



01.04.2009
30.09.2009 **HALF-YEAR INTERIM REPORT**

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

- Incoming orders, sales and earnings down
- GESCO Group distinctly profitable despite recession
- Full year guidance confirmed again, figures should be around the middle of the forecast corridor
- The worst of the economic crisis seems to be over but future development still remains uncertain

THE GESCO GROUP AT A GLANCE

GESCO AG

SEGMENT
TOOL MANUFACTURE AND
MECHANICAL ENGINEERING

SEGMENT
PLASTICS
TECHNOLOGY

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

01.04.-30.09.		I. Half year 2009/2010	I. Half year 2008/2009	Change
Incoming orders	€'000	116,158	218,207	-46.8 %
Sales revenues	€'000	139,880	192,808	-27.5 %
EBITDA	€'000	13,343	29,156	-54.2 %
EBIT	€'000	8,094	24,054	-66.4 %
Earnings before tax	€'000	6,726	22,216	-69.7 %
Group net income after minority interests	€'000	4,278	13,645	-68.6 %
Earnings per share acc. to IFRS	(€)	1.42	4.51	-68.5 %
Employees	(No.)	1,773	1,738	2.0 %

DEAR SHAREHOLDERS,

Most of the GESCO Group companies felt the effects of the recession in the first six months of the financial year 2009/2010. Although some of our companies saw positive development, most of them suffered from the impacts of the massive economic slump. As an industrial group that produces capital goods and has a sizeable direct and indirect export business, we cannot escape the negative effects of the ailing global economy.

The first six months of the financial year at GESCO Group (1 April to 30 September 2009) encompass the months April to September for GESCO AG and January to June for its subsidiaries. The development of our operating business illustrated in this interim report therefore falls within the worst period of the recession in Germany and many of our export markets.

Figures fell sharply compared to the same period in the previous year, as during that time the Group recorded record levels of incoming orders, sales and earnings. As the recession worsened, sales and therefore capacity utilisation decreased, making it impossible to maintain the high margins of these boom times. However, in the first six months of the financial year 2009/2010, GESCO Group was nevertheless profitable and was distinctly in the black.

In the annual report for the financial year 2008/2009, we explained in detail how GESCO Group is managing the recession. In the meantime, comprehensive cost-cutting measures have showed their results. We adjusted the number of temporary workers and employees with fixed-term employment contracts, for example, and work that had until now been outsourced to third parties is now being carried out inhouse again, adding to the value chain. Depending on the situation in each company, short-time work is used to adjust personnel figures to capacities. Many employees at GESCO AG and its subsidiaries voluntarily went without part of their wages, a contribution to our attempts to cut costs. With this gesture, they also wanted to show their solidarity with colleagues affected by short-time. At the same time, we increased sales activities to increase capacities.

Overall, business in the first six months developed in line with our forecast, which we published at the accounts press conference on 25 June 2009.

In the period under review, the dividend of € 2.50 per share, which was adopted at the Annual General Meeting on 27 August 2009, was distributed to shareholders. This was the highest payout in the history of the company, totalling € 7.5 million. In the previous year, the distributed dividend amounted to € 2.42 per share (€ 2.20 basic dividend plus € 0.22 bonus).

CHANGES TO THE SCOPE OF CONSOLIDATION

In this interim report, Georg Kesel GmbH & Co. KG, Kempten, 90 % of which was acquired by us in April 2009, is included in the income statement for the first time for a period of two 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 the financial year 2009/2010 and the annual report for 2008/2009 include details on this acquisition.

DEVELOPMENT OF GROUP SALES AND EARNINGS

Incoming orders for the whole Group totalled € 116.2 million. This figure is significantly lower than the previous year figure of € 218.2 million. Sales revenue fell by 27.5 % to € 139.9 million (previous year: € 192.8 million).

As expected, key earnings figures suffered greater decreases than sales, as the previous year's buoyant economy allowed GESCO Group to make optimum use of its capacities and therefore spread fixed costs. Earnings before interest, tax, depreciation and amortisation (EBITDA) totalled € 13.3 million, compared to € 29.2 million in the same period in the previous year. As depreciation and amortisation remained almost the same, earnings before interest and tax (EBIT) dropped even more sharply to € 8.1 million (€ 24.1 million). The financial result improved from € -1.8 million to € -1.4 million. Group net income after minority interests amounted to € 4.3 million (€ 13.6 million), while earnings per share pursuant to IFRS totalled € 1.42 (€ 4.51).

Although GESCO Group's income potential fell way below the record figures of the previous year during the period under review, the company still managed to remain in the black despite the serious recession.

SEGMENT REPORT

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 under Other/Consolidation pursuant to IFRS on a Group level. Previous years' figures were adjusted accordingly.

Tool manufacture and mechanical engineering remains by far the larger of the two segments. Segment sales decreased from € 172.1 million to € 129.2 million. EBIT dropped disproportionately to € 6.3 million (€ 24.1 million).

In the segment plastics technology, sales decreased to € 13.4 million (previous year: € 23.0 million), while EBIT fell disproportionately in this segment as well, coming in at € 1.2 million (€ 3.7 million).

In both segments, incoming orders fell: in tool manufacture and mechanical engineering by 45.7 % and in plastics technology by 48.9 %.

FINANCIAL SITUATION

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

Many subsidiaries recorded drops in inventories and trade receivables on the asset side due to the weaker operating business. However, due to the initial consolidation of Kesel, these positions remained almost unchanged in the balance sheet total. Liquid assets were down to € 18.4 million (previous year: € 30.3 million), due to financing a part of the Kesel acquisition with own funds and mainly as a result of the dividend payment in August.

On the liabilities side, equity decreased by the amount of this dividend and increased by the amount of group net income. Total equity was therefore € 99.9 million (€ 103.3 million), which corresponds to an equity ratio of 39.1 % (39.8%). Non-current liabilities were up due to the initial consolidation of Kesel. Current liabilities dropped significantly as a result of the fall in operating business.

INVESTMENTS

In past years, GESCO Group has invested greatly in the technical equipment of its subsidiaries. There is no investment backlog. In view of the serious recession, we, like many other companies, reviewed all our investments. Measures that were not absolutely necessary were put on the backburner, but we invested in expanding our subsidiaries with confirmed orders as and when required. At VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH, for example, we started constructing a new assembly facility, which is due for completion at the beginning of 2010. Hubl GmbH extended its service range with a new high performance laser stamp centre.

In the first six months of the financial year 2009/2010, we invested a total of € 4.0 million in our subsidiaries' tangible and intangible assets, 30.2 % less than in the same period of the previous year (€ 5.8 million).

EMPLOYEES

The number of people employed by GESCO Group increased from 1,738 as of the previous year's reporting date to 1,773. This is the result of the initial consolidation of the 45 employees of Georg Kesel GmbH & Co. KG. Without them, employee headcount would have dropped.

Due to falling demand, the affected GESCO Group companies terminated temporary employment contracts and did not extend fixed-term contracts. Short-time work was used in various ways by many companies as well. The strategic objective of the subsidiaries was to keep their permanent staff – as long as it is economically viable – in an effort to profit from the pending upturn, avoid losing know-how and maintain their reputation as an attractive employer.

OPPORTUNITIES, RISKS AND RISK MANAGEMENT

Our explanations on the subject of opportunities and risks in the consolidated financial statements as of 31 March 2009 remain essentially unchanged and valid. Please refer to the in-depth explanation in the annual report for 2008/2009, which can be accessed online at www.gesco.de.

As GESCO Group is partly financed in Swiss francs, there is always a certain amount of uncertainty regarding the exchange rates on the reporting date at the end of the financial year. For interim reports, liabilities in foreign currencies are recognised at the values stated in the latest annual financial statements. GESCO Group has been partly financed in Swiss francs for many years and at each reporting date the Group records currency gains or losses which are predominantly not liquidity-related. These effects are offset by strong advantages for the Group's liquidity, as Switzerland benefits from significantly lower interest rates.

At present, general economic development is the biggest risk to the Group. Even though during recent months, economic indicators and German government forecasts show signs that the economy will recover in 2010, future economic development in Germany and abroad still remains largely uncertain.

OUTLOOK AND EVENTS AFTER THE END OF THE REPORTING PERIOD

The first six months of the financial year at GESCO Group (1 April to 30 September 2009), corresponding to January to June for the subsidiaries, came during low point of the recession in Germany. While the Group was still able to benefit from high existing order volumes in the first quarter, the recession was significantly felt during the second quarter. The third quarter, which runs from July to September in operating business, will show slightly better results. From September 2009, some of the subsidiaries record a slight improvement, partly because many customers have to restock their empty stores. It is our impression that the economic slump has bottomed out. However, future development remains highly uncertain. It is difficult to forecast when the economy will make a sustainable recovery. Although some indicators paint a better picture than only three months ago, the situation in the mechanical engineering industry remains rather difficult.

At our accounts press conference on 25 June 2009, we forecast Group sales between € 280 million and € 310 million, Group net income after minority interests 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. We can confirm this forecast. According to present knowledge, the final earnings figures are likely to be somewhere in the middle of this range.

Our strategy for tackling the current financial and economic crisis is based on reducing costs in the affected subsidiaries as well as driving sales and innovation in order to gain new customers and tap new markets. As much as it is necessary to cut costs, we do not wish to damage the foundation of the companies by going "over the top with savings". We would rather strengthen our position, as we see further good opportunities in the medium and long term for GESCO Group. Our operating subsidiaries are well positioned and soundly financed. They have dedicated managers and motivated staff. This gives them a good chance to improve their market position during the crisis and to benefit from the coming upturn with above-average figures. As we already explained in our interim report for the first three months, we are also continuing to assess several medium-sized companies with view to a potential takeover, in order to prepare a broader basis for the coming upturn by utilising external growth.

Yours faithfully,

GESCO AG

The Executive Board

Wuppertal, November 2009

GESCO GROUP BALANCE SHEET
AS AT 30 SEPTEMBER 2009 AND 31 MARCH 2009

Assets	30.09.2009 €'000	31.03.2009 €'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	10,972	7,905
2. Goodwill	6,791	6,378
3. Prepayments made	250	87
	18,013	14,370
II. Tangible assets		
1. Land and buildings	30,379	29,925
2. Technical plant and machinery	21,714	21,883
3. Other plant, fixtures and fittings	16,826	17,226
4. Prepayments made and plant under construction	1,755	723
5. Property held as financial investments	3,353	3,430
	74,027	73,187
III. Financial assets		
1. Shares in affiliated companies	15	15
2. Shares in associated companies	1,133	1,142
3. Investments	38	38
4. Securities held as fixed assets	3,667	4,100
5. Other loans	100	100
	4,953	5,395
IV. Other assets	963	857
V. Deferred tax assets	2,637	2,576
	100,593	96,385
B. Current assets		
I. Inventories		
1. Raw materials and supplies	18,637	17,840
2. Unfinished products and services	24,249	24,387
3. Finished products and goods	43,756	44,131
4. Prepayments made	923	1,121
	87,565	87,479
II. Receivables and other assets		
1. Trade receivables	36,942	37,643
2. Amounts owed by affiliated companies	854	1,015
3. Amounts owed by companies with which a shareholding relationship exists	2,091	2,261
4. Other assets	8,795	4,042
	48,682	44,961
III. Securities	18	18
IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques	18,350	30,347
V. Accounts receivable and payable	653	408
	155,268	163,213
	255,861	259,598

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

	II. Quarter 2009/2010 €'000	II. Quarter 2008/2009 €'000
Sales revenues	66,300	100,443
Change in stocks of finished and unfinished products	-3,501	4,488
Other company produced additions to assets	288	0
Other operating income	1,207	524
Total income	64,294	105,455
Material expenditure	-31,826	-57,582
Personnel expenditure	-19,996	-22,144
Other operating expenditure	-6,639	-10,495
Earnings before interest, tax, depreciation and amortisation (EBITDA)	5,833	15,234
Depreciation on tangible and intangible assets	-2,598	-2,583
Earnings before interest and tax (EBIT)	3,235	12,651
Earnings from securities	155	157
Earnings from investments in associated companies	55	53
Other interest and similar income	108	159
Interest and similar expenditure	-802	-750
Third party profit share in partnerships	18	-291
Financial result	-466	-672
Earnings before tax (EBT)	2,769	11,979
Taxes on income and earnings	-903	-3,794
Group net income	1,866	8,185
Third party profit share in incorporated companies	-100	-691
Group net income after minority interests	1,766	7,494
Earnings per share (€) acc. to IFRS	0.59	2.48
Weighted average number of shares	3,014,740	3,017,413

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

	I. Half year 2009/2010 €'000	I. Half year 2008/2009 €'000
Sales revenues	139,880	192,808
Change in stocks of finished and unfinished products	-2,833	9,238
Other company produced additions to assets	421	419
Other operating income	2,575	1,105
Total income	140,043	203,570
Material expenditure	-70,742	-111,153
Personnel expenditure	-40,941	-43,431
Other operating expenditure	-15,017	-19,830
Earnings before interest, tax, depreciation and amortisation (EBITDA)	13,343	29,156
Depreciation on tangible and intangible assets	-5,249	-5,102
Earnings before interest and tax (EBIT)	8,094	24,054
Earnings from securities	155	157
Earnings from investments in associated companies	-2	18
Other interest and similar income	203	440
Interest and similar expenditure	-1,560	-1,733
Third party profit share in partnerships	-164	-720
Financial result	-1,368	-1,838
Earnings before tax (EBT)	6,726	22,216
Taxes on income and earnings	-2,152	-7,274
Group net income	4,574	14,942
Third party profit share in incorporated companies	-296	-1,297
Group net income after minority interests	4,278	13,645
Earnings per share (€) acc. to IFRS	1.42	4.51
Weighted average number of shares	3,014,740	3,020,079

Income and expenditure recorded in equity	I. Half year 2009/2010 €'000	I. Half year 2008/2009 €'000
Group net income	4,574	14,942
Difference from currency translation	1	-80
Change in market value of securities not recorded in income	-457	-954
Change in market value of derivatives not recorded in income	-65	0
Writing back provisions not recorded in income	50	0
Changes to other shareholders not recorded in income	-17	-590
Expenditure from stock option programme	84	46
Income and expenditure recorded directly in equity	-404	-1,578
Total income and expenditure recorded in equity	4,170	13,364
thereof shares held by minority interest	296	1,297
thereof shares held by GESCO shareholders	3,874	12,067

GESCO GROUP CASH FLOW STATEMENT
FOR THE FIRST HALF YEAR (1 APRIL TO 30 SEPTEMBER 2009)

	01.04.- 30.09.2009 €'000	01.04.- 30.09.2008 €'000
Result for the period (including share attributable to minority interests in incorporated companies)	4,574	14,942
Depreciation on fixed assets	5,249	5,102
Result from investments in associated companies	2	-18
Share attributable to minority interests in partnerships	164	720
Decrease in long-term provisions	228	-13
Other non-cash result	135	46
Cash flow for the period	10,352	20,779
Losses from the disposal of tangible/intangible assets	43	35
Gains from the disposal of tangible/intangible assets	-190	-59
Gains from the disposal of financial assets	-120	0
Increase in stocks, trade receivables and other assets	2,685	-38,581
Increase in trade creditors and other liabilities	-10,575	18,662
Cash flow from ongoing business activity	2,195	836
Incoming payments from the disposal of tangible assets/ intangible assets	157	72
Disbursements for investments in tangible assets	-3,720	-5,687
Disbursements for investments in intangible assets	-141	-68
Incoming payments from the disposal of financial assets	4	0
Disbursements for the acquisition of consolidated companies	-7,470	0
Cash flow from investment activities	-11,170	-5,683
Disbursements to shareholders (dividend)	-7,552	-7,303
Disbursements to minority shareholders	-274	-1,565
Disbursements for the purchase of own shares	0	-298
Incoming payments from raising loans	14,592	13,077
Outflow for repayment of (financial) loans	-9,788	-2,247
Cash flow from funding activities	-3,022	1,664
Cash increase in cash and cash equivalents	-11,997	-3,183
Financial means on 01.04.	30,365	30,105
Financial means on 30.09.	18,368	26,922

GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

€'000	Subscribed capital	Capital reserves	Revenue reserves
As at 01.04.2008	7,860	36,214	41,010
Dividends			-7,303
Acquisition of own shares			
Income and expenditure recorded in equity		46	13,645
As at 30.09.2008	7,860	36,260	47,352
As at 01.04.2009	7,860	36,338	53,731
Dividends			-7,537
Income and expenditure recorded in equity		84	4,263
As at 30.09.2009	7,860	36,422	50,457

GESCO GROUP SEGMENT REPORT FOR THE FIRST HALF YEAR (1 APRIL TO 30 SEPTEMBER 2009)

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	2009/2010	2008/2009	2009/2010	2008/2009
Order backlog	114,393	164,659	4,863	10,622
Incoming orders	106,396	195,901	12,631	24,714
Sales revenues	129,190	172,065	13,397	23,035
of which with other segments	0	0	0	0
EBIT	6,332	24,095	1,244	3,716
Investments	3,712	4,884	304	786
Employees (No./Reporting date)	1,554	1,490	206	235

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
-298			-298		-298
	-80	-954	12,657	707	13,364
-311	-27	-857	90,277	5,331	95,608
-270	-255	0	97,404	5,881	103,285
			-7,537		-7,537
	1	-457	3,891	279	4,170
-270	-254	-457	93,758	6,160	99,918

	GESCO AG		Other/consolidation		Group	
	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009
	0	0	- 343	0	118,913	175,281
	0	0	-2,869	-2,408	116,158	218,207
	0	0	-2,707	-2,292	139,880	192,808
	0	0	0	0	0	0
	-1,563	-1,760	2,081	-1,997	8,094	24,054
	5	90	0	0	4,021	5,760
	13	13	0	0	1,773	1,738

INFORMATION

ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The report of GESCO Group for the first six months (1 Apr. to 30 Sept. 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 applied accounting and valuation methods are the same as those used for the preparation of the consolidated financial statements on 31 March 2009. Liabilities in foreign currencies were recognised at the values used in 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 / BUSINESS COMBINATIONS PURSUANT TO IFRS

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 are included in the income statement for that reporting period.

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.

STOCK OPTION PROGRAMME

On 27 August 2009, 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 2009, the Supervisory Board of GESCO AG launched the third 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 26.0 % and a risk-free interest rate of 5.0 %. The exercise price of the options issued in September 2009 is € 39.11. The exercise price corresponds to the average XETRA closing price of the share on the ten executive trading days after the Annual General Meeting. The waiting period is two years and nine 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 € 6.62. 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 2009 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

9 November 2009

Publication of the figures for the first six months (1 Apr. to 30 Sep. 2009) and dispatch of the interim report

February 2010

Publication of the figures for the first nine months (1 Apr. to 31 Dec. 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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