GESCO AG
Abbreviated financial year 2019
Half year interim report
1 April to 30 September 2019

2019

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 financial year 2018 / 2019. 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 the half year period of abbreviated financial year 2019

- Annual General Meeting votes to change financial year to calendar year
- Economic slowdown leads to drop in demand
- Earnings down significantly
- Outlook for full abbreviated financial year reduced
- NEXT LEVEL strategy being implemented

GESCO Group at a glance

GESCO Group key figures for the first six months of abbreviated financial year 2019

01.04. – 30.09.		I. Half year 2019	I. Half year 2018 adjusted	Change
Incoming orders	€'000	280,228	306,179	- 8.5 %
Sales	€'000	290,826	283,757	2.5 %
EBITDA	€'000	28,961	33,948	- 14.7 %
EBIT	€'000	15,362	22,276	- 31.0 %
Earnings before tax	€'000	13,732	21,198	- 35.2 %
Group net income after minority interest	€'000	8,161	12,111	- 32.6 %
Earnings per share pursuant to IFRS	€	0.75	1.12	- 32.6 %
Employees as at balance sheet date	No.	2,734	2,669	2.4 %

Letter to shareholders

Dear Shareholders,

This year's Annual General Meeting voted to adjust the financial year of GESCO AG, which has so far run from 1 April to 31 March of the following year, to match the calendar year. The current financial year 2019 is therefore a nine-month abbreviated financial year that ends on 31 December 2019. Accordingly, this half-year interim report includes the months April to September 2019. The climate in the capital goods industry deteriorated increasingly during this time. The VDMA (Mechanical Engineering Industry Association) has reduced its forecast for production development in 2019 and expects a decline of 2 % rather than growth of 1 %. The trade war and Brexit are increasing uncertainty and therefore reducing companies' propensity to invest. Furthermore, the automotive sector continues to be impacted by a high degree of uncertainty and a tremendous reluctance to invest.

GESCO Group has been unable to escape these conditions. The extraordinarily difficult environment in the automotive sector is having a negative impact on the Mobility Technology segment in particular and on the companies of the Production Process Technology segment that provide capital goods for the automotive and supply industry. The decline in the capital goods industry is making itself felt in the Resource Technology segment, which is having an even more noticeable impact on earnings because the previous year was still characterised by special economic effects with above-average margins. By contrast, the Healthcare and Infrastructure Technology segment has been comparatively resilient on the whole.

All told, the prospects for the abbreviated financial year are therefore worse than originally assumed. Furthermore, the margin pressure has mounted further. As a result, we reduced the sales and earnings outlook in our ad hoc announcement on 4 November 2019.

By contrast, developments were positive at the most recent addition to GESCO Group, Sommer & Strassburger GmbH & Co. KG, which was acquired last year. Its integration has been completed, and the management team is working intensively with the specialists from GESCO AG on the further development of the company. Sommer & Strassburger continues to generate stable demand in markets such as pharmaceuticals, water and food. It also expects to see a year-on-year rise in sales and is helping to stabilise the Production Process Technology segment.

How are we acting in this challenging environment? In light of the weaker business activity in mechanical engineering and plant construction, as well as in the automotive industry, we have taken a critical look at the planned investments, postponed certain measures or cancelled them altogether at the companies affected. However, we continue making countercyclical investments in growth in those areas where we see clear prospects in the medium term. We have adjusted temporary employment agreements and have temporarily introduced short-time working at some subsidiaries. At those companies that have been affected by a noticeably longer decline in demand, we are currently reducing the workforce – but are doing so without endangering long-term competitiveness.

If possible, companies with underutilised capacities support those sister companies with full order books, for example in design or assembly. We believe that this approach presents us with a good opportunity to keep expertise within the Group. Some companies are taking advantage of the phase of lower capacity utilisation to further train their employees or to expand expertise across department boundaries.

Regardless of the current economic situation, we are hard at work on the implementation of our NEXT LEVEL strategy. We have held further workshops on business model analysis, strengthening operational excellence and active brand and product portfolio development at several subsidiaries in recent months. Initial concrete measures have been derived and are being implemented.

Finally, we would like to say a few words about the share. The significant decline in share price since the start of the year and since the start of the financial year is disappointing. We have clearly fallen short of our benchmark, the SDAX. We are doing our utmost to actively take countermeasures and set a course for better results and stronger growth with NEXT LEVEL.

Wuppertal, November 2019

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

Half year interim report

Change of financial year

The Annual General Meeting on 29 August 2019 voted to change the financial year of GESCO AG, and therefore that of GESCO Group, to the calendar year. The financial years of GESCO AG and GESCO Group have so far run from 1 April to 31 March of the following year, while the financial years of the subsidiaries have coincided with the calendar year, resulting in a three-month difference between the financial years of the subsidiaries and that of the parent company. The periods have now been harmonised. As a result, this half-year interim report includes the months April to September at both GESCO AG and the subsidiaries. By contrast, the half-year interim report published in the previous year 2018 / 2019 encompassed the months January to June at the subsidiaries and April to September at GESCO AG. In the interest of comparability, the previous year's figures have been adjusted accordingly in this report and, following the change in the financial year, also include the months April to September at the subsidiaries.

Correspondingly, the months January to March 2019 at the GESCO Group subsidiaries are not included in the reporting period. They were included in the financial statement for the first quarter (1 April to 30 June 2019) of the original financial year 2019 / 2020, which was published on 14 August 2019 – prior to the change in the financial year. The earnings of subsidiaries from January to March 2019 are reported in the revenue reserves in this opening balance sheet as at 1 April 2019.

Changes to the scope of consolidation

In August 2018, GESCO AG acquired 100 % of the shares in Sommer & Strassburger GmbH & Co. KG, Bretten, Germany. One month of operations at the company was included in the income statement in the previous-year period; a full period was included for the first time in the most recent reporting period.

Development of Group sales and earnings in the first six months of the financial year

In terms of sales and earnings, business development was largely similar in the first two quarters of the year. At € 149.9 million, incoming orders were significantly higher in the second quarter than in the first quarter (€ 130.3 million). The increase was mainly due to major orders in the Resource Technology segment.

Total incoming orders stood at € 280.2 million in the first six months of the financial year and were therefore down 8.5 % from the previous year's figure of € 306.2 million. The decline was particularly tangible in those areas that are influenced by the automotive and supply industry, especially in the Mobility Technology segment and in Production Process Technology.

At € 290.8 million, on the other hand, sales were up by 2.5 % on the previous year's figure of € 283.8 million. They increased significantly in the Production Process Technology segment. The Healthcare and Infrastructure Technology segment also recorded growth.

In organic terms – in other words, excluding figures relating to Sommer & Strassburger in the previous year and in the reporting period – incoming orders would have declined by 11.6 %, and sales would have fallen by 0.6 %.

Earnings came under pressure compared to the figures seen in the previous year, which was largely due to the lapsing of special economic effects in the Resource Technology segment. Moreover, Mobility Technology operated in a difficult environment that further deteriorated over the course of the financial year.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) stood at € 29.0 million in total at Group level (previous year: € 33.9 million). EBIT came to € 15.4 million (€ 22.3 million) and declined to a greater extent than EBITDA due to disproportionately higher depreciation and amortisation caused by accounting changes resulting from IFRS 16. The EBIT margin fell from 7.9 % to 5.3 %. Group net income after minority interest stood at € 8.2 million (€ 12.1 million), which corresponds to earnings per share pursuant to IFRS of € 0.75 (€ 1.12).

Segment performance

In the **Production Process Technology** segment, the automotive sector's reluctance to invest made itself felt at a number of companies. At € 42.6 million, incoming orders for the first six months of the financial year therefore fell short of the figure of € 50.0 million seen in the adjusted previous-year period. By contrast, segment sales stood at € 46.2 million and were up significantly on the previous year's figure of € 36.0 million. EBIT also surpassed the previous year's figure of € 2.6 million, coming in at € 3.9 million. In organic terms, incoming orders would have declined by 34.7 %, with sales rising 4.3 %. For the year as a whole, we anticipate higher sales year on year on an annualised basis. The expected rise is based on the addition of Sommer & Strassburger. Without this external growth, sales would have fallen. In terms of earnings, we anticipate a year-on-year decline for the segment.

In the **Resource Technology** segment, the same period in the previous year was characterised by above-average margins. By contrast, the downturn in the capital goods industry made itself felt in the reporting period. Incoming orders amounted to € 141.3 million (previous year: € 147.5 million), whereas sales stood at € 139.6 million (€ 146.3 million). In particular, the end of the special economic effects led to a significant drop in earnings from € 18.6 million to € 10.1 million. On an annualised basis, we also anticipate year-on-year declines in sales and earnings for the year as a whole.

The **Healthcare and Infrastructure Technology** segment recorded incoming orders of € 74.5 million (€ 78.9 million) and sales of € 78.5 million (€ 72.9 million) in the first six months of the financial year. At € 6.6 million, the segment's EBIT remained down on the previous year's figure of € 7.8 million. We expect to see year-on-year sales growth on an annualised basis for the year as a whole due to the strong growth of Setter Group, which has benefited from a rise in demand for paper sticks for the confectionery and hygiene industries. By contrast, annualised segment earnings will be lower year on year due primarily to a decline in earnings in plastics processing and agricultural engineering.

In the **Mobility Technology** segment, the negative trend gathered strength, with tool manufacturing particularly feeling the impact of the automotive and supply industry's reluctance to invest. At € 21.9 million, incoming orders were down significantly on the previous year's figure of € 29.7 million. Sales also declined from € 29.0 million in the previous year to € 26.7 million. Segment EBIT fell into negative territory to stand at € -0.1 million (€ 1.5 million) due to the underutilisation of capacities. For the full abbreviated financial year, we anticipate lower sales and a decline in earnings year on year on an annualised basis, along with negative segment EBIT.

Assets and financial position

Total assets increased slightly by 1.5 % from € 525.6 million to € 533.5 million compared to the adjusted balance sheet as at the reporting date of 31 March 2019. Previously unrecognised leases with a volume of roughly € 16.0 million have been reported as assets and lease liabilities in line with IFRS 16 since the start of the financial year, thereby increasing total assets. IFRS 16 was already used in the interim report for the first quarter of the original financial year (2019 / 2020). Following the change of financial year and adjustment of the opening balance sheet, IFRS 16 was applied for the first time at the start of the first quarter of the new abbreviated financial year.

On the assets side, the new accounting standards under IFRS 16 contributed to a € 13.6 million rise in non-current assets. By contrast, current assets fell by € 5.7 million due in part to a significant reduction in trade receivables.

At € 27.2 million, liquid assets were down on the figure of € 29.3 million reported at the start of the reporting period. However, it was possible to largely compensate for the dividend payment in the amount of € 9.8 million through new cash inflow. Cash flow from ongoing business activities amounted to € 16.0 million (€ 7.3 million).

On the liabilities side, equity – at € 246.5 million – was down slightly on the figure of € 251.2 million reported at the start of the abbreviated financial year. The dividend payment was among the factors responsible for the reduction. The equity ratio amounted to 46.2 % following 47.8 % as at 31 March. Liabilities to financial institutions increased by € 5.1 million in total. Current liabilities increased as result of activities to finance the operating business, whereas non-current liabilities decreased.

Investments

As explained earlier in this report, we have reduced our investment volume in light of weaker business activity in the mechanical engineering and plant construction industry and in the automotive sector. In the first six months of the financial year, the Group's companies invested a total of € 9.5 million in property, plant and equipment and in intangible assets (previous year: €13.3 million). This total was spread across a series of small and medium-sized replacement and expansion investments. VWH GmbH started building a new production hall in the reporting period. Upon completion in February 2020, the building will provide additional production space of around 3,000 m² while also making it possible to set up a new technology centre for plastics in the existing space and expanding the range of services for customers. Setter Group expanded its machine park significantly in the reporting period in view of the rising demand.

Employees

We are currently reducing the workforce at those companies that have been affected by a noticeably longer decline in demand. On the other hand, Setter Group, for example, has stocked up its workforce at its headquarters in Emmerich and at its international subsidiaries to a total of 49 employees. GESCO Group employed 2,734 people as at the reporting date, compared to 2,669 in the same period in the previous year.

Opportunities, risks and risk management

Our general explanations on the subject of opportunities and risks as well as the presentation of specific individual risks in the Group financial statements as at 31 March 2019 remain essentially unchanged and valid. For more details, please refer to the Annual Report 2018 / 2019, which is available online at www.gesco.de. As usual in the mechanical engineering and plant construction industry, risks posed to the achievement of the targets for the current financial year include delays in the delivery of larger machinery, plants or components to the next financial year.

Outlook and events after the reporting date

In August 2019, we published an outlook for the nine-month abbreviated financial year 2019. The outlook predicted Group sales in the middle of a range between € 435 million and € 455 million. In light of the previously mentioned deterioration in the general economic conditions, we reduced this outlook to between € 425 million and € 435 million in our ad hoc announcement on 4 November 2019. In August, we forecast Group net income after minority interest at the lower end of a range between € 16 million and € 18 million. We now expect this figure to stand between € 11.5 and € 13 million.

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

GESCO AG
The Executive Board

Wuppertal, November 2019

GESCO Group balance sheet

€'000	30.09.2019	31.03.2019 adjusted
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	20,699	22,320
2. Goodwill	26,994	26,927
3. Prepayments	401	240
	48,094	**49,487**
II. Property, plant and equipment		
1. Land and buildings	83,527	71,526
2. Technical plant and machinery	56,664	56,455
3. Other plant, fixtures and fittings	21,945	21,271
4. Prepayments and assets under construction	10,088	9,135
	172,224	**158,387**
III. Financial assets		
1. Shares in affiliated companies	38	38
2. Shares in companies valued at equity	1,673	1,610
3. Investments	236	236
4. Other loans	155	181
	2,102	**2,065**
IV. Other assets	947	982
V. Deferred tax assets	5,161	4,045
	228,528	**214,966**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	29,795	31,353
2. Unfinished products and services	55,322	54,660
3. Finished products and goods	88,996	89,920
4. Prepayments	2,119	896
	176,232	**176,829**
II. Receivables and other assets		
1. Trade receivables	77,056	84,932
2. Amounts owed by affiliated companies	3,182	1,179
3. Amounts owed by companies valued at equity	514	603
4. Other assets	19,778	16,099
	100,530	**102,813**
III. Cash and credit with financial institutions	27,189	29,336
IV. Accounts receivable and payable	1,024	1,669
	304,975	**310,647**
	533,503	**525,613**

€'000	30.09.2019	31.03.2019 adjusted
Equity and liabilities		
A. Equity		
I. Subscribed capital	10,839	10,839
II. Capital reserves	72,364	72,364
III. Revenue reserves	154,368	157,137
IV. Own shares	0	0
V. Other income	- 5,339	- 4,252
VI. Minority interest (incorporated companies)	14,236	15,146
	246,468	**251,234**
B. Non-current liabilities		
I. Minority interest (partnerships)	936	1,170
II. Provisions for pensions	18,011	16,445
III. Other non-current provisions	586	586
IV. Liabilities to financial institutions	81,034	85,879
V. Lease liabilities	19,992	8,324
VI. Other liabilities	1,002	1,801
VII. Deferred tax liabilities	3,129	2,643
	124,690	**116,848**
C. Current liabilities		
I. Other provisions	10,260	10,445
II. Liabilities		
1. Liabilities to financial institutions	64,782	54,834
2. Lease liabilities	4,792	971
3. Trade payables	20,008	27,535
4. Prepayments received on orders	27,534	24,769
5. Liabilities to affiliated companies	525	724
6. Other liabilities	34,053	37,940
III. Accounts receivable and payable	391	313
	162,345	**157,531**
	533,503	**525,613**

GESCO Group income statement for the half year period (01.04. to 30.09.) of abbreviated financial year 2019

€'000	I. Half year 2019	I. Half year 2018 adjusted
Sales revenues	**290,826**	**283,757**
Change in stocks of finished and unfinished products	2,167	5,349
Other company-produced additions to assets	263	1,194
Other operating income	2,923	3,051
Total income	**296,179**	**293,351**
Material expenditure	- 154,722	- 151,073
Personnel expenditure	- 79,024	- 73,578
Other operating expenditure	- 33,443	- 34,721
Impairment losses on financial assets	- 29	- 31
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**28,961**	**33,948**
Amortisation of intangible assets and depreciation on property, plant and equipment	- 13,599	- 11,672
Earnings before interest and tax (EBIT)	**15,362**	**22,276**
Earnings from companies valued at equity	63	348
Other interest and similar income	39	33
Interest and similar expenditure	- 1,579	- 1,298
Third party profit share in incorporated companies	- 153	- 161
Financial result	**- 1,630**	**- 1,078**
Earnings before tax (EBT)	**13,732**	**21,198**
Taxes on income and earnings	- 4,553	- 7,350
Group net income	**9,179**	**13,848**
Minority interest in incorporated companies	- 1,018	- 1,737
Group net income after minority interest	**8,161**	**12,111**
Earnings per share (€) acc. to IFRS	0.75	1.12
Weighted average number of shares	10,838,733	10,835,198

GESCO Group statement of comprehensive income for the half year period (01.04. to 30.09.) of abbreviated financial year 2019

€'000	I. Half year 2019	I. Half year 2018 adjusted
Group net income	**9,179**	**13,848**
Revaluation of benefit obligations not impacting income	**- 1,341**	**49**
Items that cannot be transferred into the income statement	**- 1,341**	**49**
Difference from currency translation		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	498	817
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	- 1	- 245
Market valuation of hedging Instruments		
a) Reclassification into the income statement	0	0
b) Changes in value with no effect on income	- 324	- 109
Items that can be reclassified into the income statement	**173**	**463**
Other income	**- 1,168**	**512**
Total result for the period	**8,011**	**14,360**
of which shares held by minority interest	937	1,702
of which share attributable to GESCO shareholders	7,074	12,658

GESCO Group income statement for the first quarter (01.04. to 30.06.) of abbreviated financial year 2019

€'000	I. Quarter 2019	I. Quarter 2018 adjusted
Sales revenues	**147,393**	**139,058**
Change in stocks of finished and unfinished products	1,184	3,224
Other company-produced additions to assets	156	176
Other operating income	1,249	1,878
Total income	**149,982**	**144,336**
Material expenditure	- 79,796	- 73,473
Personnel expenditure	- 39,450	- 37,214
Other operating expenditure	- 16,253	- 16,466
Impairment losses on financial assets	- 15	- 15
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**14,468**	**17,168**
Amortisation of intangible assets and depreciation on property, plant and equipment	- 6,835	- 5,710
Earnings before interest and tax (EBIT)	**7,633**	**11,458**
Earnings from companies valued at equity	56	142
Other interest and similar income	7	9
Interest and similar expenditure	- 812	- 612
Third party profit share in incorporated companies	- 16	- 56
Financial result	**- 765**	**- 517**
Earnings before tax (EBT)	**6,868**	**10,941**
Taxes on income and earnings	- 2,277	- 3,794
Group net income	**4,591**	**7,147**
Minority interest in incorporated companies	- 281	- 973
Group net income after minority interest	**4,310**	**6,174**
Earnings per share (€) acc. to IFRS	0.40	0.57
Weighted average number of shares	10,839,499	10,835,927

GESCO Group income statement for the second quarter (01.07. to 30.09.) of abbreviated financial year 2019

€'000	II. Quarter 2019	II. Quarter 2018 adjusted
Sales revenues	**143,433**	**144,699**
Change in stocks of finished and unfinished products	983	2,125
Other company-produced additions to assets	107	1,018
Other operating income	1,674	1,173
Total income	**146,197**	**149,015**
Material expenditure	- 74,926	- 77,600
Personnel expenditure	- 39,574	- 36,364
Other operating expenditure	- 17,190	- 18,255
Impairment losses on financial assets	- 14	- 16
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**14,493**	**16,780**
Amortisation of intangible assets and depreciation on property, plant and equipment	- 6,764	- 5,962
Earnings before interest and tax (EBIT)	**7,729**	**10,818**
Earnings from companies valued at equity	7	206
Other interest and similar income	32	24
Interest and similar expenditure	- 767	- 686
Third party profit share in incorporated companies	- 137	- 105
Financial result	**- 865**	**- 561**
Earnings before tax (EBT)	**6,864**	**10,257**
Taxes on income and earnings	- 2,276	- 3,556
Group net income	**4,588**	**6,701**
Minority interest in incorporated companies	- 737	- 764
Group net income after minority interest	**3,851**	**5,937**
Earnings per share (€) acc. to IFRS	0.35	0.55
Weighted average number of shares	10,837,968	10,834,469

GESCO Group statement of changes in equity

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
As at 01.04.2018 adjusted	**10,839**	**72,364**	**140,298**	**- 119**
Dividends			- 6,502	
Acquisition of own shares				- 335
Acquisition of shares in subsidiaries			- 55	
Result for the period			12,186	
As at 30.09.2018	**10,839**	**72,364**	**145,927**	**- 454**
As at 01.04.2019 adjusted	**10,839**	**72,364**	**157,137**	**0**
Dividends			- 9,756	
Acquisition of shares in subsidiaries			- 1,174	
Result for the period			8,161	
As at 30.09.2019	**10,839**	**72,364**	**154,368**	**0**

GESCO Group segment report for the half year period (01.04. to 30.09.) of abbreviated financial year 2019

€'000	Production Process Technology		Resource Technology		Healthcare and Infrastructure Technology	
	I. Half year 2019	I. Half year 2018 adjusted	I. Half year 2019	I. Half year 2018 adjusted	I. Half year 2019	I. Half year 2018 adjusted
Order backlog	45,885	60,747	80,602	80,337	46,289	48,328
Incoming orders	42,552	50,005	141,328	147,521	74,472	78,928
Sales revenues	46,249	35,967	139,572	146,270	78,521	72,859
of which with other segments	12	0	176	324	0	0
Depreciation and amortization	1,583	1,470	2,341	2,218	3,437	3,121
EBIT	3,930	2,566	10,098	18,588	6,632	7,832
Investments	1,548	1,150	2,249	5,115	4,163	4,476
Employees (No. / reporting date)	618	617	752	750	900	818

	Exchange equalisation items	Revaluation of pensions	Hedging instruments	Total	Minority interest incorporated companies	Equity
	- 1,499	**- 3,349**	**11**	**218,545**	**15,603**	**234,148**
				- 6,502	- 3,650	- 10,152
				- 335		- 335
				- 55		- 55
	601	44	- 98	12,733	1,702	14,435
	- 898	**- 3,305**	**- 87**	**224,386**	**13,655**	**238,041**
	- 228	**- 3,941**	**- 83**	**236,088**	**15,146**	**251,234**
				- 9,756	- 975	- 10,731
				- 1,174	- 872	- 2,046
	497	- 1,251	- 333	7,074	937	8,011
	269	**- 5,192**	**- 416**	**232,232**	**14,236**	**246,468**

	Mobility Technology		GESCO AG / other companies		Reconciliation		Group	
	I. Half year 2019	I. Half year 2018 adjusted	I. Half year 2019	I. Half year 2018 adjusted	I. Half year 2019	I. Half year 2018 adjusted	I. Half year 2019	I. Half year 2018 adjusted
	37,254	47,052	0	0	0	0	210,030	236,464
	21,876	29,725	0	0	0	0	280,228	306,179
	26,676	29,006	222	9	- 414	- 354	290,826	283,757
	4	21	222	9	- 414	- 354	0	0
	2,106	2,108	52	88	4,080	2,666	13,599	11,671
	- 109	1,462	- 4,163	- 4,329	- 1,026	- 3,843	15,362	22,276
	1,314	2,494	236	28	0	0	9,510	13,263
	446	467	18	17	0	0	2,734	2,669

GESCO Group cash flow statement for the half year period (01.04. to 30.09.) of abbreviated financial year 2019

€'000	I. Half year 2019	I. Half year 2018 adjusted
Group net income for the year (including share attributable to minority interest in incorporated companies)	**9,179**	**13,848**
Depreciation on property, plant and equipment and intangible assets	13,599	11,672
Earnings from companies valued at equity	- 63	- 348
Share attributable to minority interest in partnerships	153	161
Decrease in non-current provisions	- 364	- 119
Other non-cash income	- 59	248
Cash flow for the period	**22,445**	**25,462**
Losses from the disposal of property, plant and equipment / intangible assets	219	224
Gains from the disposal of property, plant and equipment / intangible assets	- 266	- 494
Decrease/increase in stocks, trade receivables and other assets	3,252	- 21,916
Decrease/increase in trade creditors and other liabilities	- 9,645	3,992
Cash flow from ongoing business activity	**16,005**	**7,268**
Incoming payments from disposals of property, plant and equipment / intangible assets	1,152	946
Disbursements for investments in property, plant and equipment	- 9,035	- 12,873
Disbursements for investments in intangible assets	- 473	- 390
Incoming payments from disposals of financial assets	26	8
Disbursements for investments in financial assets	0	- 28
Disbursements for the acquisition of consolidated companies and other business units	0	- 20,435
Cash flow from investment activity	**- 8,330**	**- 32,772**
Disbursements to shareholders (dividends)	- 9,756	- 6,502
Disbursements for the acquisition of own shares	0	- 335
Incoming payments from minority interests	- 1,731	- 4,064
Disbursements for the purchase of non-governing shares	- 1,685	- 750
Incoming payments from raising (financial) loans	20,490	32,019
Outflow for repayment of (financial) loans	- 17,234	- 4,553
Cash flow from funding activities	**- 9,916**	**15,815**
Changes in cash and cash equivalents	**- 2,241**	**- 9,689**
Exchange-rate related changes in cash and cash equivalents	**94**	**74**
Financial means on 01.04.	29,336	47,754
Financial means on 30.09.	**27,189**	**38,139**

Explanatory notes

Accounts, accounting and valuation methods

The report of GESCO Group for the first six months (1 April to 30 September 2019) of the abbreviated financial year 2019 (1 April to 31 December 2019) 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, as well as those of the income and expenditure items. Sales-related figures are accrued throughout the year.

Following an error finding submitted by the German Financial Reporting Enforcement Panel (FREP) in relation to the consolidated financial statements as at 31 March 2018 (violation of IFRS 10.B92), the consolidated financial statements as at 31 March 2019 were adjusted with regard to the periods at the subsidiaries. The reported consolidated financial statements as at 31 March 2019 encompassed the months April 2018 to March 2019 at GESCO AG and the months January to December 2018 at the subsidiaries, whereas the figures adjusted with this half year interim report as at 31 March 2019 included the months April 2018 to March 2019 at all Group companies. The same applies for the same period in the previous year. Accordingly, opening balance sheets adjusted with this half year interim report as at 1 April 2018 and as at 1 April 2019 deviated from the reported closing balance sheets as at 31 March 2018 and as at 31 March 2019.

IFRS 16 was applied for the first time at the start of the new abbreviated financial year using the modified retrospective approach. At the beginning of the financial year, rights of use and lease liabilities in the amount of € 16.0 million were recognised. Rights of use are attributed to the intangible assets (€ 0.1 million), land and buildings (€ 14.2 million), technical plants and machinery (€ 0.8) and other plants, fixtures and fittings (€ 0.9 million) items on the balance sheet. EBIT was not influenced significantly by the application of the new standard.

Related-party transactions

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

Financial audit

The condensed half-year interim financial statements as at 30 September 2019 and the interim management report as well as the adjusted opening balance sheet as at 31 March 2019 and the corresponding previous year's figures were neither audited in accordance with Section 317 HGB nor reviewed by an auditor.

Information on financial instruments

€'000	Book value 30.09.2019	Not in the scope of application of IFRS 9	Application IFRS 9	Of which at fair value	Of which historical production or acquisition cost
Financial assets	2,102	1,673	429	274	155
Receivables	80,752	0	80,752	0	80,752
Other assets	20,725	15,284	5,441	0	5,441
Liquid assets	27,189	0	27,189	0	27,189
Financial assets	**130,768**	**16,957**	**113,811**	**274**	**113,537**
Liabilities to financial institutions	145,816	0	145,816	0	145,816
Lease liabilities	24,784	0	24,784	0	24,784
Trade payables	20,008	0	20,008	0	20,008
Other receivables	35,580	3,347	32,233	634	31,599
Financial liabilities	**226,188**	**3,347**	**222,841**	**634**	**222,207**

€'000	Book value 31.03.2019 adjusted	Not in the scope of application of IFRS 9	Application IFRS 9	Of which at fair value	Of which historical production or acquisition cost
Financial assets	2,065	1,610	455	274	181
Receivables	86,714	0	86,714	0	86,714
Other assets	17,081	12,082	4,999	0	4,999
Liquid assets	29,336	0	29,336	0	29,336
Financial assets	**135,196**	**13,692**	**121,504**	**274**	**121,230**
Liabilities to financial institutions	140,713	0	140,713	0	140,713
Lease liabilities	9,295	0	9,295	0	9,295
Trade payables	27,535	0	27,535	0	27,535
Other receivables	40,465	7,923	32,542	448	32,094
Financial liabilities	**218,008**	**7,923**	**210,085**	**448**	**209,637**

Assignment of financial instruments to categories according to IAS 9

€'000	Balance sheet recognition		Net results in the income statement	
Category IFRS 9	**30.09.2019**	**31.03.2019 adjusted**	**30.09.2019**	**31.03.2019 adjusted**
Financial assets measured at fair value included in earnings	274	274	56	315
Financial assets measured at cost of acquisition	113,537	121,230	109	403
Financial assets	**113,811**	**121,504**	**165**	**718**
Financial liabilities measured at fair value included in earnings	634	448	- 104	785
Financial liabilities measured at cost of acquisition	222,207	209,637	- 1,808	- 2,307
Financial liabilities	**222,841**	**210,085**	**- 1,912**	**- 1,522**

Statement of the Legal Representatives

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

GESCO AG
The Executive Board

Wuppertal, November 2019

Financial calendar for abbreviated financial year 2019

25 November 2019
Publication of the Half Year interim report

28 April 2020
Annual accounts press conference and analysts’ meeting

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

Dear Shareholder,

If you would like to be kept regularly informed, please let us know and ask to be included in our mailing list.

Contact for shareholders

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First name / name: ______________________________

Street / house number: ______________________________

Zip code / City: ______________________________

E-mail: ______________________________

☐ Please send me your annual report for financial year 2018/2019
☐ Please add me to your mailing list. I would like to receive information by
  ☐ e-mail.
  ☐ e-mail (please send annual report per post).
  ☐ post.