



01.04.2009  
30.06.2009

# INTERIM REPORT

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

- Recession leads to declines in sales and incoming orders
- Net income distinctly positive
- Liquidity and equity remain at a high level
- Environment for acquisitions has improved
- Targets for the full year are retained

## THE GESCO GROUP AT A GLANCE

## GESCO AG

SEGMENT  
TOOL MANUFACTURE AND  
MECHANICAL ENGINEERING

SEGMENT  
PLASTICS  
TECHNOLOGY

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

01.04.-30.06.		I. Quarter 2009/2010	I. Quarter 2008/2009	Change
Incoming orders	€'000	61,431	115,556	-46.8%
Sales revenues	€'000	73,580	92,365	-20.3%
EBITDA	€'000	7,510	13,922	-46.1%
EBIT	€'000	4,859	11,403	-57.4%
Earnings before tax	€'000	3,957	10,237	-61.3%
Group net income after minority interest	€'000	2,512	6,151	-59.2%
Earnings per share acc. to IFRS	(€)	0.83	2.03	-59.1%
Employees	(No.)	1,762	1,719	2.5%

## DEAR SHAREHOLDERS,

As anticipated, the recession started to have an impact on GESCO Group in the first quarter (1 Apr. to 30 June 2009) of the 2009/2010 financial year. Aside from a few exceptions, the companies of GESCO Group recorded a decline in operating business. As a Group of companies which produces investment goods, is a major supplier to the German industrial sector and has considerable direct and indirect exports, we have also been unable to avoid the dramatic economic slump. This development is in line with the expectations we communicated at the accounts press conference on 25 June 2009.

In contrast, the environment for company acquisitions has generally improved. Many potential buyers have left the market and business owners are again prepared to reach concessions and determine purchase prices with variable components based on future company development. Yet given the huge economic uncertainty, it is currently difficult to value companies.

In the annual report for the 2008/2009 financial year, we explained in detail GESCO Group's situation on entering the recession, what countermeasures the subsidiaries are taking and why we believe it is likely we will emerge from the current crisis in a position of strength. In the fourth quarter of 2008/2009 and in the first quarter of 2009/2010, the subsidiaries developed and implemented company-specific sets of measures, adjusted their capacities, initiated cost cutting programmes and also intensified their sales activities.

## CHANGES TO THE SCOPE OF CONSOLIDATION

In April 2009, GESCO AG acquired 90 % of Georg Kesel GmbH & Co. KG, Kempten as part of a succession plan, while the managing director took over 10 % of the shares. Kesel is a niche provider in milling machine construction and clamping technology. The company generated sales of around € 11 million with approximately 45 employees in the previous year. We already reported on this acquisition in detail in the annual report for the 2008/2009 financial year. Kesel was consolidated for the first time in the present balance sheet and the company will be entered into the income statement for the first time in the second quarter.

## GROUP SALES AND EARNINGS

While the first quarter of the previous year's period was exceptionally strong, the reporting period revealed a decline in incoming orders and sales. Earnings key figures dropped disproportionately as expected, after recording significantly above average increases in previous periods mainly due to spreading fixed costs and the prices enabled by the boom.

In the first quarter of the previous year, incoming orders amounted to € 115.6 million, the highest value in the company's history. In contrast, incoming orders in the first quarter of the current 2009/2010 financial year totalled € 61.4 million. Group sales amounted to € 73.6 million and were 20.3 % down on the € 92.4 million recorded in the previous year's period.

EBITDA (earnings before interest, tax, depreciation and amortisation) totalled € 7.5 million and was 46.1 % below the previous year's value of € 13.9 million. Since depreciation remained almost unchanged compared to the previous year's quarter, earnings before interest and tax (EBIT) recorded an even stronger decrease and amounted to € 4.9 million (previous year's period € 11.4 million). The financial result improved from € -1.2 million to € -0.9 million. Group net income after minority interest totalled € 2.5 million compared to € 6.2 million in the first quarter of the previous year. This corresponds to earnings per share according to IFRS of € 0.83 (€ 2.03).

## SEGMENT DEVELOPMENT

Compared to the previous year, segment reporting was adapted to the changed requirements of IFRS 8 and was based on the information used by management as performance indicators. The figures for the operating segments tool manufacture/mechanical engineering and plastics technology as well as GESCO AG are therefore reported according to German Commercial Code (HGB) and reconciled with IFRS Group figures in the column other/consolidation. The previous year's values have been adjusted accordingly.

Tool manufacture and mechanical engineering is still the larger of the two segments. While incoming orders in the first quarter of the previous year were still at the record level of € 102.9 million, they amounted to € 54.9 million in the reporting period. Sales dropped by 14.6 % to € 70.2 million (€ 82.1 million). EBIT recorded a disproportionate decrease to € 4.9 million (€ 11.2 million).

The smaller segment plastics technology also recorded a substantial decline in business activity. Incoming orders dropped to € 7.5 million (€ 14.2 million), while sales decreased from € 11.6 million to € 6.6 million. EBIT also recorded a stronger decline than sales in this segment, coming in at € 0.7 million (€ 1.9 million).

## FINANCIAL SITUATION

Changes in the balance sheet were significantly impacted by the first time consolidation of Georg Kesel GmbH & Co. KG and the general decline in the operating business. Overall, total assets increased by 7.3 % to € 278.5 million (reporting date 31 March 2009: € 259.6 million).

On the assets side, tangible and intangible assets increased as a result of the first time consolidation of Kesel. Current assets also included the corresponding assets from Kesel. Many subsidiaries recorded a decrease in inventories and receivables due to the weaker operating business, while current inventories increased for some companies with still relatively buoyant business. As of the reporting date, there was a slight increase in inventory. Liquid assets amounted to € 27 million on the reporting date (€ 30 million).

On the liabilities side, equity increased to € 105.7 million due to the result for the period (previous year: € 103.3 million). The equity ratio amounted to 38.0 % on the reporting date (39.8 %) and was therefore still at a high level. Non-current and current liabilities also increased as a result of the Kesel acquisition among other things.

All in all, GESCO Group still has exceptionally healthy balance sheet structures. There is complete room for manoeuvre as far as the balance sheet is concerned both in terms of investments in existing subsidiaries and acquisitions.

## EMPLOYEES

The Group's workforce amounted to 1,762 employees on the reporting date. This was up on the value of 1,719 for the previous year's reporting date, yet below the 1,795 at the end of the financial year (31 March 2009).

The workforce of Georg Kesel GmbH & Co. KG, totalling 46 employees, is still not included in the present interim report.

In reaction to the decline in demand, the affected companies of GESCO Group have terminated temporary employment agreements and not extended short-term employment contracts. In addition, we also made use of short-time work in a number of ways.

## OUTLOOK AND EVENTS AFTER THE REPORTING DATE

While the effects of the recession were only sporadic in GESCO Group at the end of the 2008/2009 financial year, the first quarter was impacted by many companies recording a decrease in sales and in particular by major declines in incoming orders.

The first quarter of GESCO Group (1 Apr. to 30 June) includes the months April to June of GESCO AG and the months January to March of the subsidiaries. After the end of the first quarter, many subsidiaries continued to record disappointing development in incoming orders and sales, meaning sales and earnings for the second quarter fell short of those for the first quarter. We anticipate a recovery in the second half of the year, albeit moderate.

Our forecast for the 2009/2010 financial year released at the accounts press conference on 25 June 2009 projects Group sales between € 280 million and € 310 million and Group net income after minority interest of between € 7 million and € 10.5 million. This corresponds to earnings per share according to IFRS of between € 2.31 and € 3.47. Based on the information available up to now, we are maintaining this forecast.

We are currently looking at a number of industrial SMEs with a view to a takeover. Opportunities for acquisitions have improved considerably, however it is difficult to make forecasts about companies' future economic development in the current economic environment. SME sector transactions are also sometimes impacted by emotional factors as far as the seller is concerned. This is why it is not possible to make concrete forecasts about acquisitions. However aside from the purchase of Kesel, we see realistic opportunities in the current 2009/2010 financial year to make further acquisitions and therefore broaden the company's foundations for the next recovery period.

Yours sincerely,

GESCO AG

The Executive Board

Wuppertal, August 2009

**GESCO GROUP BALANCE SHEET**  
**AS AT 30 JUNE 2009 AND 31 MARCH 2009**

Assets	30.06.2009 €'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	11,443	7,905
2. Goodwill	6,791	6,378
3. Prepayments made	117	87
	<b>18,351</b>	<b>14,370</b>
<b>II. Tangible assets</b>		
1. Land and buildings	30,468	29,925
2. Technical plant and machinery	22,126	21,883
3. Other plant, fixtures and fittings	17,217	17,226
4. Prepayments made and plant under construction	749	723
5. Property held as financial investments	3,391	3,430
	<b>73,951</b>	<b>73,187</b>
<b>III. Financial assets</b>		
1. Shares in affiliated companies	15	15
2. Shares in associated companies	1,050	1,142
3. Investments	38	38
4. Securities held as fixed assets	3,916	4,100
5. Other loans	100	100
	<b>5,119</b>	<b>5,395</b>
<b>IV. Other assets</b>	<b>843</b>	<b>857</b>
<b>V. Deferred tax assets</b>	<b>2,582</b>	<b>2,576</b>
	<b>100,846</b>	<b>96,385</b>
<b>B. Current assets</b>		
<b>I. Inventories</b>		
1. Raw materials and supplies	19,980	17,840
2. Unfinished products and services	28,509	24,387
3. Finished products and goods	45,365	44,131
4. Prepayments made	1,115	1,121
	<b>94,969</b>	<b>87,479</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables	42,999	37,643
2. Amounts owed by affiliated companies	1,000	1,015
3. Amounts owed by companies with which a shareholding relationship exists	2,311	2,261
4. Other assets	8,364	4,042
	<b>54,674</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>26,946</b>	<b>30,347</b>
<b>V. Accounts receivable and payable</b>	<b>1,021</b>	<b>408</b>
	<b>177,628</b>	<b>163,213</b>
	<b>278,474</b>	<b>259,598</b>





**GESCO GROUP INCOME STATEMENT**  
**FOR THE FIRST QUARTER (1 APRIL TO 30 JUNE)**

	I. Quarter 2009/2010 €'000	I. Quarter 2008/2009 €'000
<b>Sales revenues</b>	<b>73,580</b>	<b>92,365</b>
Change in stocks of finished and unfinished products	668	4,750
Other company produced additions to assets	133	419
Other operating income	1,368	581
<b>Total income</b>	<b>75,749</b>	<b>98,115</b>
Material expenditure	-38,916	-53,571
Personnel expenditure	-20,945	-21,287
Other operating expenditure	-8,378	-9,335
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>7,510</b>	<b>13,922</b>
Depreciation on tangible and intangible assets	-2,651	-2,519
<b>Earnings before interest and tax (EBIT)</b>	<b>4,859</b>	<b>11,403</b>
Earnings from investments in associated companies	-57	-35
Other interest and similar income	95	281
Interest and similar expenditure	-758	-983
Minority interest in partnerships	-182	-429
<b>Financial result</b>	<b>-902</b>	<b>-1,166</b>
<b>Earnings before tax (EBT)</b>	<b>3,957</b>	<b>10,237</b>
Taxes on income and earnings	-1,249	-3,480
<b>Group net income</b>	<b>2,708</b>	<b>6,757</b>
Minority interest in incorporated companies	-196	-606
<b>Group net income after minority interest</b>	<b>2,512</b>	<b>6,151</b>
Earnings per share (€) acc. to IFRS	0.83	2.03
Weighted average number of shares	3,014,740	3,021,495

Income and expenditure recorded in equity	I. Quarter 2009/2010 €'000	I. Quarter 2008/2009 €'000
<b>Group net income</b>	<b>2,708</b>	<b>6,757</b>
Difference from currency translation	-110	-231
Change in market value of securities not recorded in income	-212	-885
Expenditure from stock option programme	40	20
<b>Income and expenditure recorded directly in equity</b>	<b>-282</b>	<b>-1,096</b>
<b>Total income and expenditure recorded in equity</b>	<b>2,426</b>	<b>5,661</b>
thereof shares held by minority interest	196	606
thereof shares held by GESCO shareholders	2,230	5,055

## 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>	
Payments to minority interest				
Recorded income and expenditure		20	6,151	
<b>As at 30.06.2008</b>	<b>7,860</b>	<b>36,234</b>	<b>47,161</b>	
<b>As at 01.04.2009</b>	<b>7,860</b>	<b>36,338</b>	<b>53,731</b>	
Payments to minority interest				
Recorded income and expenditure		40	2,512	
<b>As at 30.06.2009</b>	<b>7,860</b>	<b>36,378</b>	<b>56,243</b>	

## GESCO GROUP SEGMENT REPORT FOR THE FIRST QUARTER (1 APRIL TO 30 JUNE 2009)

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	2009/2010	2008/2009	2009/2010	2008/2009
Order backlog	131,277	159,905	6,376	11,656
Incoming orders	54,926	102,928	7,492	14,117
Sales revenues	70,154	82,116	6,560	11,574
of which with other segments	0	0	0	0
EBIT	4,872	11,235	665	1,896
Investments	1,432	1,740	197	150
Employees (No./Reporting date)	1,531	1,477	218	229

Own shares	Exchange equalisation items	Revaluation IAS 39	Total	Minority interests incorporated companies	Equity capital
-13	53	97	85,221	4,624	89,845
				-609	-609
0	-231	-885	5,055	606	5,661
-13	-178	-788	90,276	4,621	94,897
-270	-255	0	97,404	5,881	103,285
				-26	-26
0	-110	-212	2,230	196	2,426
-270	-365	-212	99,634	6,051	105,685

	GESCO AG		Other/consolidation		Group	
	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009
	0	0	0	0	137,653	171,561
	0	0	-987	-1,489	61,431	115,556
	0	0	-3,134	-1,325	73,580	92,365
	0	0	0	0	0	0
	-812	-918	134	-810	4,859	11,403
	3	85	0	0	1,632	1,975
	13	13	0	0	1,762	1,719

**GESCO GROUP CASH FLOW STATEMENT**  
**FOR THE FIRST QUARTER (1 APRIL TO 30 JUNE 2009)**

	01.04.- 30.06.2009 €'000	01.04.- 30.06.2008 €'000
<b>Result for the period (including share attributable to minority interest in incorporated companies)</b>	<b>2,708</b>	<b>6,757</b>
Depreciation on fixed assets	2,651	2,519
Result from investments in associated companies	57	35
Share attributable to minority interests in partnerships	182	429
Increase/Decrease in long-term provisions	93	-9
Other non-cash result	-20	20
<b>Cash flow for the period</b>	<b>5,671</b>	<b>9,751</b>
Losses from the disposal of tangible/intangible assets	4	12
Gains from the disposal of tangible/intangible assets	-91	-48
Increase in stocks, trade receivables and other assets	-10,904	-24,132
Increase in trade creditors and other liabilities	3,557	14,068
<b>Cash flow from ongoing business activity</b>	<b>-1,763</b>	<b>-349</b>
Incoming payments from the disposal of tangible assets/ intangible assets	97	61
Disbursements for investments in tangible assets	-1,460	-1,899
Disbursements for investments in intangible assets	-157	-45
Disbursements for the acquisition of consolidated companies	-7,470	0
<b>Cash flow from investment activities</b>	<b>-8,990</b>	<b>-1,883</b>
Disbursements to minority shareholders	-323	-1,573
Incoming payments from raising (financial) loans	11,388	7,184
Outflow for repayment of (financial) loans	-3,713	-841
<b>Cash flow from funding activities</b>	<b>7,352</b>	<b>4,770</b>
<b>Cash increase in cash and cash equivalents</b>	<b>-3,401</b>	<b>2,538</b>
Financial means on 01.04.	30,365	30,105
<b>Financial means on 30.06.</b>	<b>26,964</b>	<b>32,643</b>

## EXPLANATORY NOTES

### ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The report of GESCO Group for the first quarter (1 Apr. to 30 June 2009) of the 2009/2010 financial year was prepared on the basis of the 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 the 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, of which a 90 % share was acquired at the end of April 2009, was consolidated for the first time on 1 May 2009. The company is included in the present balance sheet with its asset and liability items. The purchase price allocation carried out in the present balance sheet is temporary according to IFRS 3.61 ff. The company was not included in the present income statement.

### OTHER INFORMATION

In the annual report for the 2008/2009 financial year, we referred to the current audit of the consolidated financial statements on 31 March 2008 by the Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung). This process has now been completed. The Federal Financial Supervisory Authority (BaFin) ordered the errors detected by the Financial Reporting Enforcement Panel (FREP) to be published. GESCO AG complied by publishing information in the online Bundesanzeiger (Federal Gazette).

## FINANCIAL CALENDAR

**27 August 2009**

Annual General Meeting at the Stadthalle, Wuppertal

**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



GESCO AG

DÖPPERSBERG 19

D-42103 WUPPERTAL

PHONE +49 202 24820-0

FAX +49 202 24820-49

E-MAIL [INFO@GESCO.DE](mailto:INFO@GESCO.DE)

WEBSITE [WWW.GESCO.DE](http://WWW.GESCO.DE)