



QUARTERLY REPORT

1 APRIL TO 31 DECEMBER 2005

The first nine months of financial year 2005/2006 at a glance

- Continuing dynamic trend with special economic impetus holding up longer than expected
- Overproportional increase in earnings
- Planning for year as a whole confirmed



Tradition
Innovation
Vision

THE GESCO GROUP AT A GLANCE

GESCO AG	
SEGMENT TOOL MANUFACTURE AND MECHANICAL ENGINEERING	SEGMENT PLASTICS TECHNOLOGY

KEY FIGURES FROM THE GESCO GROUP FOR
THE FIRST NINE MONTHS OF FINANCIAL YEAR 2005/2006

01.04.-31.12.		I.-III. quarter 2005/2006	I.-III. quarter 2004/2005	Change
Incoming orders	(EUR'000)	184,961	147,163	25.7 %
Sales revenues	(EUR'000)	171,896	140,022	22.8 %
EBITDA	(EUR'000)	18,970	14,616	29.8 %
EBIT	(EUR'000)	13,567	9,165	48.0 %
Earnings before tax	(EUR'000)	12,471	8,625	44.6 %
Group net income	(EUR'000)	6,695	4,485	49.3 %
Earnings per share	(EUR)	2.44 ¹	1.79 ²	36.3 %
Earnings per share according to IFRS	(EUR)	2.58 ³	1.80 ⁴	43.3 %
Employees	(No.)	1,326	1,229	7.9 %

¹ with 2,749,000 shares² with 2,500,000 shares³ with an average number of shares of 2,593,569⁴ with an average number of shares of 2,491,140

DEAR SHAREHOLDERS,

The third quarter of financial year 2005/2006 continued to see very positive development for the GESCO Group. For the nine-month period (01.04.-31.12.2005), we recorded a sales growth of 22.8 %, which was accompanied by an overproportional increase in profits of 48.0 % in EBIT and 49.3 % in Group net income. Incoming orders continued to exceed sales. Overall, the special economic impetus from which some of our companies are benefiting, is holding up longer than was expected at the beginning of the financial year. Given these circumstances, we increased our forecasts in November and then again in December 2005. These forecasts are confirmed in the nine-month figures.

As announced in the half-year report, we acquired the Dömer Group in Lennestadt in August 2005 as part of a typical succession process. Dömer is involved in stamping, bending and forming technology and, with its workforce of around 80, generates annual sales of at least EUR 10 million. In view of this acquisition, we issued 249,000 new shares in September 2005 as part of a capital increase, resulting in a net injection of funds into GESCO AG of around EUR 6.7 million.

In line with GESCO's philosophy of giving directors an interest in the equity of the companies they manage, the two directors of Dörrenberg Edelstahl GmbH each acquired a 5 % share in the company, financially effective from 1 January 2006.

GROUP SALES AND EARNINGS

In the nine-month period, sales in the GESCO Group rose by 22.8 % to EUR 171.9 million (previous year: EUR 140.0 million). Around 3.3 % of this growth was due to changes in the scope of consolidation: the figures for the Setter Group, acquired in April 2004, were only included for five months of the comparable period for the previous year and the Dömer Group, acquired in August 2005, appeared in the reporting period for the first time with only one month's figures being shown in the consolidated financial statements.

Reaching EUR 18.9 million, EBITDA (earnings before interest, tax, depreciation and amortisation) recorded exceptional growth of 29.8 %. With virtually unchanged depreciation, EBIT (earnings before interest and tax) climbed significantly more sharply, rising by 48.0 % to EUR 13.6 million. Group net income rose to EUR 6.7 million, representing a growth of 49.3 %. On the basis of the current total equity of 2,749,000 shares, earnings per share stands at EUR 2.44.

SEGMENT REPORT

Tool manufacture and mechanical engineering account for around 85 % of sales and continue to represent the bigger of our two segments. The strong growth in sales of 23 % was accompanied by clearly overproportional growth in profits. The plastics technology segment, up by 22 %, enjoyed a roughly similar growth in sales. There was also a welcome increase in performance ratios, even though they grew less than sales due to higher prices for raw materials.

FINANCIAL SITUATION

The 17.9 % increase in total assets to EUR 171 million is mainly attributable to the acquisition of the Dömer Group, the capital increase and the expansion of operations within the GESCO Group.

With a consolidated capital ratio of at least 30 % and liquid funds of around EUR 14 million, the GESCO Group's assets are in a decidedly healthy state and provide a comfortable basis for further growth.

EMPLOYEES

With the first-time inclusion of the staff at the Dömer Group, acquired in August 2005, the staff complement stands at 1,326 (previous year 1,229). The number of employees at individual companies remains largely unaltered.

OUTLOOK

The nine-month figures support the forecast which was revised upwards on 2 December 2005 for the year as a whole. We are confident that we shall reach the forecast figures of around EUR 229 million for sales and around EUR 8.9 million for Group net income, representing earnings per share of EUR 3.24 on the full equity of 2,749,000 shares. The financial year 2005/2006 can therefore be seen as exceptionally strong in terms of profits. This is partly due to the special economic impetus which is lasting longer than expected in the current financial year. The annual financial statements for financial year 2005/2006, ending on 31 March 2006, will be presented at the accounts press conference on 29 June 2006.

No future acquisitions are currently being taken into account in our planning as we cannot predict a particular time for such an acquisition. As usual, we are constantly assessing small and medium-sized industrial companies with a view to a possible takeover. The same high standards continue to apply to any potential acquisitions due to the long-term nature of our investments.

No events of particular significance occurred after the end of the reporting period.

GESCO AG

The Executive Board

Wuppertal, February 2006

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

	III. quarter 2005/2006 EUR'000	III. quarter 2004/2005 EUR'000
Sales revenues	58,881	50,862
Change in stocks of finished and unfinished products	-269	-601
Other company produced additions to assets	8	8
Other operating income	502	1,358
Total performance	59,122	51,627
Expenditure on raw materials	-29,674	-25,433
Personnel expenditure	-15,687	-14,773
Other operating expenditure	-6,764	-5,563
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6,997	5,858
Depreciation on tangible and intangible assets	-1,875	-2,004
Earnings before interest and tax (EBIT)	5,122	3,854
Earnings from securities	0	0
Earnings from investments in associated companies	-9	31
Other interest and similar income	85	72
Interest and similar expenditure	-533	-742
Financial result	-457	-639
Earnings before tax (EBT)	4,665	3,215
Taxes on income and earnings	-1,999	-1,433
Earnings after tax	2,666	1,782
Share of profit attributable to minority interests	-211	-168
Group net income	2,455	1,614
Earnings per share (EUR) according to IFRS	0.89	0.65
Weighted number of shares (No.)	2,744,528	2,492,815

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

	I.-III. quarter 2005/2006 EUR'000	I.-III. quarter 2004/2005 EUR'000
Sales revenues	171,896	140,022
Change in stocks of finished and unfinished products	668	914
Other company produced additions to assets	23	23
Other operating income	1,247	2,004
Total performance	173,834	142,963
Expenditure on raw materials	-90,641	-70,274
Personnel expenditure	-45,335	-42,774
Other operating expenditure	-18,888	-15,299
Earnings before interest, tax, depreciation and amortisation (EBITDA)	18,970	14,616
Depreciation on tangible and intangible assets	-5,403	-5,451
Earnings before interest and tax (EBIT)	13,567	9,165
Earnings from securities	124	0
Earnings from investments in associated companies	121	851
Other interest and similar income	297	323
Interest and similar expenditure	-1,638	-1,714
Financial result	-1,096	-540
Earnings before tax (EBT)	12,471	8,625
Taxes on income and earnings	-5,178	-3,565
Earnings after tax	7,293	5,060
Share of profit attributable to minority interests	-598	-575
Group net income	6,695	4,485
Earnings per share (EUR) according to IFRS	2.58	1.80
Weighted number of shares (No.)	2,593,569	2,491,140
Earnings per share (EUR) on 2,749,000 shares (previous year: 2,500,000 shares)	2.44	1.79

GESCO GROUP BALANCE SHEET
AS AT 31 DECEMBER 2005 AND 31 MARCH 2005

	31.12.2005	31.03.2005
	EUR'000	EUR'000
Assets		
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	7,361	8,038
2. Goodwill	4,312	4,240
3. Prepayments made	0	10
	11,673	12,288
II. Tangible assets		
1. Land and buildings	23,350	22,444
2. Technical plant and machinery	17,163	14,095
3. Other plant, fixtures and fittings	10,809	9,523
4. Prepayments made and plant under construction	1,182	530
5. Property held as financial investments	4,194	4,722
	56,698	51,314
III. Financial assets		
1. Shares in affiliated companies	1	1
2. Shares in associated companies	1,240	1,119
3. Investments	27	46
4. Securities held as fixed assets	3,030	3,342
	4,298	4,508
IV. Other assets	1,061	1,091
V. Deferred tax assets	1,476	1,783
	75,206	70,984
B. Current assets		
I. Inventories		
1. Raw materials and supplies	10,180	9,307
2. Unfinished goods, unfinished services	8,462	8,501
3. Finished products and goods	24,271	14,428
4. Prepayments made	161	205
	43,074	32,441
II. Receivables and other assets		
1. Trade receivables	33,941	27,508
2. Claims on companies with which a shareholding relationship exists	1,571	867
3. Other assets	3,426	2,674
	38,938	31,049
III. Securities	27	27
IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques	13,541	10,491
V. Prepaid expenses	323	78
	95,903	74,086
	171,109	145,070

	31.12.2005	31.03.2005
	EUR'000	EUR'000
Equity and liabilities		
A. Equity		
I. Share capital	7,147	6,500
II. Capital reserves	27,180	21,142
III. Revenue reserves	15,114	10,668
IV. Own shares	-31	-21
V. Revaluation IAS39	86	400
VI. Minority interests	3,277	3,189
	52,773	41,878
B. Non-current liabilities		
I. Provisions for pensions	8,559	8,310
II. Liabilities to financial institutions	49,555	42,924
III. Other liabilities	3,294	3,017
IV. Deferred tax liabilities	2,858	3,860
	64,266	58,111
C. Current liabilities		
I. Other provisions	11,264	7,293
II. Liabilities		
1. Liabilities to financial institutions	10,450	9,707
2. Trade creditors	10,060	7,778
3. Prepayments received on orders	4,223	4,092
4. Liabilities from accepting bills drawn	1,174	1,721
5. Liabilities to companies with which a shareholding relationship exists	5	5
6. Other liabilities	16,888	14,485
	42,800	37,788
III. Prepaid Income	6	0
	54,070	45,081
	171,109	145,070

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

EUR'000	Tool manufacture and mechanical engineering		Plastics technology		GESCO AG		Other/ consolidation		Group	
	2005/2006	2004/2005	2005/2006	2004/2005	2005/2006	2004/2005	2005/2006	2004/2005	2005/2006	2004/2005
Incoming orders	157,957	120,911	26,571	25,844	0	0	433	408	184,961	147,163
Sales revenues	145,940	118,574	25,523	20,958	0	0	433	490	171,896	140,022
of which with other segments	0	0	0	0	0	0	0	0	0	0
EBIT	12,854	8,080	2,673	2,462	-2,193	-1,470	233	93	13,567	9,165
EBITDA	16,760	12,151	3,986	3,626	-2,144	-1,384	368	223	18,970	14,616
Financial result	-684	-783	-166	594	-475	-406	229	55	-1,096	-540
of which income from associated companies	0	0	0	744	0	0	121	107	121	851
Depreciation	3,906	4,071	1,313	1,164	49	86	135	130	5,403	5,451
of which unscheduled	0	0	0	0	0	0	0	0	0	0
Segment assets	122,688	103,414	25,134	26,647	9,767	8,421	13,520	15,297	171,109	153,779
which shares in associated companies	0	0	0	0	0	0	1,240	1,143	1,240	1,143
Segment liabilities	43,369	36,056	4,545	4,218	5,486	6,647	64,936	67,303	118,336	114,224
Investments	5,595	2,832	538	1,772	59	128	-2	-278	6,190	4,454
Employees (No./Reporting date)	1,078	984	238	236	10	9	0	0	1,326	1,229

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

EUR'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares	Revaluation IAS 39	Total	Minority interests	Shareholders' equity
As at 01.04.2004	6,500	21,142	6,122	-85	0	33,679	2,653	36,332
Revaluation of securities not impacting on income					85	85		85
Disposal of own shares				61		61		61
Dividends			-1,744			-1,744		-1,744
Other neutral changes						0	-443	-443
Results for the period			4,485			4,485	575	5,060
As at 31.12.2004	6,500	21,142	8,863	-24	85	36,566	2,785	39,351
As at 01.04.2005	6,500	21,142	10,668	-21	400	38,689	3,189	41,878
Revaluation of securities not impacting on income					-314	-314		-314
Acquisition of own shares				-85		-85		-85
Disposal of own shares				75		75		75
Dividends			-2,249			-2,249		-2,249
Capital increase	647	6,038				6,685		6,685
Other neutral changes						0	-510	-510
Results for the period			6,695			6,695	598	7,293
As at 31.12.2005	7,147	27,180	15,114	-31	86	49,496	3,277	52,773

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

	01.04.- 31.12.2005 EUR'000	01.04.- 31.12.2004 EUR'000
Group net income for the period (including share of income attributable to minority interests)	7,293	5,060
Depreciation on fixed assets	5,403	5,451
Profit on investments in associated companies	-121	-107
Increase in long term provisions	249	217
Other non-cash income	-91	350
Cash flow for the period	12,733	10,971
Earnings/losses from the disposal of tangible assets	79	-744
Increase in inventories, trade receivables and other assets	-16,676	-8,932
Increase in trade creditors and other liabilities	5,696	3,421
Cash flow from ongoing business activity	1,832	4,716
Incoming payments from the disposal of tangible assets/intangible assets	118	178
Disbursements for investments in tangible/intangible assets	-6,009	-4,368
Incoming payments from the disposal of financial assets	328	796
Disbursements for the acquisition of consolidated companies	-4,510	-4,234
Cash flow from investment activities	-10,073	-7,628
Net Capital Increase	6,685	-
Disbursements to shareholders (dividends)	-2,248	-1,744
Disbursements for the acquisition of own shares	-85	0
Incoming payments from the sale of own shares	75	61
Disbursements to minority shareholders	-510	-442
Incoming payments from minority shareholders	0	235
Incoming payments from raising loans	7,374	6,073
Cash flow from funding activities	11,291	4,183
Cash increase in financial means	3,050	1,271
Financial means on 01.04.	10,518	14,135
Financial means on 31.12.	13,568	15,406

ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The GESCO Group's Report for the nine-month period (01.04.-31.12.2005) of financial year 2005/2006 was prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to the statements by the International Accounting Standards Board IASB. All the relevant International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) have been applied, taking into account the interpretations of the Standing Interpretation Committee (SIC) and IFRIC interpretations (IFRIC). The 2004 version of the statements has been applied.

In principle, the accounting and valuation methods correspond to those used for the consolidated financial statements as at 31.03.2005. For liabilities denominated in foreign currencies, the valuation approach of the annual financial statements has been applied.

The presentation of the comparable figures for the previous year has been adjusted so as to facilitate comparison with the reporting period.

FINANCIAL CALENDAR

15 February 2006

Publication of the figures for the first three quarters (01.04.-31.12.2005)

31 March to 2 April 2006

"Invest" Investment Fair in Stuttgart

29 June 2006

Accounts press conference and analysts' conference

August 2006

Publication of the figures for the first quarter (01.04.-30.06.2006)

24 August 2006

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 three quarters (01.04.-31.12.2006)



**Tradition
Innovation
Vision**

GESCO AG

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