



INTERIM REPORT

1 APRIL TO 30 SEPTEMBER 2005

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

- Strong growth in sales and earnings
- Incoming orders remain above sales
- The GESCO Group expands by acquiring the Dömer Group
- Successfully placed capital increase strengthens capital base
- Rise in earnings per share despite increased number of shares
- The GESCO Group increases its forecast for the year as a whole



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 SIX MONTHS OF FINANCIAL YEAR 2005/2006

01.04.-30.09.		I. Half year 2005/2006	I. Half year 2004/2005	Change
Incoming orders	(EUR'000)	120,096	97,639	23.0 %
Sales revenues	(EUR'000)	113,015	89,160	26.8 %
EBITDA	(EUR'000)	11,973	8,759	36.7 %
EBIT	(EUR'000)	8,445	5,311	59.0 %
Earnings before tax	(EUR'000)	7,806	5,410	44.3 %
Group net income	(EUR'000)	4,240	2,871	47.7 %
Earnings per share	(EUR)	1.54 ¹	1.15 ²	33.9 %
Earnings per share according to IFRS	(EUR)	1.68 ³	1.15 ²	46.1 %
Employees	(No.)	1,219	1,212	0.6 %

¹ with 2,749,000 shares

² with an average number of shares of 2,490,000

³ with an average number of shares of 2,518,090

DEAR SHAREHOLDERS,

The first six months (01.04. to 30.09.2005) of financial year 2005/2006 has been very successful for the GESCO Group. Dynamic growth at the Group continued, with increases of 26.8 % in sales, 59.0 % in EBIT and 47.7 % in Group net income. Incoming orders were up 23.0 % and clearly exceeded sales. Since growth in the first six months of financial year 2004/2005 proved restrained in comparison, it is not possible to apply growth for the year as a whole. Irrespective of this basic effect, the growth trend is very pleasing. The special economic impetus, from which some of our companies benefited in the second half of the previous year, is continuing.

In addition to this internal growth, we expanded the GESCO portfolio at the end of August with the acquisition of the Dömer Group in Lennestadt. Dömer was established in 1969 and has many years' experience in metal stamping, bending and forming and associated tool manufacture. Dömer produces high-tech components and its customers include the automotive, metal fittings and railway industries. With approximately 80 employees, the Group generates annual sales exceeding EUR 10 million. GESCO AG acquired the Dömer Group as part of a traditional succession process. The company is already included in the balance sheet as at 30 September 2005. In the income statement for financial year 2005/2006, Dömer will be included in the third quarter with one month and in the fourth quarter with three months.

In view of this acquisition, we increased our capital excluding shareholders' subscription rights by almost 10 % of the shareholders' capital at the beginning of September and placed 249,000 new shares with institutional investors in Germany, Switzerland and the UK. As a result, the Group had a net inflow of funds of around EUR 6.7 million. This substantially oversubscribed capital measure has strengthened our shareholders' capital base for further acquisitions and expanded our shareholder structure to include high-profile institutional investors. The proposals for this capital increase were described in detail during the Annual General Meeting in 2004 and 2005.

With Group operations running better than planned and the acquisition of the Dömer Group, we are increasing our sales forecast for the current financial year by almost 10 % and our earnings forecast by approximately 18 %. This results in earnings per share which exceed our original forecast, despite an increased number of shares.

True to our philosophy of enabling the managing directors of our subsidiaries to invest in the companies they run, we sold a further 10 % of our shares in Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG in Kassel to the managing director, increasing his shareholding to 20 %.

In the reporting period, the Annual General Meeting on 1 September 2005 resolved a dividend payment of EUR 0.90 per share (previous year: EUR 0.70 per share).

GROUP SALES AND EARNINGS

In the first six months of financial year 2005/2006, the GESCO Group achieved a significant sales increase of 26.8 % to EUR 113.0 million. Around 4 % of this growth is attributable to the acquisition of the Setter Group in Emmerich in April 2004, which was included in the same period for the previous year with two months.

At EUR 12.0 million, EBITDA (earnings before interest, tax, depreciation and amortisation) recorded above-average growth with an increase of 36.7 %. EBIT (earnings before interest and tax) climbed even more sharply, rising 59.0 % to total EUR 8.4 million. In the same period for the previous year, financial results included the one-off positive effect of selling an investment, which no longer featured in the year under review. However, at EUR 4.2 million, Group net income was up 47.7 %. The total number of shares, including new shares, amounts to 2,749,000 bearer shares. Based on this figure, earnings per share amounted to EUR 1.54. The figure for the previous year, which was based on the lower number of shares at the time, stood at EUR 1.15.

SEGMENT REPORT

The bigger of our two segments is tool manufacture and mechanical engineering, which accounts for around 84 % of sales. Incoming orders and sales rose by approximately 24 % and 25 % respectively. Incoming orders continue to far exceed sales.

The plastics technology segment also achieved considerable growth of 35 % in sales. Incoming orders in the first six months rose by 20 %. Earnings in both segments posted overproportional growth.

FINANCIAL SITUATION

The 16 % increase in total assets to EUR 168.8 million is attributable to the first-time consolidation of the Dömer Group and also the capital increase. Following the capital increase, shareholders' capital climbed to exceed EUR 50 million. The capital ratio amounted to approximately 30 % for the Group and around 54 % for the Company. Liquid funds for the Group were up from EUR 10 million to EUR 14 million.

INVESTMENT

With total investments of around EUR 4.4 million, the companies in the GESCO Group further extended their technical facilities. One focus was the expansion of the stainless steel division in our subsidiary, Dörrenberg.

EMPLOYEES

The staff complement of 1,219 remained almost unchanged in a year-on-year comparison (previous year: 1,212). The employees of the Dömer Group will be taken into account from the next quarter.

OUTLOOK

When we announced our forecast for the year as a whole at the accounts press conference on 28 June 2005, it was based on a decrease in demand in the second half of the year. In view of the very successful first six months and a further rise in incoming orders, this decrease has not been as significant as previously expected. In addition, the Dömer Group, acquired at the end of the August 2005, will be included in the current financial year with four months, which was not taken into account in the original forecasts. We are therefore increasing our sales forecast for financial year 2005/2006 from EUR 205 million to approximately EUR 225 million and the forecast for Group net income for the year from EUR 6.6 million to around EUR 7.8 million. The total number of shares, including new shares, amounts to 2,749,000 bearer shares. Based on this, we are anticipating earnings per share of EUR 2.84 compared to the previous forecast of EUR 2.64 (based on approximately 2,500,000 shares at the time).

The capital increase has enabled us to maintain very good balance sheet ratios, despite the acquisition realised. With very good shareholders' capital and an increase in liquid funds, we are well-equipped for future growth. We aim to achieve continued external growth and constantly assess interesting small and medium-sized industrial companies for the possibility of a takeover. The same high standards continue to apply to any potential acquisitions.

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

GESCO AG

The Executive Board

Wuppertal, November 2005

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

	II. quarter 2005/2006 EUR'000	II. quarter 2004/2005 EUR'000
Sales revenues	59,694	47,395
Change in stocks of finished and unfinished products	-27	-928
Other company produced additions to assets	8	8
Other operating income	430	343
Total performance	60,105	46,818
Expenditure on raw materials	-32,052	-22,828
Personnel expenditure	-15,052	-14,154
Other operating expenditure	-6,945	-5,286
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6,056	4,550
Depreciation on tangible and intangible assets	-1,695	-1,786
Earnings before interest and tax (EBIT)	4,361	2,764
Earnings from securities	124	0
Earnings from investments in associated companies	19	25
Other interest and similar income	111	154
Interest and similar expenditure	-602	-596
Financial result	-348	-417
Earnings before tax (EBT)	4,013	2,347
Taxes on income and earnings	-1,593	-929
Earnings after tax	2,420	1,418
Share of profit attributable to minority interests	-184	-254
Group net income	2,236	1,164
Earnings per share (EUR)	0.89	0.46

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

	I. Half year 2005/2006 EUR'000	I. Half year 2004/2005 EUR'000
Sales revenues	113,015	89,160
Change in stocks of finished and unfinished products	937	1,515
Other company produced additions to assets	15	15
Other operating income	745	647
Total performance	114,712	91,337
Expenditure on raw materials	-60,967	-44,841
Personnel expenditure	-29,648	-28,001
Other operating expenditure	-12,124	-9,736
Earnings before interest, tax, depreciation and amortisation (EBITDA)	11,973	8,759
Depreciation on tangible and intangible assets	-3,528	-3,448
Earnings before interest and tax (EBIT)	8,445	5,311
Earnings from securities	124	1
Earnings from investments in associated companies	130	820
Other interest and similar income	212	250
Interest and similar expenditure	-1,105	-972
Financial result	-639	99
Earnings before tax (EBT)	7,806	5,410
Taxes on income and earnings	-3,179	-2,132
Earnings after tax	4,627	3,278
Share of profit attributable to minority interests	-387	-407
Group net income	4,240	2,871
Earnings per share (EUR) according to IFRS	1.68	1.15
Weighted number of shares (No.)	2,518,090	2,490,000
Earnings per share (EUR) with 2.749.000 shares	1.54	-

GESCO GROUP BALANCE SHEET
AS AT 30 SEPTEMBER 2005 AND 31 MARCH 2005

	30.09.2005	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	7,682	8,038
2. Goodwill	4,312	4,240
3. Prepayments made	0	10
	11,994	12,288
II. Tangible assets		
1. Land and buildings	22,983	22,444
2. Technical plant and machinery	17,296	14,095
3. Other plant, fixtures and fittings	11,489	9,523
4. Prepayments made and plant under construction	555	530
5. Property held as financial investments	4,332	4,722
	56,655	51,314
III. Financial assets		
1. Shares in affiliated companies	1	1
2. Shares in associated companies	1,249	1,119
3. Investments	27	46
4. Securities held as fixed assets	3,099	3,342
	4,376	4,508
IV. Other assets	1,124	1,091
V. Deferred tax assets	1,546	1,783
	75,695	70,984
B. Current assets		
I. Inventories		
1. Raw materials and supplies	10,024	9,307
2. Unfinished goods, unfinished services	8,988	8,501
3. Finished products and goods	19,938	14,428
4. Prepayments made	267	205
	39,217	32,441
II. Receivables and other assets		
1. Trade receivables	35,558	27,508
2. Claims on companies with which a shareholding relationship exists	1,574	867
3. Other assets	2,442	2,674
	39,574	31,049
III. Securities	28	27
IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques	14,003	10,491
V. Prepaid expenses	326	78
	93,148	74,086
	168,843	145,070

	30.09.2005	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	12,659	10,668
IV. Own shares	-106	-21
V. Revaluation IAS39	156	400
VI. Minority interests	3,075	3,189
	50,111	41,878
B. Non-current liabilities		
I. Provisions for pensions	8,518	8,310
II. Liabilities to financial institutions	50,491	42,924
III. Other liabilities	3,275	3,017
IV. Deferred tax liabilities	2,918	3,860
	65,202	58,111
C. Current liabilities		
I. Other provisions	10,285	7,293
II. Liabilities		
1. Liabilities to financial institutions	8,955	9,707
2. Trade creditors	12,095	7,778
3. Prepayments received on orders	4,237	4,092
4. Liabilities from accepting bills drawn	1,539	1,721
5. Liabilities to companies with which a shareholding relationship exists	5	5
6. Other liabilities	16,408	14,485
	43,239	37,788
III. Prepaid Income	6	0
	53,530	45,081
	168,843	145,070

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

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	101,971	82,470	17,832	14,843	0	0	293	326	120,096	97,639
Sales revenues	95,375	76,012	17,347	12,822	0	0	293	326	113,015	89,160
of which with other segments	0	0	0	0	0	0	0	0	0	0
EBIT	7,422	4,826	2,246	1,511	-1,304	-1,023	81	-3	8,445	5,311
EBITDA	9,956	7,454	3,120	2,189	-1,274	-965	171	81	11,973	8,759
Financial result	-466	-491	-118	646	-300	-108	245	52	-639	99
of which income from associated companies	0	0	0	744	0	0	130	76	130	820
Depreciation	2,534	2,628	874	678	30	58	90	84	3,528	3,448
of which unscheduled	0	0	0	0	0	0	0	0	0	0
Segment assets	121,400	101,619	24,946	26,499	9,507	9,575	12,990	16,177	168,843	153,870
which shares in associated companies	0	0	0	0	0	0	1,249	1,111	1,249	1,111
Segment liabilities	45,008	34,713	4,059	5,125	5,412	5,560	64,254	71,040	118,733	116,438
Investments	3,991	1,851	319	1,061	59	63	-6	-275	4,363	2,700
Employees (No./Reporting date)	976	972	233	231	10	9	0	0	1,219	1,212

**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
Dividends			-1,744			-1,744		-1,744
Other neutral changes						0	-434	-434
Results for the period			2,871			2,871	407	3,278
As at 30.09.2004	6,500	21,142	7,249	-85	0	34,806	2,626	37,432
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					-244	-244		-244
Acquisition of own shares				-85		-85		-85
Dividends			-2,249			-2,249		-2,249
Capital increase	647	6,038				6,685		6,685
Other neutral changes						0	-501	-501
Results for the period			4,240			4,240	387	4,627
As at 30.09.2005	7,147	27,180	12,659	-106	156	47,036	3,075	50,111

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

	01.04. -30.09.2005 EUR'000	01.04. -30.09.2004 EUR'000
Group net income for the period (including share of income attributable to minority interests)	4,627	3,278
Depreciation on fixed assets	3,528	3,448
Profit on investments in associated companies	-130	-76
Increase in long term provisions	208	142
Other non-cash income	-72	-51
Cash flow for the period	8,161	6,741
Earnings/losses from the disposal of tangible assets	79	-744
Increase in inventories, trade receivables and other assets	-13,589	-7,493
Increase in trade creditors and other liabilities	6,676	2,198
Cash flow from ongoing business activity	1,327	702
Incoming payments from the disposal of tangible assets/intangible assets	90	47
Disbursements for investments in tangible/intangible assets	-4,673	-2,327
Incoming payments from the disposal of financial assets	310	879
Disbursements for the acquisition of financial assets	0	-372
Disbursements for the acquisition of consolidated companies	-4,016	-4,707
Cash flow from investment activities	-8,289	-6,480
Net Capital Increase	6,685	0
Disbursements to shareholders (dividends)	-2,249	-1,376
Disbursements to minority shareholders	-501	-27
Disbursements for the acquisition of own shares	-85	0
Incoming payments from raising loans	6,625	7,323
Cash flow from funding activities	10,475	5,920
Cash increase in financial means	3,513	142
Financial means on 01.04.	10,518	14,135
Financial means on 30.09.	14,031	14,277

ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The GESCO Group's Interim Report for the first six months (01.04.-30.09.2005) 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

22 November 2005

Participation in the German Equity Forum, Frankfurt/Main

February 2006

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

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



**Tradition
Innovation
Vision**

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