

INTERIM REPORT

1 April to 30 June 2004

The first quarter of 2004/2005 at a glance

- Incoming orders up by 25 %
- Increase in sales and results
- GESCO Group on target



Tradition
Innovation
Vision

The GESCO Group at a glance

01.04.-30.06.		1 st Quarter 2004/2005	1 st Quarter 2003/2004	Change
Incoming orders	(EUR'000)	50,104	39,977	25.3 %
Sales revenues	(EUR'000)	41,765	39,871	4.8 %
EBITDA	(EUR'000)	4,112	3,707	10.9 %
Earnings before tax	(EUR'000)	2,910	1,598	82.1 %
Group net income	(EUR'000)	1,547	786	96.8 %
Earnings per share	(EUR)	0.62	0.33	87.9 %
according to DVFA/SG	(EUR)	0.61	0.33	84.8 %
Employees	(No.)	1,127	1,193	-5.5 %

GESCO Group portfolio structure



Dear Shareholders,

At the end of the first quarter (01.04. to 30.06.2004) of financial year 2004/2005, the GESCO Group sees its targets for the year as a whole confirmed. Overall, the subsidiaries have recorded pleasing growth, as well as a clear increase in new incoming orders, continuing the positive development seen during the second half of the previous year.

Scope of consolidation

There were a number of changes in the scope of consolidation compared with the first quarter of the previous year. In the reporting period, Kühlmann Kunststoff-Technik GmbH (KKT GmbH) was included at equity in the Group accounts whereas it was fully consolidated in the previous year. The Setter Group, which was acquired at the end of April 2004, is not yet included in the Group's first quarter profit and loss account but will appear for the first time with two months' figures in the second quarter. However, the assets and liabilities of the Setter Group have already been included in the Group balance sheet as at 30.06.2004 on the basis of the first-time consolidation as at 01.05.2004. The 40 % holding in Paroll Doppelboden-Systeme GmbH & Co. KG, which was included at equity in the Group accounts for the same period in the previous year, was sold in April 2004, as already explained in the 2003/2004 Annual Report.

Group sales and earnings

In the first quarter of 2004, the GESCO Group recorded a strong rise in incoming orders, up by 25.3 % to EUR 50.1 million (previous year EUR 40.0 million). Sales rose by 4.8 % to EUR 41.8 million (EUR 39.9 million).

Earnings before interest, tax, depreciation and amortisation, or EBITDA, rose overproportionally by 10.9 % to EUR 4.1 million (EUR 3.7 million). Earnings before interest and tax, or EBIT, increased by 28.8 % to EUR 2.4 million (EUR 1.9 million). The one-off positive impact of the disposal of a participating interest contributed to an improvement in the financial result from -EUR 264 thousand to +EUR 512 thousand.

Group net income rose from EUR 0.8 million to EUR 1.5 million, resulting in earnings per share of EUR 0.62 (EUR 0.33), and DVFA/SG earnings per share of EUR 0.61 (EUR 0.33).

The figures for the first quarter of 2004 cannot be projected over the whole year on a straight-line basis. On the one hand, the newly acquired Setter Group is not yet included in the first quarter profit figures while, on the other, the one-off effect referred to above had a significant, positive impact on the result for the period under review.

Segment report

The tool manufacture and mechanical engineering segment saw an increase of 30.4 % in incoming orders and 9.7 % in sales. EBITDA rose overproportionally by 10.5 %.

In the plastics technology segment, KKT GmbH switched from full consolidation to valuation at equity, and therefore its sales are no longer included in sales for the segment. This is the reason for the fall in sales of 20.8 %. The fact that the figure for new orders has remained virtually unchanged despite the removal of KKT GmbH shows that the remaining companies in the segment performed very well during the first quarter. Despite the reduction in the scope of consolidation, EBITDA increased by 1.9 % compared with the same period in the previous year.

Employees

The reduction in the number of employees from 1,193 to 1,127 results from the deconsolidation of KKT GmbH. The number of employees in the individual subsidiaries has remained virtually unchanged.

Outlook

Once again, the general economic conditions remain uncertain, with no sign of a sustained recovery in the German economy. Moreover it is difficult to make any forecasts due to the conflicting signals from the economic indicators, the rise in raw material prices, for example for metal and oil, and the uncertainty in the global political arena. Despite the continued difficult economic climate, growth in operating business at our subsidiaries is pleasing and we are confident that we will achieve the target figures announced at our accounts press conference on 24 June 2004. We anticipate sales of EUR 176 million and Group net income of EUR 4.8 million, including the one-off effect of EUR 500 thousand referred to above. Accordingly, we expect earnings per share of EUR 1.73 excluding the one-off effect, or EUR 1.93 including the one-off effect.

Yours sincerely

GESCO AG

The Executive Board

Wuppertal, August 2004

GESCO Group – Profit and Loss Account for the period 1 April to 30 June

	01.04.2004 -30.06.2004 EUR'000	01.04.2003 -30.06.2003 EUR'000
Sales revenues	41,765	39,871
Change in stocks of finished and unfinished products	2,443	2,807
Other company produced additions to assets	8	12
Other operating income	303	316
Total performance	44,519	43,006
Expenditure on materials	-22,014	-20,587
Personnel expenditure	-13,943	-14,051
Other operating expenditure	-4,450	-4,661
Earnings before interest, tax, depreciation and amortisation (EBITDA)	4,112	3,707
Depreciation on tangible and intangible assets	-1,714	-1,845
Earnings before interest and tax (EBIT)	2,398	1,862
Earnings from investments in associated companies	795	147
Other interest and similar income	97	128
Interest and similar expenditure	-380	-539
Financial result	512	-264
Earnings before tax (EBT)	2,910	1,598
Taxes on income and earnings	-1,210	-674
Earnings after tax	1,700	924
Share of the profit attributable to minority interests	-153	-138
Group net income	1,547	786
Earnings per Share (EUR) ^{*)}	0.62	0.33

*) With a weighted average number of shares in circulation of 2,490,000 (2004/2005) and 2,400,000 (2003/2004).

GESCO Group Balance Sheet as at 30 June 2004
and 31 March 2004 under IFRS

	30.06.2004 EUR'000	31.03.2004 EUR'000
Assets		
A. Fixed Assets		
I. Intangible Assets		
1. Industrial property rights and similar rights and assets as well as licenses to such rights and assets	16,077	12,035
2. Prepayments made	20	20
3. Negative difference	0	-521
	16,097	11,534
II. Tangible Assets		
1. Land and building	22,716	22,800
2. Technical plant and machinery	12,715	11,172
3. Other plant, fixtures and fittings	10,473	10,365
4. Prepayments made and plant under construction	166	17
5. Property held as financial investments	4,660	5,388
	50,730	49,742
III. Financial assets		
1. Shares in affiliated companies	1	1
2. Investments in associated companies	1,086	1,115
3. Investments	46	46
4. Securities held as fixed assets	2,942	2,942
	4,075	4,104
	70,902	65,380
B. Current assets		
I. Stocks		
1. Raw materials and supplies	7,769	7,103
2. Unfinished goods, unfinished services	9,984	7,200
3. Finished products and goods	13,126	11,103
4. Prepayments made	576	644
	31,455	26,050
II. Receivables and other assets		
1. Trade receivables	26,504	23,373
2. Claims on affiliated companies	220	558
3. claims on companies with which a shareholding relationship exists	574	648
4. Other assets	4,986	5,069
	32,284	29,648
III. Securities	26	26
IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques	15,429	14,109
	79,194	69,833
C. Prepaid expenses	348	77
D. Deferred taxes	1,550	1,643
	151,994	136,933

	30.06.2004 EUR'000	31.03.2004 EUR'000
Liabilities		
A. Shareholders' Capital		
I. Shareholders' Capital	6,500	6,500
II. Capital reserves	21,142	21,142
III. Revenue reserves	7,005	4,937
IV. Own shares	-85	-85
	34,562	32,494
V. Minority interests	2,380	2,653
	36,942	35,147
B. Provisions		
1. Provisions for pensions	8,315	8,246
2. Other provisions	7,214	6,082
	15,529	14,328
C. Liabilities		
1. Liabilities to financial institutions	63,770	57,243
2. Trade creditors	7,874	5,949
3. Prepayments received on orders	4,382	4,469
4. Liabilities from accepting bills drawn	596	757
5. Liabilities to companies with which a shareholding relationship exists	232	232
6. Other liabilities	18,781	15,304
	95,635	83,954
D. Deferred taxes	3,888	3,504
	151,994	136,933

Segment reporting by the GESCO Group for the period
1 April 2004 to 30 June 2004 under IFRS

EUR'000	Tool manufacture and mechanical engineering		Plastics technology		GESCO AG		Other/ Consolidation		Group	
	2004/2005	2003/2004	2004/2005	2003/2004	2004/2005	2003/2004	2004/2005	2003/2004	2004/2005	2003/2004
Incoming orders	43,282	33,181	6,688	6,711	0	0	134	85	50,104	39,977
Sales revenue	36,434	33,222	5,197	6,561	0	0	134	88	41,765	39,871
of which with other segments	0	0	0	0	0	0	0	0	0	0
EBIT	2,415	2,038	531	407	-624	-628	76	45	2,398	1,862
EBITDA	3,771	3,414	821	806	-597	-601	117	88	4,112	3,707
Financial result	-160	-269	689	-41	-75	24	58	22	512	-264
of which income from associated companies	0	0	744	96	0	0	51	51	795	147
Depreciation	1,356	1,376	290	399	27	27	41	43	1,714	1,845
of which unscheduled	0	0	0	0	0	0	0	0	0	0
Segment assets	103,148	98,641	26,594	23,513	9,050	8,237	13,202	12,641	151,994	143,032
of which shares in consolidated companies	0	0	0	313	0	0	1,087	495	1,087	808
Segment debts	32,629	33,982	3,133	5,529	5,678	3,274	73,611	70,660	115,051	113,445
Investments	382	516	823	113	85	96	-285	18	1,005	743
Employees (No. at reporting date)	963	963	155	220	9	10	0	0	1,127	1,193

Changes in the shareholders' equity of the GESCO
Group for the period 1 April 2004 to 30 June 2004
under IFRS

EUR'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares	Revaluation IAS 39	Total	Minority interests	Shareholders' capital
As at 01.04.2003	6,500	21,142	1,968	-955	-1,459	27,196	2,248	29,444
Revaluation of securities not impacting on income					-368	-368		-368
Other neutral changes						0	-412	-412
Results for the period			786			786	137	923
As at 30.06.2003	6,500	21,142	2,754	-955	-1,827	27,614	1,973	29,587
As at 01.04.2004	6,500	21,142	4,937	-85	0	32,494	2,653	35,147
Other neutral changes			521			521	-426	95
Results for the period			1,547			1,547	153	1,700
As at 30.06.2004	6,500	21,142	7,005	-85	0	34,562	2,380	36,942

**GESCO Group cash flow statement for the period
1 April 2004 to 30 June 2004 under IFRS**

	01.04.2004 -30.06.2004 EUR'000	01.04.2003 -30.06.2003 EUR'000
Group net income for the year (including share of income attributable to minority interests)	1,700	924
Depreciation on fixed assets	1,714	1,845
Profit on investments in associated companies	-795	-147
Increase in long term provisions	69	100
Other non-cash income	-6	-6
Cash flow for the period	2,682	2,716
Profit from changes in the scope of consolidation	-45	0
Increase in stocks, trade receivables and other assets	-5,406	-3,174
Increase in trade creditors and other liabilities	2,587	3,717
Cash flow from ongoing business activity	-182	3,259
Incoming payments from the disposal of tangible assets/intangible assets	22	0
Disbursements for investments in tangible assets	-1,045	-725
Disbursements for investments in intangible assets	0	-18
Disbursements for investments in financial assets	0	-1
Incoming payments from the disposal of financial assets	904	0
Disbursements for the acquisition of consolidated companies and other business units	-4,077	0
Cash flow from investment activities	-4,196	-744
Disbursements to minority shareholders	-273	-275
Incoming payments from raising loans	5,971	420
Cash flow from funding activity	5,698	145
Cash increase in financial means	1,320	2,660
Financial means on 01.04.	14,135	8,672
Financial means on 30.06.	15,455	11,332

Accounts, accounting and valuation methods

The GESCO Group's report for the first quarter (01.04. to 30.06.2004) of financial year 2004/2005 was prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to the statements by the International Accounting Standards Board (IASB). All relevant International Accounting Standards (IAS) were applied, taking into account the interpretations of the Standards Interpretation Committee (SIC). The 2003 version of the statements was applied, unless more recent statements were applicable. This applies, in particular, to the balance sheet treatment of acquisitions, which was amended by IFRS 3. Since some of the detailed statements have not yet been published, the valuation of intangible assets in the present balance sheet constitutes a provisional valuation in accordance with IFRS 3, 61 to 62. IFRS 3 now requires that, following a company acquisition, the differences on the assets side arising on first consolidation be allocated to the asset items in a more differentiated approach than previously, and that only the remaining amount that cannot be allocated be reported under goodwill. Where goodwill is shown, it is no longer subject to scheduled amortisation but to an annual impairment test. Other intangible assets are subject to scheduled amortisation over their respective useful lives. In order to comply with the above requirement of a differentiated allocation to the balance sheet items, GESCO AG has allocated the difference on the assets side arising during the reporting period, as well as the goodwill carried forward from previous periods, to the corresponding intangible assets and written them down as scheduled. The presentation of the comparable figures for the previous year has been adjusted in the reporting period to facilitate comparison.

In principle, the accounting and valuation methods correspond to those used for the consolidated financial statements as at 31.03.2004. For liabilities denominated in foreign currencies, the valuation approach of the annual financial statements has been retained.

Financial calendar

9 September 2004 at 10:30 hrs

Annual General Meeting in the Stadthalle, Wuppertal

November 2004

Announcement of figures for the first half year
(01.04.-30.09.2004) and despatch of the interim report

February 2005

Announcement of figures for the first nine months
(01.04.-31.12.2004)

28 June 2005

Annual Accounts Press Conference and Analysts' Meeting

August 2005

Announcement of figures for the first quarter
(01.04.-30.06.2005)

1 September 2005

Annual General Meeting in the Stadthalle, Wuppertal

November 2005

Announcement of figures for the first half year
(01.04.-30.09.2005) and despatch of the interim report



**Tradition
Innovation
Vision**

GESCO AG
Döppersberg 19
D-42103 Wuppertal
Phone: +49 2 02 24 82 00
Fax: +49 2 02 45 57 53
website: www.gesco.de
e-mail: gesco@gesco.de