



INTERIM REPORT

1 APRIL TO 30 JUNE 2006

The first quarter of financial year 2006/2007 at a glance

- GESCO continues growth trend
- 13 % increase in sales, 26 % increase in earnings
- GESCO Group expands through acquisition of Frank Walz- und Schmiedetechnik GmbH



Tradition
Innovation
Vision

THE GESCO GROUP AT A GLANCE

GESCO AG	
SEGMENT TOOL MANUFACTURE AND MECHANICAL ENGINEERING	SEGMENT PLASTICS TECHNOLOGY

**IMPORTANT KEY INDICATORS FROM THE GESCO GROUP
FOR THE FIRST QUARTER OF FINANCIAL YEAR 2006/2007**

01.04.-30.06.		I. Quarter 2006/2007	I. Quarter 2005/2006	Change
Incoming orders	(EUR'000)	63,418	58,252	8.9 %
Sales revenues	(EUR'000)	60,362	53,321	13.2 %
EBITDA	(EUR'000)	7,121	5,917	20.3 %
EBIT	(EUR'000)	5,224	4,084	27.9 %
Earnings before tax	(EUR'000)	4,958	3,793	30.7 %
Group net income	(EUR'000)	2,525	2,004	26.0 %
Earnings per share	(EUR)	0.92	0.80	15.0 %
Employees	(No.)	1,315	1,205	9.1 %

DEAR SHAREHOLDERS,

In the first quarter (01.04. - 30.06.2006) of financial year 2006/2007, the GESCO Group continued its successful growth trend. Operating business remains lively at our subsidiaries, with sales increasing by around 13 % and Group net income displaying doubly strong growth at 26 %. The fact that the first quarter of the previous year was the weakest period in terms of sales and income should be taken into account.

On 18 July 2006, following the end of the reporting period, GESCO AG acquired 100 % of the shares in Frank Walz- und Schmiedetechnik GmbH in Hatzfeld as part of a succession process, resulting in external growth for the GESCO Group. The company was established 170 years ago as an iron mill and is regarded today as the leading agri-technology forge in Europe. Frank has around 200 staff members in Germany and abroad and sales figures of around EUR 20 million. The company's figures will be included for five months of the current financial year. The figures for Frank are not taken into account in the present quarterly report.

GROUP SALES AND EARNINGS

Incoming orders for the GESCO Group increased in the first quarter by 8.9 % from EUR 58.3 million to EUR 63.4 million. Group sales rose from EUR 53.3 million to EUR 60.4 million. Around 8.2 % of this sales growth of 13.2 % is organic, i.e. not attributable to changes in the scope of consolidation, while around 5 % of growth is attributable to the acquisition of the Dömer Group in August 2005.

Earnings figures increased overproportionally. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 20.3 % to EUR 7.1 million (previous year EUR 5.9 million). With virtually unchanged depreciation, earnings before interest and tax (EBIT) reached EUR 5.2 million (previous year EUR 4.1 million), an increase of 27.9 %. Group net income climbed from EUR 2.0 million to EUR 2.5 million, representing growth of 26.0 %. On the basis of the current total equity of 2,749,000 bearer shares, earnings per share stand at EUR 0.92 (previous year EUR 0.80 based on 2,500,000 shares).

SEGMENT REPORT

Our largest segment, tool manufacture and mechanical engineering, achieved 14.8 % growth in sales compared with the same quarter in the previous year and an EBIT increase of 35.0 %. Incoming orders rose by 11.5 %. The plastics technology segment increased its sales by 5.8 % and its EBIT by 10.9 %. Incoming orders in this segment were 4.1 % down on the same period in the previous year, but we expect to see a revival in demand during the course of the year.

EMPLOYEES

The staff complement at the GESCO Group rose on the year from 1,205 to 1,315. This is mainly attributable to the addition of the Dömer Group, which was not taken into account in the first quarter of the previous year.

OUTLOOK

The first quarter results show that the GESCO Group remains on course for growth. Following above-average development in the previous year, in which increases in the price of materials also contributed to the growth in sales figures and some subsidiaries benefited from short-term special economic impetus which has now come to an end, business activity is now increasing across the board.

Alongside this highly satisfactory development in the existing portfolio, we have also expanded the Group by external growth. As an established niche provider, Frank Walz- und Schmiedetechnik GmbH, which we acquired in July, represents a valuable addition to the GESCO Group. We anticipate further good opportunities in the future to expand the Group by acquiring additional medium-sized industrial companies.

During the accounts press conference on 29 June 2006, we announced a sales forecast of EUR 245 million and an earnings forecast of EUR 9.8 million, or EUR 3.56 per share, for financial year 2006/2007. Frank Walz- und Schmiedetechnik GmbH, acquired in July, was not taken into account in this forecast. Frank will be included in the consolidated financial statements for five months, which means that Group sales should reach around EUR 253 million. The acquisition of Frank will have little impact on Group net income in the year of first-time consolidation.

Yours sincerely

GESCO AG

The Executive Board

Wuppertal, August 2006

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

	I. Quarter 2006/2007 EUR'000	I. Quarter 2005/2006 EUR'000
Sales revenues	60,362	53,321
Change in stocks of finished and unfinished products	3,600	964
Other company produced additions to assets	285	8
Other operating income	213	315
Total performance	64,460	54,608
Expenditure on raw materials	-34,876	-28,915
Personnel expenditure	-16,005	-14,596
Other operating expenditure	-6,458	-5,180
Earnings before interest, tax, depreciation and amortisation (EBITDA)	7,121	5,917
Depreciation on tangible and intangible assets	-1,897	-1,833
Earnings before interest and tax (EBIT)	5,224	4,084
Earnings from investments in associated companies	73	111
Other interest and similar income	145	101
Interest and similar expenditure	-484	-503
Financial result	-266	-291
Earnings before tax (EBT)	4,958	3,793
Taxes on income and earnings	-2,044	-1,586
Earnings after tax	2,914	2,207
Share of profit attributable to minority interests	-389	-203
Group net income	2,525	2,004
Earnings per share (EUR)	0.92	0.80
Weighted average number of shares	2,747,970	2,492,815
Earnings per share (EUR) based on 2,749,000 (reporting year) and 2,500,000 shares (previous year)	0.92	0.80

**GESCO GROUP BALANCE SHEET
AS AT 30 JUNE 2006 AND 31 MARCH 2006**

Assets	30.06.2006 EUR'000	31.03.2006 EUR'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	6,697	6,957
2. Goodwill	5,510	5,510
3. Prepayments made	63	51
	12,270	12,518
II. Tangible assets		
1. Land and buildings	25,889	25,972
2. Technical plant and machinery	15,625	16,232
3. Other plant, fixtures and fittings	9,949	10,022
4. Prepayments made and plant under construction	2,208	1,020
5. Property held as financial investments	3,922	3,962
	57,593	57,208
III. Financial assets		
1. Shares in affiliated companies	13	1
2. Shares in associated companies	1,437	1,365
3. Investments	27	27
4. Securities held as fixed assets	2,756	2,775
	4,233	4,168
IV. Other assets	1,637	1,524
V. Deferred tax assets	1,220	1,338
	76,953	76,756
B. Current assets		
I. Inventories		
1. Raw materials and supplies	12,163	9,738
2. Unfinished goods, unfinished services	13,303	9,697
3. Finished products and goods	23,643	22,383
4. Prepayments made	421	409
	49,530	42,227
II. Receivables and other assets		
1. Trade receivables	32,883	32,980
2. Claims on companies with which a shareholding relationship exist	1,063	1,181
3. Other assets	3,086	3,504
	37,032	37,665
III. Securities	27	27
IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques	16,963	17,526
V. Prepaid expenses	514	229
	104,066	97,674
	181,019	174,430

Equity and liabilities	30.06.2006 EUR'000	31.03.2006 EUR'000
A. Equity		
I. Share capital	7,147	7,147
II. Capital reserves	27,180	27,180
III. Revenue reserves	20,309	17,784
IV. Own shares	-30	-30
V. Revaluation IAS39	-117	-97
VI. Minority interests	4,064	4,322
	58,553	56,306
B. Non-current liabilities		
I. Provisions for pensions	8,936	8,917
II. Other long-term provisions	2,164	2,164
III. Liabilities to financial institutions	44,776	43,911
IV. Other liabilities	3,593	3,393
V. Deferred tax liabilities	3,768	4,139
	63,237	62,524
C. Current liabilities		
I. Other provisions	9,881	8,283
II. Liabilities		
1. Liabilities to financial institutions	13,875	12,511
2. Trade creditors	11,298	10,334
3. Prepayments received on orders	6,052	5,314
4. Liabilities from accepting bills drawn	973	1,108
5. Liabilities to companies with which a shareholding relationship exists	5	5
6. Other liabilities	17,145	18,045
	49,348	47,317
	59,229	55,600
	181,019	174,430

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

EUR'000	Tool manufacture and mechanical engineering		Plastics technology	
	2006/2007	2005/2006	2006/2007	2005/2006
Incoming orders	54,167	48,587	9,126	9,513
Sales revenues	50,833	44,283	9,404	8,885
of which with other segments	0	0	0	0
EBIT	4,555	3,373	1,255	1,132
EBITDA	5,992	4,669	1,659	1,609
Financial result	-266	-225	-79	-55
of which income from associated companies	0	0	0	0
Depreciation	1,437	1,296	404	477
of which unscheduled	0	0	0	0
Segment assets	129,311	107,249	25,219	24,834
of which shares in associated companies	0	0	0	0
Segment liabilities	47,668	40,138	4,939	4,423
Investments	1,969	401	103	175
Employees (No./Reporting date)	1,068	969	237	226

**CHANGES IN THE SHAREHOLDERS' EQUITY
OF THE GESCO GROUP**

EUR'000	Subscribed capital	Capital reserves
As at 01.04.2005	6,500	21,142
Revaluation of securities not impacting on income		
Other neutral changes		
Results for the period		
As at 30.06.2005	6,500	21,142
As at 01.04.2006	7,147	27,180
Revaluation of securities not impacting on income		
Other neutral changes		
Results for the period		
As at 30.06.2006	7,147	27,180

GESCO AG		Other/ consolidation		Group	
2006/2007	2005/2006	2006/2007	2005/2006	2006/2007	2005/2006
0	0	125	152	63,418	58,252
0	0	125	153	60,362	53,321
0	0	0	0	0	0
-613	-496	27	75	5,224	4,084
-598	-481	68	120	7,121	5,917
4	-154	76	143	-265	-291
0	0	73	111	73	111
15	15	41	45	1,897	1,833
0	0	0	0	0	0
14,849	7,292	11,640	12,902	181,019	152,277
0	0	1,437	1,119	1,437	1,119
6,905	5,745	62,953	58,807	122,465	109,113
40	58	-3	0	2,109	634
10	10	0	0	1,315	1,205

Revenue reserves	Own shares	Revaluation IAS 39	Total	Minority interests	Shareholders' equity
10,668	-21	400	38,689	3,189	41,878
		-233	-233		-233
				-688	-688
2,004			2,004	203	2,207
12,672	-21	167	40,460	2,704	43,164
17,784	-30	-97	51,984	4,322	56,306
		-20	-20		-20
				-647	-647
2,525			2,525	389	2,914
20,309	-30	-117	54,489	4,064	58,553

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

	01.04. -30.06.2006 EUR'000	01.04. -30.06.2005 EUR'000
Group net income for the period (including share of income attributable to minority interests)	2,914	2,207
Depreciation on fixed assets	1,897	1,833
Profit on investments in associated companies	-73	-111
Increase in long term provisions	19	10
Cash flow for the period	4,757	3,939
Increase in inventories, trade receivables and other assets	-6,950	-9,285
Increase in trade creditors and other liabilities	2,094	2,945
Cash flow from ongoing business activity	-99	-2,401
Incoming payments from the disposal of tangible assets/intangible assets	2	24
Disbursements for investments in tangible assets	-2,036	-526
Disbursements for the acquisition of consolidated companies	-12	0
Cash flow from investment activities	-2,046	-502
Disbursements to minority shareholders	-647	-688
Incoming payments from raising loans	2,229	2,965
Cash flow from funding activities	1,582	2,277
Cash increase in financial means	-563	-626
Financial means on 01.04.	17,553	10,518
Financial means on 30.06.	16,990	9,892

EXPLANATORY NOTES

ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The GESCO Group's report for the first quarter (01.04.-30.06.2006) of financial year 2006/2007 was prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to the statements by the International Accounting Standards Board (IASB).

As in the consolidated financial statements for financial year 2005/2006 and contrary to IAS 32, shares held by third parties in our partnerships are still reported as a separate item under equity in the present quarterly report. These shares refer to the investments of managing directors in the companies they manage as well as their share of the company results. The regulations of IAS 32 state that for partnerships these shares should be reported as borrowings. However, given the long-term nature of our investments this is not appropriate and would result in a misleading presentation. The principles of IFRS accounting, which call for a reliable view of the assets, financial position and earnings of the company, therefore contradict the application of IAS 32 in this instance.

ACCOUNTING AND VALUATION PRINCIPLES

In principle, the accounting and valuation principles applied here correspond to those used for the consolidated financial statements as at 31.03.2006. The valuation rate of the annual financial statements was retained for currency liabilities.

FINANCIAL CALENDAR

24 August 2006 / 10.30 a.m.

Annual General Meeting in the Stadthalle, Wuppertal

November 2006

Publication of the figures for the first six months (01.04.-30.09.2006) and dispatch of the interim report

February 2007

Publication of the figures for the first nine months (01.04.-31.12. 2006)

28 June 2007

Accounts press conference and analysts' meeting

August 2007

Publication of the figures for the first quarter (01.04.-30.06.2007)

23 August 2007

Annual General Meeting in the Stadthalle, Wuppertal

November 2007

Publication of the figures for the first six months (01.04.-30.09.2007) and dispatch of the interim report



**Tradition
Innovation
Vision**

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