

INTERIM REPORT

1 April to 30 September 2004

The first six months of 2004/2005 at a glance

- Positive trend continues
- Incoming orders up by 18.2 %, sales up by 12.6 %
- GESCO confirms targets for the year as a whole



Tradition
Innovation
Vision

The GESCO Group at a glance

01.04.-30.09.		1 st six months 2004/2005	1 st six months 2003/2004	Change
Incoming orders	(EUR'000)	101,791	86,135	18.2 %
Sales revenues	(EUR'000)	89,160	79,216	12.6 %
EBITDA	(EUR'000)	8,566	7,462	14.8 %
Earnings before tax	(EUR'000)	5,281	3,190	65.5 %
Group net income	(EUR'000)	2,669	1,649	61.9 %
Earnings per share	(EUR)	1,07	0,66	62.1 %
Earnings per share according to DVFA/SG	(EUR)	1,06	0,66	60.6 %
Employees	(No.)	1,212	1,187	2.1 %

GESCO Group portfolio structure



Dear Shareholders,

The GESCO Group has continued its positive development in the second quarter (1 July 2004 to 30 September 2004) of financial year 2004/2005 (1 April 2004 to 31 March 2005). Following the end of the first half year, the Group is generally confident that it will reach its targets for the year as a whole.

The GESCO AG share price has also experienced pleasing growth. Following the sharp increase in the share price in financial year 2003/2004, shares rose further still, recording growth of over 10 %. This means that the share price improvement is significantly higher than that of our benchmark, the SDAX, which, like the DAX, fell during this period.

In the reporting period, GESCO AG paid out a dividend of EUR 0.70 per share (previous year: EUR 0.50), as resolved at the Annual General Meeting on 9 September 2004.

Scope of consolidation

Compared with the first six months of the previous year, the following changes to the scope of consolidation are now in place: Kühlmann Kunststoff-Technik GmbH is shown at equity in the consolidated financial statements, whereas it was fully consolidated during the same period the previous year. As was announced in the 2003/2004 annual report, the remaining 40 % share in Paroll Doppelboden-Systeme GmbH & Co. KG was sold in April 2004. In the same period of the previous year, Paroll was still shown at equity in the consolidated financial statements. Two months of figures from the Setter Group, acquired at the end of April 2004, are included in the current half year figures.

Group sales and earnings

While there was no sustained economic growth in Germany, the GESCO Group experienced a successful first half of financial year 2004/2005. Sales rose by 12.6 % from EUR 79.2 million to EUR 89.2 million. An even greater increase was recorded in incoming orders, which were up 18.2 % from EUR 86.1 million to EUR 101.8 million.

EBITDA (earnings before interest, tax, depreciation and amortisation) increased overproportionally by 14.8 % to EUR 8.6 million (compared with EUR 7.5 million in the previous year). As the write-downs due to the change in the scope of consolidation decreased slightly, EBIT showed an even greater increase of 30.6 %, reaching EUR 5.0 million (from EUR 3.8 million).

A positive one-off effect arising from the sale of an investment and the reduced interest expenditure meant that the financial result clearly improved from EUR -631 thousand to EUR 292 thousand. This resulted in pre-tax profit of EUR 5.3 million, a considerable increase from the EUR 3.2 million of the previous year. After deduction of taxes and the profit share paid out to our managing directors who have a stake in the respective company, Group net income stood at EUR 2.7 million (EUR 1.6 million). Earnings per share amounted to EUR 1.07 (EUR 0.66) and DVFA/SG earnings per share to EUR 1.06 (EUR 0.66).

Segment report

The tool manufacturing and mechanical engineering segment recorded a clear increase in incoming orders (16.5 %) and sales (15.0 %) in the first half year. Despite some sharp increases in the price of raw materials, EBITDA rose from EUR 7.0 million to EUR 7.5 million and EBIT from EUR 4.3 million to EUR 4.8 million.

In the plastics technology segment, KKT GmbH was still a fully consolidated company in the previous year. Now, the Setter Group, acquired in April 2004, has been included for the first time in the figures for the last two months of the period under review. Nevertheless, sales remained virtually unchanged, with incoming orders rising by as much as 25.1 %. There was a marked increase in the profit figures for the segment. EBITDA stood at EUR 2.2 million (EUR 1.4 million) and EBIT at EUR 1.5 million (EUR 0.7 million).

Financial situation

The increase in total assets from EUR 137 million to EUR 152 million is partly attributable to the acquisition of the Setter Group and partly to the expansion of current assets as a result of ongoing projects. At 24.0 %, the Group has a sound capital base. Liquid assets remained virtually unchanged at around EUR 14 million.

Investment

In the first half year, the GESCO Group invested a total of EUR 2.7 million. Particularly notable was the investment made in the further expansion of the surface technology division at our subsidiary Dörrenberg Edelstahl GmbH. The Company has developed its hard material coatings technology in line with future requirements by establishing a PACVD facility. In addition, Dörrenberg has acquired an edge layer hardening plant which is the most modern of its kind, bringing the company in line with cutting edge technological progress.

Employees

The increase from 1,187 employees to 1,212 is largely due to the change in the scope of consolidation.

Outlook

There are still no signs of a sustained economic recovery in Germany. Despite this, the GESCO Group is recording an unfailingly positive development in incoming orders and sales. On the basis of the figures for the first six months, we are optimistic that the Group will achieve its targets for the year. At the Annual Accounts Press Conference on 24 June 2004, we predicted Group sales of EUR 176 million and Group net income for the year of EUR 4.8 million, which includes a positive one-off effect of EUR 500 thousand. We therefore forecast earnings per share of EUR 1.73 before one-off effect and EUR 1.93 after one-off effect.

There were no events of particular importance following the end of the reporting period.

GESCO AG

The Executive Board

Wuppertal, November 2004

GESCO-Group Profit and Loss Account
for the periods 1 July to 30 September and 1 April to 30 September

	2 nd quarter 2004/2005 EUR'000	2 nd quarter 2003/2004 EUR'000
Sales revenues	47,395	39,345
Change in stocks of finished and unfinished products	-928	481
Other company produced additions to assets	8	8
Other operating income	343	235
Total performance	46,818	40,069
Expenditure on materials	-22,827	-18,714
Personnel expenditure	-14,251	-13,550
Other operating expenditure	-5,286	-4,050
Earnings before interest, tax, depreciation and amortisation (EBITDA)	4,454	3,755
Depreciation on tangible and intangible assets	-1,864	-1,796
Earnings before interest and tax (EBIT)	2,590	1,959
Earnings from investments in associated companies	25	96
Earnings from lending the Group's financial assets	0	1
Other interest and similar income	154	87
Interest and similar expenditure	-399	-551
Financial result	-220	-367
Earnings before tax (EBT)	2,370	1,593
Taxes on income and earnings	-994	-664
Earnings after tax	1,376	929
Share of the profit attributable to minority interests	-254	-66
Group net income	1,122	863
Earnings per Share (EUR)	0.45	0.35

	1 st half year 2004/2005 EUR'000	1 st half year 2003/2004 EUR'000
Sales revenues	89,160	79,216
Change in stocks of finished and unfinished products	1,515	3,288
Other company produced additions to assets	15	20
Other operating income	647	551
Total performance	91,337	83,075
Expenditure on materials	-44,841	-39,301
Personnel expenditure	-28,194	-27,601
Other operating expenditure	-9,736	-8,711
Earnings before interest, tax, depreciation and amortisation (EBITDA)	8,566	7,462
Depreciation on tangible and intangible assets	-3,577	-3,641
Earnings before interest and tax (EBIT)	4,989	3,821
Earnings from investments in associated companies	820	243
Earnings from lending the Group's financial assets	0	1
Other interest and similar income	251	215
Interest and similar expenditure	-779	-1,090
Financial result	292	-631
Earnings before tax (EBT)	5,281	3,190
Taxes on income and earnings	-2,205	-1,338
Earnings after tax	3,076	1,852
Share of the profit attributable to minority interests	-407	-203
Group net income	2,669	1,649
Earnings per Share (EUR)	1.07	0.66

GESCO Group balance sheet
as at 30 September 2004 und 31 March 2004

	30.09.2004	31.03.2004
	EUR'000	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	15,730	12,035
2. Prepayments made	0	20
3. Negative difference	0	-521
	15,730	11,534
II. Tangible Assets		
1. Land and building	22,627	22,800
2. Technical plant and machinery	12,692	11,172
3. Other plant, fixtures and fittings	10,172	10,365
4. Prepayments made and plant under construction	456	17
5. Property held as financial investments	4,569	5,388
	50,516	49,742
III. Financial assets		
1. Shares in affiliated companies	1	1
2. Investments in associated companies	1,483	1,115
3. Investments	46	46
4. Securities held as fixed assets	2,942	2,942
	4,472	4,104
	70,718	65,380
B. Current assets		
I. Stocks		
1. Raw materials and supplies	8,948	7,103
2. Unfinished goods, unfinished services	8,556	7,200
3. Finished products and goods	14,382	11,103
4. Prepayments made	481	644
	32,367	26,050
II. Receivables and other assets		
1. Trade receivables	27,527	23,373
2. Claims on affiliated companies	323	558
3. claims on companies with which a shareholding relationship exists	12	648
4. Other assets	5,277	5,069
	33,139	29,648
III. Securities	26	26
IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques	14,249	14,109
	79,781	69,833
C. Prepaid expenses	253	77
D. Deferred taxes	1,579	1,643
	152,331	136,933

	30.09.2004	31.03.2004
	EUR'000	EUR'000
Liabilities		
A. Shareholders' Capital		
I. Shareholders' Capital	6,500	6,500
II. Capital reserves	21,142	21,142
III. Revenue reserves	6,384	4,937
IV. Own shares	-85	-85
	33,941	32,494
V. Minority interests	2,626	2,653
	36,567	35,147
B. Provisions		
1. Provisions for pensions	8,388	8,246
2. Other provisions	7,674	6,082
	16,062	14,328
C. Liabilities		
1. Liabilities to financial institutions	65,121	57,243
2. Trade creditors	8,181	5,949
3. Prepayments received on orders	2,748	4,469
4. Liabilities from accepting bills drawn	936	757
5. Liabilities to companies with which a shareholding relationship exists	224	232
6. Other liabilities	18,890	15,304
	96,100	83,954
D. Deferred taxes	3,602	3,504
	152,331	136,933

Segment reporting by the GESCO Group for the period
1 April 2004 to 30 September 2004

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	82,470	70,772	18,995	15,188	0	0	326	175	101,791	86,135
Sales revenue	76,012	66,120	12,822	12,921	0	0	326	175	89,160	79,216
of which with other segments	0	0	0	0	0	0	0	0	0	0
EBIT	4,729	4,285	1,486	655	-1,223	-1,315	-3	196	4,989	3,821
EBITDA	7,462	7,043	2,189	1,397	-1,165	-1,261	80	283	8,566	7,462
Financial result	-299	-410	-21	-99	560	-174	52	52	292	-631
of which income from associated companies	0	0	744	130	0	0	76	113	820	243
Depreciation	2,733	2,758	703	742	58	54	83	87	3,577	3,641
of which unscheduled	0	0	0	0	0	0	0	0	0	0
of which on goodwill	0	0	0	0	0	0	0	0	0	0
Segment assets	101,384	103,674	28,155	23,803	9,561	6,087	13,231	14,704	152,331	148,268
of which shares in consolidated companies	372	0	0	347	0	0	1,111	556	1,483	903
Segment debts	34,856	37,722	4,771	5,658	5,987	3,063	70,150	71,894	115,764	118,337
Investments	1,851	1,360	1,061	247	63	113	-275	196	2,700	1,916
Employees (No. at reporting date)	972	956	231	220	9	11	0	0	1,212	1,187

Changes in the shareholders' equity of the GESCO Group
for the periods 1 April 2003 to 30 September 2003 and
1 April 2004 to 30 September 2004

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 securitites not impacting on income					255	255		255
Dividends			-1,200			-1,200		-1,200
Other neutral changes							-420	-420
Results for the period			1,649			1,649	203	1,852
As at 30.09.2003	6,500	21,142	2,417	-955	-1,204	27,900	2,031	29,931
As at 01.04.2004	6,500	21,142	4,937	-85	0	32,494	2,653	35,147
Dividends			-1,744			-1,744		-1,744
Other neutral changes			522			522	-434	88
Results for the period			2,669			2,669	407	3,076
As at 30.09.2004	6,500	21,142	6,384	-85	0	33,941	2,626	36,567

**GESCO Group cash flow statement for the period
1 April 2004 to 30 September 2004**

	01.04.2004- 30.09.2004 EUR'000	01.04.2003- 30.09.2003 EUR'000
Group net income for the year (including share of income attributable to minority interests)	3,076	1,852
Depreciation on fixed assets	3,577	3,641
Profit on investments in associated companies	-820	-243
Increase in long term provisions	142	185
Other non-cash income	-5	-9
Cash flow for the period	5,970	5,426
Profit from changes in the scope of consolidation	-45	0
Increase in stocks, trade receivables and other asset	-7,108	-6,425
Increase in trade creditors and other liabilities	1,883	5,716
Cash flow from ongoing business activity	700	4,717
Incoming payments from the disposal of tangible assets/intangible assets	47	0
Disbursements for investments in tangible assets	-2,324	-1,871
Disbursements for investments in intangible assets	-3	-30
Incoming payments from the disposal of financial assets	879	0
Disbursements for investments in financial assets	-372	-18
Disbursements for the acquisition of consolidated companies	-4,707	0
Cash flow from investment activities	-6,480	-1,919
Disbursements to shareholders (dividends)	-1,376	-1,200
Disbursements to minority shareholders	-27	-267
Incoming payments from raising loans	7,323	3,213
Cash flow from funding activity	5,920	1,746
Cash increase in financial means	140	4,544
Financial means on 01.04.	14,135	8,672
Financial means on 30.09.	14,275	13,216

Accounts, accounting and valuation methods

The GESCO Group's Interim Report for the first half (01.04.-30.09.2004) 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 the relevant International Accounting Standards (IAS) have been applied, taking into account the interpretations of the Standard Interpretation Committee (SIC). The 2003 version of the statements has been applied where there were no more recent statements to be taken into account. This applies, in particular, to the on-balance sheet treatment of company acquisitions, which is now governed by IFRS 3. With regard to the first IFRS 3 comments, the valuation of intangible assets in the current annual financial statements is a provisional valuation in accordance with IFRS 3, 61 to 62. IFRS 3 requires that any differences on the assets side arising from first-time consolidations are shown in a more detailed breakdown than to date, allocating the amounts to individual asset items. Only the remaining amount that cannot be allocated to any other item is to be posted under goodwill. Where a goodwill item exists, it is no longer written off on a scheduled basis, but subject to an impairment test. The other intangible assets are each written off on a scheduled basis according to their useful life. With this in mind, GESCO AG has allocated the corresponding differences on the assets side as well as the remaining goodwill from previous periods to the relevant intangible assets as part of a differentiated accounts record and written these off on a scheduled basis. The presentation of the comparable figures for the previous year has been adjusted 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 applied.

Financial calendar

10 November 2004

Gate-M Stock Forum, Stuttgart

13 November 2004

Munich Stock Exchange Day

17 November 2004

Munich Investment Forum

24 November 2004

German Equity Forum, Frankfurt/Main

February 2005

Publication of figures for the first three quarters
(01.04 – 31.12.2004)

28 June 2005

Annual Accounts Press Conference and Analysts' Conference

August 2005

Publication of figures for the first quarter (01.04 – 30.06.2005)

1 September 2005

Annual General Meeting

November 2005

Publication of half year figures (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