision as if we would continue running it ourselves for the next 20 years - meaning to continue investing to the degree that will be necessary for the future of the company. As a result, we completely refurbished the administrative building around three years ago and also made sure that the technology used in production was always in line with the state of the art.

What demands did you make of your successor?

1. Location commitment
In GESCO Group, we found a successor that shares our exact same values. The fact that GESCO will maintain the sites and strengthen them through systematic investments

Christoph Borges on acquisitions

You have been responsible for acquisitions for many years, and have done the same for GESCO since 2014. What is the most important factor for you in terms of a sales process?
The chemistry has to be right - on both sides. It's the only way for a relationship of trust to develop. Many entrepreneurs find themselves in the situation for the first time of having to completely lay all their figures on the table. If the two parties don't understand each other at that point, then taking further steps is futile.

How do you manage to ensure the chemistry clicks?
I earned my degree in engineering. Technology is my passion. If a company grabs me, it shows. As a result, it's possible to connect really quickly on a technical level.

What would you recommend to a business owner who is looking to sell?
Don't procrastinate too long before taking the plunge. Putting it off helps neither the company nor the entrepreneur. Once you have made the decision in your head, there's a big temptation to let things slide. The longer this goes on, the more difficult a sale becomes.

CHRISTOPH BORGES
HEAD OF ACQUISITIONS GESCO AG

matches precisely with our previous commitment. One of our priorities was to find a successor that appreciates the first-rate conditions, pledges to maintain them and thereby seamlessly picks up where we leave off with our efforts.

2. Maintaining jobs
We have established a high degree of automation in production, and we have a very lean administrative structure. For each additional employee, my wife and I asked ourselves whether the development of our business would allow us to employ the person in the long term. So we always acted in a very responsible manner with new hires. We wanted our potential successor to share this same sense of responsibility as well. GESCO has demonstrated for years that these jobs will in fact be maintained.

3. No mergers
We have a very lean, agile and flexible administrative organisation. Our greatest concern during the search for a successor was that our commercial team might fall victim to possible centralisation efforts by a new shareholder. Our concerns related to the people who we greatly value, for one thing. Another aspect is our belief that the physical proximity between production and administration is key to success. By deciding in favour of GESCO, we were able to rule out this risk, because the "no merger" promise is an integral part of GESCO's set of values.

4. Continuation of business under the same name
Another aspect that spoke in favour of GESCO was its pledge to keep the company name. We acquired a company whose name we kept, even though it wasn't our own name. At the time, we felt it was important to preserve the brand and firmly anchor a promise of quality in the brand value. We therefore rejected the idea of selling the company to a shareholder who would have changed the brand name not for reasons of sentimentality, but from a business point of view.

Do you think you have found the best owner in GESCO?

Handing over the reins was admittedly a major challenge for me. My wife and I didn't have an easy time selecting potential successors. We concluded that we found the new owner in GESCO, which shares the greatest overlap with our ideal.

How were you led to GESCO?

We sought the assistance of a neutral advisor for the sales process. Among other things, the advisor established contact with GESCO and - to be sure - in line with our profile of an ideal successor. My wife and I soon realised that GESCO understands how to successfully lead an SME.

IN A WORD

Interview with Robert Spartmann
Chief Financial Officer GESCO AG

”

What proved decisive for you in the purchase of Pickhardt & Gerlach Group?

GESCO AG focuses on acquiring established small and medium-sized production companies whose business model is characterised by technological USPs in their respective markets. Our target companies ideally have long-term positive economic development and a sound balance sheet structure. As an expansion of our resource technology segment, Pickhardt & Gerlach Group could not have been a better fit.

However, we used more than just balance sheets and income statements to make the acquisition decision; we also focused in detail on possible business risks, the market and its potential development, the competition and, of course, opportunities. We looked for the proverbial fly in the ointment and found nothing.

You want to acquire up to three companies a year. Pickhardt & Gerlach Group is the only acquisition in the past year. Why is that?

Our aim is the acquisition of up to a maximum of three companies per year. For several years now, the M&A market has been turning into a seller's market. This trend is also apparent with regard to companies within our focus. We are now being confronted with asking prices that we don't necessary share. In addition, sellers face new challenges after the sale of a company, such as the decision about investing the liquidity from the sale in the current interest environment, coupled with the tendency of banks to charge negative interest on balances above a certain amount. Business owners who have the option to do so are postponing a potential sale for these reasons.

Pickhardt & Gerlach Group was valued at a level that was still acceptable in our eyes. It was important to the former owners, the Hekhorn family, to leave their life's work in good hands. Our investment model offers something priceless: avoiding criticism at the local level after the sale. This can happen if a buyer decides to relocate the business or a production site abroad, for example, or downsizes substantially. Another buyer might have perhaps offered Pickhardt & Gerlach Group a higher purchase price and had their bid accepted if the Hekhorn family was only concerned about money. You don't encounter entrepreneurs like this every day.

Would you say that asking prices are too high at the moment?

Market development in recent years has led to rising valuation multiples, which means that even with profitability remaining the same, the purchase price for a company is going up. We are seeing more and more situations where individual investors submit a bid for a target company with a significantly higher purchase price than the majority of the other investors involved in the process. The higher the purchase price is, the more challenging it becomes for a buyer to earn this purchase price with the acquired company in the years that follow.

We of course know the current price level on the market is and meet it. In the end, every company acquisition amounts to a weighing of risks and opportunities. The higher a company is valued, the greater the assessment of opportunities for sales and earnings growth in future should be. Economic development in Germany paints an overall positive picture and the period of "cheap money" and limited investment opportunities for liquidity is still ongoing. All of this will continue to keep prices for companies at a high level.

The investments have been assigned to new segments as part of the PORTFOLIO STRATEGY 2022. What affect does that have on your acquisition activities?

Within the scope of the PORTFOLIO STRATEGY 2022, we have structured our companies into four end customer segments. Through the years, we have developed expertise in these areas, and we are now placing our investment focus squarely on these four segments. As a result, we will consider acquisitions in all four segments. These possible acquisitions can take place on the level of GESCO AG, or they can be strategic company acquisitions made through our investments.

Of course, this acquisition strategy is not carved in stone. As part of our strategy meetings, we will repeatedly take a critical look at our acquisition activities and respond to market changes.

Companies with sales of € 15 million to € 50 million are one of your investment criteria. Why not bigger companies?

We are staying conservative and taking a risk-conscious acquisition approach. We could, of course, acquire a substantially larger company instead of three companies that fit our target size. But an approach like this would not be in line with our risk strategy, so it is ruled out. As I explained before, every company acquisition amounts to a weighing of risks and opportunities. If massive problems arise at a substantially larger company after it has been acquired, it could have long-term negative effects on the entire Group. Our objective is to further strengthen the Group with each acquisition. Negative developments at individual companies should not put the entire Group in jeopardy.

What steps are you taking to find suitable, successful companies?

In some 28 years on the market, GESCO AG has developed an excellent reputation and established a large network that brings numerous companies available for sale to our attention. We also actively look for potential target companies ourselves. We do what is known as a "direct search" in the personnel consulting scene by researching companies that fit our target profile and then directly approaching the owners. We have established various contacts as a result and discovered in the process that people have an open mind when it comes to our long-standing business model. I believe that these committed efforts will pay off in the years ahead.

And there will be no change to the "no exit" strategy that GESCO is known for?

That's correct. A sale, like that of Protomaster, is not in line with our established business model. For us, a sale remains the exception rather than the rule. We only consider taking such a step if we determine that we are unable to successfully support and assist a company moving forward. We are - and will remain - an investor with a long-term focus.

OUR **TARGET** COMPANY

ECONOMIC CRITERIA

€ ~15-50 Mn.
IN SALES

SOUND
BALANCE SHEET STRUCTURE
No Companies in Need of Restructuring

SUSTAINABLE
PROFITABILITY
Benchmark in the industry

TECHNICAL CRITERIA

QUALITY
MADE IN GERMANY

TECHNOLOGY FOKUS
& INTELLIGENT SOLUTIONS

EFFIZIENTE
RESSOURCEN-NUTZUNG

STATE-OF-THE-ART
PRODUKTION
no investment bottleneck

STATE-OF-THE-ART
IT-INFRASTRUCTURE

CRITERIA GEARED TOWARDS THE MARKET

GESCO SEGMENTS
ACC. PORTFOLIO STRATEGY 2022
has to be a fit

NICHE MARKET
WITH GROWTH POTENTIAL

Megatrends
SUSTAINABLE & FUTURE-PROOF
BUSINESS MODELS

NEW
CUSTOMERS
LONG-STANDING BUSINESS RELATIONSHIPS & BROAD BASE

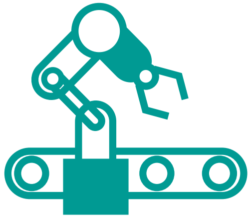
MARKET LEADER
WITH DISTINCT USPs
Hidden Champions

MANAGEMENT CRITERIA

OPEN & HEALTHY
CORPORATE CULTURE

ORGANISATION
INDEPENDENT OF OWNER

RELAUNCH



01

SEGMENT PRODUCTION PROCESS TECHNOLOGY

Our Investments.

SEGMENT **PROFILE**

People want: Individuality in Spite of Mass Production

MEGATRENDS

Industry 4.0
Additive Manufacturing (3D printing)
Digitalisation
Batch size 1

RESULTING TRENDS

Growing Need for Investment in Machinery and Equipment
New Products thanks to 3D Printing Technology
Demand for individualised Products and Special Machinery
Automation and Robotics

MARKET CHARACTERISTICS

Dynamically growing Markets
High Degree of Innovation

TYPICAL PRODUCTS

Automation Solutions for the Mechanical Engineering and Plant Construction Industry as well as Technology-intensive Manufacturing Services

END CUSTOMER MARKET SEGMENTS

Industrial Manufacturers in Sectors such as the Automotive, Steel and Consumer Goods Industries who are Subject to high Competitive Pressure and have to compensate by Making Changes to the Production Process

PORTFOLIO
STRATEGY
2022

Image: Control unit of a straightening machine made by MAE

PRODUCTION PROCESS
TECHNOLOGY

SEGMENT 01

IN A NUTSHELL

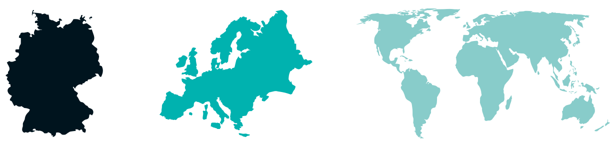
8
LOCATIONS WORLDWIDE

4
HIDDEN CHAMPIONS

€ 74.6 Mn.
IN SALES
(2016/2017)

458
STAFF
(31.12.2016)

(Germany) (Europe, excluding Germany) (World, excluding Europe)



4 4

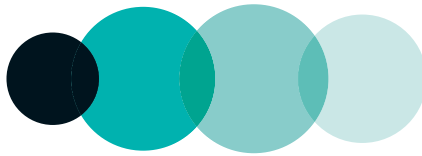
NUMBER OF LOCATIONS
SEGMENT
(2016/2017)

4

NUMBER OF COMPANIES & GROUPS
SEGMENT
(2016/2017)

15%

SHARE OF
GESCO SALES
(2016/2017)



18%

SHARE OF
GESCO STAFF
(31.12.2016)

CFK

erosiv | additiv | innovativ

CFK is one of the **leading technological** names in high-precision **wire erosion** and **die sinking** in Germany. What is more, the company is regarded as a **pioneer** in the field of **selective laser melting** and **additive manufacturing**, also known as **3D printing**. Unlike conventional methods, this production process offers superior freedom of design and also allows **small batches** and one-off items (“batch size 1”) to be **manufactured economically**. In the erosion segment, CFK deploys high-precision technology to produce 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. CFK is a partner for a wide range of sectors, including **aerospace**, the **medical industry** and **micro-technology**.

€ 8.6 Mn.

IN SALES
(2016)

(€ 9.7 Mn.)

78.2 %

CAPITAL RATIO
(31.12.2016)

(64.9 %)

1

LOCATION

GERMANY
C.F.K. CNC-Fertigungstechnik Kriftel GmbH,
Kriftel/Taunus

66

STAFF
(31.12.2016)

(66)

SHAREHOLDING GESCO

80%

SHAREHOLDING MANAGEMENT

20%

COMPANY FOUNDED IN

1986

ACQUIRED BY GESCO

2012

entrance area of the office building
in Kriftel/Taunus

DR-ING
CHRISTOPH OVER
MANAGING PARTNER

kesel
Werkzeugmaschinen
Spannsysteme

Kesel Group develops and manufactures **machine tools** with a focus on **highly specialised milling machines** for **linear tooth profiles**. **Machines** for the **manufacture** of **bandsaws**, which are used in industries such as **metal processing** and in **milling tooth profiles** for **steering systems** and **drive components** in **automotive manufacturing**, are a **special product**. The company also develops and produces **clamping systems** with a wide range of specifications, sizes and clamping forces. Kesel Group's customers are mainly companies from the **steel**, **gear-cutting** and **automotive industries**.

SHAREHOLDING *GESCO*
90%

SHAREHOLDING *MANAGEMENT*
10%

COMPANY *FOUNDED IN*
1889

ACQUIRED *BY GESCO*
2009

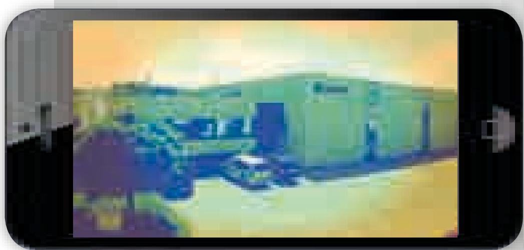
€ 10.8 Mn.
IN SALES
(2016)
(€ 11.2 Mn.)

52.2 %
CAPITAL *RATIO*
(31.12.2016)
(58.9 %)

3
LOCATIONS

GERMANY (MAIN LOCATION)
Georg Kesel GmbH & Co. KG, Kempten
USA
Kesel North America LLC, Beloit
CHINA
Georg Kesel Machinery (Beijing) Co. Ltd., Bejing

58
STAFF
(31.12.2016)
(60)



idyllic yet well connected: the headquarters in Kempten (Allgäu)

MARTIN KLUG
MANAGING PARTNER

MAE.

MAE Group is a **global leader** in **automatic straightening machines** and **wheel set presses** for **rolling stock**. Groundbreaking innovations have enabled MAE to expand its global 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**.

€ 42.9 Mn.
IN SALES
(2016)
(€ 44.4 Mn.)

44.2 %
CAPITAL
RATIO
(31.12.2016)
(39.2 %)

3
LOCATIONS

GERMANY (MAIN LOCATION)
MAE Maschinen- und Apparatebau Götzen GmbH, Erkrath
USA
MAE Eitel Inc., Orwigsburg
CHINA
MAE Machines (Beijing) Co. Ltd., Beijing

222
STAFF
(31.12.2016)
(222)

SHAREHOLDING
GESCO
100%

modern headquarters in Erkrath

COMPANY
FOUNDED IN
1931

ACQUIRED
BY GESCO
1997

MARTIN BÖRGER
MANAGING DIRECTOR
SALES & FINANCE

RÜDIGER SCHURY
MANAGING DIRECTOR
OPERATIONS

VWH
German Quality in Engineering

VWH specialises in **automation technology** and **mould design**. 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, known as **Industry 4.0**, creates significant potential for the future development of the company. The main customer base includes the **consumer goods sector**, the **automotive industry** and its **suppliers**, the **electrical engineering sector** and the medical **technology industry**.

€ 12.3 Mn.
IN SALES
(2016)
(€ 11.4 Mn.)

47.2 %
CAPITAL
RATIO
(31.12.2016)
(38.5 %)

1
LOCATION
GERMANY
VWH GmbH, Herschbach

112
STAFF
(31.12.2016)
(109)

SHAREHOLDING
GESCO
80%

SHAREHOLDING
MANAGEMENT
20%

COMPANY
LOCATION
1962

ACQUIRED
BY GESCO
2007

the site in Herschbach from above

THOMAS STURM
MANAGING
PARTNER

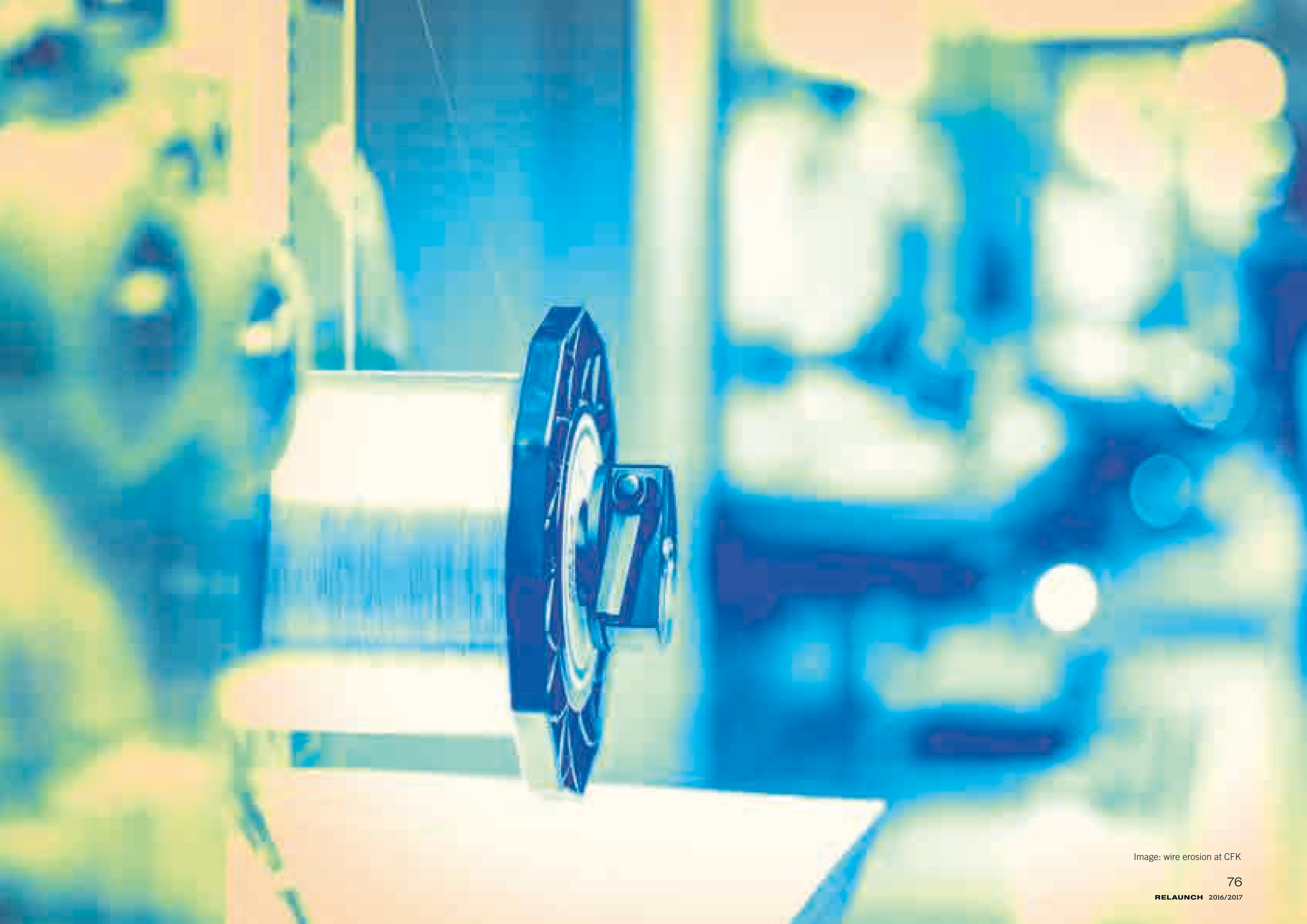


Image: wire erosion at CFK

RELAUNCH

02

SEGMENT
RESOURCE
TECHNOLOGY

Our Investments.

SEGMENT PROFILE

People want:
The right Material at the right Point in Time

MEGATRENDS

Globalisation

Population Growth

Economic Growth in Emerging Markets

Rising Consumption in Industrialised Nations

RESULTING TRENDS

Growing need for Energy and Commodities

Shorter Product Life Cycles and Use

MARKET CHARACTERISTICS

Consolidating Markets

Focus on Niche Products and Customer Service

TYPICAL PRODUCTS

Customer-Specific Provision of Pre-Materials, such as Supplying Materials, Transporting Materials or Loading Technology

END CUSTOMER MARKET SEGMENTS

Material-Intensive Companies in the Industrial Sector whose Supply Chains do not permit Compromises when it comes to Quality

Globally distributed Production Structures that require reliable Suppliers, no Matter where in the World they are

PORTFOLIO STRATEGY 2022

Image: Strip steel of the Pickhardt & Gerlach Group

RESOURCE
TECHNOLOGY

SEGMENT 02

IN A NUTSHELL

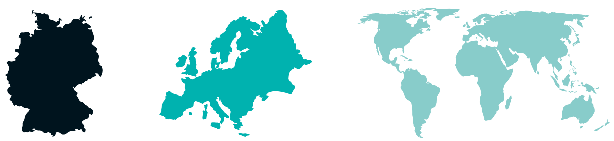
11
LOCATIONS WORLDWIDE

3
HIDDEN CHAMPIONS

€ 222.1 Mn.*
IN SALES
(2016/2017)

707*
STAFF
(31.12.2016)

(Germany) (Europe, excluding Germany) (World, excluding Europe)



6 1 4

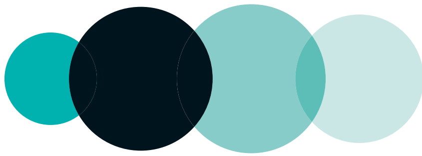
NUMBER OF LOCATIONS
SEGMENT
(2016/2017)

3

NUMBER OF COMPANIES & GROUPS
SEGMENT
(2016/2017)

46%

SHARE OF
GESCO SALES
(2016/2017)



28%

SHARE OF
GESCO STAFF
(31.12.2016)

* Pickhardt and Gerlach Group, which was acquired in December 2016/January 2017, has not yet been included in the figures on sales and staff.

Dörrenberg Edelstahl

Dörrenberg Group is very successful internationally in the fields of **special steels**, **steel foundry**, **casting products**, and **coating** and **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 industries 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**.

€ 181.1 Mn.
IN SALES
(2016)
(€ 186.7 Mn.)

78.4 %
CAPITAL RATIO
(31.12.2016)
(71.3 %)

8
LOCATIONS

GERMANY (MAIN LOCATION)
Dörrenberg Edelstahl GmbH,
Engelskirchen-Ründeroth
additional locations in Wiehl, Gummersbach and Herford

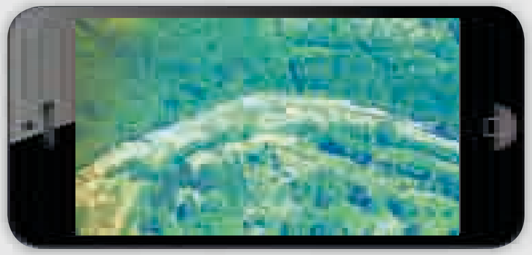
EUROPE
Dörrenberg Tratamientos Termicos SL, Alasua/Navarra, Spain

ASIA
Dörrenberg Special Steels PTE. Ltd., Singapore
Dörrenberg Special Steels Taiwan Ltd., Tainan City, Taiwan
Jiashan Dörrenberg Mould & Die Trading Co., Jiashan, China

523
STAFF
(31.12.2016)
(531)

SHAREHOLDING GESCO
90%

SHAREHOLDING MANAGEMENT
10%



main German site in Engelskirchen-Ründeroth, North Rhine-Westphalia

COMPANY FOUNDED IN
1860

ACQUIRED BY GESCO
1996

PICKHARDT & GERLACH

Pickhardt & Gerlach Group is one of **Europe's leading processors** of **strip steel**. The company employs a state-of-the-art and fully automated **electroplating process** to apply **brass**, **copper**, **nickel**, **zinc** and **precious metal coatings** to **steel strips**. Above all, **customers** appreciate the **excellent quality tailored** to **meet** their **individual needs** as well as the **uncompromising service**. This niche product features an extremely wide range of **applications**. Strip steel components are essential in **household appliances**, **sporting equipment**, **furniture**, **office supplies**, **electronics** and **decorative items**, just to name a few of the applications. They are also used in other sectors, such as the **automotive industry**.

€ 29.5 Mn.

IN SALES
(2016)

65.6 %

CAPITAL
RATIO
(31.12.2016)

1

LOCATION

41

STAFF
(31.12.2016)

GERMANY
Pickhardt & Gerlach GmbH & Co. KG, Finnentrop

SHAREHOLDING
GESCO

100%

COMPANY
FOUNDED IN

1902

ACQUIRED
BY GESCO

2017

built in the countryside for optimum production processes: the site in Finnentrop, located in the Sauerland region

NEW AT GESCO

SVT Transfer complete

SVT is a **global market leader** that develops and manufactures **high-quality technological machinery** with **sophisticated safety features** for **loading** and **unloading liquid** and **gaseous materials on** and **off ships** and **tankers**. 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, as well as for **all sorts** of **chemicals** and **petroleum** on **land** and in **ports**. The company has the technical expertise to design equipment and control units according to the **standards** in **each respective country** while also providing **global service**. The company's customers come from the **chemical**, **petrochemical**, **petroleum** and **gas industries** on all continents. It is regarded as a **quality leader** and **leading provider worldwide**.

€ 41.0 Mn.

IN SALES (2016)

(€ 33.5 Mn.)

67.5 %

CAPITAL RATIO (31.12.2016)

(57.9 %)

2

LOCATIONS

GERMANY (MAIN LOCATION)
SVT GmbH, Schwelm
USA
Connex SVT Inc., Houston, Texas, USA

184

STAFF (31.12.2016)

(186)

SHAREHOLDING GESCO

90%

SHAREHOLDING MANAGEMENT

10%

COMPANY FOUNDED IN

1968

ACQUIRED BY GESCO

2002

offices and production site in Schwelm

HARM STÖVER

MANAGING PARTNER

RELAUNCH

03

SEGMENT
HEALTHCARE & INFRASTRUCTURE
TECHNOLOGY

Our Investments.

SEGMENT PROFILE

People want: Good Health & Well-Being

MEGATRENDS

Population Growth
Demographic Change
High Life Expectancy
Biotech
Medical Technology
Stronger Environmental Consciousness
Rising Prosperity Worldwide

RESULTING TRENDS

Better Medical Care
Organic Food and Biodegradable Products
Renewable Resources
Constant new Food Trends
Need for larger, better-equipped and modern Living Spaces

MARKET CHARACTERISTICS

Close to End Consumers
Not very cyclical

TYPICAL PRODUCTS

Components, Assemblies and Primary Products

END CUSTOMER MARKET SEGMENTS

Suppliers for Mass Consumer Markets:
Construction and Plumbing Industry, Food Sector and Agriculture
Cosmetics and Hygiene Products Industry, Medical Technology

Image: Coating line at Frank

HEALTHCARE & INFRASTRUCTURE
TECHNOLOGY

SEGMENT 03

IN A NUT**SHELL**

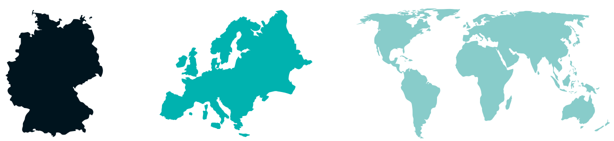
11
LOCATIONS WORLDWIDE

6
HIDDEN CHAMPIONS

€ 113.9 Mn.
IN SALES
(2016/2017)

732
STAFF
(31.12.2016)

(Germany) (Europe, excluding Germany) (World, excluding Europe)



6 4 1

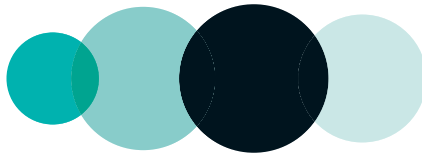
NUMBER OF LOCATIONS
SEGMENT
(2016/2017)

6

NUMBER OF COMPANIES & GROUPS
SEGMENT
(2016/2017)

24%

SHARE OF
GESCO SALES
(2016/2017)



29%

SHARE OF
GESCO STAFF
(31.12.2016)

AstroPlast
Technik in Kunststoff

AstroPlast is a specialist for **high precision injection-moulded technical plastics**. The company develops and markets its **own range** of **special plastic spools**, which are sold to manufacturers of wires, cables, tapes and optical fibres. AstroPlast also produces a **wide range** of **customised injection-moulded technical parts**. Its specialities include the manufacture of **large components** made of **transparent thermoplastics** and the use of **secondary materials**. The company's expertise in **process engineering**, its **state-of-the-art machine park** with clamping forces of **50** to **2,300 t** and its **in-house tool manufacturing**, as well as its positioning as a **consultant** and **partner** during **development**, have allowed AstroPlast to attract customers from industries such as **electrical engineering**, **household appliances**, for **lighting manufacturers** in addition to the **medical technology**, **logistics** and **waste disposal sectors**.

€ 13.0 Mn.
IN SALES
(2016)
(€ 16.3 Mn.)

20.1 %
CAPITAL *RATIO*
(31.12.2016)
(19.8 %)

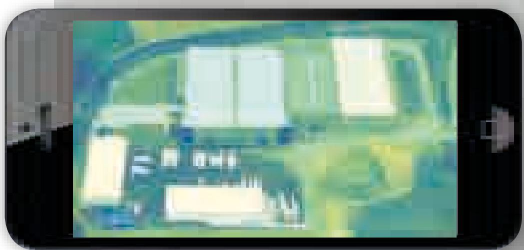
1
LOCATION
GERMANY
AstroPlast Kunststofftechnik GmbH & Co. KG, Meschede

85
STAFF
(31.12.2016)
(92)

SHAREHOLDING *GESCO*
100%

COMPANY *FOUNDED IN*
1972

ACQUIRED *BY GESCO*
1995



the new AstroPlast location in Meschede

ROUVEN STEFFENS
MANAGING DIRECTOR

HEALTHCARE & INFRASTRUCTURE TECHNOLOGY

SEGMENT 03

FRANK ORIGINAL

Frank Group is **Europe's leading supplier** of **wear parts** and **components** for the **agriculture market**. The company produces **rolled** and **forged parts** made from **specialist steel alloys**. 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. Frank is an **original equipment manufacturer** for **agricultural machinery manufacturers** with a focus on soil cultivation, feed technology and harvesting technology for root crops and special cultures. In addition, Frank supplies spare parts to **specialist wholesalers** and **cooperatives worldwide**.

SHAREHOLDING GESCO
90%

SHAREHOLDING MANAGEMENT
10%

COMPANY FOUNDED IN
1836

ACQUIRED BY GESCO
2006

€ 30.0 Mn.
IN SALES
(2016)
(€ 27.6 Mn.)

42.2 %
CAPITAL RATIO
(31.12.2016)
(43.7 %)

5
LOCATIONS

GERMANY (MAIN LOCATION)
Frank Walz- und Schmiedetechnik GmbH, Hatzfeld
HUNGARY
Frank Hungária Kft./Ozd
UKRAINE
Frank Lemeks TOW/Ternopil
additional locations in Tscherkassy and Saporischschja

285
STAFF
(31.12.2016)
(258)

keeping tradition alive: office building at the main location in Hatzfeld

DR-ING FRANK GROTE
MANAGING PARTNER

Franz Funke
Zerspanungstechnik

Franz Funke Zerspanungstechnik **turns high-quality parts made** of **brass**, **aluminium**, **red brass** and **Cuphin** in dimensions from 6 to 140 mm using its machine park of **more than 20 cutting-edge CNC-controlled machines**. Franz Funke'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 Franz Funke as a problem-solver and support customer retention.

SHAREHOLDING GESCO
80%

SHAREHOLDING MANAGEMENT
20%

COMPANY FOUNDED IN
1919

ACQUIRED BY GESCO
1995

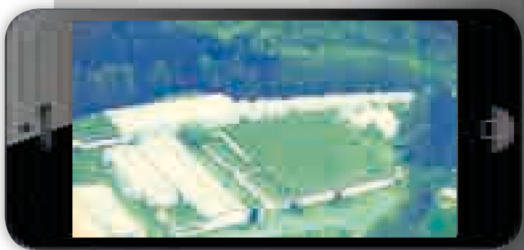
€ 16.7 Mn.
IN SALES
(2016)
(€ 15.4 Mn.)

31.5 %
CAPITAL RATIO
(31.12.2016)
(24.9 %)

1
LOCATION

GERMANY
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern

82
STAFF
(31.12.2016)
(80)



Franz Funke now has more room to expand in Sundern at the site formerly shared with AstroPlast

DR-ING
WOLFGANG KEMPER
MANAGING PARTNER

HASEKE
INTELLIGENT MOVEMENT

Haseke is a leading name in the development and manufacture of ergonomic, technically sophisticated **suspension systems** and **control box technology**. Its product range features **suspension arms**, including **height-adjustable swivel arm systems**, as well as **control boxes** and **display brackets**. The company uses an innovative, sophisticated modular system to quickly implement individual customer requirements and it develops new products from these ideas. In its role as a **system supplier**, Haseke offers its customers extensive service and advice, both before and after the sale. The products are used in **medical technology**, **mechanical engineering**, **plant construction** and **automation technology**. Simply put, **Haseke products** are **needed wherever** people move **control units** and **displays** – true to the **Haseke concept: "Intelligent Movement"**.

€ 13.8 Mn.
IN SALES
(2016)
(€ 13.0 Mn.)

42.5 %
CAPITAL *RATIO*
(31.12.2016)
(46.6 %)

1
LOCATION

GERMANY
Haseke GmbH & Co. KG, Porta Westfalica

69
STAFF
(31.12.2016)
(64)

SHAREHOLDING *GESCO*
80%

SHAREHOLDING *MANAGEMENT*
20%

COMPANY *FOUNDED IN*
1983

ACQUIRED *BY GESCO*
1990

office building and neighbouring production area in Porta Westfalica

UWE KUNITSCHKE
MANAGING PARTNER

HUBL
EDELSTAHLTECHNIK

Hubl is the **specialist** for **industrial stainless steel sheet metal processing** and has a high degree of expertise in working with this very demanding material. From **custom-made products** to **small-scale series**, Hubl produces **machine cladding**, **coverings**, **housings** and **containers** from **high-end stainless steel sheets**, both as **individual components** and as **complete assemblies**. As a **development partner**, Hubl is frequently involved in an advisory capacity in its customers' processes to find tailored solutions for the respective application. Important customers include the **biotechnology**, **pharmaceutical**, **medical** and **clean room technology industries**, as well as the **semiconductor** and **food sectors**.

€ 13.6 Mn.
IN SALES
(2016)
(€ 12.8 Mn.)

56.8 %
CAPITAL RATIO
(31.12.2016)
(51.9 %)

1
LOCATION
GERMANY
Hubl GmbH, Vaihingen/Enz

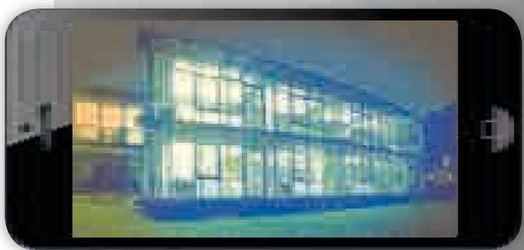
111
STAFF
(31.12.2016)
(106)

SHAREHOLDING GESCO
80%

SHAREHOLDING MANAGEMENT
20%

COMPANY FOUNDED IN
1976

ACQUIRED BY GESCO
2002



modern location in Vaihingen/Enz

RAINER KIEFER
MANAGING PARTNER

SETTER PAPERSTIX

Setter Group is one of the **world's leading manufacturers** of **paper sticks**, which it develops and produces for sale to customers from the **confectionery** and **hygiene industries**. The sticks are used in products such as lollipops, cake pops, cotton buds or medical products. There are hardly any limits to the possible **individual customer specifications**. The options range from various diameters, colours and lengths to printing – either for decorative purposes or for labelling with an EAN code, for example. Setter Group owes its **quality leadership**, and therefore its **international success**, to **production systems developed in-house**. The German company markets its products across **all continents**.

€ 26.8 Mn.
IN SALES
(2016)
(€ 27.0 Mn.)

55.1 %
CAPITAL RATIO
(31.12.2016)
(42.0 %)

2
LOCATIONS

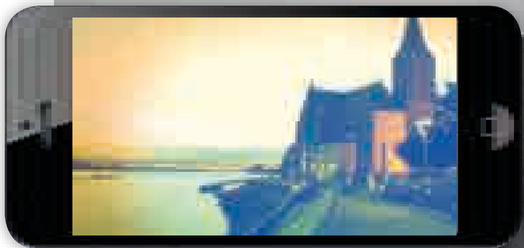
GERMANY (MAIN LOCATION)
Setter GmbH & Co. Papierverarbeitung, Emmerich
USA
Setterstixs Inc. Cattaraugus, New York, USA

100
STAFF
(31.12.2016)
(98)

SHAREHOLDING GESCO
100%

COMPANY FOUNDED IN
1964

ACQUIRED BY GESCO
2004



Picturesquely situated in Emmerich on the Rhine

Photo credit: City of Emmerich

STEFFEN GRASSE
MANAGING DIRECTOR

Image: Spool elements made of plastics at AstroPlast

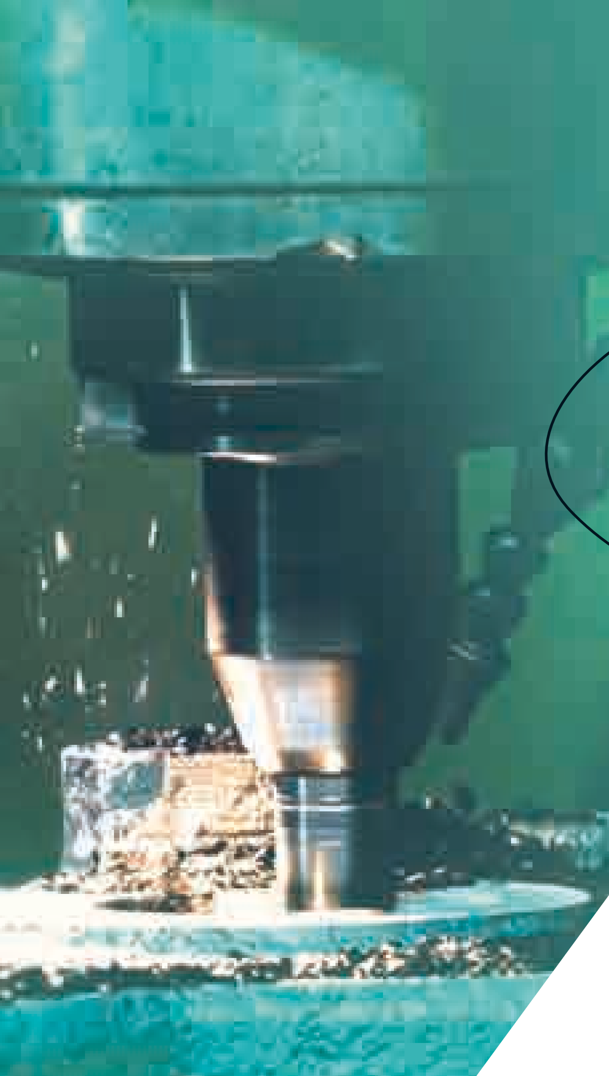
RELAUNCH

04

SEGMENT MOBILITY TECHNOLOGY

Our Investments.

SEGMENT **PROFILE**



People want:
Flexibility &
Mobility

MEGATRENDS

Population Growth

Economic Growth in Emerging Markets too

Geographical Flexibility on the Labour Market

Road Safety

Climate Change

Growing Consumption and Increase in Mail-Order/Online Retail

Stronger Environmental Consciousness

RESULTING TRENDS

Increasing Significance of Cutting Emissions: Need for electromobility

Autonomous Driving

Shorter Model Lifetimes

Greater Model and Derivative Diversity

Local for Local – i.e. Vehicles and Models are each Produced in the Geographical Vicinity of the Market, at Various Locations Worldwide

Increase in Truck traffic and Land Transport

MARKET CHARACTERISTICS

Cyclical Automotive Market

Positive Outlook driven by Technological Advancements

TYPICAL PRODUCTS

Tools and Moulds, esp. large Tools, that make it Possible to Achieve a high Degree of Automation through fewer Process Steps

Components and Assemblies

END CUSTOMER MARKET SEGMENTS

Vehicle Industry and its Suppliers for Cars, Commercial Vehicles and Rolling Stock

PORTFOLIO
STRATEGY
2022

Image: Machining of a large tool on the portal milling machine at WBL

MOBILITY
TECHNOLOGY

SEGMENT 04

IN A NUT**SHELL**

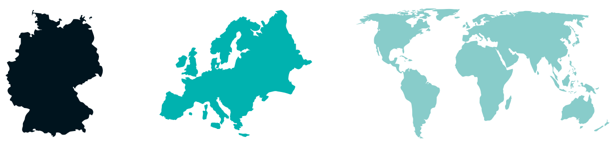
6
LOCATIONS WORLDWIDE

4
HIDDEN CHAMPIONS

€ 73.9 Mn.*
IN SALES
(2016/2017)

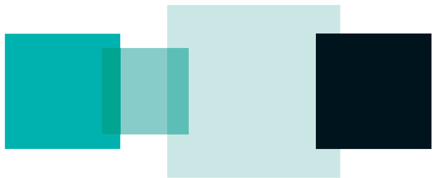
620*
STAFF
(31.12.2016)

(Germany) (Europe, excluding Germany) (World, excluding Europe)



6

NUMBER OF LOCATIONS
SEGMENT
(2016/2017)

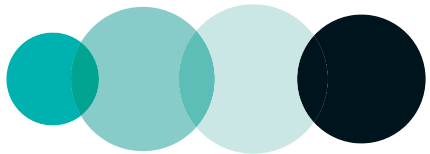


4

NUMBER OF COMPANIES & GROUPS
SEGMENT
(2016/2017)

15%

SHARE OF
GESCO SALES
(2016/2017)



25%

SHARE OF
GESCO STAFF
(31.12.2016)

* Protomaster GmbH has been put up for sale. The company has not been profiled. Protomaster GmbH is still included in the sales and staff figures.

Paul Beier manufactures **sophisticated tools** as well as **single- and small-series parts** and **components**. Paul Beier specialises in **high-precision machining** of **high-strength steels** and can even process materials such as **tungsten**. The **applications** are wide-ranging, such as **components** and **customised designs** for **heat exchangers**, **worm gears** and **pump shafts**, as well as **complete cutting**, **stamping**, **pulling** and **grading tools**. Thanks to its grading tools for parts with rotational symmetry, Paul Beier enjoys a **special position** as a **supplier** to **gear manufacturers**. Paul Beier's diverse customer base is largely from the **automotive**, **mechanical engineering**, **chemical**, **food** and **railway engineering industries**. The company also works for the aeronautical industry and is certified to their **highest security levels**.

SHAREHOLDING GESCO

100%

COMPANY FOUNDED IN

1924

ACQUIRED BY GESCO

1999

€ 10.5 Mn.

IN SALES (2016)

(€ 12.1 Mn.)

7.9 %

CAPITAL RATIO (31.12.2016)

(27.5 %)

2

LOCATIONS

GERMANY
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel
Additional location in Hessisch-Lichtenau

113

STAFF (31.12.2016)

(117)

the site in Kassel, Hessen

BERNHARD KELLER
MANAGING DIRECTOR

DÖMER

STANZ-/UMFORMTECHNOLOGIE

Dömer has long-standing **expertise** in **metal stamping**, **bending** and **forming**, as well as in related **tool manufacture**. Its expertise in machining technology is in particular demand in the field of advanced special components with complex structures and exacting material specifications. The company makes **complex technical parts** as well as **patented process developments** for sectors such as the **automotive**, **metal fittings** and **railway industries**, as well as for use in **building technology** and **agricultural machinery**. Dömer is also a **leading provider** of expertise in the production of absorber and **cushioning elements** which are used worldwide in **wheel sets** on **high-speed trains** and in **regional railway transportation**.

€ 15.2 Mn.

IN SALES (2016)

(€ 15.7 Mn.)

55.6 %

CAPITAL RATIO (31.12.2016)

(52.3 %)

1

LOCATION

GERMANY
Dömer GmbH & Co. KG Stanz- und UmformTechnology, Lennestadt

100

STAFF (31.12.2016)

(104)

SHAREHOLDING GESCO

100%

COMPANY FOUNDED IN

1969

ACQUIRED BY GESCO

2005

state-of-the-art company location in Lennestadt, in the Sauerland region

DR-ING MICHAEL DAMMER
MANAGING DIRECTOR

MODELL TECHNIK Formenbau GmbH

ModellTechnik develops and manufactures **moulds** for **aluminium** and **magnesium die casting**. The company specialises in **tools** for **manufacturing highly complex**, **large components weighing approximately 1.8** to **48 t**, mainly for use in the **automotive industry**. From **development** to **tool repair**, ModellTechnik offers a wide range of **full-service options**. At its **efficient foundry**, the company tests tools and optimises prototypes, while also manufacturing series start-ups and small-scale series for customers. ModellTechnik 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 the combination of machine park and full-service offer, ModellTechnik covers the **entire process chain**, setting benchmarks **throughout Europe**.

€ 11.4 Mn.

IN SALES (2016)

(€ 14.0 Mn.)

70.1 %

CAPITAL *RATIO* (31.12.2016)

(64.3 %)

1

LOCATION

GERMANY
ModellTechnik Formenbau GmbH, Sömmerda

115

STAFF (31.12.2016)

(115)

SHAREHOLDING *GESCO*

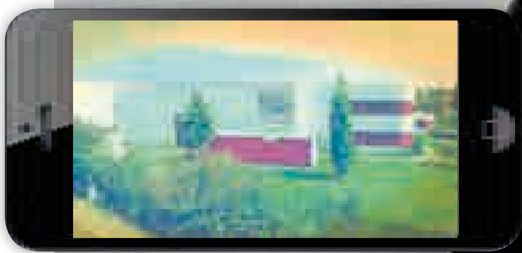
100%

COMPANY *FOUNDED IN*

1993

ACQUIRED *BY GESCO*

2012



offices and production site
in Sömmerda, near Erfurt

MATTHIAS HUKE
MANAGING DIRECTOR

Werkzeugbau Laichingen Group produces **high-performance tools** for the **automotive** and **automotive supply industry**. Werkzeugbau Laichingen Group's **specialisation** in **complex large sheet metal forming tools** has made it a **top player** in the **automotive industry**. The group of companies has a sophisticated on-site service concept that includes the constant provision of services at its customers' production plants. This sets it apart from the competition. In addition, Werkzeugbau Laichingen Group uses its **own large presses** to produce **series start-ups** and **small-scale series** for its customers. Its highly qualified employees also allow it to provide comprehensive services such as **tool optimisation**, **performance tests** and **revisions** of third-party tools.

€ 24.0 Mn.
IN SALES
(2016)
(€ 26.5 Mn.)

40.6 %
CAPITAL RATIO
(31.12.2016)
(36.9 %)

2
LOCATIONS

GERMANY (MAIN LOCATION)
Werkzeugbau Laichingen GmbH, Laichingen
also: Werkzeugbau Leipzig GmbH, Leipzig

172
STAFF
(31.12.2016)
(177)

SHAREHOLDING GESCO
100%

COMPANY FOUNDED IN
1891

ACQUIRED BY GESCO
2011

large tools, large machinery – and a large main location in Laichingen, near the Swabian automotive industry

UWE BORN
MANAGING DIRECTOR

New CNC milling
centre at WBL

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OF COMMITMENT

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2016/2017

GESCO AG
FINANCIAL REPORT

SIGNIFICANT COMPANIES
GESCO GROUP

Company/Group	Sales 2016 €'000	Staff as at 31.12.2016	Shares GESCO AG %
PRODUCTION SPROCESS TECHNOLOGY			
C.F.K. CNC-Fertigungstechnik Kriftel GmbH	8,586	66	80
Georg Kesel Group	10,784	58	90
MAE Group	42,886	222	100
VWH GmbH	12,330	112	80
RESSOURCE TECHNOLOGY			
Dörrenberg Group	181,108	523	90
Pickhardt & Gerlach Group (acquired in Dec. 2016)	29,500	41	100
SVT GmbH	41,035	184	90
HEALTHCARE & INFRASTRUCTURE TECHNOLOGY			
AstroPlast Kunststofftechnik GmbH & Co. KG	12,993	85	100
Frank Group	29,993	285	90
Franz Funke Zerspanungstechnik GmbH & Co. KG	16,705	82	80
Haseke GmbH & Co. KG	13,760	69	80
Hubl GmbH	13,583	111	80
Setter Group	26,805	100	100
MOBILITY TECHNOLOGY			
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG	10,469	113	100
Dömer GmbH & Co. KG Stanz- und Umformtechnologie	15,229	100	100
ModellTechnik Formenbau GmbH	11,399	115	100
Werkzeugbau Laichingen Group	23,448	172	100
Protomaster GmbH (put for sale in Feb. 2017)	13,908	121	82

KEY FIGURES
GESCO GROUP (IFRS)

Financial year 01.04.-31.03.		2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	Change
Sales	T€	333,155	378,388	277,664	335,237	415,426	440,417	453,336	451,434	494,014	482,480	-2.3%
of which domestic	T€	248,534	276,602	183,536	219,981	270,888	286,609	300,263	303,597	323,862	302,419	-6.6%
of which foreign	T€	84,621	101,786	94,128	115,256	144,538	153,808	153,073	147,837	170,152	180,061	5.8%
EBITDA	T€	44,281	49,689	27,156	38,180	51,186	51,763	48,719	46,171	53,261	49,745	-6.6%
EBIT	T€	34,158	38,931	16,470	26,958	39,116	37,341	32,010	27,300	31,457	22,137	-29.6%
Earnings before tax	T€	30,783	34,585	13,965	24,091	35,672	33,825	29,018	24,553	28,828	19,187	-33.4%
Taxes on income and earnings	T€	-11,227	-10,897	-4,389	-7,651	-11,087	-11,088	-9,261	-10,401	-10,307	-9,458	-8.2%
Taxation rate	%	36.5	31.5	31.4	31.8	31.1	32.8	31.9	42.4	35.8	49.3	-
Group net income after minority interest	T€	17,883	21,618	8,896	15,251	22,531	20,916	18,121	12,350	16,127	7,890	-51.1%
Earnings per share pursuant to IFRS [1)]	€	1.97	2.39	0.98	1.68	2.47	2.10	1.82	1.24	1.62	0.79	-51.1%
Investment in Property, Plant and Equipment [2)]	T€	12,030	12,354	8,417	9,915	14,937	21,609	27,164	29,525	23,974	19,788	-17.5%
Depreciation on Property, Plant and Equipment	T€	8,252	8,191	8,758	9,058	9,850	12,190	14,136	15,475	16,940	24,009	41.7%
Equity	T€	89,845	103,285	105,173	114,678	154,988	166,500	176,604	182,803	195,773	214,095	9.4%
Total assets	T€	236,511	259,598	246,356	260,246	321,138	357,547	379,950	403,739	410,175	439,915	7.3%
Equity ratio	%	38.0	39.8	42.7	44.1	48.3	46.6	46.5	45.3	47.7	48.7	-
Employees	no.	1,713	1,795	1,733	1,775	1,899	2,292	2,360	2,465	2,537	2,535	-0.1%
of which trainees	no.	105	109	99	92	97	120	144	156	153	138	-9.8%
Year-end share price as at 31.03. [1)]	€	16.00	10.83	13.33	19.63	21.80	25.18	25.38	25.46	24.71	24.96	1.0%
Dividend per share [1)]	€	0.81 [3)]	0.83	0.43	0.67	0.97	0.83	0.73	0.58	0.67	0.35 [4)]	-47.8%

[1)] Previous years' figures adjusted to share split 1:3 from Dec. 2016
[2)] Without additions from changes to the scope of consolidation
[3)] Including dividend bonus of € 0.07 due to 10-year anniversary of IPO
[4)] Dividend proposal to the AGM on 31.08.2017

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RELAUNCH

01

2016/2017

FOREWORD
OF THE GESCO EXECUTIVE BOARD

FOREWORD
OF THE GESCO EXECUTIVE BOARD

Dear Shareholders,

2016/2017 was a financial year of **relaunch** for GESCO.

We set a lot of measures in motion as part of the **PORTFOLIO STRATEGY 2022** that we developed in spring 2016 in order to lead GESCO back to the **path of profitable growth.** The new strategy is based, firstly, on our successful GESCO model and will keep developing tried and tested approaches. But we are also facing up to a **dramatically different environment:** increasingly exacting, price-sensitive markets paired with the **challenges** of the **industrial revolution** taking place in the form of digitalisation and automation.

In order to defend and win back our margins in this highly volatile competitive environment, we have been **critically reviewing** the extent to which past recipes for success are fit for the future. By doing so, we have confirmed that many of our companies still deserve the **title of "hidden champion"** – from companies with truly innovative unique selling points in niche markets right up to global market leaders. With some of the other companies, we were perhaps too inclined to consider ourselves on safe ground. With these companies, we have had to put our thinking patterns and habits to the test in order to once again satisfy our high standard of **competitiveness.**

Continuously questioning ourselves and reinventing GESCO has not sparked a revolution, but, overall, there has been a **change in culture** towards more intensive focus on performance and quicker and more stringent implementation of the ambitious goals we have set together. Our companies have been developing **forward-thinking solutions,** defining corresponding **action plans** and then implementing **milestones** promptly and consistently, in order to ensure that the GESCO Group will be able to weather all storms. This is how we live up to our **responsibility** to our subsidiaries **as a long-term owner.**

Straight after the Supervisory Board adopted the **PORTFOLIO STRATEGY 2022,** we set about implementing it in 2016. Specifically, this has meant:

OPTIMISATION PROJECTS FOR PROFITABLE GROWTH HAVE BEEN DEFINED AND ARE IN THE PROCESS OF IMPLEMENTATION

As part of the **PORTFOLIO STRATEGY 2022,** we have divided our investments into four segments with attractive end markets. At the same time, we have focussed and expanded our range of acquisitions. A **benchmark analysis** of every company in terms of its growth and margins has led us to launch **specific optimisation projects** in the second half of 2016 for the companies that were temporarily lagging behind their target values. Most of these projects will be implemented in 2017 and will **take effect from 2018 by focussing on key points.** In order to provide our companies with advice as an **active shareholder,** we have reallocated our tasks on a holding level, expanded our technical investment management and strengthened our marketing.

PORTFOLIO STRENGTHENED: ACQUISITON OF A HIDDEN CHAMPION, SALE OF A LOSS-MAKER

At the end of 2016, we acquired a real hidden champion, a **model company** that is a **technological leader** in its industry, with the Pickhardt & Gerlach Group. In February 2017, we put our shares in Protomaster **up for sale.** The company had been a burden on the consolidated financial statements for the last few years, as it required restructuring and bore increased risks and expenses. All of the identifiable risks from this planned change have been processed in the statements for the financial year 2016/2017.

"LIGHTER" SHARES, INCREASED EQUITY, IMPROVED BASIS FOR FURTHER ACQUISITIONS

Recommendations made by a number of private investors were the reason that, in December 2016, we carried out the 1:3 **share split** decided upon at the AGM in order to make shares easier to trade, especially for retail investors. In March 2017, we raised roughly € 20 million in fresh capital as part of a "small" **capital increase,** allowing us to increase our equity after our takeover of the Pickhardt & Gerlach Group and equipping us for **future internal** and **external growth.**

ADDITIONAL ACTIVE APPROACH TOWARDS M&A FACILITATES DEAL FLOW

Since our founding, we have also been pursuing a strategy of external growth. In order to achieve our objective of acquiring up to three companies per year in the future, we have expanded our M&A policy by taking a **direct, active approach** towards potential attractive portfolio additions. In a market environment shaped by high demand for **technology SMEs,** we are generating an **unwaveringly high deal flow.** While doing this, we will continue to only buy companies in a **disciplined manner** if we are convinced of their **future viability** and consider the **purchase price to be appropriate.**

2016/2017 SIGNIFICANTLY AFFECTED BY ONE-OFF EFFECTS, OUTLOOK OF PROFITABLE GROWTH FOR 2017/2018

Because the optimisation projects will not be implemented for the most part until the new financial year 2017/2018, they were not yet able to have a positive impact on the past 2016/2017 financial year. With a slight decline in sales, **negative one-off effects relating to Protomaster** had a massive effect on our result. In contrast, we expect both **sales growth** and an **above-average increase in profits** in the new 2017/2018 financial year. The **positive development of the first quarter** has strengthened our **optimism.**

We would like to thank the managing directors and the employees of the GESCO Group

for their commitment in the past financial year, and in particular for facing up to our challenges and our **culture change.** For many, the journey towards **realignment** is connected with changes, **ambitious goals** and a heavier workload. We are convinced that these efforts are essential in order to ensure success in both the individual companies and the entire group, and therefore to strengthen their futures. Because, ultimately, **profitability** and **liquidity** give us the **freedom** we need to shape the future consistently, actively and dynamically from a **position of strength.** This is the only way that we will be successful in a highly dynamic business environment that is continuously changing and achieve what is in the interests of all parties: **long-term profitable growth.**

We would also like to thank you, the shareholders of GESCO AG,

for your trust. **Relaunch** is the leitmotiv of this year's Annual Report, in which we have documented our **commitment.** We believe that we have taken the right steps and would be delighted if you would continue accompanying us on this new journey we have set out on in the future.

Warm regards,
The Executive Board

Dr Eric Bernhard (Chairman)	Robert Spartmann

DOCUMENTATION
OF COMMITMENT

RELAUNCH

02

2016/2017

REPORT
FROM THE GESCO SUPERVISORY BOARD

REPORT
FROM THE GESCO-SUPERVISORY BOARD

Financial year 2016/2017 was marked by moderate operating business and a negative one-off effect. At the same time, crucial strategic steps were taken for a return to profitable growth.

In addition, the portfolio was optimised by acquiring an attractive company and putting Protomaster, which required restructuring, up for sale. Our outlook therefore offers cause for optimism.

In this report, the Supervisory Board provides information about its activities during financial year 2016/2017. 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 financial position of Protomaster GmbH was 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 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. For the current financial year, they were also discussed with the respective responsible managers in four cases. Deviations in the course of business 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 again 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 2016.

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. The Supervisory Board had access to all due diligence reports during the acquisition of the Pickhardt & Gerlach Group, which was announced in December 2016, allowing it to approve the acquisition following a balanced analysis of opportunities and risks.

In financial year 2016/2017, the Supervisory Board and the Executive Board discussed Portfolio Strategy 2022 at a meeting. The Supervisory Board supports this new strategy and once again addressed GESCO Group's strategic objectives and their realisation on an ongoing basis, as in every financial year.

ORGANISATION OF THE SUPERVISORY BOARD

The Supervisory Board of GESCO AG consists solely of shareholder representatives who are elected by the Annual General Meeting. The Supervisory Board members in the reporting year were Mr Klaus Möllerfriedrich (Chairman), Mr Stefan Heimöller (Deputy Chairman) and Dr Nanna Rapp.

In October 2016, a company shareholder initiated status proceedings (Statusverfahren) with the intent of reviewing whether the composition of the GESCO AG Supervisory Board is in compliance with the law. The Supervisory Board of GESCO AG believes that the board's current composition is compliant. Please refer to the declaration of compliance for more information about the composition of the Supervisory Board.

The Supervisory Board of GESCO AG has been deliberately kept small 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 2016/2017.

Pursuant to the provisions of the company's Articles of Association, the Supervisory Board of GESCO AG currently comprises three members in total. The German Stock Corporation Act (AktG) was amended with effect from 31 December 2015, eliminating the previous provision stipulating that the number of supervisory board members fundamentally had to be divisible by three. As a result, plans are in place to increase the number of members of the GESCO AG Supervisory Board from three to four. We see decisive advantages in expanding the Supervisory Board to four members, as doing so will allow the board to cover new and appropriate areas of competence while also remaining capable of making decisions even if one of its members becomes temporarily unable to fulfil his or her duties. The company's Executive and Supervisory Boards will therefore propose to the Annual General Meeting on 31 August 2017 changing the Articles of Association of GESCO AG to increase the number of Supervisory Board members from three to four. Mr Jens Große-Allermann will be nominated for election. Mr Große-Allemann is member of the Executive Board of Investmentaktiengesellschaft für langfristige Investoren TGV, our largest institutional investor. He brings many years of experience as an investor and in operational management to the board, and rounds out our Supervisory Board's capital market expertise. Mr Große-Allermann also has experience as a member of supervisory boards at listed companies.

MEETINGS AND RESOLUTIONS OF THE SUPERVISORY BOARD

A total of twelve Supervisory Board meetings took place in financial year 2016/2017. 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 25 APRIL 2016

Portfolio Strategy 2022, acquisition matters, current situation of individual subsidiaries, Executive Board matters

MEETING OF 25 MAY 2016

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 2016, Executive Board matters

MEETING OF 31 MAY 2016

Adoption of the annual financial statements as at 31 March 2016, approval of the consolidated financial statements as at 31 March 2016, Executive Board matters

MEETING OF 27 JUNE 2016

Acquisition matters, current situation of individual subsidiaries, presentation of a management candidate

MEETING OF 22 AUGUST 2016

Internal control system and risk management, current economic performance of GESCO Group, preparations for the Annual General Meeting, acquisition matters, Executive Board matters

MEETING OF 3 NOVEMBER 2016

Internal control system and risk management, acquisition matters, current economic performance of GESCO Group, Supervisory Board appointment

MEETING OF 21 NOVEMBER 2016

Acquisition matters, current economic performance of a subsidiary, Executive Board matters, composition of the Supervisory Board and status proceedings

MEETING OF 12 DECEMBER 2016

Acquisition matters, capital structure of the Group, situation of a subsidiary

MEETING OF 30 JANUARY 2017

Visit to a subsidiary, current economic performance of GESCO Group, capital structure of the Group

MEETING OF 27 FEBRUARY 2017

Internal control system and risk management, current economic performance of GESCO Group, composition of the Supervisory Board and status proceedings

MEETING OF 20 MARCH 2017

Capital increase

MEETING OF 21 MARCH 2017

Capital increase

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

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 2016 and made it permanently accessible to the 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.

The members of the Supervisory Board took part in training measures in the reporting year and were supported appropriately by the company in compliance with the corresponding recommendation of the Corporate Governance Code.

An efficiency audit based on a structured questionnaire was again performed on the Supervisory Board in May 2017. 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.

EXECUTIVE BOARD REMUNERATION

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 most recently approved the remuneration system on 2 September 2010 as part of a say-on-pay ruling. Since then, the Executive Board remuneration has been revised in part. Further adjustments are slated for discussion in the current financial year. Plans call for presenting the new Executive Board remuneration system to the Annual General Meeting 2018 as part of another 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 25 August 2016, RSM Breidenbach und Partner PartG mbB, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Wuppertal, was commissioned by the Supervisory Board on 26 October 2016 to audit the annual financial statements and consolidated financial statements. The auditor confirmed its independence to us in a letter dated 18 May 2016. Furthermore, the auditor provided evidence that it is qualified to audit listed companies.

The annual financial statements drawn up by the Executive Board for the financial year from 1 April 2016 to 31 March 2017 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 2016 to 31 March 2017 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 recoverable amount of investments, the accrual and recoverable amount of receivables from associated companies and the valuation of other provisions with discretionary powers. The focal points of the audit of the consolidated financial statements were the recoverable amount of assets including goodwill (impairment test), the balance-sheet treatment of the planned sale of Protomaster GmbH pursuant to IFRS 5 and the first-time consolidation of the Pickhardt & Gerlach Group. Following in-depth discussions with the auditor prior to the audit, 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 to allow them to review and acknowledge the audit findings. They were the subject of intensive discussions in the meeting of the Supervisory Board on 24 May 2017. 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 auditor also reported on the audit of the risk management and controlling system at GESCO AG and determined that a suitable system had been set up and was in use. 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 30 May 2017. 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, 30 May 2017
Klaus Möllerfriedrich
(Chairman of the Supervisory Board)

RELAUNCH

03

2016/2017

THE
GESCO SHARE

THE GESCO **SHARE**

The GESCO share offers investors access to a portfolio of selected industrial SMES.

By investing in GESCO shares, you are also investing in an entrepreneurial and sustainable business model.

We performed a share split in the reporting year and implemented a capital increase to raise fresh capital for further growth.

€ 24.96

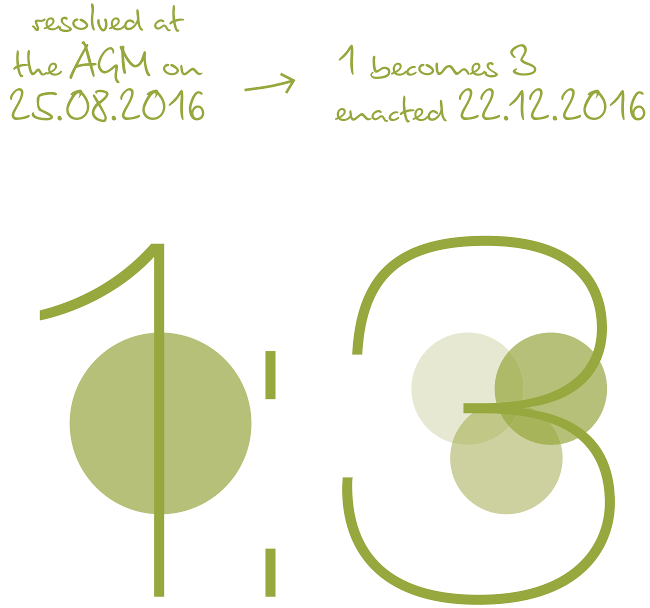
SHARE PRICE
(31.03.2017)

SHARE SPLIT IN DECEMBER 2016

Ever since the GESCO share has been listed at around € 60, a number of private investors, as well as some institutional investors and intermediaries have encouraged the company to implement a share split to facilitate the tradability of the share. We have taken up this proposal and submitted the corresponding proposals to the Annual General Meeting on 25 August 2016 for resolution, and the resolved measures were then implemented in December 2016.

Until then, GESCO AG has had share capital of € 8.645 million, which was divided into 3.325 million registered shares, each with a nominal value of € 2.60. The company's share capital was initially increased to € 9.975 million by means of a capital increase from own funds so as to reach a reasonable share split. The volume of equity remained unchanged in the course of this conversion and the company saw no inflow of new funds. This increased share capital was then redistributed into 9,975,000 registered shares, each accounting for € 1.00 of share capital, at a ratio of 1:3 by means of a share split.

The number of shares increased threefold while the share capital remained unchanged; as a result of the share split, the market value was therefore distributed across a higher number of shares, meaning that the market price per share in Euros declined. The measure is designed to facilitate trading with the GESCO share, make the share more attractive and increase capital market liquidity.



CAPITAL INCREASE IN MARCH 2017

In March 2017, we increased our share capital by conducting a “small” capital increase by the greatest amount legally permissible of approximately 10 % of the share capital at the point of time when the Annual General Meeting resolved the respective resolution and issued 864,499 new shares. This resulted in share capital increasing to € 10,839,499, divided into the same number of registered shares.

The new shares were placed exclusively with institutional investors in Germany and abroad subject to the exclusion of the shareholders’ subscription rights at a price of € 23.50 per share within the scope of a private placement. The new shares will have full dividend rights for financial year 2016/2017. The issue was oversubscribed several times, and GESCO AG received net proceeds of approximately € 19 million. The measure allowed us to broaden our shareholder base.

Following the conclusion of the acquisition of the Pickhardt & Gerlach Group in January 2017, the measure further strengthened GESCO AG’s equity and broadened the platform for the further internal and external growth of the GESCO Group.

enacted 21.03.2017
oversubscribed several times

+10%

~€ 19 MILLION NET INFLOW

864,499 NEW SHARES

10,839,499 REGISTERED SHARES

Conclusion: ideally equipped for future growth

~7,400
GESCO AG SHAREHOLDERS
(2016/2017)

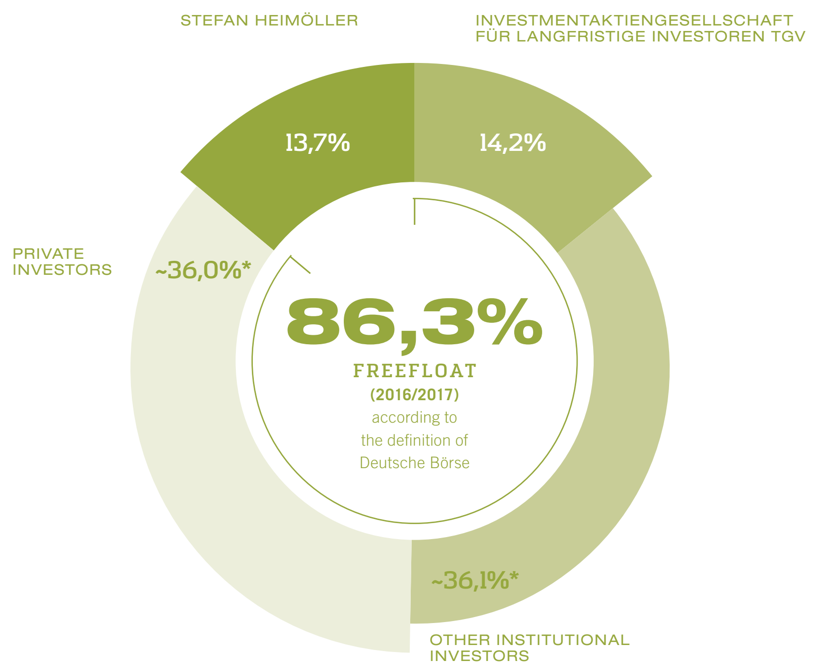
SHAREHOLDER STRUCTURE

The GESCO share remains widely spread, with share capital in the hands of some 7,400 investors. The entrepreneur Stefan Heimöller, who has been a member of the GESCO AG Supervisory Board since the 2013 Annual General Meeting, and Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn, Germany, hold the largest shares of the share capital. According to the information available to us, on 31 of May 2017 Investmentaktiengesellschaft für langfristige Investoren TGV held 14.2 % of the share capital and Mr. Heimöller held 13.7 %. According to the regulations of Deutsche Börse AG, Stefan Heimöller's shareholding is to be deducted from free float, resulting in a remaining free float of approximately 86.3 %.

Apart from Mr Heimöller and Investmentaktiengesellschaft fur 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 half of the remaining shares are held by private investors and by institutional investors. The percentage of shares held by German investors has fallen slightly and now amounts to approximately 85 % (previous year: almost 90 %). Further key shareholder markets include the UK, Luxembourg, the USA and Austria.

In financial year 2016/2017, Dr Eric Bernhard, Chairman of the Executive Board of GESCO AG, and Stefan Heimöller, Deputy Chairman of the Supervisory Board of GESCO AG, informed the company of the acquisition of GESCO shares. The company immediately initiated the corresponding statutory releases.

SHAREHOLDER STRUCTURE
as of 31.03.2017



*estimate

RESEARCH

Regular research into the GESCO share is compiled by equinet Bank AG, Oddo Seydler Bank AG, Bankhaus Lampe, GSC Research and SMC Research. WGZ-Bank ceased compiling research into investment holding companies in the second half of 2016 following its merger with DZ-Bank; GESCO AG was also impacted by this development.

All analysts initially rated the share as “hold” during the course of the financial year. The analysts revised their models in February 2017 following the publication of the portfolio consolidation, the figures for the first nine months of the year and a positive outlook for the coming financial year. Most analysts increased their target prices, and two analysts also increased their ratings from “hold” to “buy” or “accumulate”.

The table below shows the estimates of these experts.

Institution	As at 01.04.2016	As at 31.05.2017				
	Rating	Rating	Change	Target Price	Change	Rating as at
Bankhaus Lampe KG	HOLD	HOLD	→	€ 24.00	↗	26.05.2017
equinet Bank AG	NEUTRAL	ACCUMULATE	↗	€ 25.40	↗	29.05.2017
Oddo Seydler Bank AG	NEUTRAL	NEUTRAL	→	€ 24.50	→	22.02.2017
GSC Research GmbH	HOLD	HOLD	→	€ 24.00	→	21.02.2017
SMC Research	HOLD	BUY	↗	€ 29.00	↗	26.05.2017

STOCK EXCHANGES

XETRA

FRANKFURT REGULATED MARKET

BERLIN OPEN MARKET

DÜSSELDORF OPEN MARKET

HAMBURG-HANNOVER OPEN MARKET

MÜNCHEN OPEN MARKET

STUTTGART OPEN MARKET

~40%

DISTRIBUTION RATIO

(of Group net income after minority interest)

(consistent)

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. 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 26 August 2016, a dividend for financial year 2015/2016 amounting to € 2.00 per share was paid out, corresponding to a total volume of around € 6.7 million. Taking into account the share split that has been carried out in the meantime, this corresponds to a distribution of € 0.67 per share.

Group net income after minority interest fell considerably year on year in financial year 2016/2017, mainly due to the impairment losses recognised in connection with Protomaster GmbH. As a result of this, the Executive Board and Supervisory Board will propose to the Annual General Meeting on 31 August 2017 a dividend for financial year 2016/2017 of € 0.35 per share.

This proposal is above the payment ratio of 40 %; the Executive Board and the Supervisory Board consider this an expression of confidence in the company's future development. As we expect to see sales growth and a disproportionately high increase in earnings for the new financial year, we are confident from today's perspective that the dividend will increase considerably in the new financial year.

€ 0.35

DIVIDEND PER SHARE

(2016/2017)
Dividend proposal to the AGM

(€ 0.67 in 2015/2016)

€ 0.79

EARNINGS PER SHARE ACC. TO IFRS

(2016/2017)
(based on the weighted average number of shares)

(€ 1.62 in 2015/2016)

A dividend has been paid out every year since the IPO in 1998!

€ 24.96

SHARE PRICE
(31.03.2017)

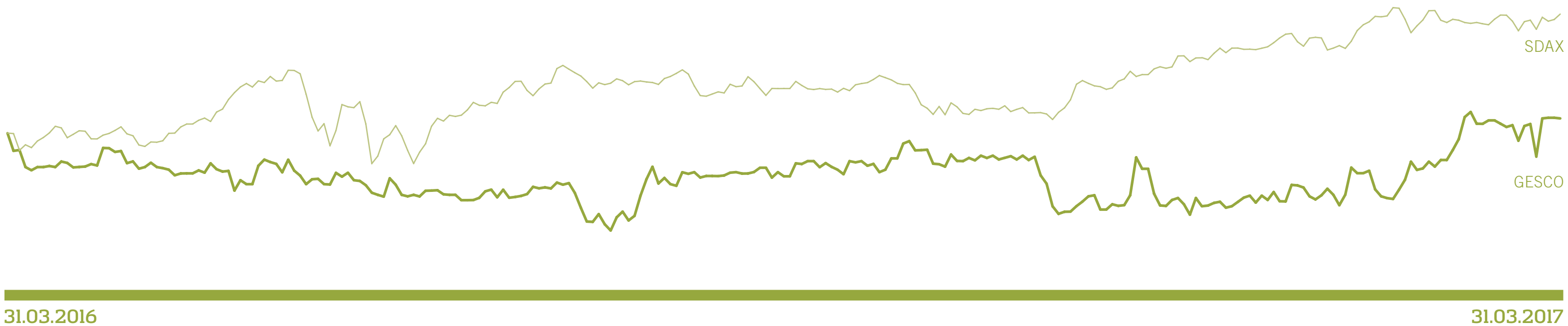
(€ 24.71 in 2015/2016 [1])

SHARE PRICE DEVELOPMENT

Despite the decline in earnings, the GESCO share held steady in the reporting year at between approximately € 22 and approximately € 25. The GESCO share closed financial year 2016/2017 up slightly by 1.0 %.

If the dividend payout of € 0.67 per share is included, this results in a yield of 3.7 %. The SDAX, our benchmark index, which is designated as the performance index and therefore also includes dividend payments, recorded growth of 14.6 % in this period.

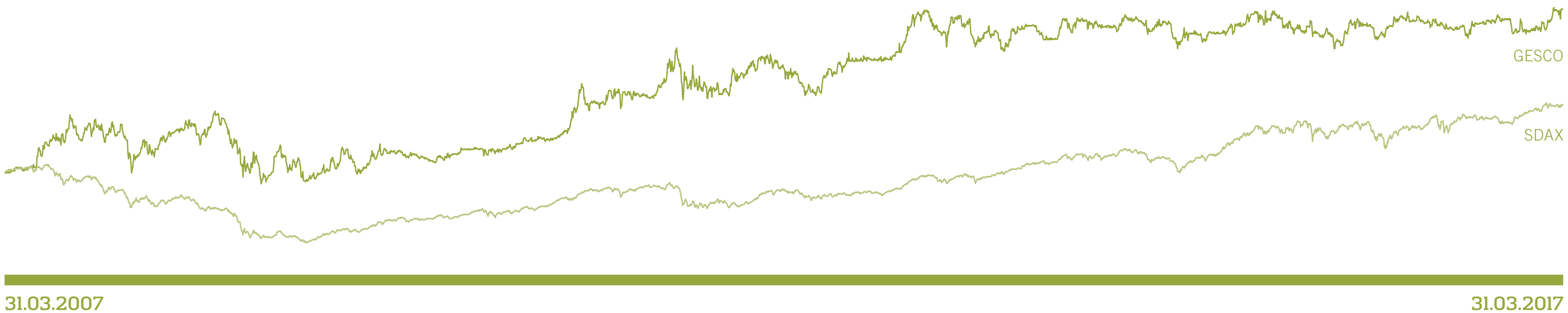
GESCO VS. SDAX – 1 YEAR [1]



+ 3,7%

TRS
(including dividend)

GESCO VS. SDAX – 10 YEARS [1]



+ 151%

TRS
(including dividend)

[1] Historical share price adjusted in line with the 1:3 share split in December 2016

EMPLOYEE SHARE SCHEME

Since its IPO in 1998, GESCO AG has offered GESCO Group employees the chance to buy shares in the company at favourable terms within the scope of an annual employee share scheme. The participation ratio reached a new record high in the reporting year at 48 % of all employees. We regard this programme as more than just a means to foster the accumulation of capital for retirement planning purposes, but also as a way to support the equities culture.

INVESTOR RELATIONS

DAI & DIRK MEMBER

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.

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.

INFORMATION ON THE GESCO SHARE [1]

International Securities Identification Number (ISIN)	DE000A1K0201
Securities Identification Number (SIN)	A1K020
Stock market abbreviation	GSC1
Share capital (31/03/2017)	€ 10,839,499
Number of shares (31/03/2017)	10,839,499
IPO	24 March 1998
Year-end price, previous year (31/03/2016)	€ 24.71
Year-end price, reporting year (31/03/2017)	€ 24.96
Reporting year high (01/04/2016)	€ 25.26
Reporting year low (26/08/2016)	€ 22.01
Market capitalisation (31/03/2017)	approximately € 270.6 million
Free float (31/03/2017)	approximately 86.3 %
Free float market capitalisation (31/03/2017)	approximately € 233.5 million
Shares held by members of the Supervisory Board (31/03/2017)	13.7 %
Shares held by members of the Executive Board (31/03/2017)	0.5 %
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, historical prices and dividends converted on the basis of the 1:3 share split in December 2016.

GOOD REASONS TO BECOME A GESCO SHAREHOLDER

PRESERVING VALUES

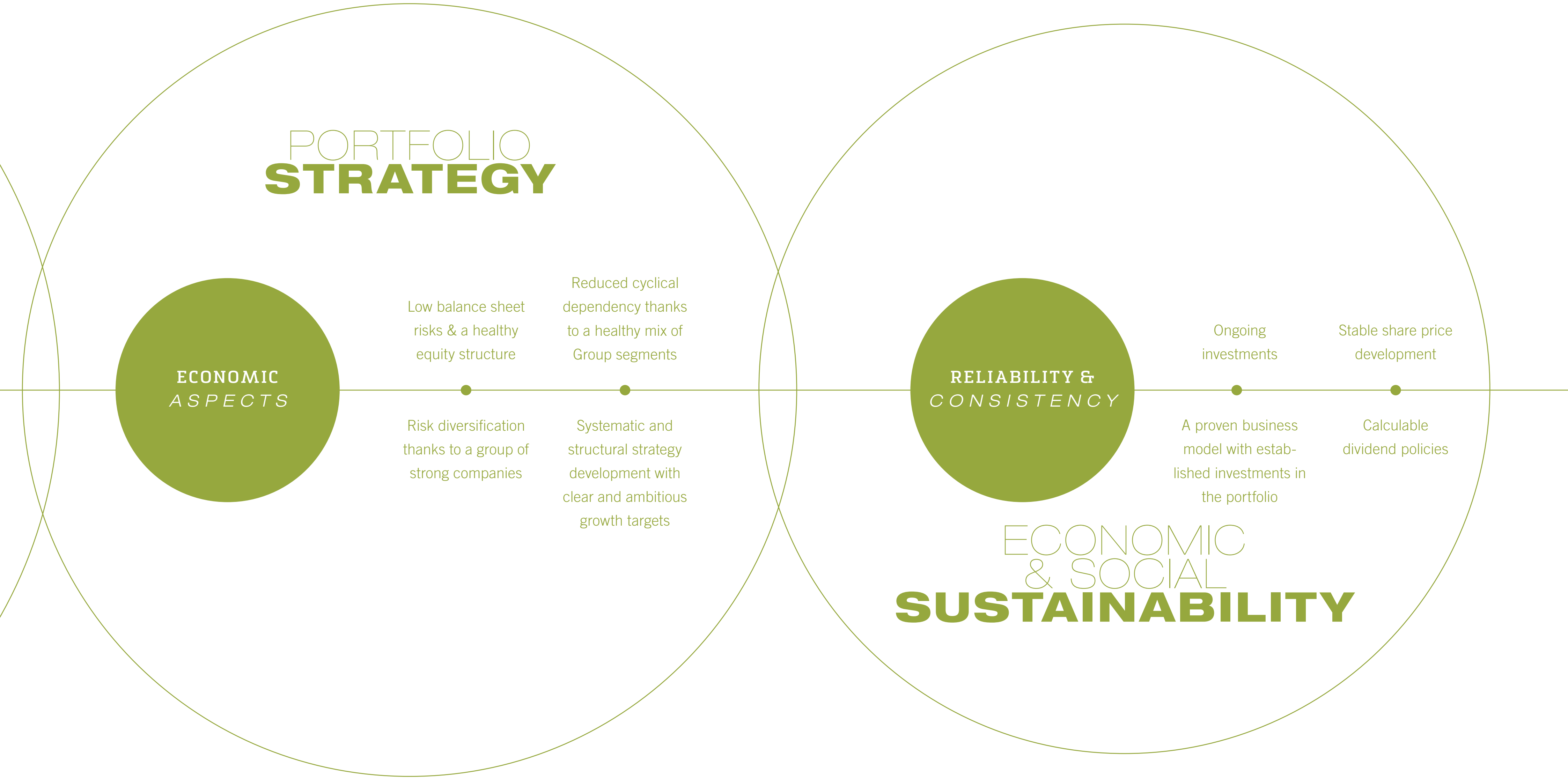
SOCIAL ASPECTS

- Investing in domestic companies & jobs
- entrepreneurially driven business model
- Investing in social and economic sustainability through the GESCO Group's values package

QUALIFICATIONS & SKILLS

- Expertise of our graduate engineers
- Niche markets where the degree of international competition is lower
- A new era & cultural change at GESCO
- The innovative power of German SMEs
- Long-term potential due to megatrends
- Tried and tested teams and low staff turnover

HIDDEN CHAMPIONS


PORTFOLIO
STRATEGY
ECONOMIC
ASPECTS
Low balance sheet risks & a healthy equity structure
Reduced cyclical dependency thanks to a healthy mix of Group segments
Risk diversification thanks to a group of strong companies
Systematic and structural strategy development with clear and ambitious growth targets
RELIABILITY &
CONSISTENCY
Ongoing investments
Stable share price development
A proven business model with estab-lished investments in the portfolio
Calculable dividend policies
ECONOMIC
& SOCIAL
SUSTAINABILITY

With compliments.

A1K020
DE000A1K0201
GSC1

DOCUMENTATION
OF COMMITMENT

RELAUNCH

04

2016/2017

GESCO AG DECLARATION OF COMPLIANCE & CORPORATE GOVERNANCE REPORT

DECLARATION OF COMPLIANCE AND CORPORATE GOVERNANCE REPORT

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 Board 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 2016 and made it permanently available to shareholders on the company’s website (www.gesco.de). That declaration is based on the version of the Code dated 5 May 2015. The declaration of compliance issued in December 2016 is 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 Annual General Meeting 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 (Chairman of the Executive Board since 1 July 2016), Dr Hans-Gert Mayrose (until 31 December 2016) and Mr Robert Spartmann were Executive Board members.

Within the Executive Board, Dr Bernhard is responsible for the portfolio strategy, the strategic and operating development of the subsidiaries and for investor relations. Mr Spartmann is responsible for Finance, M&A, IT, Legal, HR and Compliance.

In the past, the Executive Board of GESCO AG consisted of members with equal rights; no Chairman or Spokesman had been appointed. This therefore 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 has been deliberately kept small. This has proven to be extremely effective, as strategic issues as well as 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.

Pursuant to the provisions of the company's Articles of Association, the Supervisory Board of GESCO AG currently comprises three members in total. The German Stock Corporation Act (AktG) was amended with effect from 31 December 2015, eliminating the previous provision stipulating that the number of supervisory board members fundamentally had to be divisible by three. As a result, plans are in place to increase the number of members of the GESCO AG Supervisory Board from three to four. We see decisive advantages in expanding the Supervisory Board to four members, as doing so will allow the board to cover new and appropriate areas of competence while also remaining capable of making decisions even if one of its members becomes temporarily unable to fulfil his or her duties. The company's Executive and Supervisory Boards will therefore propose to the Annual General Meeting on 31 August 2017 changing the Articles of Association of GESCO AG to increase the number of Supervisory Board members from three to four. Mr Jens Große-Allermann will be nominated for election. Mr Große-Allemann is the member of the Executive Board of Investmentaktiengesellschaft für langfristige Investoren TGV, our largest institutional investor. He brings many years of experience as an investor and in operational management to the board, and rounds out our Supervisory Board's capital market expertise. Mr Große-Allermann also has experience as a member of supervisory boards at listed companies.

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 appropriately takes into account – in the context of 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 while also aiming to complete the expertise profile for the entire body. 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.

The Supervisory Board members in the reporting year were Mr Klaus Möllerfriedrich (Chairman), Mr Stefan Heimöller (Deputy Chairman) and Dr Nanna Rapp. The Supervisory Board believes it is appropriate for at least two members of the company's Supervisory Board to be independent within the meaning of the Code. All members of the Supervisory Board currently meet the independence criteria. All members of the Supervisory Board also have the appropriate expertise and personal skills to act as financial experts in accordance with Section 100 para. 5 AktG. In their entirety, the members of the Supervisory Board are familiar with the sector in which GESCO AG operates.

DIVERSITY AMONG MANAGERS, THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The Executive Board and Supervisory Board have previously deliberated on the requirements of the 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 and develop an expertise profile for the entire body. Within the context of the enterprise's specifics, it shall appropriately take into account in its composition the international activities of the enterprise, potential conflicts of interest of Supervisory Board members, the number of independent Supervisory Board members pursuant to Section 5.4.2 GCGC, an age limit to be specified, a regular limit of length of Supervisory Board membership and diversity. In particular, there should be a suitable share of female members. In the eyes of the GESCO AG 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.

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. As mentioned above, plans are in place to increase the number of members of the GESCO AG Supervisory Board from three to four by resolution of the Annual General Meeting on 31 August 2017 and to nominate Mr Große-Allermann for election to the additional seat. The election of Mr Große-Allermann would reduce the figure to below the current target of 30 %. In this event, the target for future changes to the Supervisory Board is to be set at 25 % in agreement with the resulting composition of the Supervisory Board.

At the current time, the **Executive Board** of GESCO AG consists solely of male members. The target of a 30 % share of women, which the Supervisory Board also defined for the Executive Board, is therefore currently not met. No new appointments to the Executive Board were made in the reporting year. The Supervisory Board does not believe it prudent to consider changing the current composition of the Executive Board solely to meet the target set by the Supervisory Board. The target of a 30 % share of women will continue to apply for future changes to the Executive Board.

The Executive Board is tasked with setting targets for the percentage of women on the **first two levels of management below the Executive Board.** The holding company GESCO AG has no distinct hierarchy within its operating organisational structure as envisaged by lawmakers. All employees now report directly to the Executive Board. First and second levels of management as envisaged by lawmakers do not currently exist at GESCO AG, nor are there plans to introduce such levels of management in the foreseeable future. The Executive Board is therefore of the opinion that it is not possible to define a target for GESCO AG. As a result, the target of 0 % set on 13 August 2015 is no longer applicable. The Executive Board has resolved instead not to set any corresponding target. Women currently account for approximately 44 % of the total headcount at GESCO AG.

We have set the deadline for the next review of target achievement for 30 June 2022.

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

In accordance with the legal provisions, GESCO publishes without delay transactions by the persons referred to in Article 19 of the Market Abuse Regulation – particularly by members of executive bodies, and by persons closely associated with them, involving equities and debt instruments of the company or financial instruments related thereto – that require notification under the regulation. The transactions reported to GESCO AG in the past financial year are available from the company's website.

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 fifth 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 25 August 2016, the Chairman of the Supervisory Board appointed the auditor for the individual and consolidated financial statements. The interim report and the quarterly statements for the first and third quarters were not audited in the reporting year.

DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 AKTG ISSUED IN DECEMBER 2016

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 and Consumer Protection in the official section of the Bundesanzeiger (Federal Gazette) 12 June 2015 were being followed pursuant to the version of the Code dated 5 May 2015 since the last declaration of compliance was issued in December 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 comprised two people until 31 December 2015, and has comprised three people since 1 January 2016; no Chairman or Spokesman was appointed. Both Executive Board Members complemented one another with their professional expertise and their responsibilities were clearly defined. In view of their joint overall responsibility, the Executive Board Members maintained a close and trusting working relationship and held equal rights. The Supervisory Board appointed Dr Bernhard as Chairman of the Executive Board of GESCO AG effective as at 1 July 2016. From the time of his appointment, GESCO AG complied with the recommendation detailed in Section 4.2.1 sentence 1 GCGC (see the update to the declaration of compliance from May 2016).

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 5.4.1, para. 2, sentence 1: Regular limit on the length of membership for members of the Supervisory Board
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.

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 of the German Corporate Governance Code in the version of the Code dated 5 May 2015, published by the Federal Ministry of Justice and Consumer Protection in the official section of the Bundesanzeiger (Federal Gazette) on 12 June 2015, have been followed and will continue to be followed with the exceptions of Section 5.3, Section 5.4.1 paragraph 2 sentence 1 and Section 5.4.6 paragraph 2 sentence 2, as justified above.

GESCO AG, Wuppertal, December 2016

For the Supervisory Board	**For the Executive Board**
Klaus Möllerfriedrich	Dr Eric Bernhard
(Chairman of the Supervisory Board)	(Chairman of the Executive Board)

DOCUMENTATION
OF COMMITMENT

RELAUNCH

05

2016/2017

GESCO AG
GROUP MANAGEMENT REPORT
DATED 31 MARCH 2017

FUNDAMENTALS OF THE GROUP

5.1

BUSINESS MODEL

Since it was founded in 1989, GESCO AG has been acquiring 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 continuing direct material subsidiaries of GESCO AG.

In financial year 2016/2017, GESCO AG developed a new strategy in the form of the Portfolio Strategy 2022. Within the scope of this strategy, the portfolio was reclassified into new operating segments. 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 Production Process Technology segment (segment sales in financial year 2016/2017: approx. € 75 million) consists of Group subsidiaries that largely provide products and services for series manufacturers' production processes. The Resource Technology segment (segment sales in financial year 2016/2017: approx. € 222 million) encompasses companies that supply material-intensive companies in the industrial sector. Companies in the Healthcare and Infrastructure Technology segment (segment sales in financial year 2016/2017: approx. € 114 million) supply companies in mass consumer markets such as the medical, hygiene, food or sanitary sectors. Last but not least, the Mobility Technology segment (segment sales in financial year 2016/2017: approx. € 74 million) houses companies that supply the automotive, commercial vehicle and rail industry. The reclassification of the portfolio's operating segments was first included in interim reports at the start of financial year 2016/2017.

Within the scope of the Portfolio Strategy 2022, every subsidiary also underwent a company-specific benchmark analysis with regard to growth and margins. Those subsidiaries that temporarily fell short of the benchmark defined optimisation projects in the reporting year targeting sales as well as the improvement of cost efficiency. These projects will be carried out primarily in the new financial year 2017/2018. GESCO AG modified the allocation of responsibilities on the holding level and added more staff in order to be able to provide the subsidiaries in question with concrete support for implementing the optimisation projects.

At the same time, the subsidiaries will continue to be independently 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

In December 2016, GESCO AG acquired 100 % of the shares in Pickhardt & Gerlach Group (PGW), Finnentrop, a leading cold rolled strip steel processor, as part of a succession planning process. The transaction was concluded in January 2017 after approval for the deal had been issued with regard to antitrust law. This company generates sales of roughly € 30 million and has approximately 40 employees. PGW is included in the Group balance sheet for 2016/2017 with its assets and liabilities, but it will only be included in the Group income statement for the first time in financial year 2017/2018.

On 2 February 2017, the Executive Board and Supervisory Board of GESCO AG decided to put its majority interest in Protomaster GmbH, Wilkau-Haßlau, up for sale. The company has burdened the consolidated financial statements as a restructuring case in recent years. The sales process commenced immediately, and talks are currently under way with potential buyers.

Over the course of financial year 2016/2017, GESCO AG took over the respective minority interests of the managing partners at two subsidiaries as part of retirement agreements. 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. Since then, GESCO AG has held a 100 % share of both subsidiaries.

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 investments of each subsidiary. 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 commercial investment manager and the respective managers at the subsidiaries 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 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. The companies collaborate with universities and institutions, depending on the task.

Innovation projects in the Production Process Technology segment related to the production of spinal implants, for example. Areas of focus in the Resource Technology segment concerned innovations for materials, methods of resource-friendly manufacturing and additive manufacturing of tool steels. Product development activities were pursued for loading technology for gases and liquids, among other things. In the Healthcare and Infrastructure Technology segment, a development project for the use of paper sticks in the food industry is preparing to launch the product in a market segment that has not been served before. This segment also witnessed support arms for applications in the industrial sector and medical technology achieve maturity for mass production.

ECONOMIC REPORT

5.2

MACROECONOMIC AND INDUSTRIAL SECTOR CONDITIONS

The **German economy** experienced sound growth in 2016. Overall, gross domestic product rose by 1.9 % on average over the course of the year, continuing the increase seen in recent years. Domestic use in particular proved key to this trend. Private households increased consumer spending by 2.0 %, while government spending expanded even more significantly by 4.0 %. Investments were another pillar of economic growth in Germany. Investments in equipment rose by 1.1 % year on year, while building investments recorded even stronger growth (3.0 %).

However, this positive macroeconomic trend driven by consumption once again comes up against a year without growth in the capital goods industry, which is crucial to GESCO Group. The **Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA – German machinery and plant manufacturers association)** reports that machinery production in Germany was stagnant in 2016. The preliminary findings of the German Federal Statistical Office reveal that priced-adjusted production development stood at approximately 0.0 % Exports of machinery and plants remained more or less on par with the previous year. Growth was recorded for exports to EU partner countries (+4.1 %), to other countries in Europe (+0.4 %), to Central and South Asia (+5.0 %), to South East Asia (+3.9 %), to Africa (+15.8 %) and to Australia-Oceania (+4.8 %). In contrast, machinery exports to the Americas (-5.1 %), to the Near and Middle East (-10.1 %) and to East Asia (-7.6 %) decreased. Incoming orders in 2016 fell short of the previous year's level by 2 % in real terms, according to information from the VDMA. With respect to domestic demand, incoming orders declined by 1 %, while orders from abroad fell by 3 % year on year. This involved a slight divergence. While orders from euro partner countries fell short of the level from the previous year by 8 %, orders from non-euro countries decreased by 1 %.

Strong demand and limited supply continued to shape the **corporate transactions market** in the SME sector. In light of the persistent low-interest environment, various investor groups are seeking direct investments in industrial SMEs, which is leading to rising valuations. We have made moderate adjustments to our valuations against this backdrop, but we continue to follow our disciplined approach and avoid transaction processes designed purely to maximise purchase prices, such as bidding processes.

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.

2016 was characterised by subdued development overall in the capital goods industry. Against this backdrop, GESCO Group generated a slight decline in sales and a disproportionately high decline in earnings. The impact of the planned sale of Protomaster also led to a negative non-recurring effect that put considerable strain on earnings.

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. There were no serious supply bottlenecks in the reporting year.

SITUATION OF THE GROUP

EARNINGS POSITION

In financial year 2016/2017, incoming orders at GESCO Group increased year on year by 3.2 % to € 498.7 million (previous year: € 483.2 million). Group sales totalled € 482.5 million compared to € 494.0 million in the previous year. This resulted in incoming orders exceeding sales over the year as a whole and the book-to-bill ratio rising to above 1. Order backlog increased correspondingly year on year by 9.8 % from € 171.7 million to € 188.5 million.

A slight decrease in the material expenditure ratio was offset by a slight increase in the personnel expenditure ratio. Against the backdrop of a decrease in other operating income and scarcely any change in other operating expenditure, earnings before interest, taxes, depreciation and amortisation (EBITDA) stood at € 49.7 million after reaching € 53.3 million in the previous year's period.

Depreciation and amortisation increased significantly from € 21.8 million to € 27.6 million. This development was due to impairment losses totalling some € 6.6 million against the backdrop of the planned sale of Protomaster GmbH. Impairment losses stood at € 1.3 million the previous year. Due to the significant increase in depreciation and amortisation, earnings before interest and taxes (EBIT) fell more sharply than EBITDA to € 22.1 million (€ 31.5 million).

Within the financial result, net interest income improved slightly from € -2.9 million to € -2.7 million. However, due to an impairment loss, earnings from companies valued at equity declined considerably from € 0.3 million to € -0.5 million. Overall, the financial result stood at € -3.0 million (€ -2.6 million). Since the impairments related to the planned sale of Protomaster GmbH have no effect on taxation, the tax rate increased considerably from 35.8 % to 49.3 %. Group net income after minority interest stood at € 7.9 million (€ 16.1 million). Earnings per share according to IFRS amounted to € 0.79 (€ 1.62), which takes into account the share split at a ratio of 1:3 from December 2016. The previous year's figure was adjusted accordingly.

At the accounts press conference on 30 June 2016, we forecasted Group sales of between € 480 million and € 490 million and Group net income after minority interest of between € 13.5 million and € 14.5 million for financial year 2016/2017. In the report for the first quarter, we then explained that we expected sales and earnings to come in at the lower end of these ranges at best. We confirmed the sales expectations in the half-year interim report and specified the earnings outlook to be between € 11.5 million and € 12.5 million. We once again confirmed the forecast sales in an ad hoc announcement dated 2 February 2017 and in the subsequently released quarterly statement for the first nine months. In terms of operations, we increased the earnings forecast to between € 12.5 million and € 13.5 million, as operating performance was better than expected in the fourth quarter. However, we anticipated a negative non-recurring effect of € 6.5 million from the planned sale of Protomaster; as a result, the outlook for Group net income after minority interest decreased to between € 6.0 million and € 7.0 million. The final figures for Group sales correspond to our forecast. At € 7.9 million, Group net income after minority interest surpassed the outlook in the end, which was updated most recently in February 2017. Adjusted for the Protomaster effect, financial year 2016/2017 ultimately came in at the upper end of the original forecast.

SALES AND EARNINGS BY SEGMENT

As explained at the beginning of the report, the operating segments underwent reclassification at the start of financial year 2016/2017. Detailed segment reporting included in the consolidated financial statements is now divided into the Production Process Technology, Resource Technology, Healthcare and Infrastructure Technology as well as Mobility Technology operating segments. The reconciliation column reconciles with the consolidated figures. The previous year's figures were adjusted accordingly.

In the **Production Process Technology** segment, incoming orders increased significantly year on year by 9.5 % to € 77.1 million (previous year: € 70.4 million). Sales totalled € 74.6 million compared to € 76.7 million in the previous year. EBIT experienced strong growth of 20.2 % and rose to € 5.4 million (€ 4.5 million). The driver of this significant earnings increase was the positive development at MAE Maschinen- und Apparatebau Götzen GmbH, where restructuring measures completed in the previous year began to bear fruit.

The biggest segment, **Resource Technology,** recorded stable business development during the reporting period. At € 222.6 million, incoming orders were down slightly year on year (€ 225.6 million), while sales of € 222.2 million slightly surpassed the previous year's figure of € 220.2 million. EBIT experienced a markedly disproportionate increase of 11.4 %, however, and stood at € 20.9 million (€ 18.8 million). This increase is due in particular to a rise in earnings related to loading technology. The recently acquired Pickhardt & Gerlach Group is assigned to this segment, but it has not been included yet in the figures for financial year 2016/2017.

Steady development characterised the second-largest segment, **Healthcare and Infrastructure Technology.** Incoming orders of € 116.9 million and sales of € 113.8 million were slightly higher than the previous year's figures (€ 115.8 million and € 112.0 million respectively). With a 7.9 % increase, EBIT grew much more strongly than sales and came in at € 10.2 million (€ 9.5 million).

€ 482 Mn.

IN SALES
2016/2017

(€ 494 Mn.)

In the end, the **Mobility Technology** segment turned in a negative performance. While incoming orders rose considerably from € 71.0 million to € 82.1 million, sales dropped to € 73.9 million (€ 85.5 million). A pronounced weakness in tool manufacturing and non-recurring expenses for two major projects had a particularly negative impact on the segment's EBIT, which decreased to € 2.6 million (€ 8.2 million).

In addition to GESCO AG, 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 **Reconciliation** segment. Impairment losses in this segment totalling € 6.6 million (€ 1.3 million) put a significant strain on EBIT.

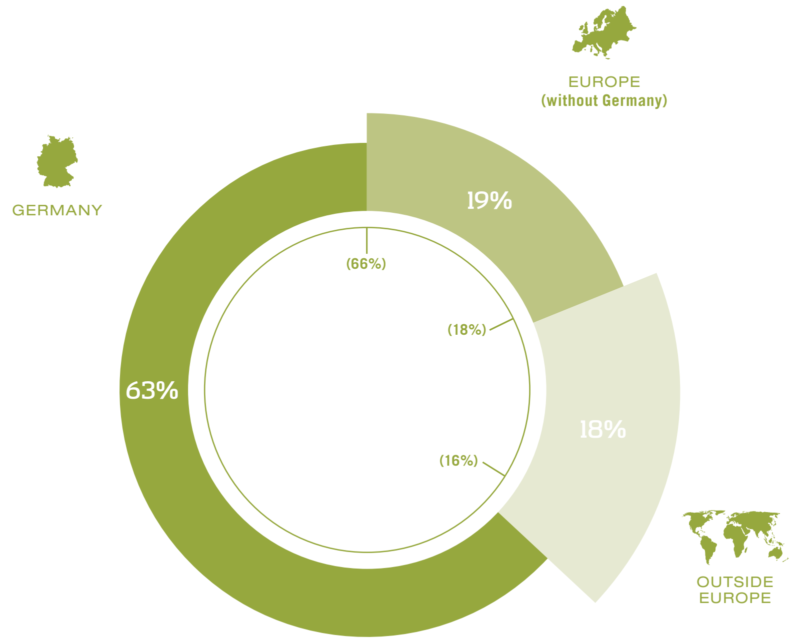
SALES BY REGION

Against the backdrop of rising foreign sales, there were only marginal changes in the regional distribution of Group sales year on year. The domestic share of sales decreased from 66 % to 63 %, while sales generated outside of Germany accounted for more than one third. In the course of this, the share of sales generated in the United States continued to rise from 5 % to 7 %. The share of sales attributable to China increased from 3 % to 4.1 %. In Europe, France, Italy, Austria and the Czech Republic continue to be the most important importers of GESCO Group products.

When looking at this regional distribution of sales, it should be noted that many of our companies' domestic customers are in turn 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.

The portfolio includes a number of larger companies that serve the global market in leading roles and which have export ratios that are higher than 80 % in some cases.

SALES BY REGION
Prevoius year's figures in brackets



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 1.7, the net bank debt to EBITDA ratio is low. Goodwill increased to € 19.4 million due to the acquisition of PGW Group, but at a mere 9.1 % of equity, it continues to be on a very low level. The overall balance sheet structure remains healthy. Overall, GESCO Group is on a solid financial footing for internal and external growth.

On the liabilities side, equity was increased in two steps. The € 1,330,000 capital increase through own funds to € 9,975,000 decided on by the 2016 Annual General Meeting was carried out in December 2016. The share capital was then redistributed by way of a share split at a ratio of 1:3 into 9,975,000 registered shares. The share capital was then increased by € 864,499 in March 2017 to € 10,839,499 as part of a cash capital increase. This provided the company with approximately € 20 million in liquid assets used to finance the acquisition of PGW. Finally, net profit for the year increased equity, while it decreased due to the € 6.7 million dividend payment in August 2016. Altogether, equity increased over the course of the financial year by 9.4 % from € 195.8 million to € 214.1 million. The equity ratio rose from 47.7 % to 48.7 %.

Current and non-current liabilities to financial institutions increased marginally to € 122.4 million (€ 117.2 million).

Due to the intended sale of the majority interest in Protomaster GmbH, the corresponding liabilities were reported separately in the balance sheet under “Liabilities held for sale”.

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.

GESCO Group companies invested € 20.2 million (€ 24.9 million) altogether in property, plant and equipment and intangible assets in financial year 2016/2017. The total amount was spread out among a variety of smaller and medium-sized investments in replacements and modernisation. Larger individual investments related to production lines as well as real estate for expanding capacity in the Healthcare and Infrastructure Technology segment, among other things.

Depreciation and amortisation on property, plant and equipment and intangible assets increased significantly from € 21.8 million to € 27.6 million. This figure includes € 6.6 million in impairment losses associated with the planned sale of Protomaster GmbH (previous year: € 1.3 million).

LIQUIDITY

Liquid assets stood at € 35.1 million (€ 36.6 million) as at the reporting date of 31 March 2017. A dividend of € 6.7 million for financial year 2015/2016 was paid in the reporting period.

At the end of the year, the Group had access to approved but unused credit lines totalling € 46.4 million. The Group was able to meet its payment obligations at all times.

Cash flow posted remarkably positive development. As a result, cash flow from ongoing business activities rose sharply by 55.5 % from € 27.0 million to € 41.9 million despite the decline in earnings.

ASSETS

Total assets rose year on year from € 410.2 million to € 439.9 million. In connection with the intended sale of the majority interest in Protomaster GmbH, the corresponding assets were reported separately in the balance sheet under "Assets held for sale".

Non-current assets increased significantly to € 194.0 million (€ 167.8 million) as a result of the acquisition of PGW Group. At € 239.3 million, current assets were slightly below the previous year's figure of € 242.4 million. A reduction in inventories was offset by an increase in trade receivables.

The capitalisation ratio decreased slightly from 32.7 % to 32.0 % year on year. The ratio of long-term capital to non-current assets amounted to 1.7 (1.8) as at the reporting date.

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.

2,535

STAFF GESCO GROUP

2016/2017

(2,537)

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.

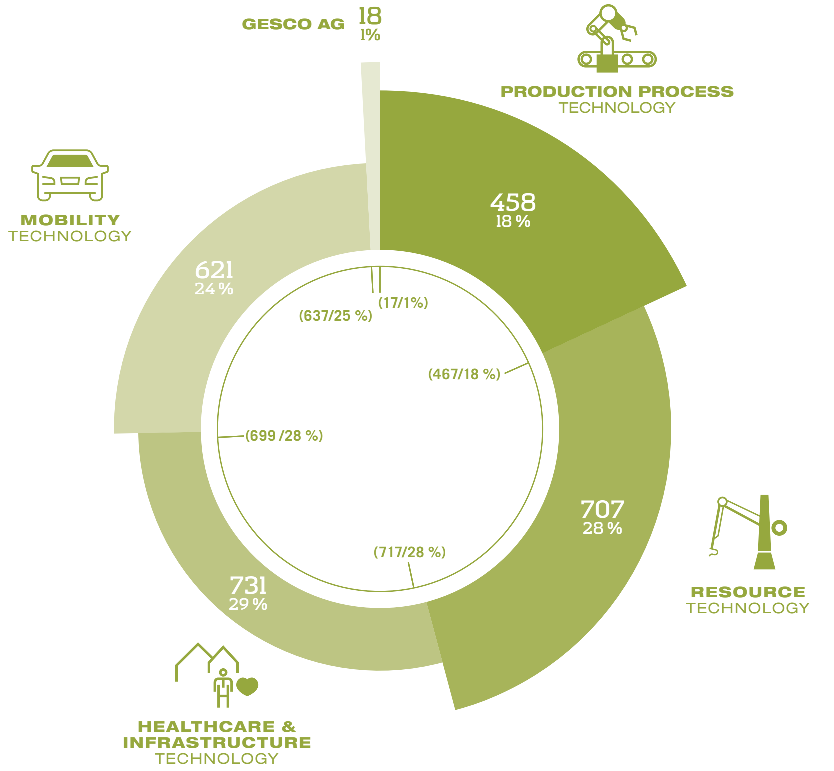
At 2,535 employees, GESCO Group's headcount as at the end of the reporting period was down slightly year on year from 2,537 employees. The figure for the reporting year does not include the workforce of the recently acquired Pickhardt & Gerlach Group.

In autumn 2016, GESCO AG offered all Group employees the chance to buy shares in the company at favourable terms for the nineteenth consecutive year. Some 48 % of Group employees took the opportunity in this instalment of the employee share scheme to make a personal investment, which set a new participation record. We believe that this consistently high participation rate reflects the confidence shown by employees at the subsidiaries in the majority shareholder, GESCO AG.

The subsidiaries use a variety of activities to position themselves as attractive long-term employers and cooperate with universities and other educational institutions to gain access to new talent, especially graduates of engineering disciplines.

EMPLOYEES BY SEGMENTS

Prevoius year's figures in brackets



OTHER INFORMATION

5.3

CHANGES TO THE EXECUTIVE BODIES OF THE COMPANY

Dr Eric Bernhard was appointed Chairman of the Executive Board of GESCO AG with effect from 1 July 2016. Dr Hans-Gert Mayrose stepped down from the Executive Board at the end of 2016, as explained already in the report from the Supervisory Board on financial year 2015/2016. Please refer to the declaration of compliance for further information on 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, preventive medical examinations.

The variable component is always granted in the form of a performance-related bonus, which is geared towards the Group's net income after minority interest. Assessment of this component has since switched to a multi-year basis for future financial years. This provision is not applicable to existing contracts extended prior to 15 June 2015. For financial year 2017/2018, two thirds of the bonus will be based on Group net income after minority interest for the financial year, and one third on the mean value of Group net income after minority interest for the financial year and the one preceding it. From financial year 2018/2019, two thirds of the respective bonus will be based on Group net income after minority interest for the financial year, and one third on the mean value of Group net income after minority interest for the respective financial year and the two preceding it.

The variable component is capped at twice the annual base salary in all cases. 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 bonus will be paid out pro rata temporis in the year an Executive Board member leaves. A guaranteed minimum bonus was granted to the Chairman of the Executive Board Dr Eric Bernhard for the reporting year.

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 the absolute nor the relative target has been met at the time the options are 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. 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 case of the targets being met. Now it is possible to have half of the 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 at least half of the amount paid.

The Supervisory Board of GESCO AG initiated another tranche of the stock option programme in September 2016. A total of 80,100 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 22.7 % and a risk-free interest rate of -0.45 %; the exercise price of the options issued in September 2016 is € 22.99 (adjusted to the increase in the total number of shares as at 22 December 2016). 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 € 1.78.

The Supervisory Board is currently revising the stock option programme.

For Executive Board member Robert Spartmann and former Executive Board member Dr Hans-Gert Mayrose, 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.

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.

EXECUTIVE BOARD REMUNERATION

COMPENSATION

€'000	Dr Eric Bernhard Chairman of the Executive Board				Dr-Ing Hans-Gert Mayrose Member of the Executive Board				Robert Spartmann Member of the Executive Board			
	31.03.2016	31.03.2017	31.03.2017 (min)	31.03.2017 (max)	31.03.2016	31.03.2017	31.03.2017 (min)	31.03.2017 (max)	31.03.2016	31.03.2017	31.03.2017 (min)	31.03.2017 (max)
Fixed remuneration	63	300	300	300	240	189	189	189	252	264	264	264
Additional benefits	3	13	13	13	19	11	11	11	19	17	17	17
	66	**313**	**313**	**313**	**259**	**200**	**200**	**200**	**271**	**281**	**281**	**281**
One-year variable remuneration	88	300	300	600	242	88	0	378	242	117	0	528
Multi-year variable remuneration												
2015 tranche	0	0	0	0	40	0	0	0	40	0	0	0
2016 tranche	0	32	0	207	0	32	0	207	0	32	0	207
	88	**332**	**300**	**807**	**282**	**120**	**0**	**585**	**282**	**149**	**0**	**735**
Pension-related expenses	13	60	60	60	55	43	43	43	53	60	60	60
	167	**705**	**673**	**1.180**	**596**	**363**	**243**	**828**	**606**	**490**	**341**	**1.076**

PAYMENTS

€'000	Dr Eric Bernhard Chairman of the Executive Board		Dr-Ing Hans-Gert Mayrose Member of the Executive Board		Robert Spartmann Member of the Executive Board	
	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017
Fixed remuneration	63	300	240	189	252	264
Additional benefits	3	13	19	11	19	17
	66	**313**	**259**	**200**	**271**	**281**
One-year variable remuneration	0	88	148	279	148	279
Multi-year variable remuneration						
2011 tranche	0	0	0	14	0	14
	0	**88**	**148**	**293**	**148**	**293**
Pension-related expenses	13	60	55	43	53	60
	79	**461**	**462**	**536**	**472**	**634**

OUTLOOK, OPPORTUNITY AND RISK REPORT

5.4

OUTLOOK

The German economy is expected to grow slightly in 2017. The council of economic experts forecasts a 1.3 % price-adjusted increase in gross domestic product. Strong private consumption and residential construction will drive this increase to a large extent. Gross fixed capital formation continues to exhibit only moderate growth. Experts anticipate an increase of only 2.0 % for 2017, following a 2.5 % increase in 2016. Investments in equipment in particular are not expected to see any significant rise.

The VDMA expects real production growth of 1 % for German machinery production in 2017. This is due primarily to the fact that declines in exports to many developing and emerging economies are beginning to ease and increases are expected once again in several of these markets. Apart from the recovery of crude oil and gas prices, national factors also indicate that this will be the case. In Russia, the rouble's exchange rate is still valued at a relatively low level, which is helping the country's economy achieve a high degree of price competitiveness, while it may be possible in Brazil to shake off the recession this year not least due to the reform plans. VDMA economists do not want to rule out another year of falling export rates to China.

Even if strong growth momentum continues to fail to materialise in the capital goods industry, we expect to see a considerably positive development for GESCO Group in financial year 2017/2018. We have strengthened the GESCO portfolio by acquiring Pickhardt & Gerlach Group and deciding to sell Protomaster. Aside from the inorganic sales and earnings growth that PGW will provide, we also anticipate profitable growth to be achieved organically. As a result, we expect to see moderate sales growth and a disproportionate increase in Group net income after minority interest for the new financial year 2017/2018 as a whole. At the same time, we assume that the optimisation measures targeting sales as well as cost efficiency which we defined as part of the Portfolio Strategy 2022 will begin to bear fruit.

With regard to external growth, we affirmed our target within the scope of the Portfolio Strategy 2022 of acquiring up to three companies per financial year. At the same time, we have expanded our M&A approach and now actively appeal to entrepreneuers directly. Even if strong demand for SMEs from the industrial sector means that the environment continues to be a difficult one, we enjoy a continuous deal flow. Thanks to a high equity ratio and sufficient liquid assets, the balance sheet conditions are right for us to make further acquisitions. Nonetheless, it is not possible to make specific forecasts about future company acquisitions. We will continue to acquire companies only if we believe they are a good fit with GESCO Group and their purchase prices are reasonable.

GESCO Group's equity ratio is expected to be over 40 % in the new financial year as well.

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 four segments of Production Process Technology, Resource Technology, Healthcare and Infrastructure Technology as well as Mobility Technology.

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.

Detailed Group guidelines, available in the form of a manual, minimise accounting risks and define the standard to be complied with by all Group companies and auditors. The regular analyses of the subsidiaries' figures carried out during the year also include an analysis and assessment of accounting risks. The responsible employees at GESCO AG are available to offer advice and answer any questions on the subject of accounting by the subsidiaries' managers and financial officers.

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 in 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, some subsidiaries have used interest rate swaps for variable interest rate financing and thus exchanged each floating rate with a fixed rate. We expect interest rates to remain low in financial year 2017/2018. 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 2016/2017. We are also not aware of any developments with regard to legal conditions that would have a significant impact on the Group.

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. Beyond the typical economic fluctuations, we currently believe the greatest risk faced by our operating business is the generally higher level of uncertainty associated in particular with political factors, such as Brexit, the situation in Turkey, the protectionist tendencies in the United States and the persistent structural problems of the eurozone.

There is a fundamental risk of impairment losses on the book value of investments as well as of potential defaults on receivables in the event of a deterioration in the earnings situation of subsidiaries.

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 fulfill 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 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.

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

5.5

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.

TAKEOVER-RELATED DISCLOSURES

5.6

DISCLOSURES UNDER SECTION 315 PARA. 4 OF THE GERMAN COMMERCIAL CODE (HGB)

The share capital of GESCO AG is € 10,839,499 and is divided into 10,839,499 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 Article 6 para. 1 of the GESCO AG Articles of Association, the Executive Board consists of one or more persons. Pursuant to Article 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 Article 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 binding legal 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 Article 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 25 August 2016 authorised the Executive Board to increase the company's share capital once or several times by up to a total of € 997,500.00 until 24 August 2019 with the consent of the Supervisory Board by issuing new registered shares in exchange for cash. Subscription rights may be excluded in certain cases. The Executive Board made use of this authorisation in March 2017 by increasing the share capital by € 864,499.00 to € 10,839,499.00. Authorised capital now amounts to € 133,001.00. It was not possible to take advantage of the remaining authorised capital as part of the capital increase in March 2017, because the share capital at the time of the Annual General Meeting's resolution on 25 August 2016 was the relevant factor here.

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 treasury 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 of the Stock Corporation Act (AktG). GESCO AG held no 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 13.7 % of voting rights in GESCO AG as at the reporting date.

The Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn, held roughly 13,7 % of voting rights in GESCO AG on the reporting date.

CORPORATE GOVERNANCE AND **DECLARATION OF COMPLIANCE**

5.7

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, 24 May 2017

The Executive Board

Dr Eric Bernhard
(Chairman)

Robert Spartmann

DOCUMENTATION
OF COMMITMENT

RELAUNCH

06

2016/2017

GESCO AG
SUMMARY OF THE ANNUAL FINANCIAL STATEMENTS DATED 31 MARCH 2017

GESCO AG
BALANCE SHEET

6.1

ASSETS €'000	31.03.2017	31.03.2016
Intangible assets	11	14
Property, plant and equipment	466	334
Financial assets	115,028	77,360
NON-CURRENT ASSETS	**115,505**	**77,708**
Receivables and other assets	57,386	51,689
Securities and liquid funds	10,817	14,972
CURRENT ASSETS	**68,203**	**66,661**
TOTAL ASSETS	**183,708**	**144,369**

EQUITY AND LIABILITIES €'000	31.03.2017	31.03.2016
EQUITY	**138,280**	**117,354**
PROVISIONS	**8,596**	**6,395**
LIABILITIES	**36,832**	**20,620**
TOTAL EQUITY AND LIABILITIES	**183,708**	**144,369**

6.2

GESCO AG
INCOME STATEMENT

€'000	01.04.2016-31.03.2017	01.04.2015-31.03.2016
Sales revenues	522	1.482
Other operating income	447	235
Personnel expenditure	-3,773	-3,454
Depreciation/amortisation	-3,862	-146
Other operating expenditure	-5,514	-3,023
Earnings from investments	17,923	10,988
Income from profit and loss transfer agreements	3,669	2,415
Net interest income	-37	-150
Write-downs on financial assets	-1,895	-400
Expenditure from loss assumption	0	-925
Taxes	-176	-18
NET INCOME	7,304	7,004
Transfer to revenue reserves	-3,510	-354
RETAINED PROFIT	**3,794**	**6,650**

GESCO AG PROPOSED APPROPRIATION OF RETAINED PROFIT

6.3

For financial year 2016/2017, the Executive Board and Supervisory Board of GESCO AG are proposing the following appropriation of retained profit for the year in the amount of € 3,793,824.65:

Payment of a dividend in the amount of € 0.35 per share on the current share capital entitled to dividends (10,839,499 shares)

€ 3,793,824.65

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.

RELAUNCH

07

2016/2017

GESCO AG CONSOLIDATED FINANCIAL STATEMENTS DATED 31 MARCH 2017

GESCO AG
GROUP BALANCE SHEET

ASSETS €'000			31.03.2017	31.03.2016
A.	**NON-CURRENT ASSETS**			
I.	**Intangible assets**			
1.	Industrial property rights and similar rights and assets as well as licences to such rights and assets	(1)	27,189	13,635
2.	Goodwill	(2)	19,424	13,005
3.	Prepayments made	(3)	0	134
			46,613	**26,774**
II.	**Property, plant and equipment**			
1.	Land and buildings	(4)	63,738	57,986
2.	Technical plants and machinery	(5)	49,403	50,058
3.	Other plants, fixtures and fittings	(6)	21,563	21,643
4.	Prepayments made and assets under construction	(7)	6,132	4,445
			140,836	**134,132**
III.	**Financial investments**			
1.	Shares in affiliated companies	(8)	52	52
2.	Shares in companies valued at equity	(9)	1,044	1,743
3.	Investments	(10)	156	156
4.	Other loans		210	262
			1,462	**2,213**
IV.	**Other assets**	(11)	**1,662**	**2,131**
V.	**Deferred tax assets**	(12)	**3,431**	**2,560**
			194,004	**167,810**
B.	**CURRENT ASSETS**			
I.	**Inventories**	(13)		
1.	Raw materials and supplies		22,928	21,788
2.	Unfinished products and services		38,759	43,403
3.	Finished products and goods		63,054	66,431
4.	Prepayments made		426	1,004
			125,167	**132,626**
II.	**Receivables and other assets**	(11)		
1.	Trade receivables		69,206	61,632
2.	Amounts owed by affiliated companies		1,302	1,414
3.	Amounts owed by companies valued at equity		836	968
4.	Other assets		6,806	8,267
			78,150	**72,281**
III.	**Cash and credit with financial institutions**	(14)	**35,146**	**36,581**
IV.	**Accounts receivable and payable**		**852**	**877**
			239,315	**242,365**
C.	**ASSETS HELD FOR SALE**	(15)	**6,596**	**0**
			439,915	**410,175**

7.1

EQUITY AND LIABILITIES
€'000

			31.03.2017	31.03.2016
A.	**EQUITY**			
I.	Subscribed capital	(16)	10,839	8,645
II.	Capital reserves		72,364	54,662
III.	Revenue reserves		118,468	119,171
IV.	Own shares		0	-5
V.	Other comprehensive income		-2,748	-2,389
VI.	Minority interests (incorporated companies)	(17)	15,172	15,689
			214,095	195,773
B.	**NON-CURRENT LIABILITIES**			
I.	Minority interests (partnerships)	(17)	1,790	3,035
II.	Provisions for pensions	(18)	17,101	16,306
III.	Other non-current provisions	(18)	610	598
IV.	Liabilities to financial institutions	(19)	81,667	76,452
V.	Other liabilities	(19)	2,206	1,517
VI.	Deferred tax liabilities	(12)	3,495	2,837
			106,869	100,745
C.	**CURRENT LIABILITIES**			
I.	Other provisions	(18)	11,851	8,783
II.	Liabilities	(19)		
1.	Liabilities to financial institutions		40,760	40,751
2.	Trade creditors		13,135	14,101
3.	Prepayments received on orders		17,383	21,436
4.	Liabilities to affiliated companies		460	337
5.	Liabilities to companies valued at equity		12	1
6.	Other liabilities		26,706	28,217
			98,456	104,843
III.	Accounts receivable and payable		27	31
			110,334	113,657
D.	**LIABILITIES HELD FOR SALE**	(15)	8,617	0
			439,915	410,175

GESCO AG
GROUP INCOME STATEMENT

7.2

€'000			01.04.2016-31.03.2017	01.04.2015-31.03.2016
1.	Sales revenues	(20)	482,480	494,014
2.	Change in stocks of finished and unfinished products		-1,992	-8,105
3.	Other company-produced additions to assets	(21)	1,584	1,623
4.	Other operating income	(22)	6,019	9,590
5.	**TOTAL INCOME**		**488,091**	**497,122**
6.	Material expenditure	(23)	-233,003	-242,928
7.	Personnel expenditure	(24)	-143,207	-139,701
8.	Other operating expenditure	(25)	-62,136	-61,232
9.	**EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)**		**49,745**	**53,261**
10.	Depreciation on property, plant and equipment and amortisation of intangible assets	(26)	-27,608	-21,804
11.	**EARNINGS BEFORE INTEREST AND TAX (EBIT)**		**22,137**	**31,457**
12.	Earnings from securities		1	1
13.	Earnings from investments		405	305
14.	Earnings from companies valued at equity		-464	339
15.	Other interest and similar income		132	156
16.	Interest and similar expenditure		-2,785	-3,084
17.	Minority interest in partnerships		-239	-346
18.	**FINANCIAL RESULT**		**-2,950**	**-2,629**
19.	**EARNINGS BEFORE TAX (EBT)**		**19,187**	**28,828**
20.	Taxes on income and earnings	(27)	-9,458	-10,307
21.	**GROUP NET INCOME FOR THE YEAR AFTER TAX**		**9,729**	**18,521**
	Minority interest in incorporated companies		-1,839	-2,393
	GROUP NET INCOME FOR THE YEAR AFTER MINORITY INTEREST		**7,890**	**16,128**
	EARNINGS PER SHARE (€) ACC. TO IFRS	(28)	**0.79**	**1.62**

GESCO AG STATEMENT OF COMPREHENSIVE INCOME

7.3

	€'000		01.04.2016-31.03.2017	01.04.2015-31.03.2016
1.	**Group net income**		**9,729**	**18,521**
2.	**Revaluation of benefit obligations not impacting on income**		**-698**	**420**
3.	**Items that cannot be transferred into the income statement**		**-698**	**420**
4.	**Difference from currency translation**			
a	Reclassification into the income statement		0	0
b	Changes in value with no effect on income		399	1,381
5.	**Difference from currency translation for companies valued at equity**			
a	Reclassification into the income statement		-18	10
b	Changes in value with no effect on income		-125	-94
6.	**Market valuation of hedging instruments**			
a	Reclassification into the income statement		-21	-26
b	Changes in value with no effect on income		123	-60
7.	**Items that can be transferred into the income statement**		**358**	**1,211**
8.	**Other income**	(29)	**-340**	**1,631**
9.	**Total result for the period**		**9,389**	**20,152**
	of which shares held by minority interest		1,791	2,493
	of which shares held by GESCO shareholders		7,598	17,659

GESCO AG GROUP CASH FLOW STATEMENT

7.4

€'000	01.04.2016-31.03.2017	01.04.2015-31.03.2016
Group net income for the year (including share attributable to minority interest in incorporated companies)	9,729	18,521
Depreciation on property, plant and equipment and amortisation of intangible assets	27,608	21,804
Earnings from companies valued at equity	464	-339
Share attributable to minority interest in partnerships	239	345
Decrease in non-current provisions	-131	-217
Other non-cash income	-268	-35
CASH FLOW FOR THE YEAR	**37,641**	**40,079**
Losses from the disposal of property, plant and equipment/intangible assets	153	126
Gains from the disposal of property, plant and equipment/intangible assets	-477	-725
Decrease/increase in stocks, trade receivables and other assets	3,717	-3,076
Increase/decrease in trade creditors and other liabilities	888	-9,453
CASH FLOW FROM ONGOING BUSINESS ACTIVITIES	**41,922**	**26,951**
Incoming payments from disposals of property, plant and equipment	765	4,100
Disbursements for investments in property, plant and equipment	-19,788	-24,027
Disbursements for investments in intangible assets	-387	-843
Incoming payments from disposals of financial assets	161	22
Disbursements for the acquisition of consolidated companies and other business units	-44,147	0
CASH FLOW FROM INVESTMENT ACTIVITIES	**-63,396**	**-20,748**
Capital increase	19,896	0
Disbursements to shareholders (dividends)	-6,650	-5,818
Incoming payments from the sale of own shares	882	829
Disbursements for the purchase of own shares	-926	-843
Disbursements to minority interests	-1,037	-1,728
Incoming payments from raising (financial) loans	26,998	18,551
Outflow for repayment of (financial) loans	-18,760	-15,914
CASH FLOW FROM FUNDING ACTIVITIES	**20,403**	**-4,923**
Cash decrease in cash and cash equivalents	**-1,071**	**1,280**
Exchange-rate related changes in cash and cash equivalents	**37**	**45**
Financial means on 01.04.	**36,581**	**35,256**
Financial means on 31.03.	**35,547**	**36,581**
less cash held for sale	-401	0
FINANCIAL MEANS ON 31.03. FROM CONTINUING OPERATIONS	**35,146**	**36,581**

GESCO AG GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

7.5

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares	Exchange equalisation items	Revalua-tion of pensions	Hedging instruments	Total	Minority interest incorporated companies	Equity capital
AS AT 01.04.2015	**8,645**	**54,662**	**108,887**	**-17**	**-378**	**-3,520**	**-22**	**168,257**	**14,546**	**182,803**
Distributions			-5,818					-5,818	-1,350	-7,168
Acquisition of own shares				-843				-843		-843
Disposal of own shares			-26	855				829		829
Result for the period			16,128		1,230	380	-79	17,659	2,493	20,152
AS AT 31.03.2016	**8,645**	**54,662**	**119,171**	**-5**	**852**	**-3,140**	**-101**	**180,084**	**15,689**	**195,773**
Distributions			-6,650					-6,650	-735	-7,385
Increase in subscribed capital from own funds	1,330	-1.330								
Capital increase	864	19,451						20,315		20,315
Transaction costs of capital increase		-419						-419		-419
Acquisition of own shares				-926				-926		-926
Disposal of own shares			-49	931				882		882
Acquisition of shares in subsidiaries			-1,894			-67		-1,961	-1,573	-3,534
Result for the period			7,890		261	-651	98	7,598	1,791	9,389
AS AT 31.03.2017	**10,839**	**72,364**	**118,468**	**0**	**1,113**	**-3,858**	**-3**	**198,923**	**15,172**	**214,095**

GESCO AG GROUP SEGMENT REPORT

7.6

€'000	Production Process Technology 2016/2017	Production Process Technology 2015/2016	Resource Technology 2016/2017	Resource Technology 2015/2016	Healthcare and Infrastructure Technology 2016/2017	Healthcare and Infrastructure Technology 2015/2016	Mobility Technology 2016/2017	Mobility Technology 2015/2016	Reconciliation 2016/2017	Reconciliation 2015/2016	Group 2016/2017	Group 2015/2016
Order backlog	**41,992**	**39,022**	**59,593**	**56,354**	**36,695**	**33,925**	**50,198**	**42,354**	**0**	**0**	**188,478**	**171,655**
Incoming orders	**77,118**	**70,424**	**222,556**	**225,579**	**116,937**	**115,761**	**82,135**	**71,005**	**0**	**399**	**498,746**	**483,168**
Sales revenues	**74,579**	**76,746**	**222,172**	**220,229**	**113,838**	**112,002**	**73,929**	**85,459**	**-2,038**	**-422**	**482,480**	**494,014**
of which with other segments	1,073	253	920	511	18	24	27	34	-2,038	-822	0	0
Depreciation/amortisation	**3,115**	**2,942**	**3,865**	**3,810**	**6,351**	**6,515**	**4,637**	**3,993**	**9,640**	**4,544**	**27,608**	**21,804**
of which impairment losses pursuant to IAS 36									6,591	1,312	6,591	1,312
EBIT	**5,416**	**4,506**	**20,948**	**18,808**	**10,243**	**9,494**	**2,632**	**8,213**	**-17,102**	**-9,564**	**22,137**	**31,457**
Investments	**1,597**	**4,348**	**3,660**	**5,063**	**7,082**	**6,672**	**7,501**	**8,662**	**335**	**125**	**20,175**	**24,870**
Employees (No./reporting date)	**458**	**467**	**707**	**717**	**731**	**699**	**621**	**637**	**18**	**17**	**2,535**	**2,537**

DOCUMENTATION
OF COMMITMENT

RELAUNCH

08

2016/2017

GESCO AG NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DATED 31 MARCH 2017

GESCO AG GROUP
GENERAL INFORMATION

8.1

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 2017 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 2016. The following new or amended standards had to be considered for financial year 2016/2017:

- Amendments to IAS 1 "Disclosure Initiative"
- Amendments to IAS 16 and IAS 38 "Acceptable Methods of Depreciation and Amortisation"
- Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"
- Amendments to IAS 27 "Equity Method in Separate Financial Statements"
- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities – Applying the Consolidation Exception"
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
- IFRS 14 "Regulatory Deferral Accounts"
- IFRIC 21 "Levies"
- Annual Improvements to IFRS (2012-2014)

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 2017/2018 or later:

Standard	Adopted by the EU	Early application
Amendments to IAS 7: "Disclosure Initiative"	Pending	Yes
Amendments to IAS 12: "Recognition of Deferred Tax Assets for Unrealised Losses"	Pending	Yes
Annual Improvements to IFRS (2014-2016)	Pending	Yes

The following standards and interpretations are mandatory from financial year 2018/2019 or later:

Standard	Adopted by the EU	Early application
Amendments to IFRS 2: "Classification and Measurement of Share-based Payment Transactions"	Pending	Yes
IFRS 9: "Financial Instruments"	Yes	Yes
Amendments to IFRS 4: "Applying IFRS 9 with IFRS 4"	Pending	Yes
IFRS 15: "Revenue from Contracts with Customers Including Effective Date"	Yes	Yes
IFRS 16: "Leasing"	Pending	Yes
Amendments to IAS 40: "Transfers of Investment Property"	Pending	Yes
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending	Yes
IFRIC 22: "Foreign Currency Transactions and Advance Consideration"	Pending	Yes

Based on current information, the application of IFRS 15 only has a limited impact. With the exception of IFRS 16, 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. 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 has been assessed as follows.

No material impact is expected in the case of existing finance leases that are already reported in these consolidated financial statements. Furthermore, the company had payment obligations from rental and lease agreements of approximately € 16.5 million as at the balance sheet date. According to IAS 17, no assets or liabilities need to be recognised. A material impact is expected on the consolidated financial statements – and on the balance sheet structure in particular – as a result of the accounting in accordance with IFRS 16. The new accounting will result in a drop in the equity ratio while also increasing EBIT and EBITDA. The exact consequences are currently unclear as these will depend on, for example, the conclusion of new contracts as well as the use of options during the transitional phase.

CONSOLIDATED FINANCIAL STATEMENTS – REPORTING DATE

The reporting date for the consolidated financial statements is the reporting date of the parent company (31 March 2017). 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 2017 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 for all subsidiaries 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 December 2016, GESCO AG acquired 100 % of shares in Pickhardt & Gerlach Group (PGW), Finnentrop; PGW comprises Pickhardt & Gerlach GmbH & Co. KG, Hekhorn Immobilien GmbH and Hekhorn Verwaltungs GmbH. Following the approval by antitrust authorities, the transaction was concluded in January 2017. PGW processes cold rolled strip steel using specialised production systems and distributes its products in the form of nickel-, copper-, brass- or zinc-plated strip steel in various standards of quality and dimensions in accordance with customer requirements. As a leading processor of strip steel, the company has a broad and well-established customer basis in the electronics, automotive, decoration, sporting equipment and office supplies sectors. PGW thereby operates in a niche market and is in a position to react quickly to customer requirements, making PGW a typical prospective acquisition for GESCO Group. The company, founded in 1902, has approximately 40 employees and generates sales of roughly € 30 million, two-thirds of which are attributed to activities abroad. The purchase price for the PGW Group amounts to approximately € 42 million. The incidental acquisition costs recognised as an expense in the income statement under other operating expenditure amount to approximately € 0.9 million.

PGW is included in the Group balance sheet for the reporting period, although it is not yet included in the consolidated income statement. PGW is allocated to the Resource Technology segment.

The effects arising from the addition of the fully consolidated companies can be summarised as follows:

€'000	31.03.2017	31.03.2016
Intangible assets	22,806	0
of which goodwill	6,347	0
Property, plant and equipment	11,186	0
Inventories	5,079	0
Trade receivables	2,397	0
Liquid assets	2,859	0
Other assets	1,003	0
Provisions	639	0
Other liabilities	2,404	0

The gross amount of the trade receivables is € 2,474 thousand.

This addition had no impact on Group net income. If PGW had been included in the consolidated financial statements of GESCO AG at the beginning of the financial year, earnings would have been affected by approximately € 2.0 million and sales by approximately € 29.5 million. The earnings effect includes the impact from first-time consolidation.

The measurement methods used to determine the fair value of the significant assets are: cost method (property, plant and equipment), residual value method (intangible assets) and market approach (inventories).

Goodwill mainly arises from the ability and experience of the workforce in constantly ensuring high product quality while keeping wastage very low.

As part of retirement agreements, GESCO AG took over the respective minority shares of two managing partners at two subsidiaries during the course of financial year 2016/2017. This relates to AstroPlast Kunststofftechnik GmbH & Co. KG, where the managing director held a 20 % share, and WBL Holding GmbH, where the managing director held a 15 % share. GESCO AG has therefore held a 100 % share of both subsidiaries ever since.

On 2 February 2017, the Executive Board and Supervisory Board of GESCO AG decided to put its majority holding in Protomaster GmbH, Wilkau-Haßlau, for sale. The sale process was immediately launched and negotiations conducted with potential buyers. At its locations in Wilkau-Haßlau and Zwickau, Protomaster produces prototypes and small and medium series of outer skin and structural parts for the automotive industry.

In addition to the parent company, a total of 57 companies are included in the consolidated financial statements according to the principle of full consolidation, and two 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 three companies, which are also not of material significance, were 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 € 0.8 million (previous year: € 1.0 million).

The significant financial information for the non-consolidated companies is shown in the following table:

€'000	31.03.2017	31.03.2016
Shares in affiliated companies	52	52
Current assets	1,302	1,338
Current liabilities	460	337

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 2017 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.

As a general rule, 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 € =	31.12.2016	31.12.2015	2016	2015
Brazil	BRL	3.4305	4.3117	3.8522	3.7004
China	CNY	7.3202	7.0608	7.3523	6.9733
Singapore	SGD	1.5234	1.5417	1.5275	1.5255
South Korea	KRW	1,269.3600	1,280.7800	1,283.9962	1,256.5444
Taiwan	TWD	34.0640	35.8200	35.5812	35.0110
Turkey	TRY	3.7072	3.1765	3.3434	3.0255
Hungary	HUF	309.8300	315.9800	311.4275	310.0000
USA	USD	1.0541	1.0887	1.1069	1.1095
South Africa	ZAR	14.4570	16.9530	16.2595	14.1723

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.

IProperty, 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 mainly 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.

GESCO AG GROUP INFORMATION ON THE GROUP BALANCE SHEET

8.2

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 MARCH 2017

COSTS OF ACQUISITION OR MANUFACTURE

	€'000	As at 01.04.2016	Change in scope of consolidation	Additions	Transfers	Disposals	Change Exchange rate difference	Reclassification Held for sale	As at 31.03.2017
I.	INTANGIBLE ASSETS								
1.	Industrial property rights and similar rights and assets as well as licences to such rights and assets								
a	Computer software	10,775	17	387	134	288	1	-194	10,832
b	Technology	16,540	17	0	0	0	3	-2	16,558
c	Customer base / order backlog	15,465	16,425	0	0	0	249	-522	31,617
		42,780	16,459	387	134	288	253	-718	59,007
2.	Goodwill	15,389	6,347	0	0	0	72	-1,518	20,290
3.	Prepayments made	134	0	0	-134	0	0	0	0
		58,303	22,806	387	0	288	325	-2,236	79,297
II.	PROPERTY, PLANT AND EQUIPMENT								
1.	Land and buildings	79,602	8,106	1,174	701	622	50	-2,345	86,666
2.	Technical plant and machinery	119,682	2,529	8,247	2,507	3,561	32	-6,235	123,201
3.	Other plants, fixtures and fittings	73,551	551	4,958	365	5,366	14	-658	73,415
4.	Prepayments made and assets under construction	4,445	0	5,409	3,573	108	0	-41	6,132
		277,280	11,186	19,788	0	9,657	96	-9,279	289,414
II.	FINANCIAL ASSETS								
1.	Shares in affiliated companies	52	0	0	0	0	0	0	52
2.	Shares in companies valued at equity	1,743	0	193	0	148	-124	0	1,664
3.	Investments	156	0	0	0	0	0	0	156
4.	Other loans	262	0	0	0	52	0	0	210
		2,213	0	193	0	200	-124	0	2,082
		337,796	**33,992**	**20,368**	**0**	**10,145**	**297**	**-11,515**	370,793

	€'000	DEPRECIATION AND AMORTISATION							BOOK VALUES	
		As at 01.04.2016	Additions	Disposals	Write-ups	Change Exchange rate difference	Reclassification Held for sale	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
I.	INTANGIBLE ASSETS									
1.	Industrial property rights and similar rights and assets as well as licences to such rights and assets									
a	Computer software	7,955	1,228[1]	288	0	1	-194	8,702	2,130	2,820
b	Technology	15,161	733	0	0	3	-2	15,895	663	1,379
c	Customer base / order backlog	6,029	1,638	0	0	76	-522	7,221	24,396	9,436
		29,145	3,599	288	0	80	-718	31,818	27,189	13,635
2.	Goodwill	2,384	0	0	0	0	-1,518	866	19,424	13,005
3.	Prepayments made	0	0	0	0	0	0	0	0	134
		31,529	3,599	288	0	80	-2,236	32,684	46,613	26,774
II.	PROPERTY, PLANT AND EQUIPMENT									
1.	Land and buildings	21,616	4,339[2]	588	-100	6	-2,345	22,928	63,738	57,986
2.	Technical plant and machinery	69,624	13,904[3]	3,491	-20	16	-6,235	73,798	49,403	50,058
3.	Other plants, fixtures and fittings	51,908	5,725[4]	5,139	0	16	-658	51,852	21,563	21,643
4.	Prepayments made and assets under construction	0	41[5]	0	0	0	-41	0	6,132	4,445
		143,148	24,009	9,218	-120	38	-9,279	148,578	140,836	134,132
II.	FINANCIAL ASSETS									
1.	Shares in affiliated companies	0	0	0	0	0	0	0	52	52
2.	Shares in companies valued at equity	0	620[6]	0	0	0	0	620	1,044	1,743
3.	Investments	0	0	0	0	0	0	0	156	156
4.	Other loans	0	0	0	0	0	0	0	210	262
		0	620	0	0	0	0	620	1,462	2,213
		174,677	**28,228**	**9,506**	**-120**	**118**	**-11,515**	181,882	188,911	**163,119**

These amounts including the following impairment losses (€'000): [1] 57 | [2] 2.008 | [3] 4.141 | [4] 344 | [5] 41 | [6] 620

GROUP STATEMENT OF FIXED ASSETS AS AT 31 MARCH 2016

COSTS OF ACQUISITION OR MANUFACTURE

	€'000	As at 01.04.2015	Additions	Transfers	Disposals	Change Exchange rate difference	As at 31.03.2016
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	0
b	Computer software	9,751	833	272	81	0	10,775
c	Technology	16,575	0	0	3	-32	16,540
d	Customer base	14,680	0	0	0	785	15,465
		41,016	833	272	94	753	42,780
2.	Goodwill	15,181	0	0	0	208	15,389
3.	Prepayments made	409	10	-219	66	0	134
		56,606	843	53	160	961	58,303
II.	PROPERTY, PLANT AND EQUIPMENT						
1.	Land and buildings	74,169	1,234	4,142	87	144	79,602
2.	Technical plant and machinery	100,196	13,772	7,600	1,980	94	119,682
3.	Other plants, fixtures and fittings	72,479	4,576	626	4,182	52	73,551
4.	Prepayments made and assets under construction	12,528	4,445	-12,421	107	0	4,445
5.	Investment properties	321	0	0	321	0	0
		259,693	24,027	-53	6,677	290	277,280
II.	FINANCIAL ASSETS						
1.	Shares in affiliated companies	52	0	0	0	0	52
2.	Shares in companies valued at equity	1,498	339	0	0	-94	1,743
3.	Investments	156	0	0	0	0	156
4.	Other loans	284	0	0	22	0	262
		1,990	339	0	22	-94	2,213
		318,289	**25,209**	**0**	**6,859**	**1,157**	**337,796**

€'000		DEPRECIATION AND AMORTISATION					BOOK VALUES	
		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
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	10	0	0	0	0
b	Computer software	6,917	1,118	80	0	7,955	2,820	2,834
c	Technology	14,429	733	3	2	15,161	1,379	2,146
d	Customer base	3,992	1,995[1]	0	42	6,029	9,436	10,688
		25,348	3,846	93	44	29,145	13,635	15,668
2.	Goodwill	1,366	1,018[2]	0	0	2,384	13,005	13,815
3.	Prepayments made	0	0	0	0	0	134	409
		26,714	4,864	93	44	31,529	26,774	29,892
II.	PROPERTY, PLANT AND EQUIPMENT							
1.	Land and buildings	19,382	2,291	60	3	21,616	57,986	54,787
2.	Technical plant and machinery	61,451	9,216	1,048	5	69,624	50,058	38,745
3.	Other plants, fixtures and fittings	49,940	5,433	3,480	15	51,908	21,643	22,539
4.	Prepayments made and assets under construction	0	0	0	0	0	4,445	12,528
5.	Investment properties	157	0	157	0	0	0	164
		130,930	16,940	4,745	23	143,148	134,132	128,763
II.	FINANCIAL ASSETS							
1.	Shares in affiliated companies	0	0	0	0	0	52	52
2.	Shares in companies valued at equity	0	0	0	0	0	1,743	1,498
3.	Investments	0	0	0	0	0	156	156
4.	Other loans	0	0	0	0	0	262	284
		0	0	0	0	0	2,213	1,990
		157,644	**21,804**	**4,838**	**67**	**174,677**	**163,119**	**160,645**

These amounts including the following impairment losses (€'000): [1] 1.018 | [2] 294

NOTES REGARDING THE RECOVERABLE AMOUNT

The decision to sell cash-generating unit Protomaster (Protomaster GmbH and MV Anlagen GmbH & Co. KG) requires that the assets be tested for impairment (IAS 36). This impairment test resulted in an impairment loss of approximately € 6.6 million, which was allocated to the individual non-current assets as follows:

€'000	31.03.2017	31.03.2016
Intangible assets	57	1.312
Land and buildings	2,008	0
Technical plant and machinery	4,141	0
Other plants, fixtures and fittings	344	0
Prepayments made and assets under construction	41	0

Fair value was calculated on the basis of the expected disposal proceeds less cost of sale.

(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:

	Years
Computer software	3-7
Technology	10-13
Customer base	7-10
Order backlog	1-2

The development of the individual items is shown in the asset history sheets (reporting year and previous year). The technology and customer base / order backlog items are the result of hidden reserves uncovered as part of first-time consolidations.

(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 7.8 % (previous year: 8.3 %). 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 16 (previous year: 15) cash generating units. At € 6.3 million, the goodwill of the PWG is significant within the meaning of IAS 36.134, and corresponds to 32.7 % of total goodwill.

According to the result of an impairment test, an impairment of € 1.0 million was required in the previous year.

Pursuant to IAS 36, the Group would not have needed to additionally impair goodwill 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 previous year's reported amount was 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. This item also includes equipment under financing leases with a book value (cash value of the lease payments less scheduled depreciation) of € 835 thousand as at the consolidated reporting date (previous year: € 0 thousand). The company is not free to dispose of the assets held under a finance lease. These assets are depreciated over their expected useful life.

(6) OTHER PLANTS, 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 ASSETS UNDER CONSTRUCTION

The amount reported primarily relates to machinery.

(8) SHARES IN AFFILIATED COMPANIES

Shares are held in distribution companies in the USA, Switzerland, South Africa and Ukraine.

(9) 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. An impairment loss of € 620 thousand was recognised on the shares of Saglam Metal Sanayi Ticaret A. S. in the reporting year as a result of the annual impairment test. The remaining shares are valued at € 175 thousand. Tiangong South East Asia Pte Ltd, Singapore, was dissolved in December. This did not result in any material effects on earnings.

The following table depicts significant financial information for companies valued at equity: total values without consideration for the share held by the Group.

€'000	31.03.2017	31.03.2016
Assets	15,210	17,899
Liabilities	9,497	11,449
Sales	19,857	23,660
Net profit	102	1,001

(10) INVESTMENTS

Companies of minor significance are reported under investments.

(11) 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.

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	2016/2017	2015/2016
AS AT 01.04.	2,718	2,035
Claims	-236	-304
Reversals	-257	-411
Additions	1,028	480
Reclassifications	0	918
AS AT 31.03.	3,253	2,718
specific adjustments out of this amount	2,369	1,958

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

The reclassifications in the previous year were due to allowances with respect to receivables from associated companies.

The maturity structure of receivables before allowances is as follows:

€'000	31.03.2017	31.03.2016
BOOK VALUE	72,459	64,350
of which not due	55,163	44,669
of which overdue up to 30 days	9,556	8,426
of which overdue up to 60 days	2,043	4,762
of which overdue up to 90 days	1,952	1,390
of which overdue up to 180 days	823	2,250
of which overdue by more than 180 days	2,922	2,853

AMOUNTS OWED BY COMPANIES VALUED AT EQUITY

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

€'000	2016/2017	2015/2016
AS AT 01.04.	0	918
Reclassifications	0	-918
AS AT 31.03.	0	0
specific adjustments out of this amount	0	0

OTHER ASSETS

Other assets consist of the following:

€'000	31.03.2017	31.03.2016
NON-CURRENT		
Loan receivables	1,661	2,129
Miscellaneous	1	2
	1,662	2,131

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	31.03.2017	31.03.2016
CURRENT		
Loan receivables	306	240
Income tax refund claims	4,054	5,687
Tax prepayments	1,180	814
Creditors with debit accounts	247	119
Miscellaneous	1,019	1,407
	6,806	8,267

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

€'000	2016/2017	2015/2016
AS AT 01.04.	16	19
Reversals	-2	-3
AS AT 31.03.	14	16
specific adjustments out of this amount	14	16

(12) 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	31.03.2017		31.03.2016	
	Assets	Liabilities	Assets	Liabilities
DEFERRED TAXES				
Intangible assets	2,445	1,421	1,741	1,355
Property, plant and equipment	427	5,158	66	3,603
Inventories	262	533	335	514
Receivables	97	436	77	382
Provisions for pensions	2,483	0	2,220	0
Other provisions	242	94	225	133
Liabilities	694	0	545	0
Tax loss carry-forwards	1,025	0	577	0
Other	34	88	29	105
	7,709	7,730	5,815	6,092
Reclassification pursuant to IFRS 5	-54	-11	0	0
Net figure[1]	-4,224	-4,224	-3,255	-3,255
	3,431	3,495	2,560	2,837

[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 € 5,403 thousand (previous year: € 4,691 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.

(13) INVENTORIES

Write-downs are distributed among the individual items as follows:

	Raw materials and supplies		Unfinished products and services		Finished products and goods		Prepayments made		Total	
€'000	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Cost of acquisition or manufacture	25,360	24,446	40,552	45,738	67,806	70,776	426	1,004	134,144	141,964
Write-downs	2,432	2,658	1,793	2,335	4,753	4,345	0	0	8,978	9,338
AS AT 31.03.	22,928	21,788	38,759	43,403	63,053	66,431	426	1,004	125,166	132,626

(14) 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 € 1,375 thousand (previous year: € 1,457 thousand) has been pledged to a financial institution.

(15) ASSETS AND LIABILITIES HELD FOR SALE

A decision was made in February 2017 to sell the company presented in this item, Protomaster GmbH, including MV Anlagen GmbH & Co. KG (together referred to as Protomaster). The company had not been sold at the time the consolidated financial statements had been prepared. The expense from the depreciation of the assets included in the income statements amounts to € 6.6 million. Protomaster is allocated to the Mobility Technology segment. The calculations are based on estimates as the expected disposal proceeds as the determination had not been finalised as at the reporting date. An expense (income) is to be expected in the subsequent financial year in the event that the disposal proceeds are lower (higher) than expected.

The individual items are as follows:

€'000	31.03.2017	31.03.2016
ASSETS HELD FOR SALE	6,596	0
of which inventories	5,703	0
of which trade receivables	377	0
of which liquid assets	401	0
of which other assets	115	0
LIABILITIES HELD FOR SALE	8,617	0
of which liabilities to financial institutions	2,931	0
of which other provisions	456	0
of which trade payables	990	0
of which prepayments received on orders	2,989	0
of which other liabilities	1,251	0

(16) EQUITY

The **subscribed capital** of the Group equals the subscribed capital of GESCO AG and totals € 10,839 thousand divided into 10,839,499 registered shares with full voting and dividend rights.

The Annual General Meeting on 25 August 2016 resolved to increase share capital from € 8,645,000.00 to € 9,975,000.00 by converting a total of € 1,330,000.00 from capital reserves to share capital pursuant to Section 207 para. 2 sentence 2 AktG without issuing new shares. This means that the proportional amount of the share capital attributable to each individual share amounts to € 3.00. The Annual General Meeting also resolved to redistribute the share capital into 9,975,000 registered shares at a ratio of 1:3 by means of a share split. This means that the proportional amount of the share capital attributable to each individual share amounts to € 1.00.

The Annual General Meeting on 25 August 2016 authorised the Executive Board to increase the company's share capital once or several times by a total of up to € 997,500.00 until 24 August 2019 with the consent of the Supervisory Board by issuing up to 997,500 new registered shares in exchange for cash and/or contributions in kind. Subscription rights may be excluded in certain cases.

In March 2017, share capital was increased by € 864,499 to € 10,839,499 by means of a capital increase in exchange for cash. The new shares were placed with institutional investors in Germany and abroad subject to the exclusion of the shareholders' subscription rights. Authorised capital therefore amounts to € 133,001.

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 no 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 01.04.2015	**9,974,277**	**723**	**0.01**
Purchases	-36,750	36,750	0.36
Employee share scheme	37,266	-37,266	0.37
AS AT 31.03.2016	**9,974,793**	**207**	**0.00**
Purchases	-39,267	39,267	0.39
Employee share scheme	39,474	-39,474	0.39
Capital increase	864,499	0	0.00
AS AT 31.03.2017	**10,839,499**	**0**	**0.00**

*) The number of shares was also converted historically at a ratio of 1:3 in line with the share split in December 2016

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 € 882 thousand (previous year: € 829 thousand) disposed of under the employee share scheme were issued to employees at a total selling price of € 566 thousand (previous year: € 531 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** is the result of shares issued at a premium and rose to € 72,364 thousand (previous year: € 54,662 thousand) as a result of the capital increase implemented in March 2017.

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 tenth tranche was initiated in September 2016. A total of 80,100 options (number after the share split) 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 22.7 % and a risk-free interest rate of -0.45 %. Volatility is based on the historical figure for the past five years. The exercise price of the options issued in September 2016 is € 22.99 and corresponds to the average share price over the past ten trading days. 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 € 1.78. 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 sixth to tenth tranche amounted to € 77 thousand in the reporting year; in the previous year, total expenditure was € 68 thousand. Liabilities came to € 426 thousand as at the reporting date. In the case of the options issued during the reporting period, the weighted average share price on the date the options were issued was € 23.46.

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

Tranche		2016	2015	2014	2013	2012
End of waiting period		**25.10.2020**	18.10.2019	28.10.2018	25.09.2017	31.10.2016
End of term		**15.03.2022**	15.03.2021	15.03.2020	15.03.2019	15.03.2018
Exercise price	€	**22.99**	23.12	24.52	23.98	21.70
No. of options issued		**80,100**	60,600	60,600	60,600	72,000
Profit limit per option	€	**11.50**	11.56	12.26	11.99	10.85
Fair value per option as at the reporting date 31.03.2017	€	**1.88**	1.79	1.83	1.83	2.92
Fair value per option as at the time of issue	€	**1.78**	2.25	2.53	2.98	2.72

The figures in the table above and the table below were converted at a ratio of 1:3 in line with the share split in December 2016.

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

	No. of options		Weighted average exercise price	
	2016/2017	2015/2016	2016/2017	2015/2016
OUTSTANDING OPTIONS 01.04.	325,800	265,200	23.10	23.09
In the financial year				
granted	80,100	60,600	22.99	23.12
returned	-1,920	0	23.12	0.00
exercised	-57,000	0	22.50	0.00
expired	-19,000	0	22.50	0.00
OUTSTANDING OPTIONS 31.03.	327,980	325,800	23.21	23.10
OPTIONS THAT CAN BE EXERCISED 31.03.	68,000	72,000	21.70	22.55

During the reporting year, **revenue reserves** increased by net earnings for the year in the amount of € 7,890 thousand. The figure was reduced by the dividend of € 6,650 thousand (€ 2.00 per share or € 0.67 per share taking into account the share split) for the previous year, the acquisition of shares in subsidiaries of € 1,894 thousand as well as by the effect on the share price arising from the sale of own shares of € 49 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 € 0.35 as at the financial statement preparation date. With 10,839,499 shares currently issued and outstanding, the proposed dividend payout is € 3,794 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 (provisions for pensions and financial liabilities) less liquid assets amounted to € 104.4 million (previous year: € 96.9 million). The share of equity in the interest-bearing total capital of € 318.4 million (previous year: € 292.7 million) was 67.2 % (previous year: 66.9 %).

(17) 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., SVT GmbH and VWH GmbH.

In accordance with IAS 32, minority interest in partnerships is included under non-current liabilities. It is the result of investments in Franz Funke Zerspanungstechnik GmbH & Co. KG, Haseke GmbH & Co. KG and Georg Kesel GmbH & Co. KG.

No significant minority interest in subsidiaries are included in the consolidated financial statements.

(18) PROVISIONS

Provisions for pensions 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. Provisions for pensions 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	2016/2017	2015/2016
AS AT 01.04.	**16,973**	**17,793**
Service expenditure	229	241
Interest costs	391	377
Pension annuities paid	-848	-864
Actuarial losses/gains (-)	1,028	-574
AS AT 31.03.	**17,773**	**16,973**

Development of plan assets (liability insurance):

€'000	2016/2017	2015/2016
AS AT 01.04.	667	652
Employer contributions	31	31
Benefits paid	-48	-48
Actuarial gains	22	32
AS AT 31.03.	672	667

Provisions for pensions are derived as follows:

€'000	2016/2017	2015/2016
Projected pension obligations	17,773	16,973
Plan assets (liability insurance)	-672	-667
AS AT 31.03.	17,101	16,306

Asset coverage of pension obligations:

	Pension commitments		Plan assets	
€'000	2016/2017	2015/2016	2016/2017	2015/2016
Without asset cover	17,000	16,206	0	0
Some asset cover	773	767	672	667
AS AT 31.03.	17,773	16,973	672	667

Pension costs consist of the following:

€'000	2016/2017	2015/2016
Service expenditure	229	241
Interest accruing on expected pension obligations	391	377
	620	618

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

%	2016/2017	2015/2016
Interest rate	1.90	2.35
Increase in salaries	2.75	2.75
Increase in pensions	1.75	1.75
Staff turnover	1.00	1.00

Development of pension obligations and fund assets:

€'000	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
Pension commitments	17,773	16,973	17,793	15,566	16,003
Plan assets	-672	-667	-652	-658	-654
Funded status	17,101	16,306	17,141	14,908	15,349

Expected contribution payments for financial year 2017/2018 are € 29 thousand.

Expected future pensions are as follows:

€'000	2017/18	2018/19 -2021/22	2022/23 -2026/27
Expected future pensions	905	3,406	4,454

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 € 2,133 thousand lower (previous year: € 1,993 thousand) or € 2,677 thousand higher (previous year: € 2,490 thousand).

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

€'000	01.04.2016	Change in scope of consolidation	Utilisation	Addition/ new creation	Reversal	For sale	31.03.2017
NON-CURRENT							
Purchase price annuity obligation	598	0	-75	87	0	0	610
	598	**0**	**-75**	**87**	**0**	**0**	**610**
CURRENT							
Sewer renovation	880	0	0	0	0	0	880
Guarantees and warranties	3,217	147	-1,078	2,687	-222	-155	4,596
Cost of annual financial statements	979	8	-900	933	-29	-35	956
Follow-up costs	2,002	0	-1,259	1,348	-15	0	2,076
Taxes and incidental tax expenses	1,199	330	0	868	0	0	2,397
Impending losses	187	0	-101	350	0	-161	275
Miscellaneous	319	154	-210	521	-8	-105	671
	8.783	**639**	**-3,548**	**6,707**	**-274**	**-456**	**11,851**

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.

(19) LIABILITIES

€'000	As at		Residual term up to 1 year		Residual term up to 5 years		Residual term > 5 years	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Liabilities to financial institutions	122,427	117,203	40,760	40,751	49,976	51,273	31,691	25,179
Trade creditors	13,134	14,101	13,134	14,101	0	0	0	0
Prepayments received on orders	17,383	21,436	17,383	21,436	0	0	0	0
Liabilities to affiliated companies	460	337	460	337	0	0	0	0
Liabilities to companies valued at equity	12	1	12	1	0	0	0	0
Other liabilities	28,912	29,734	26,706	28,217	2,141	1,500	65	17
	182,328	182,812	98,455	104,843	52,117	52,773	31,756	25,196

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

€'000	As at		Residual term up to 30 days		Residual term 30 to 90 days		Residual term 90 to 360 days	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Liabilities to financial institutions	40,760	40,751	25,441	23,229	2,612	4,627	12,707	12,895
Trade creditors	13,134	14,101	12,132	12,574	870	759	132	768
Prepayments received on orders	17,383	21,436	1,847	6,450	6,163	2,732	9,373	12,254
Liabilities to affiliated companies	460	337	460	337	0	0	0	0
Liabilities to companies valued at equity	12	1	12	1	0	0	0	0
Other liabilities	26,706	28,217	13,024	14,914	6,741	7,781	6,941	5,522
	98,455	104,843	52,916	57,505	16,386	15,899	29,153	31,439

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

€'000	31.03.2017	31.03.2016
Load charges	**45,550**	**43,248**
of which on assets held for sale	2.790	0
Book value of existing property and property under construction	**48,589**	**48,649**
Assignment of		
moveable fixed assets	26,685	24,344
inventories	2,304	7,065
Assignment of receivables	**4,606**	**7,338**

Shares in subsidiaries with a total book value of € 84,260 thousand (previous year: € 47,435 thousand) have also been pledged.

€ 108,023 thousand (previous year: € 100,305 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 16 years (previous year between 1 and 17 years).

Interest rates for the Euro loans vary between 0.62 % and 5.00 % (previous year: 0.47 % and 5.00 %). 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	31.03.2017	31.03.2016
Wages, salaries, bonuses, social security	13,681	14,134
Other taxes	4,346	3,333
Income taxes	1,984	4,588
Outstanding incoming invoices	3,245	3,428
Finance leasing	840	0
Miscellaneous liabilities	4,816	4,251
	28,912	**29,734**

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 € 625 thousand (previous year: € 596 thousand) that will be due in more than one year.

GESCO AG GROUP
INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

8.3

(20) 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.

(21) OTHER COMPANY-PRODUCED ADDITIONS TO ASSETS

This item mainly consists of reportable expenditure for technical equipment and tools.

(22) OTHER OPERATING INCOME

Other operating income breaks down as follows:

€'000	2016/2017	2015/2016
Income from writing back/ utilising provisions	1,906	4,442
Price gains	546	784
Income from public subsidies	163	298
Income from the reversal of value adjustments and from the payment of receivables previously written off	226	309
Income from the disposal of fixes assets	477	725
Income from insurance refunds	673	253
Income from payments in kind	985	936
Income from settlement in dispute	0	350
Miscellaneous	1,043	1,493
	6,019	**9,590**

(24) MATERIAL EXPENDITURE

Material expenditure includes:

€'000	2016/2017	2015/2016
Expenditure on raw materials and supplies and goods supplied	207,186	213,700
Expenditure on services purchased	25,817	29,228
	233,003	**242,928**

(24) PERSONNEL EXPENDITURE

Personnel expenditure includes:

€'000	2016/2017	2015/2016
Wages and salaries	120,264	117,411
Social security contributions/expenditure on pensions and benefits	22,943	22,290
	143,207	**139,701**

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

(25) OTHER OPERATING EXPENDITURE

Other operating expenditure breaks down as follows:

€'000	2016/2017	2015/2016
Operating expenditure	23,598	26,180
Administrative expenditure	8,801	8,423
Expenditure on distribution	20,621	19,202
Miscellaneous expenditure	9,116	7,427
of which allowances on receivables and other assets	1,028	480
	62,136	61,232

(26) 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.

The item includes the following impairment losses:

€'000	2016/2017	2015/2016
Intangible assets	57	1,312
Property, plant and equipment	6,534	0
	6,591	1,312

Additional information can be found in the notes regarding the corresponding balance sheet items.

(27) 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	2016/2017	2015/2016
Actual taxes	10,471	9,652
Deferred taxes	-1,013	655
	9,458	10,307

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	2016/2017	2015/2016
Group result before income tax	19,187	28,828
Anticipated income tax expenditure	-5,852	-8,793
Permanent differences arising on expenditure which is not tax deductible	-229	-246
Tax-free income	72	0
Income tax for different reporting periods	-192	25
Consolidation effects	-2,451	-252
Temporary differences from losses for which no deferred tax assets have been recognised	-712	-1,157
Differences in tax rates	-160	59
Miscellaneous	66	57
	-9,458	-10,307

The capitalisation of deferred taxes on tax loss carry-forwards led to a tax relief of € 0.4 million (previous year: tax obligation of € 0.9 million) in the 2016/2017 reporting year.

(28) 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. **The previous year's weighted average number of shares was converted at a ratio in line with the share split.**

	2016/2017	2015/2016
Group net income (€'000)	7,890	16,128
Weighted number of shares (number)	9,994,867	9,967,587
EARNINGS PER SHARE IN ACCORDANCE WITH IAS 33 (€)	**0.79**	**1.62**

There are no factors that would cause dilution.

(29) 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 € 262 thousand (previous year: € 446 thousand).

GESCO AG GROUP INFORMATION ON THE CASH FLOW STATEMENT

8.4

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 (€ 35,146 thousand; previous year: € 36,581 thousand). A further € 401 thousand in financial means are allocated to the "Assets held for sale" item.

Cash flow from investment activity includes € 32 thousand (previous year: € 1,884 thousand) in unpaid investments.

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

€'000	2016/2017	2015/2016
INTEREST PAID	2,331	2,619
INTEREST RECEIVED	128	117
DIVIDENDS RECEIVED	0	304
TAXES PAID	10,815	9,268

GESCO AG GROUP INFORMATION ON THE SEGMENT REPORTING

8.5

The companies are assigned to segments according to their respective field of activity. The existing segments were re-classified at the start of financial year 2016/2017. The previous year's figures were adjusted accordingly. 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 **Production Process Technology** segment houses Group subsidiaries that largely provide products and services for series manufacturers' production processes. The **Resource Technology** segment encompasses companies that supply material-intensive companies in the industrial sector. Companies in the **Healthcare and Infrastructure Technology** segment supply companies in mass consumer markets such as the medical, hygiene, food or sanitary sectors. Last but not least, the **Mobility Technology** segment houses companies that supply the automotive, commercial vehicle and rail industry.

In addition to GESCO AG, 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 **Reconciliation** segment.

The significant items are shown in the following tables:

€'000	Depreciation and amortisation 2016/2017	Depreciation and amortisation 2015/2016	EBIT 2016/2017	EBIT 2015/2016
GESCO AG	175	146	-6,976	-4,909
Other companies	0	94	-13	506
Reconciliation IFRS / consolidation	2,874	2,992	-3,522	-3,849
Impairment losses	6,591	1,312	-6,591	-1,312
	9,640	**4,544**	**-17,102**	**-9,564**

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 Reconciliation 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:

	2016/2017 €'000	2016/2017 %	2015/2016 €'000	2015/2016 %
Germany	302,419	62.7	323,862	65.5
Europe (excluding Germany)	92,175	19.1	89,317	18.1
Miscellaneous	87,886	18.2	80,835	16.4
	482,480	**100.0**	**494,014**	**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:

	2016/2017 €'000	2016/2017 %	2015/2016 €'000	2015/2016 %
Germany	173,895	92.8	146,656	91.1
Other regions	13,554	7.2	14,250	8.9
	187,449	**100.0**	**160,906**	**100.0**

GESCO AG GROUP OTHER INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

8.6

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.

FINANCIAL INSTRUMENTS

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

€'000	Book value		Fair value	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Trade receivables	69,206	61,632	69,206	61,632
Other receivables	6,489	7,013	6,489	7,013
Cash and cash equivalents	35,146	36,581	35,146	36,581
Assets held for sale	893	0	893	0
FINANCIAL ASSETS	**111,734**	**105,226**	**111,734**	**105,226**
Trade payables	13,135	14,101	13,135	14,101
Liabilities to financial institutions	122,427	117,203	122,427	117,203
Other liabilities	44,783	49,847	44,783	49,847
of which hedging instruments	127	295	127	295
Liabilities held for sale	8,161	0	8,161	0
FINANCIAL LIABILITIES	**188,506**	**181,151**	**188,506**	**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.

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	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Loans and receivables	110,841	105,226	110,841	105,226	126	153
Assets available for sale	893	0	893	0	0	0
FINANCIAL ASSETS	**111,734**	**105,226**	**111,734**	**105,226**	**126**	**153**
Liabilities held for trading	127	295	127	295	178	176
Other financial liabilities	188,379	180,856	188,379	180,856	-2,578	-2,695
FINANCIAL LIABILITIES	**188,506**	**181,151**	**188,506**	**181,151**	**-2,400**	**-2,519**

The net result mainly includes interest, dividends as well as income and expenditure from derivative financial instruments.

CONTINGENT LIABILITIES

Investment projects resulted in commitments in the amount of € 2,760 thousand (previous year: € 3,578 thousand). These investments will be concluded in financial year 2017/2018.

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

There are no 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

The company has the following payment obligations from finance leases:

€'000	Total	2017/18	2018/19 - 2021/22	2022/23 and subsequent years
Minimum lease payments	861	172	689	0
Discount amounts	22	8	14	0
CASH VALUES	**839**	**164**	**675**	**0**

The company has a purchase option to acquire the leased item. Depending on the time the option is exercised, the purchase price amounts to between 1 % and 5 % of the acquisition price.

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 € 3,588 thousand for the reporting year (previous year: € 3,511 thousand).

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

€'000	2016/2017	2015/2016
Up to one year	3,382	3,447
One to five years	6,167	6,937
Over five years	2,782	3,783
	12,331	14,167

Some of the lease agreements contain purchase options to acquire the leased items at the end of the lease term.

RELATED PARTIES

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:

	2016/2017	2015/2016
Factory staff	1,553	1,518
Office staff	847	878
Trainees	130	138
	2,530	2,534

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, MV Anlagen GmbH & Co. KG and Pickhardt & Gerlach 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 2016/2017 are to be examined and approved by the Supervisory Board of GESCO AG in its meeting on 30 May 2017 and are then authorised for publication.

The consolidated financial statements are to be published on 29 June 2017 in conjunction with an annual accounts press conference and analysts' meeting in Finnentrop.

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 0.5 % of company shares. Members of the Supervisory Board hold a total of approximately 13.7 % of company shares.

AUDITOR

The fee included in expenditure for the financial year amounted to € 150 thousand (previous year: € 150 thousand) for the audit of the annual and consolidated financial statements of GESCO AG, € 29 thousand (previous year: € 17 thousand) for other audit services and € 4 thousand (previous year: € 3 thousand) for tax consulting services. No other services were provided (previous year: € 14 thousand).

Fees were also incurred in the amount of € 272 thousand (previous year: € 243 thousand) for the audit of consolidated subsidiaries, € 2 thousand (previous year: € 9 thousand) for other audit services and € 78 thousand (previous year: € 71 thousand) for tax consulting services. No other services were provided (previous year: € 4 thousand).

GESCO AG GROUP RISK MANAGEMENT

8.7

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.

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:

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.

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.

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 € 764 thousand (previous year: € 791 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 € 11,660 thousand (previous year: € 6,931 thousand) as at the reporting date. This corresponds to 16.8 % (previous year: 11.2 %) of total trade receivables.

Receivables are denominated in the following currencies:

€'000	2016/2017	2015/2016
US dollar	8,587	5,288
British pound	5	21
Taiwanese dollar	724	639
South African rand	99	78
Hungarian forint	6	9
Chinese renminbi yuan	1,571	650
Ukrainian grivna	557	0
Mexican peso	111	246

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 € -638 thousand or € +780 thousand (previous year: € -378 thousand or € +462 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 € -4 thousand as at the reporting date (previous year: € -153 thousand). Other comprehensive income amounted to € -2 thousand after deferred taxes and minority interest (third party) (previous year: € -101 thousand). Cash flows of USD 10.5 million are hedged.

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

TUSD	2017/2018	2018/2019	2019/2020
Expected cash flows	10,356	130	0

GESCO AG GROUP
EXECUTIVE BODIES OF THE COMPANY

8.8

EXECUTIVE BOARD

Dr Eric Bernhard, Langenfeld
Chairman of the Executive Board
(since 1 July 2016)

Dr-Ing Hans-Gert Mayrose, Mettmann
Member of the Executive Board
(until 31 December 2016)

Robert Spartmann, Gevelsberg
Member of the Executive Board

Remuneration received by the Executive Board – distributed among its members – is as follows:

€'000	Fixed remuneration		Variable remuneration		Stock options		Total	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
Dr Eric Bernhard	313	66	300	88	32	0	645	154
Dr-Ing Hans-Gert Mayrose	200	259	88	242	32	40	320	541
Robert Spartmann	281	271	117	242	32	40	430	553
	794	596	505	572	96	80	1,395	1,248

The Executive Board members Dr Eric Bernhard, Robert Spartmann and Dr Hans-Gert Mayrose each received 18,000 stock options in September 2016.

By the reporting date, one current member and one former member of the Executive Board achieved an entitlement to the following percentages of their pensions commitments based on their assessment value (most recent fixed salary):

%	31.03.2017
Dr-Ing Hans-Gert Mayrose	16.0
Robert Spartmann	15.5

As at the reporting date, defined benefit obligations (DBO) and changes for 2016/2017 came to:

€'000	Pension commitments		Additions	
	2016/2017	2015/2016	2016/2017	2015/2016
Dr-Ing Hans-Gert Mayrose	971	827	144	12
Robert Spartmann	996	821	175	12
	1,967	1,648	319	24

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 € 767 thousand (€ 780 thousand) as at 31 March 2017. The transitional payments for Dr-Ing Mayrose, who left the Executive Board as at 31 December 2016, amounted to € 10 thousand in the financial year (€ 0 thousand). The transitional payments for Dr-Ing Mayrose are limited to a period of 18 months. To cover this, the company had obligations recognised as liabilities (DBO) amounting to € 49 thousand (€ 0 thousand) as at 31 March 2017.

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, Köln
- HINKEL & CIE. Vermögensverwaltungs AG, Düsseldorf

Stefan Heimöller, Neuenrade
(Deputy Chairman)
Managing partner at Platestahl Umformtechnik GmbH, Ludenscheid and at Helios GmbH, Neuenrade

Dr Nanna Rapp, Düsseldorf
(Member of the Supervisory Board)
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 Generation GmbH, Hanover (until 31 December 2016)

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

€'000	Fixed remuneration		Variable remuneration		Total	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
Klaus Möllerfriedrich	19	24	23	58	42	82
Stefan Heimöller	17	20	23	58	40	78
Dr Nanna Rapp	14	8	23	36	37	44
Rolf-Peter Rosenthal (until 18 August 2015)	0	12	0	22	0	34
	50	**64**	**69**	**174**	**119**	**238**

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 € 61 thousand (previous year: € 45 thousand) were paid during financial year 2016/2017.

Wuppertal, 24 May 2017

The Executive Board

Dr Eric Bernhard
(Chairman)

Robert Spartmann

GESCO AG GROUP
STATEMENT OF THE LEGAL REPRESENTATIVES

8.9

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, 24 May 2017

The Executive Board

Dr Eric Bernhard
(Chairman)

Robert Spartmann

GESCO AG GROUP SIGNIFICANT GROUP SHAREHOLDINGS

8.10

FULLY CONSOLIDATED COMPANIES [1)]

%	Proportion of capital
Alro GmbH, Wuppertal	100
AstroPlast Kunststofftechnik GmbH & Co. KG, Sundern	100
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

%	Proportion of capital
Grafic Beteiligungs-GmbH, Wupperta [2)]	100
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel	100
WM Werkzeug- und Maschinenbau Verwaltungs-GmbH, Kassel [2)]	100
Pickhardt & Gerlach GmbH & Co. KG, Finnentrop	100
Hekhorn Verwaltungs-GmbH, Finnentrop [2)]	100
Hekhorn Immobilien GmbH, Finnentrop	100
PROTOMASTER GmbH, Wilkau-Haßlau	82.17
Q-Plast GmbH & Co. Kunststoffverarbeitung, Emmerich	100
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 GmbH, Herschbach	100
WBL Holding GmbH, Laichingen	80
Werkzeugbau Laichingen GmbH, Laichingen	100
Werkzeugbau Leipzig GmbH, Leipzig	100
TM Erste Grundstücksgesellschaft mbH, Wuppertal	100
TM Erste Grundstücksgesellschaft mbH, Wuppertal	94

COMPANIES VALUED AT EQUITY [1)]

%	Proportion of capital
Saglam Metal Sanayi Ticaret A. S., Istanbul, Turkey	20
Doerrenberg Special Steels Korea Co. Ltd, Jeongwang-dong, South Korea	50

COMPANIES WHICH ARE NOT CONSOLIDATED [1)]

%	Proportion of capital
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

8.11

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 2016 to 31 March 2017. 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 Ger-man 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 net assets, financial position and earnings in the consolidated financial statements in accordance with the applicable accounting principles 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 manage-ment 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 material 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, complies with the legal provisions and as a whole provides a suitable presentation of the Group's position and the opportunities and risks of future development.

Wuppertal, 24 May 2017
RSM Breidenbach und Partner PartG mbB
Wirtschaftsprüfungsgesellschaft / Steuerberatungsgesellschaft

(Straube)	(Wendlandt)
Auditor	Auditor

DOCUMENTATION
OF COMMITMENT

RELAUNCH

09

2016/2017

FURTHER INFORMATION

FURTHER INFORMATION

FINANCIAL CALENDAR

Annual accounts press conference and analysts' meeting	29 June 2017
Figures for the first quarter (01.04.-30.06.2017)	14 August 2017
Annual General Meeting in the Stadthalle, Wuppertal	31 August 2017
Figures for the first half year (01.04.-30.09.2017)	14 November 2017
Figures for the first three quarters (01.04.-31.12.2017)	14 February 2018
Annual accounts press conference and analysts' meeting	28 June 2018
Figures for the first quarter (01.04.-30.06.2018)	14 August 2018
Annual General Meeting in the Stadthalle, Wuppertal	30 August 2018
Figures for the first half year (01.04.-30.09.2018)	14 November 2018

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