



## INTERIM REPORT

1 APRIL TO 30 SEPTEMBER 2006

The first six months of financial year 2006/2007 at a glance

- Brisk business continues at the GESCO Group
- The sales and earnings targets are increased
- External growth with the acquisition of Frank Walz- und Schmiedetechnik GmbH
- One-off earnings from the sale of a minority holding



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 2006/2007

01.04.-30.09.		I. Half year 2006/2007	I. Half year 2005/2006	Change
Incoming orders	(EUR'000)	128,937	120,096	7.4 %
Sales revenues	(EUR'000)	123,156	113,015	9.0 %
EBITDA	(EUR'000)	13,905	11,973	16.1 %
EBIT	(EUR'000)	10,087	8,445	19.4 %
Earnings before tax	(EUR'000)	9,483	7,806	21.5 %
Group net income	(EUR'000)	4,937	4,240	16.4 %
Earnings per share	(EUR)	1.80	1.68	6.7 %
Employees	(No.)	1,312	1,219	7.6 %

## DEAR SHAREHOLDERS,

The first six months (01.04. to 30.09.2006) of financial year 2006/2007 have seen further internal and external growth of the GESCO Group. The Group recorded brisk operating business and achieved pleasing rates of growth in both sales and earnings. We are expecting the positive trend to continue during the second half of the year and have therefore slightly increased our sales and earnings forecasts.

The GESCO Group has also undergone external growth through the acquisition of Frank Walz- und Schmiedetechnik GmbH of Hatzfeld in northern Hesse in July this year. The company was established 170 years ago as an iron mill and is the leading agri-technology forge in Europe. With around 200 employees, Frank generates sales of approximately EUR 20 million. Frank has already been included in the current balance sheet dated 30 September. The company will be included on the profit and loss account for financial year 2006/2007 for two months of the third quarter and for the full three months of the fourth quarter. The acquisition of Frank will only have a slight effect on Group net income during the year of first-time consolidation.

Following the close of the reporting period, we disposed of a minority shareholding which did not fall within GESCO AG's normal line of business, selling the Gewerbepark Wilthener Straße GmbH, an industrial estate in Bautzen, in which GESCO AG had a 40 % holding, to a property investor as at 31 October 2006. This investment had been outside the scope of our industrial focus. Whilst we normally take over majority holdings in small and medium-sized industrial production companies for the long term, in view of the situation following German reunification we embarked on a limited-term minority shareholding with this investment. The inflow of funds from the sale will serve to reduce the net amount owed, making a further improvement to the balance sheet ratios.

During the reporting period, the shareholders received a dividend of EUR 1.25 per share (previous year EUR 0.90 per share) as resolved by the Annual General Meeting held on 24 August 2006.

## GROUP SALES AND EARNINGS

In the first six months of the financial year, the business trend at the GESCO Group continued to be positive, with incoming orders rising from EUR 120 million to EUR 129 million, representing 7.4 % growth. Sales rose by 9.0 % from EUR 113 million to EUR 123 million. This growth comes from organic growth and the acquisition of the Dömer Group in August 2005 in fairly equal portions.

During the second quarter and the entire six-month period, key earnings figures rose more than sales. In the first six months, EBITDA (earnings before interest, tax, depreciation and amortisation) increased compared with the previous year by 16.1 % to EUR 13.9 million and EBIT (earnings before interest and tax) improved by 19.4 % to EUR 10.1 million. After the financial result and deduction of tax and the profit shares of the managing partners, there is a 16.4 % higher Group net income of EUR 4.9 million, which equates to earnings per share of EUR 1.80.

## SEGMENT REPORT

The bigger of our two segments is tool manufacture and mechanical engineering, accounting for around 85 % of sales. Incoming orders and sales rose by approximately 9 % each, whilst EBIT increased by 19 %.

The plastics technology segment, which is the smaller segment, achieved around 15 % of sales. Whilst sales grew by around 7 %, incoming orders remained at the level of the previous year. EBIT in this segment increased by 9 %, which was again higher than sales.

## FINANCIAL SITUATION

The acquisition of Frank Walz- und Schmiedetechnik GmbH and expansion in operating business led to a rise in the balance sheet total from EUR 174 million to EUR 195 million. On the assets side of the balance sheet, the newly acquired assets of Frank contributed to the increase in fixed and current assets. The causes of the reduction in liquid funds were substantially the company acquisition, payment of the dividend and the financing of the continued brisk operating business.

On the liabilities side, liabilities to financial institutions increased. This was caused by the expansion of operating business, the liabilities taken on following the first-time consolidation of Frank and the financing of the company acquisition, which involved a mixture of shareholders' equity and outside funds. Despite the dividend distribution in August, shareholders' capital increased. Owing to the rise in balance sheet total, the equity ratio was 29.6 % compared with 32.3 % at the start of the financial year.

## INVESTMENT

The companies of the GESCO Group invested around EUR 4.6 million during the first six months of 2006/2007 compared with EUR 4.4 million in the first half of the previous year. One focus was the need to technically equip a property acquired by our subsidiary, Dörrenberg Edelstahl GmbH, for the Stainless Steel division during the second half of 2005/2006.

## EMPLOYEES

The staff complement was 1,312 as at the balance sheet date and had risen by 7.9 % from the previous year's six-monthly interim reporting date. This figure does not include the employees of Frank Walz- und Schmiedetechnik GmbH, the company acquired in July 2006. Including these employees, the total staff complement of the GESCO Group is around 1,500 employees.

## OUTLOOK

Based on the pro rata first-time consolidation of Frank Walz- und Schmiedetechnik GmbH, we had already raised the sales forecast for the full year in July from EUR 245 million to EUR 253 million. The earnings forecast was not affected by this because the acquisition of Frank only has a slight impact on Group net income in the year of first-time consolidation.

In view of the pleasing development of the business, we are increasing our sales forecast after the first six months to around EUR 263 million. Group net income is expected to increase from around EUR 9.8 million to around EUR 10.0 million because of the increased sales. An anticipated one-off expense of EUR 320 thousand arising from influences not specific to the period has been included. Beyond this increase in budget from the operating business, one-off income of around EUR 2 million results from the sale of our minority holding in Gewerbepark Wilthener Straße GmbH. We therefore anticipate Group net income for the financial year as a whole of around EUR 12.0 million, which corresponds to earnings per share of EUR 4.36.

All in all, the signs for the future are positive. In addition to the further development of the existing GESCO Group, as before we continue to aim for external growth through the acquisition of further small and medium-sized industrial companies.

Apart from the sale of the Gewerbepark investment, no other events of particular significance occurred after the end of the reporting period.

Yours sincerely

GESCO AG

The Executive Board

Wuppertal, November 2006

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

	II. Quarter 2006/2007 EUR'000	II. Quarter 2005/2006 EUR'000
<b>Sales revenues</b>	<b>62,794</b>	<b>59,694</b>
Change in stocks of finished and unfinished products	-705	-27
Other company produced additions to assets	52	8
Other operating income	418	430
<b>Total performance</b>	<b>62,559</b>	<b>60,105</b>
Expenditure on raw materials	-33,070	-32,052
Personnel expenditure	-16,539	-15,052
Other operating expenditure	-6,166	-6,945
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>6,784</b>	<b>6,056</b>
Depreciation on tangible and intangible assets	-1,921	-1,695
<b>Earnings before interest and tax (EBIT)</b>	<b>4,863</b>	<b>4,361</b>
Earnings from securities	143	124
Earnings from investments in associated companies	21	19
Other interest and similar income	106	111
Interest and similar expenditure	-608	-602
<b>Financial result</b>	<b>-338</b>	<b>-348</b>
<b>Earnings before tax (EBT)</b>	<b>4,525</b>	<b>4,013</b>
Taxes on income and earnings	-1,749	-1,593
<b>Earnings after tax</b>	<b>2,776</b>	<b>2,420</b>
Share of profit attributable to minority interests	-364	-184
<b>Group net income</b>	<b>2,412</b>	<b>2,236</b>
Earnings per share (EUR) according to IFRS	0.88	0.88
Weighted average number of shares	2,747,803	2,538,340

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

	I. Half year 2006/2007 EUR'000	I. Half year 2005/2006 EUR'000
<b>Sales revenues</b>	<b>123,156</b>	<b>113,015</b>
Change in stocks of finished and unfinished products	2,895	937
Other company produced additions to assets	337	15
Other operating income	631	745
<b>Total performance</b>	<b>127,019</b>	<b>114,712</b>
Expenditure on raw materials	-67,946	-60,967
Personnel expenditure	-32,544	-29,648
Other operating expenditure	-12,624	-12,124
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>13,905</b>	<b>11,973</b>
Depreciation on tangible and intangible assets	-3,818	-3,528
<b>Earnings before interest and tax (EBIT)</b>	<b>10,087</b>	<b>8,445</b>
Earnings from securities	143	124
Earnings from investments in associated companies	94	130
Other interest and similar income	251	212
Interest and similar expenditure	-1,092	-1,105
<b>Financial result</b>	<b>-604</b>	<b>-639</b>
<b>Earnings before tax (EBT)</b>	<b>9,483</b>	<b>7,806</b>
Taxes on income and earnings	-3,793	-3,179
<b>Earnings after tax</b>	<b>5,690</b>	<b>4,627</b>
Share of profit attributable to minority interests	-753	-387
<b>Group net income</b>	<b>4,937</b>	<b>4,240</b>
Earnings per share (EUR) according to IFRS	1.80	1.68
Weighted average number of shares	2,747,887	2,518,090

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

<b>Assets</b>	<b>30.09.2006 EUR'000</b>	<b>31.03.2006 EUR'000</b>
<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	6,529	6,957
2. Goodwill	7,080	5,510
3. Prepayments made	0	51
	<b>13,609</b>	<b>12,518</b>
<b>II. Tangible assets</b>		
1. Land and buildings	27,680	25,972
2. Technical plant and machinery	17,027	16,232
3. Other plant, fixtures and fittings	11,286	10,022
4. Prepayments made and plant under construction	3,120	1,020
5. Property held as financial investments	3,882	3,962
	<b>62,995</b>	<b>57,208</b>
<b>III. Financial assets</b>		
1. Shares in affiliated companies	67	1
2. Shares in associated companies	1,460	1,365
3. Investments	29	27
4. Securities held as fixed assets	2,485	2,775
	<b>4,041</b>	<b>4,168</b>
<b>IV. Other assets</b>	1,855	1,524
<b>V. Deferred tax assets</b>	1,117	1,338
	<b>83,617</b>	<b>76,756</b>
<b>B. Current assets</b>		
<b>I. Inventories</b>		
1. Raw materials and supplies	14,574	9,738
2. Unfinished goods, unfinished services	14,040	9,697
3. Finished products and goods	24,480	22,383
4. Prepayments made	652	409
	<b>53,746</b>	<b>42,227</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables	38,704	32,980
2. Claims on companies with which a shareholding relationship exist	923	1,181
3. Other assets	3,615	3,504
	<b>43,242</b>	<b>37,665</b>
<b>III. Securities</b>	27	27
<b>IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques</b>	13,545	17,526
<b>V. Prepaid expenses</b>	483	229
	<b>111,043</b>	<b>97,674</b>
	<b>194,660</b>	<b>174,430</b>



	30.09.2006 EUR'000	31.03.2006 EUR'000
<b>Equity and liabilities</b>		
<b>A. Equity</b>		
I. Share capital	7,147	7,147
II. Capital reserves	27,180	27,180
III. Revenue reserves	19,286	17,784
IV. Own shares	-225	-30
V. Revaluation IAS39	-388	-97
VI. Minority interests	4,524	4,322
	<b>57,524</b>	<b>56,306</b>
<b>B. Non-current liabilities</b>		
I. Provisions for pensions	10,165	8,917
II. Other long-term provisions	2,164	2,164
III. Liabilities to financial institutions	49,849	43,911
IV. Other liabilities	3,029	3,393
V. Deferred tax liabilities	4,047	4,139
	<b>69,254</b>	<b>62,524</b>
<b>C. Current liabilities</b>		
I. Other provisions	10,172	8,283
II. Liabilities		
1. Liabilities to financial institutions	18,733	12,511
2. Trade creditors	10,750	10,334
3. Prepayments received on orders	6,987	5,314
4. Liabilities from accepting bills drawn	1,231	1,108
5. Liabilities to companies with which a shareholding relationship exists	5	5
6. Other liabilities	19,342	18,045
	<b>57,048</b>	<b>47,317</b>
<b>III. Prepaid income</b>	662	0
	<b>67,882</b>	<b>55,600</b>
	<b>194,660</b>	<b>174,430</b>

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

EUR'000	Tool manufacture and mechanical engineering		Plastics technology	
	2006/2007	2005/2006	2006/2007	2005/2006
Incoming orders	111,040	101,971	17,647	17,832
Sales revenues	104,302	95,375	18,604	17,347
of which with other segments	0	0	0	0
EBIT	8,825	7,422	2,451	2,246
EBITDA	11,723	9,956	3,258	3,120
Financial result	-567	-466	-150	-118
of which income from associated companies	0	0	0	0
Depreciation	2,898	2,534	807	874
of which unscheduled	0	0	0	0
Segment assets	146,321	121,400	25,598	24,946
of which shares in associated companies	0	0	0	0
Segment liabilities	55,931	45,008	4,722	4,059
Investments	3,980	3,991	531	319
Employees (No./Reporting date)	1,075	976	226	233

GESCO AG		Other/ consolidation		Group	
2006/2007	2005/2006	2006/2007	2005/2006	2006/2007	2005/2006
0	0	250	293	128,937	120,096
0	0	250	293	123,156	113,015
0	0	0	0	0	0
-1,211	-1,304	22	81	10,087	8,445
-1,180	-1,274	104	171	13,905	11,973
-129	-300	242	245	-604	-639
0	0	95	130	95	130
31	30	82	90	3,818	3,528
0	0	0	0	0	0
11,977	9,507	10,764	12,990	194,660	168,843
0	0	1,460	1,249	1,460	1,249
6,805	5,412	69,678	64,254	137,136	118,733
42	59	0	-6	4,553	4,363
11	10	0	0	1,312	1,219

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

EUR'000	Subscribed capital	Capital reserves
<b>As at 01.04.2005</b>	<b>6,500</b>	<b>21,142</b>
Revaluation of securities not impacting on income		
Acquisition of own shares		
Dividends		
Capital increase	647	6,038
Other neutral changes		
Results for the period		
<b>As at 30.09.2005</b>	<b>7,147</b>	<b>27,180</b>
<b>As at 01.04.2006</b>	<b>7,147</b>	<b>27,180</b>
Revaluation of securities not impacting on income		
Acquisition of own shares		
Dividends		
Other neutral changes		
Results for the period		
<b>As at 30.09.2006</b>	<b>7,147</b>	<b>27,180</b>

Revenue reserves	Own shares	Revaluation IAS 39	Total	Minority interests	Shareholders' equity
10,668	-21	400	38,689	3,189	41,878
		-244	-244		-244
	-85		-85		-85
-2,249			-2,249		-2,249
			6,685		6,685
				-501	-501
4,240			4,240	387	4,627
12,659	-106	156	47,036	3,075	50,111
17,784	-30	-97	51,984	4,322	56,306
		-291	-291		-291
	-195		-195		-195
-3,435			-3,435		-3,435
				-551	-551
4,937			4,937	753	5,690
19,286	-225	-388	53,000	4,524	57,524

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

	01.04. -30.09.2006 EUR'000	01.04. -30.09.2005 EUR'000
<b>Group net income for the period (including share of income attributable to minority interests)</b>	<b>5,690</b>	<b>4,627</b>
Depreciation on fixed assets	3,818	3,528
Profit on investments in associated companies	-95	-130
Increase in long term provisions	50	208
Other non-cash income/expenditure	0	-72
<b>Cash flow for the period</b>	<b>9,463</b>	<b>8,161</b>
Earnings/losses from the disposal of fixed assets	-9	79
Increase in inventories, trade receivables and other assets	-8,616	-13,589
Increase in trade creditors and other liabilities	517	6,676
<b>Cash flow from ongoing business activity</b>	<b>1,355</b>	<b>1,327</b>
Incoming payments from the disposal of tangible assets/intangible assets	59	90
Disbursements for investments in tangible assets	-4,671	-4,673
Earnings/losses from the disposal of financial assets	0	310
Disbursements for investment in financial assets	-31	0
Disbursements for the acquisition of consolidated companies	-4,216	-4,016
<b>Cash flow from investment activities</b>	<b>-8,859</b>	<b>-8,289</b>
Net capital increase	0	6,685
Disbursements to shareholders (dividend)	-3,435	-2,249
Disbursements to minority shareholders	-551	-501
Disbursements for the acquisition of own shares	-195	-85
Incoming payments from raising loans	7,704	6,625
<b>Cash flow from funding activities</b>	<b>3,523</b>	<b>10,475</b>
<b>Cash increase in financial means</b>	<b>-3,981</b>	<b>3,513</b>
Financial means on 01.04.	17,553	10,518
<b>Financial means on 30.09.</b>	<b>13,572</b>	<b>14,031</b>

## EXPLANATORY NOTES

### ACCOUNTS, ACCOUNTING AND VALUATION METHODS

The GESCO Group's interim report for the first six months (01.04.-30.09.2006) 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). It has been prepared in accordance with IAS 34.

In principle, the accounting and valuation methods 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. The preparation of the financial statements is affected by the accounting and valuation methods as well as assumptions and estimates, which affect the level and recognition of assets, liabilities and contingent liabilities reported as well as the income and expense items. Sales-related items are accrued and deferred throughout the year.

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 six-month 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.

## CHANGES IN THE SCOPE OF CONSOLIDATION/ BUSINESS COMBINATIONS IN ACCORDANCE WITH IFRS 3

Frank Walz- und Schmiedetechnik GmbH, acquired on 23 July 2006 and wholly owned by GESCO AG, and Frank Hungária Kft, in which Frank Walz- und Schmiedetechnik GmbH holds 73.86 %, were consolidated for the first time on 1 August 2006. Both companies are included with their assets and liabilities in the present balance sheet. The assets and liabilities of Frank Hungária Kft were converted at the exchange rate from Hungarian forint into euros on the reporting date of 31 July 2006. The purchase price allocation as presented in the balance sheet is provisional as defined in IFRS 3.61 ff. The two companies mentioned are not included in the present profit and loss account. They will be included in the profit and loss account for the financial year 2006/2007 for two months of the third quarter and for the full fourth quarter.

In view of GESCO AG's particular investment model, no information regarding the purchase prices and earnings of the acquired subsidiaries is included in principle. Disclosure of the purchase prices would clearly jeopardise GESCO AG's position in the investment business, because as a rule we acquire proprietor-managed, small and medium-sized companies whose owners make it a condition of sale that the purchase price paid to them should not be disclosed. Publication of the earnings of our subsidiaries could jeopardise their operating business, because they are small and medium-sized companies whose competitors do not publish key earnings figures. The non-disclosure of this information therefore helps to protect shareholders' assets. Regarding this, we refer to the content of the annual report for financial year 2005/2006.

The 40 % stake in Gewerbepark Wilthener Straße GmbH was sold after the end of the reporting period. As this is not an essential business division as defined within IFRS 5, no reclassification of the asset and earnings item was made in the present financial statements. The sale is taken to income in the third quarter of the current financial year. In the case of the investment in Gewerbepark Wilthener Straße GmbH, as in the same period of the previous year, it was the only participation included in the consolidated financial statements at equity.



**FINANCIAL CALENDAR**

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

February 2008

Publication of the figures for the first nine months (01.04.-31.12.2007)

Dear Shareholder,

If you would like to receive regular information on GESCO AG, please complete this page and return it to us by post or by fax. You can also register on our home page ([www.gesco.de](http://www.gesco.de)), send us an e-mail ([info@gesco.de](mailto:info@gesco.de)) or give us a call (+49-2 02-2 48 20 18).

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Innovation  
Vision**

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