



01.04.2009  
31.12.2009

# INTERIM REPORT

The first nine months of the financial year 2009/2010  
at a glance

- GESCO Group distinctly profitable despite recession
- Balance sheet remains healthy
- Worst of economic slump seems to have been overcome
- Full year guidance confirmed again

## THE GESCO GROUP AT A GLANCE

## GESCO AG

SEGMENT  
TOOL MANUFACTURE AND  
MECHANICAL ENGINEERING

SEGMENT  
PLASTICS  
TECHNOLOGY

## GESCO GROUP KEY FIGURES FOR THE FIRST NINE MONTHS OF THE FINANCIAL YEAR 2009/2010

01.04.-31.12.		I.-III. Quarter 2009/2010	I.-III. Quarter 2008/2009	Change
Incoming orders	(T€)	169,009	305,886	-44.7 %
Sales revenues	(T€)	206,743	293,190	-29.5 %
EBITDA	(T€)	19,599	40,338	-51.4 %
EBIT	(T€)	11,517	32,554	-64.6 %
Earnings before tax	(T€)	9,479	29,799	-68.2 %
Group net income after minority interests	(T€)	6,091	18,354	-66.8 %
Earnings per share acc. to IFRS	(€)	2.01	6.07	-66.9 %
Employees	(No.)	1,765	1,780	-0.8 %

**DEAR SHAREHOLDERS,**

Despite the severe recession in Germany and many export markets, GESCO Group can look back on a distinctly profitable third quarter and nine month period for the financial year 2009/2010. The first nine months of the financial year at GESCO Group (1 April to 31 December 2009) encompass the months April to December for GESCO AG and January to September for its subsidiaries.

Since the third quarter, business activities have been stabilising and customer enquiries have started to pick up again. Incoming orders in the third quarter were slightly down on the figures in the second quarter, but many subsidiaries recorded a general upward trend in the economic development of their markets. Sales revenues in the third quarter exceeded second quarter levels slightly.

We anticipate that incoming orders in the fourth quarter will beat levels in the third quarter slightly, while sales revenues will come in considerably higher than in the third quarter. This is an indication that declines have come to an end and that the worst of the economic slump has been overcome.

Even though the Group's sales revenues and earnings in the first nine months were much lower than the record results for the same period in the previous year, we achieved net earnings of € 6.1 million in the first three quarters and thereby delivered distinctly profitable results, something that cannot currently be said for large parts of the German mechanical engineering industry.

We explained in detail in the annual report for 2008/2009 and interim reports for the first three months and first six months how we have been dealing with the recession at GESCO Group. The affected companies have imposed cost-cutting measures, which have now taken their full effect. Temporary employment contracts were terminated, fixed-term contracts were allowed to expire and previously outsourced activities were reintroduced into the company, adding to the value chain. Short-time working hours were applied where necessary. At the same time, we enhanced sales activities to increase capacity utilisation.

## CHANGES TO THE SCOPE OF CONSOLIDATION

In this interim report, Georg Kesel GmbH & Co. KG, Kempten, acquired in April 2009, is included in the income statement for a period of five months. The Group balance sheet for the first three months of 2009/2010 already included Kesel's assets and liabilities. Both the interim report for the first three months of 2009/2010 and the annual report for 2008/2009 include details on this acquisition.

## DEVELOPMENT OF GROUP SALES AND EARNINGS

In the first nine months of the financial year 2009/2010, GESCO Group received consolidated incoming orders of € 169.0 million (previous year: € 305.9 million). Group sales fell by 29.5 %, from € 293.2 million to € 206.7 million. These figures already include declines in material prices of around € 25 million.

While margins in the previous year's period benefited from extremely high capacity utilisation levels and subsequent economies of scale, key earnings figures in the reporting period consequently fell more sharply than sales revenues. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € 19.6 million (€ 40.3 million). Amortisation and depreciation was roughly at the same level as in the previous year. As a result, earnings before interest and taxes (EBIT) decreased further to € 11.5 million (€ 32.6 million). The financial result improved from € -2.8 million to € -2.0 million. Group net income after minority interest reached € 6.1 million (€ 18.4 million), amounting to earnings per share of € 2.01 (€ 6.07) pursuant to IFRS.

## SEGMENT REPORTING

Compared to the previous year, segment reporting policies were changed to comply with the new requirements of IFRS 8 and to include the information used by management as performance indicators. As a result, the figures for the operating segments tool manufacture and mechanical engineering as well as plastics technology are reported in accordance with the German Commercial Code (Handelsgesetzbuch – HGB) as are those for GESCO AG, and reconciled with Group IFRS figures in the item Other/Consolidation. Previous years' figures were adjusted accordingly.

The segment tool manufacture and mechanical engineering remains by far the larger of the two segments. Segment sales decreased from € 263.8 million to € 190.2 million. EBIT dropped disproportionately to € 9.2 million (€ 31.8 million).

In the segment plastics technology, sales decreased to € 20.3 million (€ 32.5 million). This segment also saw EBIT fall disproportionately, coming in at € 2.3 million (€ 4.0 million).

Incoming orders fell in both segments with tool manufacture and mechanical engineering declining by 44.8 % and plastics technology falling by 38.4 %.

## ASSETS AND FINANCIAL POSITION

Despite the first-time consolidation of Georg Kesel GmbH & Co. KG in the first quarter, the balance sheet total was slightly down on the final figures in the annual financial statements of 2008/2009.

On the asset side, many companies' current assets decreased due to weaker operating business. Liquid assets were down to € 21.1 million (€ 30.3 million) due to financing a part of the Kesel acquisition with company funds and the dividend payment in August. Positive operating cash flow during the reporting period helped improve liquidity.

On the liabilities side, equity decreased by the dividend and increased by Group net income. Total equity was therefore € 102.0 million (€ 103.3 million), which corresponds to an almost unchanged high equity ratio of 39.7 % (39.8 %). Non-current liabilities were up due to the first-time consolidation of Kesel, while current liabilities dropped significantly, particularly as a result of declines in operating business.

## EMPLOYEES

The Group's workforce dropped slightly and amounted to 1,765 employees in the reporting period (1,780). This figure includes 45 employees of Georg Kesel GmbH & Co. KG, who were not yet included in the previous year's figures.

## OUTLOOK AND EVENTS AFTER THE REPORTING DATE

At our accounts press conference on 25 June 2009, we forecasted Group sales between € 280 million and € 310 million, Group net income after minority interest between € 7 million and € 10.5 million, and earnings per share between € 2.31 and € 3.47 for the entire financial year of 2009/2010. In the interim report for the first six months, we substantiated these plans and announced that Group net income after minority interest would come in at around the middle of the previously predicted range. We can confirm this forecast on the basis of the figures for the first nine months.

While the Group was still able to benefit from a high order backlog in the first quarter, the recession had a significant impact on the second quarter. In the third quarter, there was a slight recovery in business activities, which is likely to have continued in the fourth quarter. This confirms our impression that the worst of the economic slump has been overcome. However, future economic developments remain uncertain.

Regardless of when a sustained economic recovery sets in, we are convinced that our subsidiaries can use the crisis to their advantage to improve their competitive positions. As soon as the economy picks up again they will be able to leverage disproportionate benefits. Our high degree of technical expertise, qualified employees and healthy financial structure provide us with a sound basis for achieving just that. Increasingly customers are looking into the financial stability and shareholder base of potential suppliers – after all, they want to rest assured that the provision of services and spare parts is secure for the future. Our subsidiaries deliver on both these factors, generating a tangible competitive advantage for their operating business.

As already stated in the interim report for the first six months, we are currently reviewing industrial SMEs for their potential as possible takeovers. Valuations are not easy in these volatile times, but we see definite opportunities for external acquisition-based growth.

Yours faithfully,

GESCO AG

The Executive Board

Wuppertal, February 2010

**GESCO GROUP BALANCE SHEET**  
**AS AT 31 DECEMBER 2009 AND 31 MARCH 2009**

Assets	31.12.2009 €'000	31.03.2009 €'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	10,908	7,905
2. Goodwill	6,791	6,378
3. Prepayments made	0	87
	<b>17,699</b>	<b>14,370</b>
<b>II. Tangible assets</b>		
1. Land and buildings	30,200	29,925
2. Technical plant and machinery	22,811	21,883
3. Other plant, fixtures and fittings	16,550	17,226
4. Prepayments made and plant under construction	1,008	723
5. Property held as financial investments	3,314	3,430
	<b>73,883</b>	<b>73,187</b>
<b>III. Financial assets</b>		
1. Shares in affiliated companies	15	15
2. Shares in associated companies	1,127	1,142
3. Investments	38	38
4. Securities held as fixed assets	3,875	4,100
5. Other loans	100	100
	<b>5,155</b>	<b>5,395</b>
<b>IV. Other assets</b>	<b>957</b>	<b>857</b>
<b>V. Deferred tax assets</b>	<b>2,726</b>	<b>2,576</b>
	<b>100,420</b>	<b>96,385</b>
<b>B. Current assets</b>		
<b>I. Inventories</b>		
1. Raw materials and supplies	18,181	17,840
2. Unfinished products and services	24,780	24,387
3. Finished products and goods	40,451	44,131
4. Prepayments made	319	1,121
	<b>83,731</b>	<b>87,479</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables	39,837	37,643
2. Amounts owed by affiliated companies	947	1,015
3. Amounts owed by companies with which a shareholding relationship exists	1,796	2,261
4. Other assets	8,489	4,042
	<b>51,069</b>	<b>44,961</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>21,071</b>	<b>30,347</b>
<b>V. Accounts receivable and payable</b>	<b>438</b>	<b>408</b>
	<b>156,327</b>	<b>163,213</b>
	<b>256,747</b>	<b>259,598</b>





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

	III. Quarter 2009/2010 €'000	III. Quarter 2008/2009 €'000
<b>Sales revenues</b>	<b>66,863</b>	<b>100,382</b>
Change in stocks of finished and unfinished products	658	599
Other company produced additions to assets	185	20
Other operating income	1,392	2,351
<b>Total income</b>	<b>69,098</b>	<b>103,352</b>
Material expenditure	-36,365	-57,973
Personnel expenditure	-19,266	-22,539
Other operating expenditure	-7,212	-11,657
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>6,255</b>	<b>11,183</b>
Depreciation on tangible and intangible assets	-2,833	-2,682
<b>Earnings before interest and tax (EBIT)</b>	<b>3,422</b>	<b>8,501</b>
Earnings from securities	1	0
Earnings from investments in associated companies	-1	-16
Other interest and similar income	96	482
Interest and similar expenditure	-719	-1,228
Third party profit share in partnerships	-47	-155
<b>Financial result</b>	<b>-670</b>	<b>-917</b>
<b>Earnings before tax (EBT)</b>	<b>2,752</b>	<b>7,584</b>
Taxes on income and earnings	-839	-2,438
<b>Group net income</b>	<b>1,913</b>	<b>5,146</b>
Third party profit share in incorporated companies	-101	-436
<b>Group net income after minority interests</b>	<b>1,812</b>	<b>4,710</b>
Earnings per share (€) acc. to IFRS	0.60	1.56
Weighted average number of shares	3,017,493	3,014,298

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

	I.-III. Quarter 2009/2010 €'000	I.-III. Quarter 2008/2009 €'000
<b>Sales revenues</b>	<b>206,743</b>	<b>293,190</b>
Change in stocks of finished and unfinished products	-2,175	9,837
Other company produced additions to assets	606	439
Other operating income	3,967	3,456
<b>Total income</b>	<b>209,141</b>	<b>306,922</b>
Material expenditure	-107,106	-169,127
Personnel expenditure	-60,207	-65,970
Other operating expenditure	-22,229	-31,487
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>19,599</b>	<b>40,338</b>
Depreciation on tangible and intangible assets	-8,082	-7,784
<b>Earnings before interest and tax (EBIT)</b>	<b>11,517</b>	<b>32,554</b>
Earnings from securities	156	157
Earnings from investments in associated companies	-3	2
Other interest and similar income	299	922
Interest and similar expenditure	-2,279	-2,961
Third party profit share in partnerships	-211	-875
<b>Financial result</b>	<b>-2,038</b>	<b>-2,755</b>
<b>Earnings before tax (EBT)</b>	<b>9,479</b>	<b>29,799</b>
Taxes on income and earnings	-2,991	-9,712
<b>Group net income</b>	<b>6,488</b>	<b>20,087</b>
Third party profit share in incorporated companies	-397	-1,733
<b>Group net income after minority interests</b>	<b>6,091</b>	<b>18,354</b>
Earnings per share (€) acc. to IFRS	2.01	6.07
Weighted average number of shares	3,015,920	3,018,380

Income and expenditure recorded in equity	I.-III. Quarter 2009/2010 €'000	I.-III. Quarter 2008/2009 €'000
<b>Group net income</b>	<b>6,488</b>	<b>20,087</b>
Difference from currency translation	-12	-8
Change in market value of securities not recorded in income	-244	-820
Change in market value of derivatives not recorded in income	-60	0
Writing back provisions not recorded in income	50	0
Changes to other shareholders not recorded in income	-318	-596
Expenditure from stock option programme	138	85
<b>Income and expenditure recorded directly in equity</b>	<b>-446</b>	<b>-1,339</b>
<b>Total income and expenditure recorded in equity</b>	<b>6,042</b>	<b>18,748</b>
thereof shares held by minority interest	397	1,733
thereof shares held by GESCO shareholders	5,645	17,015

**GESCO GROUP CASH FLOW STATEMENT**  
**FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER 2009)**

	01.04.- 31.12.2009 €'000	01.04.- 31.12.2008 €'000
<b>Result for the period (including share attributable to minority interests in incorporated companies)</b>	<b>6,488</b>	<b>20,087</b>
Depreciation on fixed assets	8,082	7,784
Result from investments in associated companies	3	-2
Share attributable to minority interest in partnerships	211	875
Increase in long-term provisions	359	6
Other non-cash result	176	1,720
<b>Cash flow for the period</b>	<b>15,319</b>	<b>30,470</b>
Losses from the disposal of tangible/intangible assets	48	34
Gains from the disposal of tangible/intangible assets	-197	-76
Gains from the disposal of financial assets	-120	0
Increase in stocks, trade receivables and other assets	4,264	-35,539
Increase in trade creditors and other liabilities	-12,021	18,727
<b>Cash flow from ongoing business activity</b>	<b>7,293</b>	<b>13,616</b>
Incoming payments from the disposal of tangible assets/ intangible assets	159	89
Disbursements for investments in tangible assets	-6,037	-9,637
Incoming payments from the disposal of financial assets	9	0
Disbursements for investments in intangible assets	-194	-98
Disbursements for the acquisition of consolidated companies	-7,470	0
<b>Cash flow from investment activities</b>	<b>-13,533</b>	<b>-9,646</b>
Disbursements to shareholders (dividend)	-7,538	-7,303
Disbursements to minority shareholders	-585	-1,580
Incoming payments from the sale of own shares	193	202
Disbursements for the purchase of own shares	0	-521
Incoming payments from raising loans	16,164	10,618
Outflow for repayment of (financial) loans	-11,270	-2,613
<b>Cash flow from funding activities</b>	<b>-3,036</b>	<b>-1,197</b>
<b>Cash change in cash and cash equivalents</b>	<b>-9,276</b>	<b>2,773</b>
Financial means on 01.04.	30,365	30,105
<b>Financial means on 30.09.</b>	<b>21,089</b>	<b>32,878</b>

## GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

€'000	Subscribed capital	Capital reserves	Revenue reserves
<b>As at 01.04.2008</b>	<b>7,860</b>	<b>36,214</b>	<b>41,010</b>
Dividends			-7,303
Acquisition of own shares			
Sale of own shares			
Income and expenditure recorded in equity		85	18,354
<b>As at 31.12.2008</b>	<b>7,860</b>	<b>36,299</b>	<b>52,061</b>
<b>As at 01.04.2009</b>	<b>7,860</b>	<b>36,338</b>	<b>53,731</b>
Dividends			-7,537
Sale of own shares			
Income and expenditure recorded in equity		138	6,081
<b>As at 31.12.2009</b>	<b>7,860</b>	<b>36,476</b>	<b>52,275</b>

## GESCO GROUP SEGMENT REPORT FOR THE FIRST NINE MONTHS (1 APRIL TO 31 DECEMBER 2009)

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	2009/2010	2008/2009	2009/2010	2008/2009
Order backlog	98,076	155,941	5,233	7,868
Incoming orders	153,183	277,326	19,526	31,692
Sales revenues	190,166	263,840	20,277	32,546
of which with other segments	0	0	0	0
EBIT	9,231	31,833	2,263	3,996
Investments	5,623	7,935	589	1,719
Employees (No./Reporting date)	1,553	1,530	199	237

Own shares	Exchange equalisation items	Revaluation IAS 39	Total	Minority interests incorporated companies	Equity capital
-13	53	97	85,221	4,624	89,845
			-7,303		-7,303
-521			-521		-521
202			202		202
	-8	-820	17,611	1,137	18,748
-332	45	-723	95,210	5,761	100,971
-270	-255	0	97,404	5,881	103,285
			-7,537		-7,537
193			193		193
	-12	-244	5,963	79	6,042
-77	-267	-244	96,023	5,960	101,983

	GESCO AG		Other/consolidation		Group	
	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009
	0	0	0	0	103,309	163,809
	0	0	-3,700	-3,132	169,009	305,886
	0	0	-3,700	-3,196	206,743	293,190
	0	0	0	0	0	0
	-2,348	-3,258	2,371	-17	11,517	32,554
	5	95	0	0	6,217	9,749
	13	13	0	0	1,765	1,780

## EXPLANATORY NOTES

### ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The report of GESCO Group for the first nine months (1 April to 31 December 2009) of the financial year 2009/2010 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 2009. In the case of foreign currency payables, the valuations were taken from the annual financial statements. 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.

### CHANGES TO THE SCOPE OF CONSOLIDATION / COMPANY MERGERS ACCORDING 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 operations are included in the income statement for the reporting period.

### THIRD 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, Frank Lemeks TOW, Ukraine, and MAE.ch GmbH, Switzerland.





**FINANCIAL CALENDAR****3 February 2010**

Publication of the figures for the first nine months  
(1 April to 31 December 2009)

**29 June 2010**

Accounts press conference and analysts' meeting

**August 2010**

Publication of the figures for the first three months  
(1 Apr. to 30 June 2010)

**2 September 2010**

Annual General Meeting at the Stadthalle, Wuppertal

**November 2010**

Publication of the figures for the first six months  
(1 Apr. to 30 Sep. 2010) and dispatch of the interim report





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