

Q2
2010 | 2011

Half-Year Interim Report

1 April to 30 September 2010



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

- GESCO Group is experiencing upturn
- Incoming orders increase significantly
- Key earnings figures rise more steeply than sales
- Dynamic development continues in the third quarter
- Full year guidance has been increased considerably: Earnings per share expected to reach € 4.13

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

01.04.-30.09.		I. Half year 2010/2011	I. Half year 2009/2010	Change
Incoming orders	(€'000)	179,168	116,158	54.2 %
Sales revenues	(€'000)	156,577	139,880	11.9 %
EBITDA	(€'000)	16,018	13,343	20.0 %
EBIT	(€'000)	10,370	8,094	28.1 %
Earnings before tax	(€'000)	9,224	6,726	37.1 %
Group net income after minority interest	(€'000)	5,733	4,278	34.0 %
Earnings per share acc. to IFRS	(€)	1.90	1.42	33.8 %
Employees	(No.)	1,734	1,773	-2.2 %

THE GESCO GROUP AT A GLANCE

GESCO AG

**SEGMENT TOOL MANUFACTURE
AND MECHANICAL ENGINEERING**

**SEGMENT
PLASTICS TECHNOLOGY**

DEAR SHAREHOLDERS,

GESCO Group overcame the recession in the first half (1 April to 30 September 2010) of the financial year 2010/2011 (1 April 2010 to 31 March 2011) and experienced a distinctive trend reversal. Interest from customers revived, the number of incoming orders rose steeply and with a certain amount of time delay, sales also picked up. The majority of subsidiaries also felt the upturn. 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, the dynamic development continued, with the number of incoming orders and sales increasing further.

The guidance announced at the accounts press conference on 29 June 2010 forecast Group sales between € 290 million and € 320 million and Group net income after minority interest between € 9 million and € 11 million. In view of the positive results for the first half of the year and the unfaltering dynamic development in the third quarter, we are increasing our full year guidance. We now expect Group sales of around € 325 million, Group net income after minority interest of approximately € 12.5 million and earnings per share of € 4.13.

As resolved by the Annual General Meeting on 2 September 2010, a dividend of € 1.30 per share was distributed to shareholders in the period under review, corresponding to a total distribution of € 3.9 million.

Changes to the scope of consolidation

Georg Kesel GmbH & Co. KG, Kempten, acquired in April 2009, is included in this half-year interim report for the full period of six months for the first time. The company was included in the previous half-year income statement for a period of two months only.

Development of Group sales and earnings in the second quarter

Incoming orders in the second quarter were significantly up again, at € 91.4 million. This figure is 67.0 % higher than the previous year's figure of € 54.7 million.

Group sales came to € 79.8 million, exceeding the previous year's € 66.3 million by 20.4 %. While stocks of finished and unfinished products dropped steeply in the previous year, this figure rose again in the period under review. Material expenditure increased more greatly than did sales, but personnel expenditure remained almost the same. Earnings before interest, tax, depreciation and amortization (EBITDA) grew by 48.7 % to € 8.7 million (€ 5.8 million). Earnings before interest and tax (EBIT) went up by 79.8 % to € 5.8 million (€ 3.2 million). The financial result of € -0.5 million barely changed at all, while Group net income after minority interest increased by 86.1 % to € 3.3 million (€ 1.8 million). Earnings per share pursuant to IFRS were € 1.09 (€ 0.59).

Development of Group sales and earnings in the first half of the year

In the entire first half of the year, incoming orders grew by 54.2 % to € 179.2 million compared to € 116.2 million in the previous year. Group sales rose by 11.9 % to € 156.6 million (€ 139.9 million). While stocks of finished and unfinished products fell by € 2.8 million in the same period in the previous year, they increased by € 2.9 million in the period under review. Material expenditure increased more greatly than did sales, but personnel expenditure remained almost the same. Key earnings figures grew more strongly than sales, as fixed costs were being spread. Earnings before interest, tax, depreciation and amortization (EBITDA) rose by 20.0 % to € 16.0 million (€ 13.3 million). Depreciation and amortization increased slightly and earnings before interest and tax (EBIT) went up by 28.1 % to € 10.4 million (€ 8.1 million). The financial result improved from € -1.4 million to € -1.1 million. Group net income after minority interest increased by 34.0 % to € 5.7 million (€ 4.3 million). Earnings per share pursuant to IFRS were € 1.90 (€ 1.42).

Segment reporting

Both segments were able to benefit from the economic upturn and their numbers of incoming orders increased significantly: In tool manufacture and mechanical engineering by 57.8% and in plastics technology by 26.1%.

Tool manufacture and mechanical engineering remains by far the larger of the two segments. Segment sales increased from € 126.3 million to € 141.7 million. EBIT rose disproportionately to € 11.5 million (€ 9.1 million).

In the plastics technology segment, sales increased to € 14.6 million (€ 13.3 million), while EBIT rose disproportionately in this segment as well, coming in at € 1.9 million (€ 1.4 million).

Assets and financial position

The balance sheet total was up 4.0% to € 256.3 million (previous year's reporting date: € 246.4 million) as a result of the economic recovery.

On the asset side, favourable business developments led to a rise in inventories and trade receivables. Liquid assets went up to € 28.9 million (€ 26.9 million) despite the dividend of € 3.9 million being distributed in September.

On the liabilities side, equity rose again to € 107.2 million (€ 105.2 million). Because of the balance sheet total growing more strongly than equity, the equity ratio went down slightly to 41.8% (42.7%). Non-current liabilities barely changed at all, while under current liabilities, trade payables increased as a result of business having picked up. Non-current and current liabilities to financial institutions dropped from € 74.4 million to € 70.7 million.

Investments

Because in our opinion, state-of-the-art technology provides an essential competitive advantage for our subsidiaries, we invest regularly as a matter of course. In the first half of the year, GESCO Group companies invested around € 3.2 million in tangible and intangible assets (€ 4.0 million).

Employees

The number of people employed by GESCO Group decreased slightly from 1,773 as of the previous year's reporting date to 1,734. Short-time work is now only being implemented to a limited extent. In view of the swift and strong economic recovery, the strategy of keeping the majority of permanent staff throughout the crisis in 2009 paid off. Without the qualified and committed employees, GESCO Group companies would be unable to fully participate in the upturn.

Opportunity, risks and risk management

Our explanations on the subject of opportunities and risks in the consolidated financial statements as of 31 March 2010 remain essentially unchanged and valid. For more details, please refer to the Annual Report 2009/2010 which is available online at www.gesco.de.

The current general economic development is the biggest risk to the Group. On the one hand, the economy in 2010 has been recovering a lot more quickly and strongly so far than had been expected by both research institutes and the German government. On the other hand, the risks to future economic developments cannot be dismissed. Future development in important export markets is uncertain, governments are struggling with their budgets after the financial crisis and recession and the weaknesses of the eurozone have not yet been remedied. However, there are no discernible signs of an economic setback for GESCO Group at present.

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, the positive trend continued. Incoming orders for the whole Group totalled € 98.5 million (€ 52.8 million) and Group sales € 90.6 million (€ 66.9 million). Both figures are considerably up on the previous year's values as well as on the figures in the second quarter of the year under review.

Overall, GESCO Group has definitely overcome the recession and is now participating in the upturn, even though this may not yet be felt by all the subsidiaries to the same extent. The book to bill ratio was above 1 in each quarter, a sign of further growth.

When we published our full year guidance in June 2010, general economic developments in the second half of the year were still highly uncertain. In view of the positive figures for the first half of the year and the dynamic development in the third quarter, we are now increasing our guidance. Due to high

capacity utilisation, which continued in the third quarter, GESCO Group benefits considerably from spreading fixed costs and key earnings figures rise disproportionately as a result. We now anticipate sales of around € 325 million and increase our forecast for Group net income after minority interest to € 12.5 million, corresponding to earnings per share of € 4.13.

GESCO AG's business model envisages internal growth within the existing group of companies but also external growth from the acquisition of additional well-positioned niche suppliers. During the recession, it was almost impossible to evaluate potential takeovers as the outlook was too uncertain. Many company owners put their plans to sell on hold in view of the economic changes. Opportunities for acquiring new companies have now significantly improved again, in line with the economic upturn. The number of qualifying offers has increased and we see good opportunities for making an acquisition in the current financial year.

Yours faithfully,

GESCO AG The Executive Board

Wuppertal, November 2010

GESCO GROUP BALANCE SHEET AS AT 30 SEPTEMBER 2010 AND 31 MARCH 2010

Assets	30.09.2010 €'000	31.03.2010 €'000
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	8,998	9,636
2. Goodwill	6,693	6,693
3. Prepayments made	668	598
	16,359	16,927
II. Tangible assets		
1. Land and buildings	30,114	29,970
2. Technical plant and machinery	21,469	22,375
3. Other plant, fixtures and fittings	16,056	16,777
4. Prepayments made and plant under construction	933	1,196
5. Property held as financial investments	3,199	3,276
	71,771	73,594
III. Financial assets		
1. Shares in affiliated companies	15	15
2. Shares in associated companies	1,133	1,114
3. Investments	38	38
4. Securities held as fixed assets	3,951	4,069
5. Other loans	275	305
	5,412	5,541
IV. Other assets	2,288	2,497
V. Deferred tax assets	2,705	3,011
	98,535	101,570
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and supplies	17,736	16,019
2. Unfinished products and services	22,456	17,481
3. Finished products and goods	34,776	38,957
4. Prepayments made	454	531
	75,422	72,988
II. Receivables and other assets		
1. Trade receivables	44,870	36,605
2. Amounts owed by affiliated companies	630	523
3. Amounts owed by companies with which a shareholding relationship exists	1,186	1,372
4. Other assets	6,135	5,978
	52,821	44,478
III. Securities	18	18
IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques	28,918	26,942
V. Accounts receivable and payable	604	360
	157,783	144,786
	256,318	246,356

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

	II. Quarter 2010/2011 €'000	II. Quarter 2009/2010 €'000
Sales revenues	79,804	66,300
Change in stocks of finished and unfinished products	964	-3,501
Other company produced additions to assets	176	288
Other operating income	1,370	1,207
Total income	82,314	64,294
Material expenditure	-44,004	-31,826
Personnel expenditure	-20,955	-19,996
Other operating expenditure	-8,684	-6,639
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,671	5,833
Depreciation on tangible and intangible assets	-2,854	-2,598
Earnings before interest and tax (EBIT)	5,817	3,235
Earnings from securities	155	155
Earnings from investments in associated companies	14	55
Other interest and similar income	87	108
Interest and similar expenditure	-735	-802
Minority interest in partnerships	-6	18
Financial result	-485	-466
Earnings before tax (EBT)	5,332	2,769
Taxes on income and earnings	-1,689	-903
Group net income	3,643	1,866
Minority interest in incorporated companies	-357	-100
Group net income after minority interest	3,286	1,766
Earnings per share (€) acc. to IFRS	1.09	0.59
Weighted average number of shares	3,020,240	3,014,740

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

	I. Half year 2010/2011 €'000	I. Half year 2009/2010 €'000
Sales revenues	156,577	139,880
Change in stocks of finished and unfinished products	2,917	-2,833
Other company produced additions to assets	204	421
Other operating income	2,371	2,575
Total income	162,069	140,043
Material expenditure	-87,065	-70,742
Personnel expenditure	-41,254	-40,941
Other operating expenditure	-17,732	-15,017
Earnings before interest, tax, depreciation and amortisation (EBITDA)	16,018	13,343
Depreciation on tangible and intangible assets	-5,648	-5,249
Earnings before interest and tax (EBIT)	10,370	8,094
Earnings from securities	155	155
Earnings from investments in associated companies	19	-2
Other interest and similar income	169	203
Interest and similar expenditure	-1,439	-1,560
Third party profit share in partnerships	-50	-164
Financial result	-1,146	-1,368
Earnings before tax (EBT)	9,224	6,726
Taxes on income and earnings	-2,925	-2,152
Group net income	6,299	4,574
Third party profit share in incorporated companies	-566	-296
Group net income after minority interests	5,733	4,278
Earnings per share (€) acc. to IFRS	1,90	1,42
Weighted average number of shares	3,020,583	3,014,740

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

	I. Half year 2010/2011 €'000	I. Half year 2009/2010 €'000
Group net income	6,299	4,574
Difference from currency translation	12	1
Revaluation of securities not impacting on income	-109	-457
Income and expenditure recorded directly in equity	-97	-456
Total result for the period	6,202	4,118
of which shares held by minority interest	566	296
of which shares held by GESCO shareholders	5,636	3,822

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
Stock option programme		84	
Other neutral changes			-15
Income and expenditure recorded in equity			4,278
As at 30.09.2009	7,860	36,422	50,457
As at 01.04.2010	7,860	36,529	55,130
Dividends			-3,927
Acquisition of own shares			
Stock option programme		84	
Result for the period			5,733
As at 30.09.2010	7,860	36,613	56,936

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

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	2010/2011	2009/2010	2010/2011	2009/2010
Order backlog	106,236	114,050	5,174	4,863
Incoming orders	163,128	103,380	15,781	12,519
Sales revenues	141,680	126,337	14,638	13,284
of which with other segments	0	0	0	0
Depreciation	3,847	3,625	837	863
EBIT	11,541	9,064	1,860	1,356
Investments	2,983	3,712	169	304
Employees	1,528	1,554	193	206

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	-17	-7,554
			84		84
			-15		-15
	1	-457	3,822	296	4,118
-270	-254	-457	93,758	6,160	99,918
-77	-272	-59	99,111	6,062	105,173
			-3,927	-200	-4,127
-169			-169		-169
			84		84
	12	-109	5,636	566	6,202
-246	-260	-168	100,735	6,428	107,163

	GESCO AG		Other/consolidation		Group	
2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	
0	0	0	0	111,410	118,913	
0	0	259	259	179,168	116,158	
0	0	259	259	156,577	139,880	
0	0	0	0	0	0	
47	54	917	707	5,648	5,249	
-1,923	-1,563	-1,108	-763	10,370	8,094	
68	5	0	0	3,220	4,021	
13	13	0	0	1,734	1,773	

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

	01.04.-30.09.2010 €'000	01.04.-30.09.2009 €'000
Result for the period (including share attributable to minority interest in incorporated companies)	6,299	4,574
Depreciation on fixed assets	5,648	5,249
Result from investments in associated companies	-19	2
Share attributable to minority interests in partnerships	50	164
Increase in long-term provisions	146	228
Other non-cash result	803	135
Cash flow for the period	12,927	10,352
Losses from the disposal of tangible/intangible assets	31	43
Gains from the disposal of tangible/intangible assets	-138	-190
Gains from the disposal of financial assets	0	-120
Increase in stocks, trade receivables and other assets	-10,524	2,685
Increase in trade creditors and other liabilities	11,841	-10,575
Cash flow from ongoing business activity	14,137	2,195
Incoming payments from disposals of tangible assets/intangible assets	114	157
Disbursements for investments in tangible assets	-3,115	-3,720
Incoming payments from disposals of financial assets	9	4
Disbursements for investments in intangible assets	-157	-141
Disbursements for the acquisition of consolidated companies	0	-7,470
Incoming payments from the sale of consolidated companies	18	0
Cashflow from investment activity	-3,131	-11,170
Disbursements to shareholders (dividend)	-3,927	-7,552
Disbursements to minority shareholders	-484	-274
Disbursements for the purchase of own shares	-169	0
Incoming payments from raising (financial) loans	3,171	14,592
Outflow for repayment of (financial) loans	-7,621	-9,788
Cash flow from funding activities	-9,030	-3,022
Cash increase in cash and cash equivalents	1,976	-11,997
Financial means on 01.04.	26,960	30,365
Financial means on 30.09.	28,936	18,368

EXPLANATORY NOTES

Accounts, accounting and valuation methods

The report of GESCO Group for the first six months (1 April to 30 September 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 methods applied are the same as those used for the preparation of the consolidated 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. Two 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 six months.

Relationships with affiliated companies

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.

Stock option programme

On 2 September 2010, the Annual General Meeting authorised GESCO AG to buy its own shares in accordance with Section 71 (1.8) of the German Stock Corporation Act (Aktiengesetz – AktG) and to use these within the stock option programme, launched in 2007. The Executive Board and a small number of executive staff of GESCO AG benefit from this measure. As part of the stock option programme, beneficiaries must contribute shares that they have acquired themselves, certain success criteria must be met, and its possibilities to gain are limited. In September 2010, the Supervisory Board of GESCO AG launched the fourth tranche of the stock option programme, during which a total of 24,000 options were issued to members of the Executive Board and executives of GESCO AG. Each option entitles the holder to acquire one GESCO share. GESCO AG reserves the right to provide partial or full cash compensation for gains under the programme instead of issuing some or all of the shares. Non-cash expenditure under this programme is determined using a common binomial model, recorded in earnings and recognised in equity. The model assumes volatility of 36.5% and a risk-free interest rate of 5.0%. The exercise price of the options issued in September 2010 is € 42.65. The exercise price corresponds to the average XETRA closing price of the share on the first ten consecutive trading days at Frankfurt Stock Exchange after the Annual General Meeting. The waiting period is four years and two months after the option is issued: After the end of the waiting period, the options may be exercised at any time up to 15 March of the year after next. The fair value per option is € 7.18. The expenses from the stock option programme in the period under review are initially stated for one month in this interim report.

Financial audit

The condensed interim financial statements from 30 September 2010 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 2010

Publication of the figures for the first six months (1 April to 30 September 2010)

February 2011

Publication of the figures for the first nine month (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)

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.

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