GESCO AG
Quarterly statement 2019 / 2020
1 April to 30 June 2019

2019 / 2020

NEXT LEVEL strategy: a new chapter for GESCO

The Executive Board and the Supervisory Board of GESCO AG developed and adopted the NEXT LEVEL strategy in autumn 2018. Based on a shared vision of GESCO as a group of hidden champions, the strategy defines key measures and objectives for GESCO Group's strategic and operational development in the years ahead.

Objectives

The NEXT LEVEL strategy marks the start of a new chapter in the company's development to coincide with GESCO's 30th anniversary.

Portfolio architecture

NEXT LEVEL defines a balanced and resilient target portfolio with three anchor investments and a series of basic investments of a substantial size.

Hidden champions

NEXT LEVEL involves excellence programmes to promote the growth of the Group's companies and increase their efficiency with the aim of transforming them into hidden champions.

Targets

The Group aims to help its companies' earnings grow 3 % faster than their respective markets and raise sales per employee by 3 % a year. GESCO envisions a target EBIT margin of 8 % to 10 % above the economic cycle.

Overview of key points

- **In the first quarter, stable demand, acquisition-driven growth of incoming orders and sales**
- **Earnings significantly down on the above-average figure of the previous year's period, as expected**
- **In the second quarter, decline in incoming orders and slight rise in sales**
- **Existing outlook for full year refined further**
- **Annual General Meeting on 29 August to vote on a change in GESCO AG's financial year to the calendar year**

GESCO Group at a glance

GESCO Group key figures for the first quarter of the 2019 / 2020 financial year

01.04. – 30.06.		I. Quarter 2019 / 2020	I. Quarter 2018 / 2019	Change
Incoming orders	€'000	156,935	150,413	4.3 %
Sales	€'000	147,727	140,825	4.9 %
EBITDA	€'000	15,723	18,720	- 16.0 %
EBIT	€'000	8,965	13,089	- 31.5 %
Earnings before tax	€'000	8,268	12,470	- 33.7 %
Group net income after minority interest	€'000	4,856	7,404	- 34.4 %
Earnings per share pursuant to IFRS	€	0.45	0.68	- 34.4 %
Employees as at balance sheet date	No.	2,684	2,507	7.1 %

Letter to shareholders

Dear Shareholders,

GESCO Group began the new financial year with stable demand and declining earnings. As explained in the annual accounts press conference on 27 June 2019, we are unable to fully escape the significant deterioration in the capital goods industry. Thanks to the first-time inclusion of Sommer & Strassburger GmbH & Co. KG, acquired in August 2018, incoming orders and sales were up year on year in the first quarter. Adjusted for these external growth effects, these figures were on a par with the previous-year period. As a result, demand in the first quarter proved to be stable. However, the economic slowdown left a major mark on earnings. In the previous year, strong demand and rising material prices meant that earnings were above average; in the reporting period they declined significantly. We had already drawn attention to this trend in the annual accounts press conference. This development is being driven by Resource Technology, our largest segment, in particular. The Mobility Technology segment continued to be impacted by the challenging situation in the automotive industry, while the Production Process Technology and Healthcare and Infrastructure Technology segments recorded rising sales and earnings.

In the subsequent second quarter, which encompasses the operating months April to June of the subsidiaries, orders declined to approximately € 130 million, down from the record value of the previous year of € 162.6 million. Sales in this period slightly exceeded the previous year's figure of € 139.1 million at approximately € 147 million.

As announced, we will propose to the Annual General Meeting on 29 August 2019 a change in the financial year of GESCO AG to the calendar year in order to achieve parity between the reporting dates of GESCO AG and the subsidiaries. The German Financial Reporting Enforcement Panel (FREP) conducted a random audit of the consolidated financial statements for financial year 2017 / 2018 and submitted an error finding for the first time in relation to the different financial years. If the Annual General Meeting approves the change, GESCO AG will have an abbreviated legal financial year from 1 April to 31 December 2019. At the moment, we are analysing in partnership with external accounting experts which accounting periods of the subsidiaries and of GESCO AG should be included in this abbreviated financial year and in the previous periods. We will communicate the results of these considerations as soon as this question has been resolved.

In the interests of ensuring that financial years were comparable, we also communicated an outlook for the full financial year 2019 / 2020 as part of the annual accounts press conference, in which both GESCO AG and the subsidiaries were included for the full twelve months. For this financial year, we forecast Group sales of € 585 million to € 605 million and Group net income after minority interest of between € 21 million and € 23 million. Based on the information available at the current time, we believe that we can achieve sales roughly in the middle of the stated range and earnings at the lower end of the range.

Brisk economic development in the capital goods industry has created significant tailwind over the past two years. GESCO Group has actively capitalised on this situation to generate profitable growth and achieved record figures. This tailwind has now abated in the current financial year. In fact, the VDMA (Mechanical Engineering Industry Association) meanwhile revised its growth forecast and now expects production to decline by 2 %. As an association of small and medium-sized enterprises, we are unable to affect fluctuations in economic development. What we can do is influence the structure of the GESCO portfolio and how our companies are positioned. We have taken on this challenge and began implementing our NEXT LEVEL strategy a couple of months ago. As part of this strategy, we are promoting the development of group companies in collaboration with their management teams. This is taking place within the scope of excellence programmes under the banner Hidden Champions with the aim of fostering growth and boosting efficiency. GESCO companies are aiming to outperform respective market growth by 3 % and increase sales per employee by 3 % on an annual basis. Kick-off workshops and programme launches at several subsidiaries have already taken place, with further activities planned. We are convinced that we are on the right track with these measures and will make GESCO Group more resistant and more successful on a sustained basis.

Wuppertal, August 2019

Ralph Rumberg (CEO)   Kerstin Müller-Kirchhofs (CFO)

Changes to the scope of consolidation

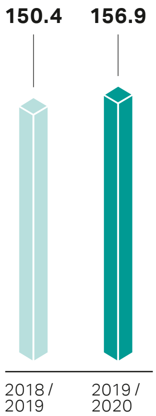
In August 2018, GESCO AG acquired 100 % of the shares in Sommer & Strassburger GmbH & Co. KG, Bretten, Germany, as part of a succession plan. This company develops and manufactures its own range of processing equipment for the pharmaceutical, food, water technology and chemical industries. Sommer & Strassburger generates sales of roughly € 20 million, employs approximately 140 members of staff and is part of the Production Process Technology segment. The company was not yet included in the Group income statement in the previous-year period.

Business performance and the development of Group sales and earnings

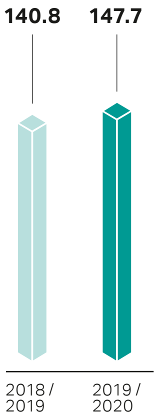
The financial years of GESCO AG and GESCO Group run from 1 April to 31 March of the following year, while the financial years of the subsidiaries coincide with the calendar year. This financial statement for the first quarter of financial year 2019 / 2020 therefore encompasses the operating months January to March 2019 of the Group's subsidiaries.

The first quarter of the previous year saw extremely dynamic development, whereas the first months of the new financial year came against the backdrop of the economic downturn. In spite of the general dip in economic development, incoming orders in the first quarter came to € 156.9 million, up from € 150.4 million in the same quarter in the previous year. Sales were also up year on year, from € 140.8 million to € 147.8 million. This growth is primarily the result of the first-time inclusion of Sommer & Strassburger. In organic terms, incoming orders and sales were both marginally up on the previous year's figures.

Incoming orders
€ million

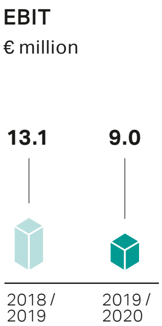


Sales revenues
€ million



All in all, the decline in economic growth momentum had a significant effect on earnings. The year-on-year variance is all the more stark because the first quarter in the previous year reported by far the highest margins and strongest earnings. The decline is for the most part due to the development of the Resource Technology segment, where special economic effects subsided and one-off expenditure on loading technology had an impact on the result.

With cost-of-materials and personnel expenditure ratios up, Group EBITDA came to € 15.7 million (previous year's period: € 18.7 million). EBIT came to € 9.0 million (€ 13.1 million) and declined to a greater extent than EBITDA due to disproportionately high depreciation and amortisation caused by accounting changes resulting from IFRS 16. Interest costs also rose as a result of IFRS 16, meaning that the financial result deteriorated slightly. With the tax rate remaining unchanged and minority interest in incorporated companies declining, Group net income after minority interest came to € 4.9 million (€ 7.4 million). Earnings per share pursuant to IFRS stood at € 0.45 (€ 0.68).



Segment performance

In the **Production Process Technology** segment, incoming orders were up by 9.0 % to € 23.4 million (€ 21.5 million), while sales increased more significantly by 15.1 % to € 19.1 million (€ 16.6 million). In organic terms – in other words, excluding figures relating to Sommer & Strassburger – incoming orders would have declined by 16.8 %, and sales would have fallen by 19.1 %.

As is standard practice in this segment, the companies began producing machinery and plant and equipment that are usually only completed in further course of the year, which is also when these activities first have an impact on sales and earnings. This is why EBIT for the segment is less relevant in the first quarter. It came to € 0.6 million, up from € 0.3 million in the same period in the previous year. In this segment we expect to generate slight organic sales growth and acquisition-driven sales increase through Sommer & Strassburger over the year as a whole and increase segment earnings overall.

In the **Resource Technology** segment, incoming orders stood at € 76.4 million and sales at € 70.7 million, each around 1 % down on the previous year's figure. In terms of earnings, the first quarter of the previous year was characterised by special economic effects coupled with strong demand and rising prices; this trend did not continue in the reporting period. In addition, one-off expenditures in loading technology also had a negative impact on the segment's earnings. Overall, segment EBIT came to € 5.8 million, down from € 10.1 million in the previous year. Over the year we now expect a slight decline in sales compared with the previous year and, due to the loss of the special economic effects from the previous year, a significant decline in earnings.

The **Healthcare and Infrastructure Technology** segment is largely independent of economic development in the capital goods industry and once again demonstrated its robustness in the first quarter. The development of the individual companies was varied, but on balance the segment was able to increase incoming orders by

18.7 % to € 44.9 million (€ 37.8 million). Sales climbed by 10.2 % to € 39.9 million (€ 36.2 million). At 12.7 %, EBIT rose to a slightly greater extent than sales and came to € 3.9 million (€ 3.4 million). Over the year as a whole we expect to generate an increase in sales and only slight earnings growth due to investments in future growth.

In the **Mobility Technology** segment we are still facing an extraordinary challenging market environment. The high level of uncertainty and resulting reluctance to invest in the automotive industry was reflected in a decline in incoming orders from € 13.9 million to € 12.2 million, while sales increased to € 18.2 (€ 17.0 million). Due to the tense market situation, EBIT remained down on the previous year's figure of € 1.7 million at € 0.8 million. In terms of the financial year as a whole, we expect a slight fall in sales year on year and a significant decline in earnings.

Assets and financial position

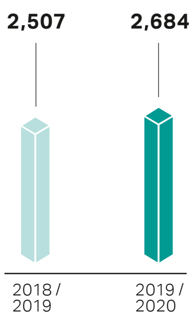
Total assets increased by 5.8 % to € 538.9 million compared to the reporting date of 31 March 2019. This is primarily due to the new presentation of previously unrecognised leases worth approximately € 17 million, which are now presented as assets and liabilities pursuant to IFRS 16. Adjusted for this effect, non-current assets were practically unchanged compared to the last reporting date. Current assets climbed by 4.5 %, with inventories increasing in particular. Liquid assets stood at € 26.0 million (€ 31.7 million) as at the reporting date.

On the liabilities side, equity rose slightly from € 244.3 million to € 249.7 million, with the equity ratio amounting to 46.3 % (47.9 %). Current and non-current lease liabilities increased by a total of around € 16 million, while current and non-current liabilities to banks decreased marginally.

Employees

As at the reporting date, GESCO Group employed 2,684 people. This increase compared to the previous year's figure of 2,507 is primarily due to the addition of 141 employees from Sommer & Strassburger.

Employees



Opportunities and risks

Statements on the subject of opportunities and risks in the consolidated financial statements as at 31 March 2019 remain essentially valid. For more details, please refer to the Annual Report 2018 / 2019, which is available online at www.gesco.de.

Outlook and events after the reporting date

As explained above, demand levelled out in the subsequent second quarter, which encompasses the operating months of April to June of the subsidiaries. According to preliminary figures, incoming orders amounted to roughly € 130 million and were therefore down significantly on the record-breaking figure of € 162.6 million in the previous year. Sales amounted to approximately € 147 million and were up 5.6 % on the previous year's figure of € 139.1 million.

The Annual General Meeting on 29 August 2019 will vote on a change in GESCO AG's financial year to the calendar year. If the Annual General Meeting approves the change, GESCO AG will have an abbreviated legal financial year from 1 April to 31 December 2019. As explained above, we are currently analysing in partnership with external accounting experts which accounting periods of the subsidiaries and of GESCO AG should be included in this condensed financial year. We will communicate the results of these considerations as soon as this question has been resolved.

In the interests of ensuring that financial years and operating performance were comparable, we also published an outlook for the full financial year 2019 / 2020 as part of the annual accounts press conference, in which both GESCO AG and the subsidiaries were included for the full twelve months. For this financial year, we forecast Group sales of € 585 million to € 605 million and Group net income after minority interest of between € 21 million and € 23 million. Based on the information available at the current time, we believe that we can achieve sales roughly in the middle of the stated ranges and earnings at the lower end of the range.

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

GESCO Group balance sheet

€'000		30.06.2019	31.03.2019
Assets			
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	22,382	23,172
2.	Goodwill	26,927	26,888
3.	Prepayments	240	207
		49,549	**50,267**
II.	Property, plant and equipment		
1.	Land and buildings	85,736	71,972
2.	Technical plant and machinery	57,418	57,764
3.	Other plant, fixtures and fittings	22,330	21,581
4.	Prepayments and assets under construction	9,135	6,734
		174,619	**158,051**
III.	Financial assets		
1.	Shares in affiliated companies	38	38
2.	Shares in companies valued at equity	1,601	1,552
3.	Investments	236	236
4.	Other loans	181	181
		2,056	**2,007**
IV.	Other assets	982	933
V.	Deferred tax assets	4,288	4,030
		231,494	**215,288**
B.	**Current assets**		
I.	Inventories		
1.	Raw materials and supplies	31,353	29,354
2.	Unfinished products and services	54,660	49,805
3.	Finished products and goods	89,957	81,937
4.	Prepayments	896	733
		176,866	**161,829**
II.	Receivables and other assets		
1.	Trade receivables	84,946	82,313
2.	Amounts owed by affiliated companies	1,179	1,453
3.	Amounts owed by companies valued at equity	603	368
4.	Other assets	16,140	15,463
		102,868	**99,597**
III.	Cash and credit with financial institutions	25,995	31,701
IV.	Accounts receivable and payable	1,700	1,098
		307,429	**294,225**
		538,923	**509,513**

€'000	30.06.2019	31.03.2019
Equity and liabilities		
A. Equity		
I. Subscribed capital	10,839	10,839
II. Capital reserves	72,364	72,364
III. Revenue reserves	155,647	150,791
IV. Own shares	0	0
V. Other income	- 4,301	- 4,251
VI. Minority interest (incorporated companies)	15,146	14,518
	249,695	**244,261**
B. Non-current liabilities		
I. Minority interest (partnerships)	792	1,159
II. Provisions for pensions	16,575	16,112
III. Other non-current provisions	586	575
IV. Liabilities to financial institutions	85,364	88,036
V. Lease liabilities	21,085	8,388
VI. Other liabilities	1,373	2,417
VII. Deferred tax liabilities	2,652	3,050
	128,427	**119,737**
C. Current liabilities		
I. Other provisions	10,129	10,391
II. Liabilities		
1. Liabilities to financial institutions	54,834	53,810
2. Lease liabilities	4,352	1,115
3. Trade payables	27,526	18,334
4. Prepayments received on orders	24,769	27,223
5. Liabilities to affiliated companies	724	566
6. Liabilities to companies valued at equity	0	1
7. Other liabilities	38,154	33,892
	150,359	**134,941**
III. Accounts receivable and payable	313	183
	160,801	**145,515**
	538,923	**509,513**

GESCO Group income statement

€'000	I. Quarter 2019 / 2020	I. Quarter 2018 / 2019
Sales revenues	**147,727**	**140,825**
Change in stocks of finished and unfinished products	5,321	2,416
Other company-produced additions to assets	138	97
Other operating income	1,708	2,540
Total income	**154,894**	**145,878**
Material expenditure	- 81,108	- 73,092
Personnel expenditure	- 40,611	- 37,199
Other operating expenditure	- 17,438	- 16,855
Impairment losses on financial assets	- 14	- 12
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**15,723**	**18,720**
Amortisation of intangible assets and depreciation on property, plant and equipment	- 6,758	- 5,631
Earnings before interest and tax (EBIT)	**8,965**	**13,089**
Earnings from companies valued at equity	85	71
Other interest and similar income	10	7
Interest and similar expenditure	- 782	- 582
Third party profit share in incorporated companies	- 10	- 115
Financial result	**- 697**	**- 619**
Earnings before tax (EBT)	**8,268**	**12,470**
Taxes on income and earnings	- 2,841	- 4,286
Group net income	**5,427**	**8,184**
Minority interest in incorporated companies	- 571	- 780
Group net income after minority interest	**4,856**	**7,404**
Earnings per share (€) acc. to IFRS	0.45	0.68
Weighted average number of shares	10,839,499	10,835,927

GESCO Group statement of comprehensive income

€'000	I. Quarter 2019 / 2020	I. Quarter 2018 / 2019
Group net income	**5,427**	**8,184**
Revaluation of benefit obligations not impacting income	**- 421**	**0**
Items that cannot be transferred into the income statement	**- 421**	**0**
Difference from currency translation		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	508	- 346
Difference from currency translation from companies valued at equity		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	- 37	- 81
Market valuation of hedging Instruments		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	- 43	- 1
Items that can be reclassified into the income statement	**428**	**- 428**
Other income	**7**	**- 428**
Total result for the period	**5,434**	**7,756**
of which shares held by minority interest	628	775
of which share attributable to GESCO shareholders	4,806	6,981

GESCO Group statement of changes in equity

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
As at 01.04.2018	**10,839**	**72,364**	**130,773**	**-119**
Dividends				
Result for the period			7,404	
As at 30.06.2018	**10,839**	**72,364**	**138,177**	**-119**
As at 01.04.2019	**10,839**	**72,364**	**150,791**	**0**
Dividends				
Result for the period			4,856	
As at 30.06.2019	**10,839**	**72,364**	**155,647**	**0**

GESCO Group segment report

€'000	Production Process Technology		Resource Technology		Healthcare and Infrastructure Technology	
	I. Quarter 2019/2020	I. Quarter 2018/2019	I. Quarter 2019/2020	I. Quarter 2018/2019	I. Quarter 2019/2020	I. Quarter 2018/2019
Order backlog	51,105	40,009	79,267	75,395	51,961	41,465
Incoming orders	23,445	21,506	76,369	77,221	44,887	37,807
Sales revenues	19,113	16,603	70,654	71,269	39,850	36,155
of which with other segments	0	0	124	222	2	0
Depreciation and amortization	768	721	1,171	1,108	1,625	1,526
EBIT	624	336	5,786	10,126	3,888	3,449
Investments	451	278	1,314	727	3,333	1,761
Employees (No. / reporting date)	618	472	744	748	853	795

	Exchange equalisation items	Revaluation of pensions	Hedging instruments	Total	Minority interest incorporated companies	Equity
	- 1,061	**- 3,349**	**12**	**209,459**	**14,806**	**224,265**
				0	- 650	- 650
	-422		- 1	6,981	775	7,756
	- 1,483	**- 3,349**	**11**	**216,440**	**14,931**	**231,371**
	- 577	**- 3,630**	**- 44**	**229,743**	**14,518**	**244,261**
				0	0	0
	380	- 391	- 39	4,806	628	5,434
	- 197	**- 4,021**	**- 83**	**234,549**	**15,146**	**249,695**

	Mobility Technology		GESCO AG / other companies		Reconciliation		Group	
	I. Quarter 2019 / 2020	I. Quarter 2018 / 2019	I. Quarter 2019 / 2020	I. Quarter 2018 / 2019	I. Quarter 2019 / 2020	I. Quarter 2018 / 2019	I. Quarter 2019 / 2020	I. Quarter 2018 / 2019
	41,974	46,789	0	0	0	0	224,307	203,658
	12,234	13,879	0	0	0	0	156,935	150,413
	18,236	17,037	231	122	-357	-361	147,727	140,825
	0	17	231	122	-357	-361	0	0
	1,048	978	35	43	2,111	1,255	6,758	5,631
	798	1,744	- 1,813	- 2,229	-318	-337	8,965	13,089
	623	3,097	165	39	0	0	5,886	5,902
	451	473	18	19	0	0	2,684	2,507

GESCO Group cash flow statement

€'000	I. Quarter 2019 / 2020	I. Quarter 2018 / 2019
Group net income for the year (including share attributable to minority interest in incorporated companies)	**5,427**	**8,184**
Depreciation on property, plant and equipment and intangible assets	6,758	5,631
Earnings from companies valued at equity	- 85	- 71
Share attributable to minority interest in partnerships	10	115
Decrease in non-current provisions	- 131	- 67
Other non-cash income	169	- 105
Cash flow for the period	**12,148**	**13,687**
Losses from the disposal of property, plant and equipment / intangible assets	16	47
Gains from the disposal of property, plant and equipment / intangible assets	- 132	- 145
Increase in stocks, trade receivables and other assets	- 18,953	- 16,425
Increase in trade creditors and other liabilities	9,563	16,037
Cash flow from ongoing business activity	**2,642**	**13,201**
Incoming payments from disposals of property, plant and equipment / intangible assets	518	312
Disbursements for investments in property, plant and equipment	- 5,652	- 5,758
Disbursements for investments in intangible assets	- 234	- 143
Incoming payments from disposals of financial assets	0	0
Cash flow from investment activity	**- 5,368**	**- 5,589**
Incoming payments from minority interests	0	1
Disbursements to minority interests	- 378	- 1,026
Incoming payments from raising (financial) loans	5,510	8,146
Outflow for repayment of (financial) loans	- 8,131	- 8,409
Cash flow from funding activities	**- 2,999**	**- 1,288**
Changes in cash and cash equivalents	**- 5,725**	**6,324**
Exchange-rate related changes in cash and cash equivalents	**19**	**- 43**
Financial means on 01.04.	31,701	38,295
Financial means on 30.06.	**25,995**	**44,576**

Explanatory notes

Accounts, accounting and valuation methods

The statement of GESCO Group for the first quarter (1 April to 30 June 2019) of financial year 2019 / 2020 (1 April 2019 to 31 March 2020) was prepared on the basis of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB). It was drawn up in compliance with IAS 34.

The accounting and valuation principles applied generally correspond to those in the consolidated financial statements as at 31 March 2019. The financial statements are affected by the accounting and valuation methods as well as assumptions and estimates which affect the level and recognition of assets, liabilities and contingent liabilities on the balance sheet and of the income and expenditure items. Sales-related figures are accrued throughout the year.

IFRS 16 was applied for the first time at the start of the current financial year using the modified retrospective approach. At the beginning of the financial year, rights of use and lease liabilities in the amount of € 16.9 million were recognised. Rights of use are attributed to the intangible assets (€ 0.1 million), land and buildings (€ 14.7 million), technical plants and machinery (€ 1.0) and other plants, fixtures and fittings (€ 1.1 million) items on the balance sheet. EBIT was not influenced significantly by the application of the new standard.
In the statement of cash flows, cash flow from funding activities was negatively impacted by € 1.0 million and cash flow from ongoing business activities positively by € 1.0 million.

Financial calendar

14 August 2019
Publication of the quarterly statement for the first quarter

29 August 2019
Annual General Meeting at the Stadthalle Wuppertal, Germany

14 November 2019
Publication of the Half Year interim report

30 April 2020
Annual accounts press conference and analysts' meeting*)

18 June 2020
Annual General Meeting at the Stadthalle Wuppertal, Germany*)

*) if the financial year is changed.

Dear Shareholder,

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

Contact for shareholders

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Street / house number: ____________________

Zip code / City: ____________________

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