

HALF-YEAR INTERIM REPORT 2011/2012

1 APRIL TO
30 SEPTEMBER 2011

GESCO

Q2
2011 | 2012

THE FIRST SIX MONTHS OF FINANCIAL YEAR 2011/2012 AT A GLANCE

- STRONG MOMENTUM FOR INCOMING ORDERS AND SALES
- GROUP NET INCOME MORE THAN DOUBLED
- HIGH ORDER INTAKE CONTINUES IN THIRD QUARTER AND BOOK-TO-BILL RATIO ABOVE 1
- RECORD ORDER BACKLOG OF € 157 MILLION AT THE END OF SEPTEMBER
- FULL YEAR GUIDANCE INCREASED: EXPECTED EARNINGS PER SHARE OF € 6.95

GESCO GROUP KEY FIGURES FOR THE FIRST HALF YEAR OF THE 2011/2012 FINANCIAL YEAR

01.04.-30.09.		I. Half year 2011/2012	I. Half year 2010/2011	Change
Incoming orders	(€'000)	233,479	179,168	30.3%
Sales revenues	(€'000)	211,148	156,577	34.9%
EBITDA	(€'000)	25,796	16,018	61.0%
EBIT	(€'000)	20,016	10,370	93.0%
Earnings before tax	(€'000)	18,580	9,224	101.4%
Group net income after minority interest	(€'000)	11,647	5,733	103.2%
Earnings per share acc. to IFRS	(€)	3.85	1.90	102.6%
Employees	(No.)	1,847	1,734	6.5%

THE GESCO GROUP AT A GLANCE

GESCO AG

SEGMENT TOOL MANUFACTURE
AND MECHANICAL ENGINEERING

SEGMENT
PLASTICS TECHNOLOGY

DEAR SHAREHOLDERS,

GESCO Group generated extraordinarily high growth momentum in the first half (1 April to 30 September 2011) of financial year 2011/2012 (1 April 2011 to 31 March 2012). Incoming orders and sales figures rose steeply and key earnings figures enjoyed above-average growth.

The first six months of the financial year at GESCO Group encompass the months April to September for GESCO AG and January to June for its subsidiaries. In the third quarter, which includes the months July to September for the subsidiaries, incoming orders and sales again reached a high level. Order backlog reached an all-time high at the end of September.

We are increasing our guidance in view of this positive development and one-off income of around € 0.7 million resulting from two legal disputes, which will be recognised in the third quarter. The forecast published at the accounts press conference on 7 June 2011 anticipated Group sales of € 390 million and Group net income after minority interest of € 19 million. Based on our current knowledge, we now expect Group sales of approximately € 400 million, Group net income after minority interest of roughly € 21 million, and earnings per share of € 6.95.

In the reporting period, the dividend of € 2.00 per share, which had been resolved at the Annual General Meeting on 21 July 2011, was distributed, corresponding to a total dividend of € 6.0 million.

DEVELOPMENT OF GROUP SALES AND EARNINGS IN THE SECOND QUARTER

Business developed extremely lively in the second quarter, even exceeding the already very strong first quarter. At € 117.6 million, incoming orders were the highest in the company's history, 28.7% up on the € 91.4 million in the previous year's period. Group sales also reached record levels at € 111.4 million, 39.7% higher than the previous year's figure of € 79.8 million. As in the first quarter, key earnings figures enjoyed above-average growth thanks to economy of scales. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went up by 55.9% to € 13.5 million (previous year's period: € 8.7 million). As depreciation and amortization remained almost on par with the previous year's period, earnings before interest and taxes (EBIT) soared by 82.7%, growing even more steeply than EBITDA, to € 10.6 million (€ 5.8 million). Group net income after minority interest shot up by 89.0% to € 6.2 million (€ 3.3 million) and earnings per share pursuant to IFRS amounted to € 2.05 (€ 1.09).

DEVELOPMENT OF GROUP SALES AND EARNINGS IN THE FIRST HALF OF THE FINANCIAL YEAR

One look at the entire first half of the financial year confirms the extraordinarily high momentum in both quarters. Incoming orders rose by 30.3% to € 233.5 million (€ 179.2 million). Group sales went up 34.9% to € 211.1 million (€ 156.6 million). Key earnings figures profited from economy of scales and experienced an above-average increase. In addition, other operating expenditure in the first quarter of the previous year included a one-off effect of around € 0.6 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) grew by 61.0% to € 25.8 million (€ 16.0 million). As depreciation and amortisation were practically unchanged against the previous year's period, earnings before interest and taxes (EBIT) came to € 20.0 million, corresponding to 93.0% growth compared to € 10.4 million in the previous year. Group net income after minority interest more than doubled year-on-year to € 11.6 million (€ 5.7 million) and earnings per share pursuant to IFRS amounted to € 3.85 (€ 1.90).

SEGMENT REPORTING

Business developments in both segments had extraordinarily strong momentum in the first half of the year.

Tool manufacture and mechanical engineering was still the larger of the two segments. Its incoming orders rose by 29.4% to € 211.2 million (€ 163.1 million). Sales increased by 33.9% to € 189.7 million (€ 141.7 million). EBIT soared by an above-average 84.6% to € 21.3 million (€ 11.5 million).

Incoming orders in the plastics technology segment went up steeply by 39.8% to € 22.0 million (€ 15.8 million). Sales increased by 44.9% to € 21.2 million (€ 14.6 million). EBIT went up by 33.1%, amounting to € 2.5 million (€ 1.9 million).

ASSETS AND FINANCIAL POSITION

The balance sheet total went up by 11.4% to € 289.9 million compared to the beginning of the financial year (31 March 2011: € 260.3 million) on account of the economic upturn.

On the assets side, non-current assets remained practically unchanged. Current assets went up by 35.6% in line with the lively operating business, with a particular rise being recorded in inventories and trade receivables. Liquid assets amounted to € 29.3 million as of the reporting date (€ 38.5 million); the dividend of € 6.0 million was distributed in the reporting period.

On the liabilities side, equity continued to increase to € 121.2 million (€ 114.4 million) despite the dividend payment. As the balance sheet total went up higher than equity, the equity ratio dropped slightly to 41.8% (43.9%). Non-current liabilities remained almost unchanged, while under current liabilities, trade payables increased due to the lively business development. Non-current and current liabilities to financial institutions totalled € 72.9 million (€ 67.6 million).

Overall, the Group balance sheet continues to show a very healthy structure and sufficient liquid assets, high equity and moderate indebtedness.

INVESTMENTS

In the first half of the year, GESCO Group companies invested around € 6.9 million in tangible and intangible assets (€ 3.2 million). The focus was on the subsidiaries MAE Maschinen- und Apparatebau Götzen GmbH, Frank Walz- und Schmiedetechnik GmbH and Dörrenberg Edelstahl GmbH.

The originally planned investment volume of approximately € 20 million for the full financial year 2011/2012 will not be completely achieved on account of delays regarding planning permissions for construction projects.

EMPLOYEES

The number of people employed by GESCO Group increased by 6.5% from 1,734 on the previous year's reporting date to 1,847.

OPPORTUNITIES, RISKS AND RISK MANAGEMENT

Our explanations on the subject of opportunities and risks in the consolidated financial statements as of 31 March 2011 remain essentially unchanged and valid. For more details, please refer to the Annual Report 2010/2011 which is available online at www.gesco.de.

Uncertainties regarding economic developments have increased significantly since the publication of the Annual Report in June. It cannot be predicted at present to what extent the crisis in the eurozone and the financial crisis will impact the real economy.

OUTLOOK AND EVENTS AFTER THE REPORTING DATE

This half-year interim report comprises the subsidiaries' operating business from January to June. In the following third quarter, the months July to September in the case of the subsidiaries, business again reached a high level. Incoming orders for the whole Group totalled € 103.6 million (previous year: € 98.5 million) and Group sales € 98.1 million (€ 90.6 million). As expected, these figures did not match those of the extraordinarily strong first two quarters, but are considerably up on those in the individual quarters in 2010/2011.

For the seventh quarter in a row now, incoming orders have been higher than sales and the book-to-bill ratio has consequently been above 1. Order backlog came to € 157 million at the end of September, the highest it has ever been in GESCO Group. As stated in the beginning, we have considerably increased our guidance for the current financial year to account for this positive development.

After the economy's rapid recovery in 2010 and subsequent dynamic growth in the first half of 2011, economic growth was expected to slow down somewhat, a development which some companies in the industrial sector regard as quite healthy. It remains to be seen at present if this declining growth will end in a cool-down of the economy or if it will go as far as a recession. We are carefully analysing the situation and are meeting the rise in uncertainty with a combination of confidence and prudence. Whatever the coming weeks and months may bring, we believe that we are well prepared to face a multitude of scenarios with our still strong balance sheet total, streamlined structures and operationally well-positioned subsidiaries.

Regardless of economic fluctuations, to us, our investments in industrial niche market suppliers are long-term commitments. The subsidiaries' managing directors also think long term as they purchase investments in their companies within the scope of succession planning. In line with the GESCO philosophy, the managing director of Hubl GmbH acquired 20% in the company he leads during the reporting period. In October 2011, in other words after the reporting period, the managing director of Haseke GmbH & Co. KG acquired a 20% share in this company. GESCO AG's respective shares in these companies consequently dropped to 80%.

Yours sincerely,

GESCO AG
The Executive Board

Wuppertal, 15 November 2011

GESCO GROUP BALANCE SHEET AS AT 30 SEPTEMBER 2011 AND 31 MARCH 2011

€'000	30.09.2011	31.03.2011
Assets		
A. NON-CURRENT ASSETS		
I. Intangible assets		
1. Industrial property rights and similar rights and assets as well as licences	8,050	8,843
2. Goodwill	6,817	6,817
3. Prepayments made	120	132
	14,987	15,792
II. Property, plant and equipment		
1. Land and buildings	31,567	30,757
2. Technical plant and machinery	22,158	21,656
3. Other plant, fixtures and fittings	16,154	16,420
4. Prepayments made and plant under construction	3,136	2,029
5. Property held as financial investments	3,044	3,122
	76,059	73,984
III. Financial investments		
1. Shares in affiliated companies	127	60
2. Shares in associated companies	1,145	1,221
3. Investments	38	38
4. Securities held as fixed assets	1,000	1,000
5. Other loans	232	251
	2,542	2,570
IV. Other assets	1,310	1,333
V. Deferred tax assets	2,389	2,729
	97,287	96,408
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and supplies	19,863	16,872
2. Unfinished products and services	22,636	19,225
3. Finished products and goods	49,875	37,861
4. Prepayments made	1,488	232
	93,862	74,190
II. Receivables and other assets		
1. Trade receivables	58,159	43,136
2. Amounts owed by affiliated companies	1,953	807
3. Amounts owed by companies with which a shareholding relationship exists	862	821
4. Other assets	8,038	6,148
	69,012	50,912
III. Securities	18	18
IV. Cash in hand and credit balances with financial institutions	29,286	38,494
V. Accounts receivable and payable	478	322
	192,656	163,936
	289,943	260,344

€'000	30.09.2011	31.03.2011
Equity and liabilities		
A. EQUITY		
I. Subscribed capital	7,860	7,860
II. Capital reserves	36,167	36,167
III. Revenue reserves	70,797	64,879
IV. Own shares	-489	-3
V. Exchange equalisation items	-373	-252
VI. Subsequent valuation acc. to IAS 39		
VII. Minority interests (incorporated companies)	7,188	5,710
	121,150	114,361
B. NON-CURRENT LIABILITIES		
I. Minority interests (partnerships)	2,894	2,968
II. Provisions for pensions	9,441	9,360
III. Other long-term provisions	1,762	1,685
IV. Liabilities to financial institutions	47,270	47,258
V. Other liabilities	3,100	3,690
VI. Deferred tax liabilities	3,810	3,967
	68,277	68,928
C. CURRENT LIABILITIES		
I. Other provisions	11,275	8,071
II. Liabilities		
1. Liabilities to financial institutions	25,662	20,338
2. Trade creditors	16,642	11,170
3. Prepayments received on orders	14,513	11,618
4. Liabilities on bills	346	62
5. Liabilities to companies with which a shareholding relationship exists	21	15
6. Other liabilities	31,886	25,576
	89,070	68,779
III. Accounts receivable and payable	171	205
	100,516	77,055
	289,943	260,344

GESCO GROUP INCOME STATEMENT FOR THE SECOND QUARTER (1 JULY TO 30 SEPTEMBER)

€'000	II. Quarter 2011/2012	II. Quarter 2010/2011
Sales revenues	111,448	79,804
Change in stocks of finished and unfinished products	-3,956	964
Other company produced additions to assets	49	176
Other operating income	814	1,370
Total income	108,355	82,314
Material expenditure	-58,694	-44,004
Personnel expenditure	-24,537	-20,955
Other operating expenditure	-11,602	-8,684
Earnings before interest, tax, depreciation and amortisation (EBITDA)	13,522	8,671
Depreciation on tangible and intangible assets	-2,893	-2,854
Earnings before interest and tax (EBIT)	10,629	5,817
Earnings from securities	0	155
Earnings from investments in associated companies	55	14
Other interest and similar income	109	87
Interest and similar expenditure	-755	-735
Minority interest in partnerships	-93	-6
Financial result	-684	-485
Earnings before tax (EBT)	9,945	5,332
Taxes on income and earnings	-3,156	-1,689
Group net income	6,789	3,643
Minority interest in incorporated companies	-579	-357
Group net income after minority interest	6,210	3,286
Earnings per share (€) acc. to IFRS	2.05	1.09
Weighted average number of shares	3,018,429	3,020,240

GESCO GROUP INCOME STATEMENT FOR THE FIRST HALF YEAR (1 APRIL TO 30 SEPTEMBER)

€'000	I. Half year 2011/2012	I. Half year 2010/2011
Sales revenues	211,148	156,577
Change in stocks of finished and unfinished products	2,010	2,917
Other company produced additions to assets	164	204
Other operating income	1,710	2,371
Total income	215,032	162,069
Material expenditure	-117,784	-87,065
Personnel expenditure	-47,930	-41,254
Other operating expenditure	-23,522	-17,732
Earnings before interest, tax, depreciation and amortisation (EBITDA)	25,796	16,018
Depreciation on tangible and intangible assets	-5,780	-5,648
Earnings before interest and tax (EBIT)	20,016	10,370
Earnings from securities	0	155
Earnings from investments in associated companies	74	19
Other interest and similar income	202	169
Interest and similar expenditure	-1,526	-1,439
Third party profit share in incorporated companies	-186	-50
Financial result	-1,436	-1,146
Earnings before tax (EBT)	18,580	9,224
Taxes on income and earnings	-5,897	-2,925
Group net income	12,683	6,299
Third party profit share in incorporated companies	-1,036	-566
Group net income after minority interest	11,647	5,733
Earnings per share (€) acc. to IFRS	3.85	1.9
Weighted average number of shares	3,022,048	3,020,583

STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST HALF YEAR (1 APRIL TO 30 SEPTEMBER)

€'000	I. Half year 2011/2012	I. Half year 2010/2011
Group net income	12,683	6,299
Difference from currency translation	-199	12
Revaluation of securities not impacting on income	0	-109
Income and expenditure recorded directly in equity	-199	-97
Total result for the period	12,564	6,202
of which shares held by minority interest	1,038	566
of which shares held by GESCO shareholders	11,526	5,636

GESCO GROUP CASH FLOW STATEMENT FOR THE FIRST HALF YEAR (1 APRIL TO 30 SEPTEMBER)

€'000	I. Half year 2011/2012	I. Half year 2010/2011
Result for the period (including share attributable to minority interest in incorporated companies)	12,683	6,299
Depreciation on fixed assets	5,780	5,648
Result from investments in associated companies	-74	-19
Share attributable to minority interests in partnerships	186	50
Increase in long-term provisions	158	146
Other non-cash result	-121	803
Cash flow for the period	18,612	12,927
Losses from the disposal of tangible/intangible assets	66	31
Gains from the disposal of tangible/intangible assets	-88	-138
Increase in stocks, trade receivables and other assets	-36,775	-10,524
Increase in trade creditors and other liabilities	17,390	11,841
Cash flow from ongoing business activity	-795	14,137
Incoming payments from disposals of tangible assets/intangible assets	102	114
Disbursements for investments in tangible assets/intangible assets	-7,028	-3,272
Incoming payments from disposals of financial assets	0	9
Incoming payments from the sale of consolidated companies	50	18
Cash flow from investment activity	-6,876	-3,131
Disbursements to shareholders (dividend)	-6,050	-3,927
Disbursements to minority shareholders	-337	-484
Disbursements for the purchase of own shares	-486	-169
Incoming payments from raising (financial) loans	11,931	3,171
Outflow for repayment of (financial) loans	-6,595	-7,621
Cash flow from funding activities	-1,537	-9,030
Cash increase in cash and cash equivalents	-9,208	1,976
Financial means on 01.04.	38,512	26,960
Financial means on 30.09.	29,304	28,936

GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
As at 01.04.2010	7,860	36,529	55,130	-77
Dividends			-3,927	
Acquisition of own shares				-169
Stock option programme		84		
Result for the period			5,733	
As at 30.09.2010	7,860	36,613	56,936	-246
As at 01.04.2011	7,860	36,167	64,879	-3
Dividends			-6,050	
Acquisition of own shares				-486
Other neutral changes			321	
Result for the period			11,647	
As at 30.09.2011	7,860	36,167	70,637	-489

GESCO GROUP SEGMENT REPORT FOR THE FIRST HALF YEAR (1 APRIL TO 30 SEPTEMBER)

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	I. Half year 2011/2012	I. Half year 2010/2011	I. Half year 2011/2012	I. Half year 2010/2011
Order backlog	145,176	106,236	7,009	5,174
Incoming orders	211,161	163,128	22,057	15,781
Sales revenues	189,682	141,680	21,205	14,638
of which with other segments	0	0	0	0
Depreciation	3,988	3,847	834	837
EBIT	21,323	11,552	2,475	1,860
Investments	5,290	2,983	1,591	169
Employees (No./reporting date)	1,626	1,528	209	193

Exchange equalisation items	Revaluation IAS 39	Total	Minority interest incorporated companies	Equity capital
-272	-59	99,111	6,062	105,173
		-3,927	-200	-4,127
		-169		-169
		84		84
12	-109	5,636	566	6,202
-260	-168	100,735	6,428	107,163
-252	0	108,651	5,710	114,361
		-6,050	-62	-6,112
		-486		-486
		321	502	823
-121		11,526	1,038	12,564
-373	0	113,962	7,188	121,150

GESCO AG		Other/Consolidation		Group	
I. Half year 2011/2012	I. Half year 2010/2011	I. Half year 2011/2012	I. Half year 2010/2011	I. Half year 2011/2012	I. Half year 2010/2011
0	0	0	0	152,185	111,410
0	0	261	259	233,479	179,168
0	0	261	259	211,148	156,577
0	0	0	0	0	0
51	47	907	917	5,780	5,648
-3,515	-1,923	-267	-1,119	20,016	10,370
0	68	0	0	6,881	3,220
12	13	0	0	1,847	1,734

EXPLANATORY NOTES

ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The report of GESCO Group for the first six months (1 April to 30 September 2011) of the 2011/2012 financial year was prepared on the basis of 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 with those in the Group financial statements as of 31 March 2011. 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.

RELATIONSHIPS WITH AFFILIATED COMPANIES AND PERSONS

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, Frank Lemeks TOW, Ukraine, and Doerrenberg Special Steels Taiwan LTD., Taiwan.

FINANCIAL AUDIT

The condensed interim financial statements from 30 September 2011 and the interim management report were neither audited in accordance with Section 317 HGB nor reviewed by an auditor.

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 Group interim 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 in the remaining financial year.

FINANCIAL CALENDAR

15 November 2011

Publication of the figures for the first six months (1 April to 30 September 2011)

February 2012

Publication of the figures for the first nine months (1 April to 31 December 2011)

28 June 2012

Accounts press conference and analysts' meeting

30 August 2012

Annual General Meeting at the Stadthalle, Wuppertal

August 2012

Publication of the figures for the first three months (1 April to 30 June 2012)

November 2012

Publication of the figures for the first six months (1 April to 30 September 2012)

DEAR SHAREHOLDERS,

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

CONTACT FOR SHAREHOLDERS

GESCO AG
Oliver Vollbrecht/Investor Relations
Johannisberg 7
D-42103 Wuppertal

Phone +49 202 2482018
Fax +49 202 2482049
E-mail info@gesco.de
Website www.gesco.de

First name/name: _____

Street/house number: _____

Zip code/City: _____

E-mail: _____

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.

