



# Interim Report

1 April to 31 December 2010



## THE FIRST NINE MONTHS OF THE FINANCIAL YEAR 2010/2011 AT A GLANCE

- Upturn continues unabatedly
- Volume of incoming orders higher than sales revenues again in the fourth quarter
- Full year guidance increased to € 4.96 per share
- Plans to raise dividend considerably

## GESCO GROUP KEY FIGURES FOR THE FIRST NINE MONTHS OF THE FINANCIAL YEAR 2010/2011

01.04.-31.12.		I.-III. Quarter 2010/2011	I.-III. Quarter 2009/2010	Change
Incoming orders	(€'000)	277,716	169,009	64.3 %
Sales revenues	(€'000)	247,163	206,743	19.6 %
EBITDA	(€'000)	26,058	19,599	33.0 %
EBIT	(€'000)	17,525	11,517	52.2 %
Earnings before tax	(€'000)	15,733	9,479	66.0 %
Group net income after minority interest	(€'000)	9,995	6,091	64.1 %
Earnings per share acc. to IFRS	(€)	3.31	2.01	64.7 %
Employees	(No.)	1,767	1,765	0.1 %

## THE GESCO GROUP AT A GLANCE

### GESCO AG

SEGMENT TOOL MANUFACTURE  
AND MECHANICAL ENGINEERING

SEGMENT  
PLASTICS TECHNOLOGY

## DEAR SHAREHOLDERS,

After GESCO Group recorded significant gains in the first two quarters of the current financial year 2010/2011 (1 April 2010 to 31 March 2011), the upturn gathered some more speed in the third quarter, bringing with it a large volume of incoming orders even in the fourth quarter. The subsidiaries' optimised capacity utilisation and economy of scales resulted in an above-average increase in key earnings figures.

The first nine months of the financial year at GESCO Group encompass the months April to December for GESCO AG and January to September for its subsidiaries. The Group continued its dynamic development in the fourth quarter, which includes the months October to December for the subsidiaries.

In view of the positive figures for the first nine months of the financial year and the continuing positive development in the fourth quarter, we are increasing our guidance. Group sales are expected to total around € 334 million in the entire financial year 2010/2011 and Group net income after minority interest about € 15.0 million, amounting to earnings per share of € 4.96 pursuant to IFRS. On the basis of these target figures, the Group plans to raise the dividend considerably above its value of € 1.30 for the previous financial year.

In January 2011, the entrepreneur Stefan Heimöller reported that he had exceeded the 10% threshold of voting rights in GESCO AG. Around 90% of GESCO shares are therefore now in freefloat according to the rules of Deutsche Börse AG. In 2009, Stefan Heimöller already announced that he had exceeded the 3% and then 5% reporting thresholds. At the Annual General Meeting in September 2010, voting rights amounted to approximately 9%. The German Securities Trading Act (WpHG) stipulates that holders of major shares in excess of 10% must inform the issuer of the purpose of the acquisition of voting rights and the origin of funds used. The law states a number of questions that must be answered in this context. In a statement pursuant to Section 27a WpHG, Stefan Heimöller informed the Group in January 2011, in answer to these questions, that his investment served long-term financial interests, that he intended to acquire further voting rights and that he aimed to obtain influence over the appointment of members of the administrative, managerial and supervisory bodies. He stated that he did not intend to make significant changes to the Group's capital structure and dividend policy. Stefan Heimöller also declared that he had used his own funds to acquire the voting rights. GESCO AG engages in regular dialogue with Stefan Heimöller; he is an anchor shareholder from the SME sector with a high degree of expertise in the field of metal processing.

## Development of Group sales and earnings in the third quarter

The economy gained even more momentum in the third quarter. Sales and earnings were up on the previous two quarters of the reporting year as well as the same quarter in the previous year. Incoming orders amounted to € 98.5 million, a very high result that exceeded the previous year's figure by 86.5%. Group sales came to € 90.5 million, 35.5% up year on year. Thanks to capacities being well utilised, the margins and key earnings figures rose much more steeply than sales. Earnings before interest, taxes, depreciation and amortisation (EBITDA) climbed by 60.5% to € 10.0 million (previous year: € 6.3 million). While depreciation and amortisation remained almost the same, earnings before interest and taxes (EBIT) went up even more to € 7.2 million, more than double the previous year's figure (€ 3.4 million). Group net income after minority interest shot up by 135.3% to € 4.3 million (€ 1.8 million).

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

A look at the entire first nine months of the financial year also presents an extremely positive picture. Incoming orders rose by 64.3% to € 277.7 million (€ 169.0 million). Group sales went up 19.6% to € 247.2 million (€ 206.7 million). During this period, the margins again benefited from a much improved capacity utilisation compared to the previous year. EBITDA increased by 33.0% to € 26.1 million (€ 19.6 million). With 52.2%, EBIT grew even more steeply and reached € 17.5 million (€ 11.5 million). And finally, Group net income after minority interest rose by 64.1% to € 10.0 million (€ 6.1 million), corresponding to earnings per share of € 3.31 pursuant to IFRS (€ 2.01).

## Segment reporting

Both segments were able to benefit from the economic upturn and their number of incoming orders increased significantly: In tool manufacture and mechanical engineering by 68.9% and in plastics technology by 30.4%.

The segment tool manufacture and mechanical engineering remains by far the larger of the two segments. Segment sales increased by 20.2% to € 223.9 million (€ 186.2 million), while EBIT rose even further by 53.1% to € 18.9 million (€ 12.4 million).

In the plastics technology segment, sales went up by 13.7 percent to € 22.9 million (€ 20.2 million), while EBIT rose more steeply than sales in this segment as well, coming in at € 3.0 million (€ 2.4 million).

## Assets and financial position

The balance sheet total was up 7.5 % to € 264.7 million (31 March 2010: € 246.4 million) as a result of business picking up considerably.

On the asset side, non-current assets dropped slightly by 2.6 % and current assets went up by 14.5 %. Inventories rose by 2.9 % and trade receivables by 24.3 %. The positive business development was also reflected in strong cash flow, resulting in liquid assets increasing from € 26.9 million to € 37.0 million.

On the liabilities side, equity rose to € 111.8 million (€ 105.2 million) thanks to the positive result for the period. The equity ratio remained almost the same at 42.2 % (42.7 %) despite the increased balance sheet total. Current liabilities to financial institutions dropped by € 7.4 million. Trade payables more than doubled as a result of operating business growing considerably.

Overall, the Group balance sheet provides the required basis for continued internal and external growth with little goodwill, sufficient liquid assets, a large amount of equity and moderate debt.

## Employees

GESCO Group employed 1,767 people, almost exactly the same number as on the previous year's reporting date (1,765). The Group therefore managed to handle the steeply risen utilization with much the same workforce. As in the past, the Group has been employing temporary workers as and when required at peak times. Some subsidiaries are also looking for a limited number of qualified staff to expand their permanent workforces.

## Outlook and events after the reporting date

This interim report for the first nine months of the financial year comprises the subsidiaries' operating business from January to September. The positive trend continued in the subsequent fourth quarter, which encompasses the months October to December for the subsidiaries: Incoming orders within the Group amounted to around € 100 million (previous year: € 46.9 million) and Group sales to roughly € 87 million (€ 70.9 million). Both figures were significantly up year on year. Incoming orders increased yet again compared to the third quarter of the reporting year, while sales in the fourth quarter were slightly down on those in the third quarter, as is usual for the season.

Both incoming orders and sales in the fourth quarter are preliminary figures. The final values will be determined after the subsidiaries have prepared their financial statements and these have all been consolidated.

The figures for the first nine months of the financial year and the positive development in the fourth quarter prove that GESCO Group is greatly benefiting from the positive development of the economy.

The guidance published at the accounts press conference on 29 June 2010, expected Group sales to come in between € 290 million and € 320 million and Group net income after minority interest between € 9 million and € 11 million. We increased our guidance with the publication of the half-year interim report in November 2010, forecasting Group sales of around € 325 million, Group net income after minority interest of approximately € 12.5 million and earnings per share of € 4.13.

In view of the positive development in the first nine months of the financial year and the fourth quarter, we are increasing our guidance to € 334 million in Group sales, € 15 million in Group net income after minority interest and € 4.96 in earnings per share. On this basis, we are now expecting to raise the dividend considerably. For financial year 2009/2010, we distributed € 1.30 per share.

Incoming orders were up on sales in every quarter of financial year 2010/2011. This is a sign of further growth. We are therefore optimistic about developments in the new financial year 2011/2012.



We would like to advise you that GESCO AG has moved. The new address is Johannisberg 7, Wuppertal, Germany. All phone and fax numbers as well as e-mail addresses remain the same.

Yours faithfully,

GESCO AG            The Executive Board

Wuppertal, February 2011

## GESCO GROUP BALANCE SHEET AS AT 31 DECEMBER 2010 AND 31 MARCH 2010

Assets	31.12.2010 €'000	31.03.2010 €'000
<b>A. NON-CURRENT ASSETS</b>		
<b>I. Intangible assets</b>		
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets	8,530	9,636
2. Goodwill	6,693	6,693
3. Prepayments made	702	598
	<b>15,925</b>	<b>16,927</b>
<b>II. Tangible assets</b>		
1. Land and buildings	30,432	29,970
2. Technical plant and machinery	20,897	22,375
3. Other plant, fixtures and fittings	16,256	16,777
4. Prepayments made and plant under construction	1,431	1,196
5. Property held as financial investments	3,160	3,276
	<b>72,176</b>	<b>73,594</b>
<b>III. Financial assets</b>		
1. Shares in affiliated companies	15	15
2. Shares in associated companies	1,163	1,114
3. Investments	38	38
4. Securities held as fixed assets	4,080	4,069
5. Other loans	261	305
	<b>5,557</b>	<b>5,541</b>
<b>IV. Other assets</b>	<b>2,295</b>	<b>2,497</b>
<b>V. Deferred tax assets</b>	<b>2,973</b>	<b>3,011</b>
	<b>98,926</b>	<b>101,570</b>
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
1. Raw materials and supplies	17,802	16,019
2. Unfinished products and services	21,009	17,481
3. Finished products and goods	35,990	38,957
4. Prepayments made	308	531
	<b>75,109</b>	<b>72,988</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables	45,499	36,605
2. Amounts owed by affiliated companies	846	523
3. Amounts owed by companies with which a shareholding relationship exists	1,259	1,372
4. Other assets	5,587	5,978
	<b>53,191</b>	<b>44,478</b>
<b>III. Securities</b>	<b>18</b>	<b>18</b>
<b>IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques</b>	<b>37,018</b>	<b>26,942</b>
<b>V. Accounts receivable and payable</b>	<b>480</b>	<b>360</b>
	<b>165,816</b>	<b>144,786</b>
	<b>264,742</b>	<b>246,356</b>



## GESCO GROUP INCOME STATEMENT FOR THE THIRD QUARTER (1 OCTOBER TO 31 DECEMBER)

	III. Quarter 2010/2011 €'000	III. Quarter 2009/2010 €'000
Sales revenues	90,586	66,863
Change in stocks of finished and unfinished products	-1,564	658
Other company produced additions to assets	110	185
Other operating income	331	1,392
<b>Total income</b>	<b>89,463</b>	<b>69,098</b>
Material expenditure	-47,381	-36,365
Personnel expenditure	-22,464	-19,266
Other operating expenditure	-9,579	-7,212
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>10,039</b>	<b>6,255</b>
Depreciation on tangible and intangible assets	-2,885	-2,833
<b>Earnings before interest and tax (EBIT)</b>	<b>7,154</b>	<b>3,422</b>
Earnings from securities	0	1
Earnings from investments in associated companies	30	-1
Other interest and similar income	79	96
Interest and similar expenditure	-641	-719
Minority interest in partnerships	-114	-47
<b>Financial result</b>	<b>-646</b>	<b>-670</b>
<b>Earnings before tax (EBT)</b>	<b>6,508</b>	<b>2,752</b>
Taxes on income and earnings	-2,061	-839
<b>Group net income</b>	<b>4,447</b>	<b>1,913</b>
Minority interest in incorporated companies	-186	-101
<b>Group net income after minority interest</b>	<b>4,261</b>	<b>1,812</b>
Earnings per share (€) acc. to IFRS	1.41	0.60
Weighted average number of shares	3,018,798	3,017,493

## GESCO GROUP INCOME STATEMENT FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER)

	I.-III. Quarter 2010/2011 €'000	I.-III. Quarter 2009/2010 €'000
Sales revenues	247,163	206,743
Change in stocks of finished and unfinished products	1,353	-2,175
Other company produced additions to assets	314	606
Other operating income	2,702	3,967
<b>Total income</b>	<b>251,532</b>	<b>209,141</b>
Material expenditure	-134,446	-107,106
Personnel expenditure	-63,718	-60,207
Other operating expenditure	-27,310	-22,229
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>26,058</b>	<b>19,599</b>
Depreciation on tangible and intangible assets	-8,533	-8,082
<b>Earnings before interest and tax (EBIT)</b>	<b>17,525</b>	<b>11,517</b>
Earnings from securities	155	156
Earnings from investments in associated companies	49	-3
Other interest and similar income	248	299
Interest and similar expenditure	-2,080	-2,279
Third party profit share in partnerships	-164	-211
<b>Financial result</b>	<b>-1,792</b>	<b>-2,038</b>
<b>Earnings before tax (EBT)</b>	<b>15,733</b>	<b>9,479</b>
Taxes on income and earnings	-4,986	-2,991
<b>Group net income</b>	<b>10,747</b>	<b>6,488</b>
Third party profit share in incorporated companies	-752	-397
<b>Group net income after minority interests</b>	<b>9,995</b>	<b>6,091</b>
Earnings per share (€) acc. to IFRS	3.31	2.01
Weighted average number of shares	3,020,095	3,015,920

## STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER)

	I.-III. Quarter 2010/2011 €'000	I.-III. Quarter 2009/2010 €'000
Group net income	10,747	6,488
Difference from currency translation	2	-12
Revaluation of securities not impacting on income	27	-244
<b>Income and expenditure recorded directly in equity</b>	<b>29</b>	<b>-256</b>
<b>Total result for the period</b>	<b>10,776</b>	<b>6,232</b>
of which shares held by minority interest	752	397
of which shares held by GESCO shareholders	10,024	5,835

## GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

	Subscribed capital	Capital reserves	Revenue reserves
	€'000	€'000	€'000
As at 01.04.2009	7,860	36,338	53,731
Dividends			-7,537
Sale of own shares			
Stock option programme		138	
Other neutral changes			-10
Result for the period			6,091
As at 31.12.2009	7,860	36,476	52,275
As at 01.04.2010	7,860	36,529	55,130
Dividends			-3,927
Acquisition of own shares			
Sale of own shares			
Stock option programme		108	
Income and expenditure recorded in equity			9,995
As at 31.12.2010	7,860	36,637	61,198

## GESCO GROUP SEGMENT REPORT FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER)

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	2010/2011	2009/2010	2010/2011	2009/2010
Order backlog	109,639	98,076	5,792	5,233
Incoming orders	252,029	149,205	25,308	19,415
Sales revenues	223,854	186,188	22,930	20,166
of which with other segments	0	0	0	0
Depreciation	5,830	5,518	1,256	1,315
EBIT	18,934	12,367	2,977	2,374
Investments	5,374	5,623	540	589
Employees	1,556	1,553	199	199

Own shares €'000	Exchange equalisation items €'000	Revaluation IAS 39 €'000	Total €'000	Minority interests incorporated companies €'000	Equity capital €'000
-270	-255	0	97,404	5,881	103,285
			-7,537	-318	-7,855
193			193		193
			138		138
			-10		-10
	-12	-244	5,835	397	6,232
-77	-267	-244	96,023	5,960	101,983
-77	-272	-59	99,111	6,062	105,173
			-3,927	-427	-4,354
-169			-169		-169
243			243		243
			108		108
	2	27	10,024	752	10,776
-3	-270	-32	105,390	6,387	111,777

	GESCO AG		Other/consolidation		Group	
2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	
0	0	0	0	115,431	103,309	
0	0	379	389	277,716	169,009	
0	0	379	389	247,163	206,743	
0	0	0	0	0	0	
71	81	1,376	1,168	8,533	8,082	
-2,594	-2,348	-1,792	-876	17,525	11,517	
236	5	0	0	6,150	6,217	
12	13	0	0	1,767	1,765	

## GESCO GROUP CASH FLOW STATEMENT FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER)

	01.04.-31.12.2010 €'000	01.04.-31.12.2009 €'000
<b>Result for the period (including share attributable to minority interest in incorporated companies)</b>	<b>10,747</b>	<b>6,488</b>
Depreciation on fixed assets	8,533	8,082
Result from investments in associated companies	-49	3
Share attributable to minority interests in partnerships	164	211
Increase in long-term provisions	372	359
Other non-cash result	658	176
<b>Cash flow for the period</b>	<b>20,425</b>	<b>15,319</b>
Losses from the disposal of tangible/intangible assets	36	48
Gains from the disposal of tangible/intangible assets	-140	-197
Gains from the disposal of financial assets	0	-120
Increase in trade creditors and other liabilities	-10,732	4,264
Increase in stocks, trade receivables and other assets	18,001	-12,021
<b>Cash flow from ongoing business activity</b>	<b>27,590</b>	<b>7,293</b>
Incoming payments from disposals of tangible assets/intangible assets	134	159
Disbursements for investments in tangible assets	-5,976	-6,037
Disbursements for investments in intangible assets	16	9
Incoming payments from disposals of financial assets	-161	-194
Incoming payments from the sale of consolidated companies	18	0
Disbursements for the acquisition of consolidated companies	0	-7,470
<b>Cashflow from investment activity</b>	<b>-5,969</b>	<b>-13,533</b>
Disbursements to shareholders (dividend)	-3,927	-7,538
Disbursements to minority shareholders	-721	-585
Incoming payments from the sale of own shares	243	193
Disbursements for the purchase of own shares	-169	0
Incoming payments from raising (financial) loans	5,081	16,164
Outflow for repayment of (financial) loans	-12,052	-11,270
<b>Cash flow from funding activities</b>	<b>-11,545</b>	<b>-3,036</b>
<b>Cash increase in cash and cash equivalents</b>	<b>10,076</b>	<b>-9,276</b>
Financial means on 01.04.	26,960	30,365
<b>Financial means on 31.12.</b>	<b>37,036</b>	<b>21,089</b>



## EXPLANATORY NOTES

### Accounts, accounting and valuation methods

The report of GESCO Group for the first nine months (1 April to 31 December 2010) of the financial year 2010/2011 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 2010. 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.

The structure of the segment report has been adapted according to the consolidated financial statements dated 31 March 2010. In the interim reports of financial year 2009/2010, intercompany sales were consolidated under "Other/consolidation". In this interim report, they were consolidated within the operating segments instead. Previous years' figures were adjusted accordingly.

### Changes to the scope of consolidation/business combinations pursuant to IFRS 3

Georg Kesel GmbH & Co. KG, Kempten, acquired to 90% in April 2009, was consolidated for the first time on 1 May 2009. Five months of its reporting period were included in the previous year's income statement. In the period under review, it is included for a full nine months.

### 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 MAE.ch GmbH, Switzerland.

## FINANCIAL CALENDAR

15 February 2011

Publication of the figures for the first nine months (1 April to 31 December 2010)

7 June 2011

Accounts press conference and analysts' meeting

21 July 2011

Annual General Meeting at the Stadthalle, Wuppertal

August 2011

Publication of the figures for the first three months (1 April to 30 June 2011)

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)

## 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](http://www.gesco.de), send us an e-mail at [info@gesco.de](mailto:info@gesco.de) or call us on +49 202 24820-18.

## CONTACT FOR SHAREHOLDERS

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