



Annual Report

2002/2003



Tradition
Innovation
Vision

GESCO AG & GESCO GROUP

GESCO – Substance with Vision

- As a holding company, **GESCO AG** has set itself the objective of acquiring profitable and strategically attractive small and medium-sized companies in the industrial sector, supporting their further development and thereby increasing the value of the individual companies and the Group as a whole. Raising profits has priority over increasing sales.
- GESCO AG invests in industrial base technologies companies. It acquires 100 % holdings in small and medium-sized niche providers in the tool manufacture and mechanical engineering as well as plastics technology industries with a view to holding them for the long term, normally in the context of succession arrangements.
- In all its activities GESCO attaches great importance to a balance between **solidity** and **dynamism**, which has resulted in successful growth over a period of many years.
- GESCO is a **company of entrepreneurs**: subsidiaries are managed by qualified sector experts, who generally also hold stakes in them.
- As the lead company GESCO AG ensures that its subsidiaries are run in accordance with the latest management standards, providing **coaching, consulting** and **(financial) control**.
- Their affiliation to the Group gives subsidiaries an **excellent standing** vis-à-vis banks, customers and suppliers.
- GESCO shares offer investors sound **substance** and high **value**.
- GESCO shares provide an attractive **dividend yield**: the distribution policy is shareholder-friendly.
- At the same time GESCO shares inspire vision as, in the future too, the acquisition of established niche providers and companies with no obvious management successor give the Group first-rate growth opportunities.
- GESCO shares are listed in the **Prime Standard** segment of the official market.
- GESCO AG is a member of the **German Investor Relations Circle (DIRK)** and is bound by its principles of an active, open and continuous communications policy.

GESCO AG	
Segment Tool manufacture and mechanical engineering	Segment Plastics technology

What do dance and GESCO have in common?

Dance takes individuals and brings them together to form a harmonious whole. Dance requires strength and stance, discipline and flexibility. Dance is productive and creative at the same time – not unlike a modern, forward-looking company. This is why we have chosen dance for the visual representation of our Annual Report this year.

The town of Wuppertal also has a special link with dance, for it is home to Pina Bausch's Tanztheater (dance theatre) – Wuppertal's most famous and internationally renowned cultural institution.



The GESCO Group at a glance

Financial year		HGB				
		01.04.-31.03.	1996/1997	1997/1998	1998/1999	1999/2000
Sales	EUR'000	109,704	128,908	173,521	200,274	146,481
of which domestic	EUR'000	92,253	104,721	133,911	167,229	118,206
foreign	EUR'000	17,451	24,187	39,610	33,045	28,275
EBITDA ¹	EUR'000	8,221	12,555	14,566	17,514	14,710
EBIT ¹	EUR'000	4,717	8,669	9,643	10,587	9,774
Earnings before tax	EUR'000	2,504	6,883	8,902	10,098	8,532
Taxes on income and earnings	EUR'000	-765	-1,331	-2,899	-4,286	-3,567
Taxation rate	%	30.5	26.4	32.6	42.4	41.8
Group net income for the year	EUR'000	1,602	3,166	5,463	5,149	4,102
DVFA/SG cash flow	EUR'000	5,120	6,607	10,707	11,617	10,090
DVFA/SG earnings	EUR'000	1,270	3,133	4,829	4,666	4,012
DVFA/SG earnings per share ²	EUR	0.79	1.25	1.93	1.87	1.60
Group net income per share ²	EUR	0.64	1.27	2.18	2.06	1.64
Working capital ³	EUR'000	29,156	29,594	42,961	28,598	35,998
Capital employed ⁴	EUR'000	37,512	59,908	71,377	70,273	63,443
ROCE ⁵	%	6.7	14.5	13.5	15.1	15.4
Investment	EUR'000	8,885	5,816	11,374	14,472	14,519
Depreciation ⁶	EUR'000	4,010	3,937	4,948	7,027	5,796
Shareholders' capital	EUR'000	11,432	32,090	37,079	35,252	38,276
Total assets	EUR'000	75,107	93,857	122,946	97,781	104,912
Capital ratio	%	15.2	34.2	30.2	36.1	36.5
Employees						
(as at 31.12.)	No,	780	897	1,471	1,816	1,015
of which trainees	No,	26	32	45	50	52
Year-end share prices as at 31.03.	EUR	0	21.47	17.1	14.92	16.00
Dividend	EUR	0.23	0.38	0.56	0.66	0.72

* The downturn in the indicators in financial year 2000/2001 compared to the two previous years is due to the disposal of Elba Bürosysteme GmbH on 01.01.2000. Elba was included for the full 12 months in financial year 1999/2000 and in five months of financial year 1998/1999. This was planned from the start as a short term investment.

¹ See the profit and loss account (page 47) for calculation.

² With a weighted average number of shares in circulation of 2,455,743 (financial year 2002/2003) and 2,460,902 (financial year 2001/2002). Figures for previous years relate to 2,500,000 shares.

³ Working capital: stocks and trade receivables less trade creditors.

⁴ Capital employed: average tangible assets (under IFRS: excluding property held as financial investments), stocks and trade receivables less average trade creditors.

⁵ ROCE: EBIT (under IFRS: excluding effects from property held as financial investments) divided by capital employed.

⁶ Including depreciation on financial assets and securities held as current assets and, under IFRS, including depreciation on investments and receivables in the New Technologies division.

IFRS 2001/2002	2002/2003	Change
158,627	153,835	-3.0 %
124,411	124,165	-0.2 %
34,216	29,670	-13.3 %
15,638	14,580	-6.8 %
10,088	8,063	-20.1 %
4,348	-1,600	-
-548	-758	38.3 %
12.6	-	-
2,939	-3,177	-
11,831	10,122	-14.4 %
3,256	-3,177	-
1.32	-1.29	-
1.19	-1.29	-
43,050	43,119	0.2 %
77,906	86,786	11.4 %
13.3	9.8	-
27,258	20,432	-25.0 %
8,304	14,126	70.1 %
36,107	29,444	-18.5 %
134,204	138,515	3.2 %
26.9	21.3	-
1,157	1,203	4.0 %
61	69	13.1 %
12.70	9.10	-28.3 %
0.75	0.50	-33.3 %



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Dance

Movement

Dynamism

Involvement

Team

Technology

Formation

Experience

Harmony

Insights into the GESCO Group:

- Chairman's Statement with key information on financial year 2002/2003.

Insi

- GESCO Shares and Corporate Governance.
- The GESCO Strategy.
- Strategy in implementation: a profile of subsidiary Haseke GmbH & Co. KG.
- Group Directors' Report with detailed information about financial year 2002/2003.

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STATEMENT



Willi Back,
Chairman of the Executive Board

Dear shareholder,

Financial year 2002/2003 has been a year of mixed fortunes.

The economy remained weak in 2002 and the economic upturn forecast by the analysts for the second half year did not materialise. Global economic and political factors, the war in Iraq and the backlog of reforms in Germany resulted in a climate of investor reticence and pessimism. The mood reached a low not experienced for many years.

In 2002/2003 as in previous years, we were active in two divisions: Base Technologies, our original core division, and New Technologies, a strategic supplementary division launched in June 2000 by our wholly-owned subsidiary, GESCO Technology AG. These divisions were affected by the stagnating economy to differing extents.

The operating companies in the **Base Technologies segment** held their ground despite adverse market conditions and confirmed the stability of their business model. Overall, our cross-sector investment approach proved to be prudent once again.

For the **New Technologies** companies, however, the extreme reluctance to invest on the part of potential customers had considerably more negative consequences. Despite a high level of technological expertise and promising customer contacts, these companies were unable to live up to expectations in terms of market success. In August 2002, the largest investment, Silicon Vision AG, was forced to institute insolvency proceedings. After the business plan was adjusted, the financing bank consortium was no longer prepared to provide further funds to finance current business operations, as originally agreed, without an additional financial commitment from the investors. Of the group of investors – which, in addition to GESCO included Agfa Gevaert, Julius Bär and Börsenmakler Schnigge – only GESCO was willing and in a position to commit funds to Silicon Vision AG to enable it to fill a short term liquidity gap. As a result of the insolvency application, the investment had to be written down in full. In light of the persistently sluggish economy and ongoing risks, the Executive Board and Supervisory Board of GESCO AG took the decision to draw a line under the New Technologies division once and for all at the end of March 2003. On 31 March 2003, we sold GESCO Technology AG complete with its investments to Mikro Systec AG, Munich. The present annual financial statements include all the effects from the New Technologies division, so that there will be no risks associated with this division in future.

This ambivalence in the economy is reflected in the GESCO Group's profit and loss account. At EUR 153.9 million, sales were 3 % down on the previous year's figure of EUR 158.6 million. EBITDA stood at EUR 14.6 million (previous year EUR 15.6 million) and, as a key indicator, highlights the intact earnings power in Base Technologies. The loss from the disposal of GESCO Technology AG, however, made a significant impact on the financial result, resulting in a pre-tax figure of EUR -1.6 million (EUR 4.3 million) and GESCO having to report a Group loss (EUR -3.2 million) for the first time in the company's history. Group net income for the year amounted to EUR 2.9 million in financial year 2001/2002.

It is obvious that our commitment to New Technologies has ultimately impacted negatively on our operating business. We are confident that we acted correctly at the time, both in terms of strategy and operating business. We selected companies carefully and supported them intensively, but the anticipated market successes did not materialise given the prevailing economic environment. Corporate action is always loaded with risks and opportunities. From the very beginning, the New Technologies division was set up as a strategic supplement which was clearly secondary to the core Base Technologies division. Even though the loss reported in the present financial statements as a result of write-downs is painful, at the end of the day, our conservative risk policy has paid off. The core of the GESCO Group is intact and has already returned to form in terms of earnings power in the new financial year.

At the Annual General Meeting on 30 July 2003, the Executive Board and Supervisory Board will therefore propose a dividend payment of EUR 0.50 per share. With this proposed dividend we are continuing our shareholder-friendly dividend policy despite the loss incurred in the year under review, and documenting the long-term earnings power of the GESCO Group.

At the balance sheet reporting date on 31 December 2002, the GESCO Group had a staff complement of 1,203, 4 % more than in the previous year (1,157).

We switched to reporting in accordance with International Financial Reporting Standards (IFRS) in financial year 2002/2003.

GESCO's portfolio

In financial year 2002/2003, we took over 100 % of the shares in Hubl GmbH in Vaihingen/Enz, a stainless steel producer specialising in precision machine coverings, casings and other products. We sold our minority investment in plant construction and engineering company Steiner GmbH & Co. KG to the majority shareholder in March 2003. As mentioned previously, we also sold GESCO Technology AG.

GESCO shares

2002 was a bad year for the capital markets, with the share price indexes falling once again. GESCO shares were also affected by the negative situation, although they performed better than the SDAX index, a fact which is certainly thanks to our dividend policy. Following the re-segmentation of the stock exchange on 1 January 2003 by Deutsche Börse AG, GESCO shares were listed in the Prime Standard segment. The division of the stock exchange into a Prime Standard and General Standard meant that the SMAX, to which we previously belonged, was abolished.





Outlook

Now that all risks associated with New Technologies have been processed in the present annual financial statements, we are facing the future with confidence. Although there are no current signs of an economic upturn, the business model of our subsidiaries is sufficiently stable to enable them to hold their ground even without an economic upswing. Contrary to the general mood of pessimism mentioned at the beginning, the feeling within the Group is that of cautious optimism. We anticipate a slight rise in sales for the new financial year 2003/2004, and a result in line with the earnings power typical in previous years.

We are planning further acquisitions in Base Technologies and are monitoring a series of acquisition projects on a continuous basis. Admittedly, the acquisitions market reflects the economy and owners who do not have a crucial reason for selling their companies in the short term are waiting for better economic times in order to report improved current figures and a more optimistic outlook.

I should like to extend my warmest thanks to the management and employees of our companies for their dedication in a difficult financial year. I thank all our customers, suppliers and business associates for their fair and constructive cooperation. And finally, I should like to thank you, our shareholders, for your trust in our company.

Yours sincerely

M. Wank



SHARES

2002 saw share price indexes fall for the third consecutive year. Flat economic growth and political uncertainty coupled with the Iraq war have resulted in another year of crisis in the capital markets. Deutsche Börse was unable to fulfil its macroeconomic function of providing companies with capital for further growth.

GESCO shares/Corporate Governance

GESCO shares

Although the GESCO share price recorded a marked decline in the year under review, it still outperformed the SDAX benchmark index and fared much better than the DAX.

Following the re-segmentation of the stock exchange on 1 January 2003 by Deutsche Börse AG, the SMAX was abolished. GESCO AG was admitted to the Prime Standard segment. However, due to the restructuring and shrinking of the selection indexes, the company will no longer be represented in the new SDAX.

In 2002 small and mid caps once again performed better than the blue chip companies in the DAX, but financial services providers, analysts and institutional investors are continuing to show a lack of interest in second-tier stock. The re-segmentation by Deutsche Börse AG should be viewed critically, as companies with a low or medium market capitalisation previously in the SMAX, find themselves without a platform only a few years after it was established. GESCO's listing in the Prime Standard brings clear advantages in terms of investor awareness compared to a listing in the General Standard segment.

Despite the impact of the results of the New Technologies division, the Executive Board and the Supervisory Board will recommend a dividend of EUR 0.50 per share to the Annual General Meeting. This decision highlights the sustained earnings power of the GESCO Group. Given the exceptional situation, in our view this distribution from the reserves is an appropriate measure this year.

In the past financial year, GESCO once again pursued its active Investor Relations policy, holding discussions with financial services providers, analysts, institutional investors and financial journalists as well as regular exchanges with private investors. In August 2002, we participated in the "Financial Forum 2002" and in December 2002 in "Investment-Chancen 2003" (Investment opportunities 2003), both events which took place in Frankfurt/Main. As a member of the Deutscher Investor Relations Kreis e. V. (DIRK, German Investor Relations Circle), we have adopted an active, open and continuous communication policy.

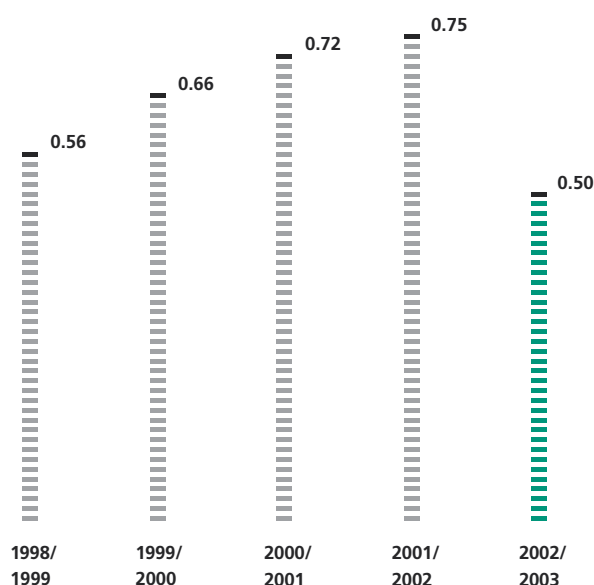
In financial year 2002/2003, we bought back GESCO AG shares and as a result held a total of 100,000 own shares in our securities account as at 31 March 2003.

Corporate Governance

We adopted the Corporate Governance Code produced by the Frankfurter Grundsatzkommission (Frankfurt Commission) at the time of publication of our Interim Report in November 2001; our website also explains any deviation from the recommendations, in line with the principle of "Comply or Explain".

On 26 February 2002, the Corporate Governance government commission submitted its proposal for a Corporate Governance Code to the Federal Minister of Justice. The requirement for an annual declaration of compliance with the Code is stated in § 161 AktG (German Stock Corporation Act), which is included as part of the Transparenz- und Publizitätsgesetz (TransPuG, Transparency and Publication Act). The Executive Board and the Supervisory Board of GESCO AG have declared their agreement with the aim of the Code, which is to promote sound management that is governed by the interests of and based on the trust of shareholders, employees and customers.

Dividend per share in EUR



Our corporate policy is aimed at increasing the company value on a sustained basis. The declaration can be viewed by shareholders and any interested parties on our website. The preamble to the Code expressly provides for deviations from its guidelines, which are aimed at “enhancing the flexibility and self-regulation with regard to the corporate legal structure of German companies.”

The Executive Board and the Supervisory Board of GESCO AG declare that the company has complied with, and will continue to comply with, the recommendations of the Government Commission German Corporate Governance Code published in the official section of the online version of the Bundesanzeiger (Federal Gazette) and that GESCO AG’s policy differs from those guidelines in the following points only:

- 3.8. – D&O liability insurance: a Group D&O insurance policy has been taken out for members of corporate bodies of the GESCO Group. There is no excess on this policy. The policy also covers the members of the Executive Board and the Supervisory Board of GESCO AG.
- 5.3.1, 5.3.2 – Supervisory Board: GESCO AG has deliberately chosen to keep the number of Supervisory Board members down to three only, in order to facilitate efficiency and in-depth discussion with regard to matters concerning the overall strategy and specific details. As a result, we believe that there would be little point in forming Supervisory Board committees.
- 7.1.4 – List of shareholdings: The Code specifies that the results for the past financial year should also be reported in the annual accounts for any material interest; we deviate from this to the extent that we do not publish the results of our subsidiaries. This is due to the fact that the publication of the results of our subsidiaries, which are all SMEs, could adversely affect their positioning vis-à-vis the competition.

GESCO share data ¹

International Securities Identification Number ISIN	DE0005875900
Stock market abbreviation	GSC
Share capital	EUR 6,500,000
Number of unit bearer shares	2,500,000
IPO	24 March 1998
Issue price	DM 42.00/EUR 21.47
Year-end price previous year (28.03.2002)	EUR 12.70
Year-end price reporting year (31.03.2003)	EUR 9.10
High (08.07.2002)	EUR 14.01
Low (07.10.2002)	EUR 8.20
Market capitalisation as at 31.03.2003	EUR 22,750,000
Free float	100 %
Shares held by members of the Supervisory Board	0.2 %
Shares held by members of the Executive Board	1.3 %

¹ all price information relates to the closing price of the Frankfurt stock exchange

Key indicators per GESCO share for 2002/2003

Dividend	EUR 0.50
Group net income per share	EUR -1.29
DVFA/SG earnings per share	EUR -1.29
DVFA/SG cash flow per share	EUR 4.12

Stock exchanges

Frankfurt (official market)
 Düsseldorf (official market)
 Berlin (over the counter)
 Hamburg (over the counter)
 Munich (over the counter)
 Stuttgart (over the counter)
 XETRA

The financial calendar at the end of this Annual Report provides a list of key dates up until the end of 2004.

GESCO AG share price against the SDAX





STRATEGY

They are known as “pearls among SMEs” or “hidden champions”: well managed, well positioned companies, with all the strengths that SMEs have to offer – market proximity, customer focus, innovative drive, a high level of staff loyalty and the ability to make decisions quickly.

GESCO AG identifies and acquires such companies, offers them a long term, non-exit oriented place in our portfolio and then develops them further.



There is a plethora of “pearls” among SMEs, and many of the owners of these companies do not have a successor in place. With this in mind, a group of private investors designed a business model and founded GESCO AG in 1989 with the aim of building a bridge to the future for SMEs, thereby solving the problem of succession and at the same time taking advantage of the investment opportunities offered by open successor arrangements.

GESCO AG has remained true to this philosophy all along. The company acquires exclusively industrial SMEs and concentrates in particular on the segments of tool manufacture and mechanical engineering as well as plastics technology. These segments are the focus of our portfolio and also facilitate a wide diversification within these segments to optimise the risks and opportunities profile of the portfolio.

In contrast to private equity companies, GESCO AG holds its investments long term, achieves its returns from the current income of the companies and does not pursue an exit-oriented policy, whereby the investments will be sold at a later date. Growth within the Group is generated both organically, i.e. through the further development of existing investments, and externally, through the acquisition of other subsidiaries.

In principle, GESCO AG takes over 100 % of the shares in the companies from the existing owners and appoints a new Managing Director, who generally acquires a stake of around 20 % in the company which he runs, following a probationary period of one to two years. In this way, the end of one entrepreneur’s *raison d’être* heralds the dawn of a new era for another entrepreneur.

This strategy of encouraging the new Managing Director to invest in the company – which is particularly attractive to entrepreneurs – lends stability to the respective companies as well as to the Group as a whole and ensures common interests. All decisions are made with the long term growth of the company in mind.



Acquisition criteria

Since the success of GESCO AG depends on the selection of portfolio companies, potential acquisitions are investigated thoroughly – the yardstick for investments is set high. Decisive acquisition criteria are the long term earnings power of the companies and the resultant attractive yield on the purchase price paid. The companies we target are expected to generate sales of at least EUR 10 million and have adequate shareholders' capital. Restructured companies will only be considered in extremely well-founded, exceptional cases. Synergies are required but are not a priority at acquisition stage – the individual companies must be commercially successful on their own account.

A win-win situation

The GESCO model is so successful because it takes equal note of the interests of all parties, offering clear benefits to each and every partner:

The **existing owner** who sells to GESCO can enter a new phase of life knowing that he has delivered his life's work into safe hands and secured the jobs of his former employees. He has sold to an investor who has no intention of disbanding, merging or selling on the company in a few years' time.

The **new Managing Director**, who is usually recruited from outside but who occasionally comes from a management buy-out, has complete autonomy with regard to the day to day running of the business but can also rely on the expertise of GESCO AG and the other companies in the GESCO Group. Intra-Group communication and exchange of experiences are actively promoted by GESCO AG.

The **employees** can build on the fact the company's successful identity will be maintained and further developed by new initiatives.

Customers, suppliers, business associates and banks all benefit from the continuance of a successful company.

The **macro economic benefits** are immense, since a corporate unit worth retaining remains in existence.

As a shareholder, **GESCO AG** participates in the success of its subsidiaries.

GESCO shares offer **GESCO shareholders** access to the ambitious, creative world of industrial SMEs which is usually closed to investors. This is because a corresponding company shareholding is barely fungible and the necessary risk diversification is only possible after a considerable amount of capital has been invested. Unlike a fund, GESCO AG as the majority shareholder has a direct influence on the strategic business policy, appoints the management and supports the companies intensively.

Clear guidelines and quick decision making routes

GESCO itself is a consciously lean company with a team of ten employees, whose primary role is to identify and acquire suitable companies and select and appoint new Managing Directors as necessary. Once the company has been acquired, the umbrella company sees its remit in continuously and intensively managing companies through (financial) control, coaching and consulting.

The operational autonomy of the subsidiaries is complemented by meaningful and SME-specific reporting and a corresponding risk management system. The basis for cooperation is a jointly determined annual budget including an investment plan. Throughout the year, GESCO receives economic analysis data and risk management reports from all subsidiaries on a monthly basis, and in major instances, on an ad hoc basis. This data is processed and made available to the managing directors of the companies in the form of a standardised management information system. Once a month, a GESCO business advisor visits each subsidiary to interpret the figures together with the local management, identify any deviations from budget at an early stage and analyse the current position of the company. A member of the Executive Board also visits the subsidiaries at regular intervals. All parties are convinced that these face to face meetings, which facilitate active analysis of the risks and opportunities facing the company, offer clear advantages.

Small and medium-sized companies – with big ideas

The subsidiaries are niche providers who are well established and renowned in their respective markets. Some are market leaders in Germany, Europe and even worldwide. To maintain the developed strengths of the companies, their identity, culture and market presence are retained after acquisition by the GESCO Group. Having GESCO AG as shareholder, however, goes hand in hand with an optimised reporting system and vastly increased transparency which benefits the management and also enhances the company's standing with banks, particularly in view of the Basel II guidelines.



Despite all the differences between the companies, there are also strategic similarities. The companies strive to position themselves in market niches with high entry market barriers and therefore offering attractive margins. They complement their products with a range of services to produce a system offering which provides customers with problem solutions in their respective value added chains. Due to their level of expertise, the companies are included as a partner as early as the planning and development stage and with this positioning, they are benefiting from the fundamental outsourcing trend in industry.

Overall, the GESCO concept focuses on further developing the strengths and avoiding or eliminating the weaknesses typical of SMEs. All measures are carried out with the aim of making successful companies even more successful under the umbrella of a holding company.

Our investment philosophy:

- Majority acquisition, generally 100 %
- Usually as part of a successor arrangement
- New Managing Director appointed
- Managing Director investment, usually 20 % (“a company of entrepreneurs”)
- Long term focus, not exit-oriented

Our acquisition criteria:

- Tool manufacture and mechanical engineering/plastics technology segments
- Established, profitable niche providers
- Sales upward of around EUR 10 million
- Sufficient shareholders’ capital

We offer our companies:

- Full operational autonomy for subsidiaries
- Coaching, consulting and (financial) control
- Many years’ expertise in managing and developing manufacturing companies
- Top standing with banks, suppliers and customers
- A constructive climate of partnership within the GESCO Group



Executive Board (l. to r.):
Robert Spartmann,
Willi Back (Chairman),
Dr.-Ing. Hans-Gert Mayrose



The New Technologies segment

From June 2000 to the end of March 2003, GESCO was active in the field of new technologies as a strategic supplement to its portfolio. By adopting a different investment approach – fixed term minority investment with exit intention through subsidiary GESCO Technology AG – the aim was to exploit the opportunities arising from technological innovations and to help newly-established companies to grow by offering them GESCO's wealth of expertise.

Despite strict acquisition criteria, renowned industrial partners as co-investors and intensive monitoring, the companies were unable to translate their technologies into market success. The market environment was exceptionally negative and dominated by a marked reluctance to invest on the part of potential customers. GESCO AG therefore decided to withdraw from this segment completely and sold GESCO Technology AG complete with all its investments on 31 March 2003.

PROFILE

Each year we include a detailed profile of one of our subsidiaries in our, **Annual Report**. This year, the focus is on **Haseke**, which joined the **GESCO Group** in 1990.

Previous Annual Reports have featured:

- MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG (Annual Report 1999/2000)
- Dörrenberg Edelstahl GmbH (Annual Report 2000/2001)
- AstroPlast Kunststofftechnik GmbH & Co. KG and Franz Funke Zerspanungstechnik GmbH & Co. KG (Annual Report 2001/2002)

Market driven: Haseke GmbH & Co. KG

In 1983, just two years after its launch in the USA, IBM was also selling PCs in Germany. This marked the start of the widespread use of computers in the workplace and at home in Germany and set the PC on its path to success. In the same year, engineer Horst Haseke founded a company in Porta Westfalica, which was to benefit from this new trend. The company developed and sold swivel arms, trolleys and other accessories designed for use with PCs in offices and the concept of making expensive computers accessible to several users was a hit.

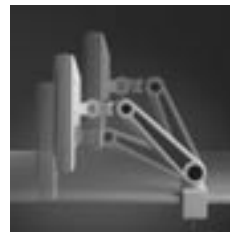
Horst Haseke sold his company to GESCO AG in 1990 to ensure a successor to take over the helm. He remained as Managing Director until 1993, when he handed over the reins to Günter Kegel, who is still the Managing Director of Haseke GmbH & Co. KG today. In line with the GESCO philosophy, Günter Kegel has a 20 % holding in the company.

From the idea to the product

Today under the brand name "ercos", the company develops and sells high quality rotary arms, swivel arms and swing arms and height-adjustable brackets for monitors, ranging from standard fittings to special arms for heavy monitors up to 40 kg in weight. Keyboard arms, stands and storage boards complete the range. Time and again, the company launches new products which pick up on trends, such as innovatively designed lecterns and tables for beamer projectors. The flat screen growth market has resulted in an increased demand for flat-screen brackets in recent years. The "ercos" range is sold through dealers and mail order.

The "ercos" brand stands for "ergonomic computer organisation systems" and describes a key element of the company's strategy which focuses on ergonomics. Ergonomic designs benefit the health of the user and also that of the company, due to reduced absenteeism.





“Raise, lower, swivel”

Managing Director Günter Kegel summarises the technical expertise of the company in three key words: “raise, lower, swivel”, or more precisely “raise, lower and swivel technical equipment up to 200 kg in weight”. This enables users to position equipment easily and without strain, to work efficiently and to create their own optimal working position. The company has in-depth expertise in this field and holds dozens of trademarks.

The second mainstay

The second division is also based on this core competence. Under the brand name “Haseke”, the company develops and produces housings and support installations for control and operating systems for industrial use. The range includes bracket systems, mobile housings and operating units.

Thanks to the high quality aluminium finish, the equipment has proven suitability for long term use in robust industrial environments and has an excellent service life. Clever details ensure that the equipment is readily accepted by users and the “Haseke” product line also enables users to easily position the height and horizontal location of operating units for ergonomically sensible working.

Haseke is not a mass production company but a specialist, producing small series equipment and individual solutions using a modular system. The company is therefore fast, flexible and reliable. Haseke’s customers include mechanical engineering companies which fit operating elements produced by the Porta Westfalica company to their products, as well as the automotive industry, which use the housings and control units on their production lines.

Design

Since creative variety and flexibility are crucial strengths of Haseke as a small series manufacturer, the design department is particularly important. The team of six have the latest computer hardware and software to further develop their own programs and design solutions for individual customer requirements. If necessary, the design service can also include the equipment which the company's suppliers need to produce the components.

One success factor sometimes overlooked by German SMEs has been a part of the corporate culture at Haseke from day one, and that is careful product design. Haseke's products have won several awards, ranging from the prize for good form at the Hanover trade fair to the prestigious "red dot" award from the Design Centre in North Rhine Westphalia.



Three pillar strategy

In the mid nineties, Günter Kegel recognised that the two existing divisions no longer offered sufficient growth potential. Building on its core competence and the high standard of technology and design, Günter Kegel believed that Haseke could break into the challenging and highly competitive medical technology market. With brackets and swivel arms for monitors and operating units, especially in X-ray departments, microscopy and minimal invasive surgery, the company transferred its expertise to a new field, whereby the technical configuration of the product and its design down to the structure of the surface meets the special requirements and high standards of medical technology.

The team in Porta Westfalica did its homework, analysing markets, applications and target groups before launching itself in the market in 1996. "If you are a no-name, which is what we were then, you cannot just 'slip into' the field of medical technology," says Günter Kegel. "We knew we had to stand out right from the start." Haseke achieved this at the Medica trade fair in November 1996 in Düsseldorf. The eye-catching stand, high quality printed material, clever presentation of the goods exhibited and, above all, the convincing quality of the products ensured an extremely positive response. The company's participation in the trade fair, which of course involved considerable expenditure as an up-front investment, generated contacts with leading medical technology manufacturers, which evolved into long term partnerships.

"Technology in the service of man" was the tagline for the "Mediarms" product line, a proprietary range of brackets and swivel arms as well as trolleys for monitors, phoropters to measure visual acuity and other equipment. In addition, the company has cooperation arrangements with leading manufacturers in medical technology, which constitute the second area of operations in this division, and here Haseke supplies components for complex medical devices.

The successful establishment of the medical technology division means that Günter Kegel has achieved his "three pillar strategy". Today, medical technology is the most important division and its expansion has more than compensated for the downturn in other areas, particularly in "ercos". With its three pillars, the company now has a broad enough base to at least partially withstand economic fluctuations in individual sectors. The company employs around 60 members of staff and generates sales of approx. EUR 10 million.





Actively shaping change

Since it was first established, Haseke has proven time and time again that it is able to make the most of the strengths it has as an SME without falling victim to any of the typical SME weaknesses. Haseke uses innovation to combat widespread resistance to change and its quality and technical expertise ensure that market focus and sales strength rank ahead of any “technology for technology’s sake” attitude. All the company’s activities are geared to the market, the customers and the requirements of product, service and price.

Although Haseke has not been able to fully escape the general economic trend, the company has on balance achieved rapid growth. It has made the transition from an artisan-based business to a certified company which is a recognised partner of some of the biggest names in German industry. Over time, a new office building was constructed and the production area increased through the addition of two hall extensions. Capacity has been adjusted to meet growth requirements and business processes have been further optimised.

The administrative and organisational structures have had to keep pace with this corporate evolution into a company of such size and complexity. This is where some SMEs go wrong. With the support of GESCO AG, Haseke has been able to take the necessary action and has optimised manufacturing control and production logistics and has also set up a quality management system. The ERP system introduced in 2002 has been successively expanded to become a control and management instrument for all business processes from purchasing to production, sales and customer service.

Günter Kegel does not deny that an entrepreneurial approach brings with it risks and difficulties, but as a salesman he is fundamentally an optimist. “We do not fear change. On the contrary, we have always sought out change, tried to identify it at an early stage and take an active part in such change. I don’t know what the company will be making in ten or fifteen years time, but I’m sure our products will be based on what the market wants.”

The team at Haseke is certainly not short of ideas for new products. Some have yet to be put to paper, others are already in the CAD system. Some are already up and running as prototypes at the company.



GROUP DIRECTORS' REPORT

Financial year 2002/2003
was a year of mixed fortunes:

The effects resulting from New Technologies impacted on results, but operating earnings remain intact.

General conditions

At the beginning of 2002, the research institutes were still expecting to see an economic recovery in the second half year, but this forecast was revised in the summer. Germany's gross domestic product only grew by 0.2 % in 2002. After a 1.1 % fall in 1993, this was the lowest figure since German reunification. Favourable business conditions therefore failed to materialise and the German economy stagnated.

Base Technologies division

Tool manufacture and mechanical engineering segment

The Verband deutscher Maschinen- und Anlagenbau e.V. (German Machinery and Plant Manufacturers Association) reported a drop in sales of 1.6 % in 2002. Rising exports contrasted with a fall in domestic demand.

Plastics technology segment

The Gesamtverband kunststoffverarbeitende Industrie e.V. (Association of Plastic Goods Producers) reported flat growth and sales at last year's level in 2002. Here too, export increases offset a fall in domestic growth.

New Technologies division

The main focus of our companies in this division is semiconductor, transponder and microtechnology. The economic conditions in these industries were extremely difficult because potential customers in the sectors were themselves under economic pressure and were extremely cautious with regard to investing.

Important changes to the scope of consolidation

SVT GmbH, which joined the Group in March 2002, converted its financial year over to the calendar year and appeared in the consolidated financial statements with a rump financial year running from 1 April 2002 until 31 December 2002. In the previous year, SVT was included with a rump financial year running from 17 January until 31 March 2002. **Hubl GmbH**, which was acquired at the end of April 2002, is included in the present consolidated financial statements for the period from 1 May until 31 December 2002.

Since GESCO AG had reduced its stake in **Paroll Doppelboden-Systeme GmbH & Co. KG** to 40 % as at 31 March 2002, Paroll was deconsolidated at this date. Therefore, Paroll was no longer included with its assets and liabilities in the consolidated balance sheet as at 31 March 2003. In the first quarter of financial year 2002/2003, Paroll was still included with its complete income and expenditure items in the Group profit and loss account. From the second quarter, the company is consolidated at equity. With retrospective effect to 1 January 2003, GESCO AG sold its 24.9 % stake in **Steiner GmbH & Co. KG** to the majority shareholder. This sale proceeded according to the principles of at-equity consolidation.

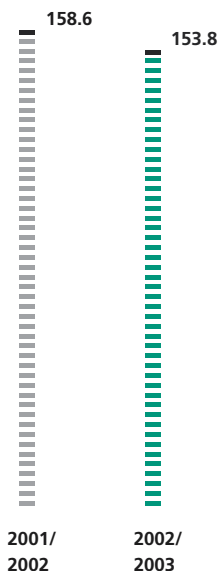
GESCO Technology AG, which was sold on 31 March 2003, was deconsolidated at this date and is no longer included in the consolidated balance sheet as at 31 March 2003. GESCO Technology AG is included in the Group profit and loss account with the income and expenditure items from its financial year 2002 as well as the period remaining up to deconsolidation from 1 January until 31 March 2003.

Sales and profits

During financial year 2002/2003, Group sales fell by 3.0 % to EUR 153.8 million (compared with EUR 158.6 million last year). Our Base Technologies subsidiaries developed differently during the period under review. Most companies were affected by the sluggish market conditions. At best, they were able to keep sales at last year's level and had to accept a decline in performance. On the other hand, some of our Group companies managed to shake off weak economic conditions to generate sales and profits by means of new products and customers. Overall, the Base Technologies division held up well in a weak environment, confirming our portfolio policy.

Since Group sales only include the sales of fully consolidated companies in line with Group accounting regulations, minority investments in the New Technologies division are not shown in this figure. These companies generated keen interest in their innovative technology and received a great deal of positive feedback on their products, but were unable to build on this early promise to generate sales in sufficient numbers owing to adverse market conditions and a marked reluctance to invest on the part of potential customers.

Group sales in EUR million



In August 2002, Silicon Vision AG, our biggest investment in the New Technologies division, had to institute insolvency proceedings. After adapting the business plan, the financing bank consortium was no longer prepared to provide further funds to finance current business operations, as originally agreed, without an additional financial commitment from the investors. However, GESCO was the only investor prepared to commit funds to Silicon Vision AG to enable it to fill a short term liquidity gap. The main industrial co-investor, Agfa Gevaert, had recently reorganised its strategic divisions and declined to support the company. The other investing companies, Julius Bär and Börsenmakler Schnigge, were not in a position to commit further funds either. Given the insolvency proceedings, the value of the Silicon Vision AG investment had to be written down in full.

In the light of continued adverse economic conditions and the ongoing risks and uncertainties associated with the strategic focus of some co-investors, GESCO AG's Executive Board and Supervisory Board took the decision to completely withdraw from the New Technologies division at the end of March 2003. All activities in this division ceased with the sale of GESCO Technology AG as at 31 March 2003.

At EUR 14.6 million, earnings before interest, tax, depreciation and amortisation (EBITDA) almost matched last year's figure of EUR 15.6 million. Earnings before interest and tax (EBIT) stood at EUR 8.1 million (EUR 10.1 million). The disproportionate fall was attributable to scheduled write-downs on goodwill increasing by some EUR 500 thousand and special write-downs on property held for investment purposes amounting to around EUR 400 thousand.

The financial result of EUR -9.7 million (EUR -5.7 million) includes losses from the New Technologies division amounting to approx. EUR 7.8 million. These losses meant that earnings before tax fell to EUR -1.6 million (EUR 4.3 million). Tax expenditure amounting to EUR 758 thousand mainly relates to the trade tax expenditure of our subsidiaries. After deducting the share of the profit attributable to minority interests, i.e. the managing directors of our companies who have a stake, there is a Group net loss for the year of EUR 3.2 million and earnings per share of EUR -1,29 under IFRS. In the previous year, Group net income for the year of EUR 2.9 million was achieved, corresponding to earnings per share of EUR 1.19.

The DVFA/SG result stood at EUR -3.2 million (EUR 3.3 million) with the DVFA/SG cash flow amounting to EUR 10.1 million (EUR 11.8 million).

At 9.8 %, the return on capital employed (ROCE) fell short of last year's high figure of 13.3 %. Capital employed covers the average values of the tangible assets, inventory assets and trade receivables less the average trade creditors. The ROCE figure describes EBIT in relation to capital employed whereby capital employed is adjusted for property held for investment purposes and EBIT is adjusted for results from this type of property.

Group EBITDA in EUR million



Group EBIT in EUR million

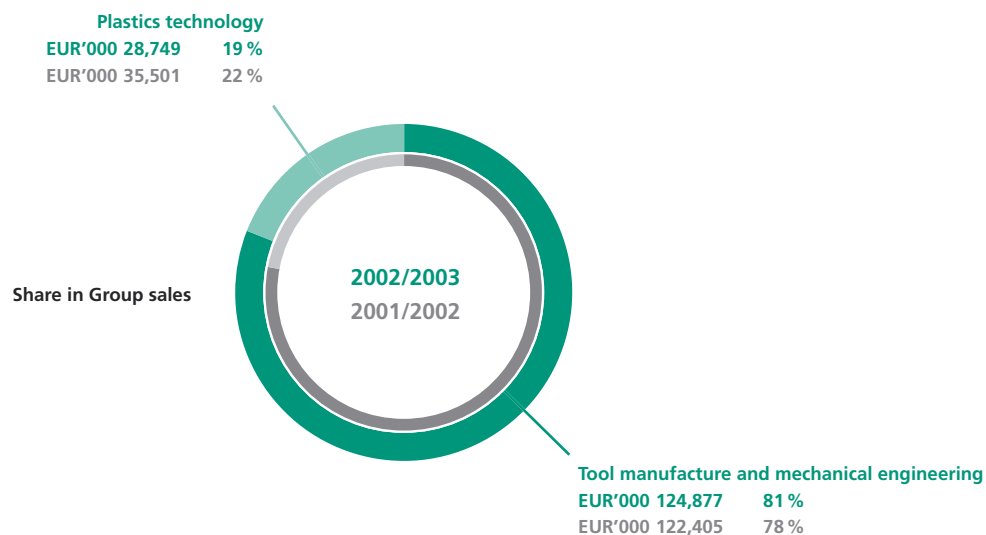


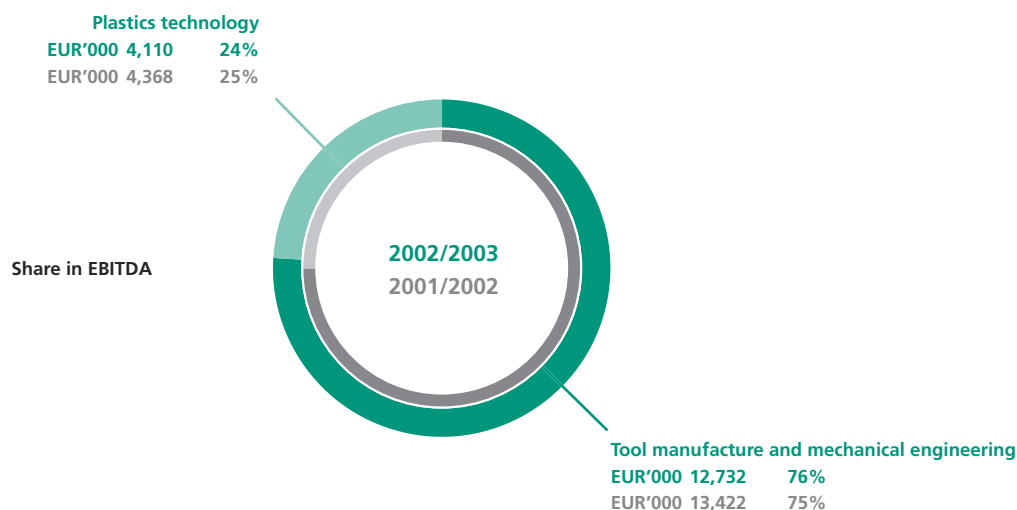
Sales and profits by segment

Detailed tables containing the segment reports can be found in the Notes to the consolidated financial statements. They are divided into the segments tool manufacture and mechanical engineering, plastics technology and New Technologies, as well as GESCO AG/ Other/Consolidation.

By presenting the segments in the Directors' Report, we can compare their operating situation and, in particular, their earnings power. It is only possible to achieve a meaningful comparison of the sales figures for the two segments, tool manufacture/mechanical engineering and plastics technology. This is because the New Technologies segment does not contribute to Group sales owing to the minority character of its investments, and noteworthy sales are not attributable to GESCO AG or the other companies listed under "Other". The same applies to EBITDA because both the New Technologies segment and GESCO AG/Other/Consolidation have a negative EBITDA. Therefore, in the following analysis, sales and EBITDA for the segments tool manufacture/mechanical engineering and plastics technology are presented in relation to the respective sales and EBITDA amounts from these two segments.

With an 81 % share of Group sales, **tool manufacture and mechanical engineering** is still the most important segment. It accounts for 76 % of EBITDA. As a result of changes to the scope of consolidation, the tool manufacture and mechanical engineering segment's share of sales has risen. Whilst sales rose slightly, EBITDA fell.



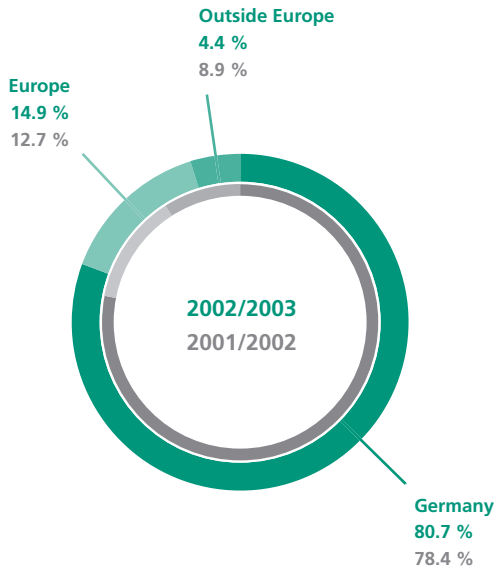


Plastics technology accounted for 19% of sales and 24% of EBITDA. As a result of changes to the scope of consolidation, there was a marked fall in sales compared with the previous year, whilst EBITDA fell disproportionately.

By selling GESCO Technology AG, GESCO has withdrawn from the **New Technologies** segment. Losses relating to this sale have had a significant negative impact on the Group result, particularly through predominantly non liquidity-related write-downs on book values of investments and writing down claims on relevant companies.

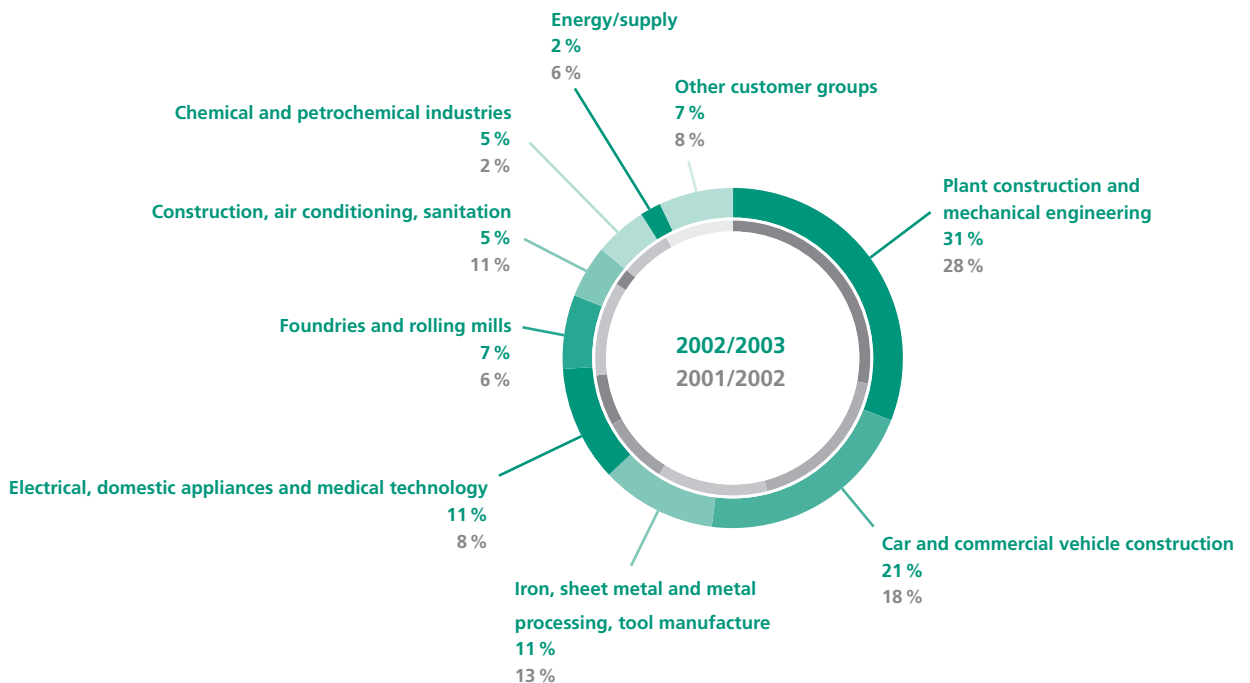
Sales by region

The proportion of sales accounted for by exports fell from 21.6 % last year to 19.3 % in the year under review. SMEs in the GESCO Group are focused on the German market but their customers are in part highly export-oriented. This indirect export is not included in the figures. At around 65 %, SVT GmbH accounts for by far the biggest share of exports. The companies Dörrenberg (20 %), AstroPlast (31 %) and MAE (30 %) also directly export their products in significant numbers



Sales by customer sector

GESCO AG's acquisition policy places emphasis on a healthy diversification of customer sectors within the Group. Plant construction and mechanical engineering dominate but overall Group sales are spread over a broad spectrum of customer sectors. This avoids being dependent on the economic cycles in individual sectors and helps to spread risk.

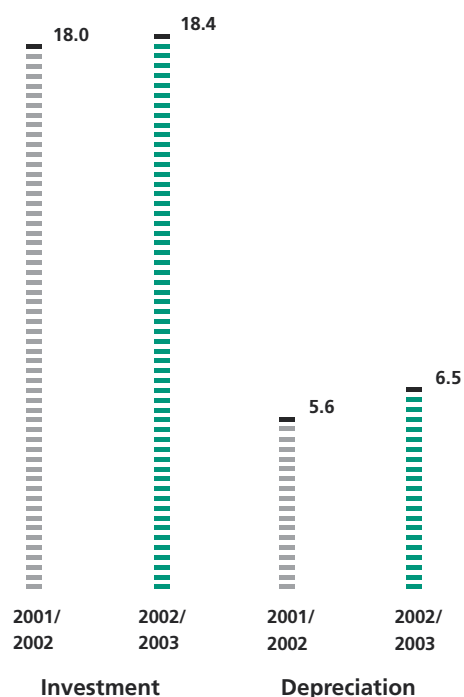


Investment and depreciation

Group investment in tangible assets amounted to EUR 11.6 million (EUR 12.9 million). This includes additions to the scope of consolidation of EUR 6.3 million (EUR 2.5 million). Overall, investment activity in the year under review was adapted in line with falling demand. We concentrated on replacement and rationalisation investments. Depreciation on tangible assets within the Group rose to EUR 5.3 million (EUR 4.8 million).

At EUR 2.0 million, investment in financial assets was considerably below last year's figure (EUR 9.4 million). Last year's figure included investment acquisitions and securities. Depreciation on financial assets of EUR 6.6 million (EUR 2.8 million) was taken to income in the profit and loss account and essentially comprised write-downs in the New Technologies division.

**Investment and depreciation
(excluding financial assets)
in EUR million**



Research and development

In our SMEs, research and development are completely customer-oriented and focused on achieving concrete market success. Thanks to their specialist expertise, companies are often included by their customers as early as the planning and development phase, which promotes customer loyalty.

Our subsidiary Dörrenberg has been pursuing an intensive research and development programme for years and can draw on its unique knowledge of metallurgy. The company continually works on the user-oriented development of material and process technology, mostly in cooperation with customers and sometimes financed by the public sector. This regularly results in the development of new steel materials requiring patent protection. Other important work during the year under review included coating the surfaces or hardening the edges of tools designed for industrial use.

MAE, the world market leader for automatic levelling machines, has developed machines with an innovative hydraulic drive, which can be used for automatically levelling large parts up to 14m. The company has also launched new machines for parts with a complex geometry, such as shift forks or aluminium structural parts. Both innovations have been very well received.

SVT developed a new hydraulic coupling to load liquid and gaseous materials from land to ship. The system has been successfully tested and is already in use.

Paroll has extended its double floor range through innovations such as glass and steel surfaces, clean-room and high-tech floors. It has expanded its hollow floors range by offering screed coverings.

Procurement

Our subsidiaries pursue an active procurement management strategy and include their suppliers in the process chain. Supplier audits are conducted on a regular basis to ensure that the stipulated quality is maintained. A wide circle of suppliers protects against dependence on individual suppliers. There were no supply bottlenecks in the year under review.

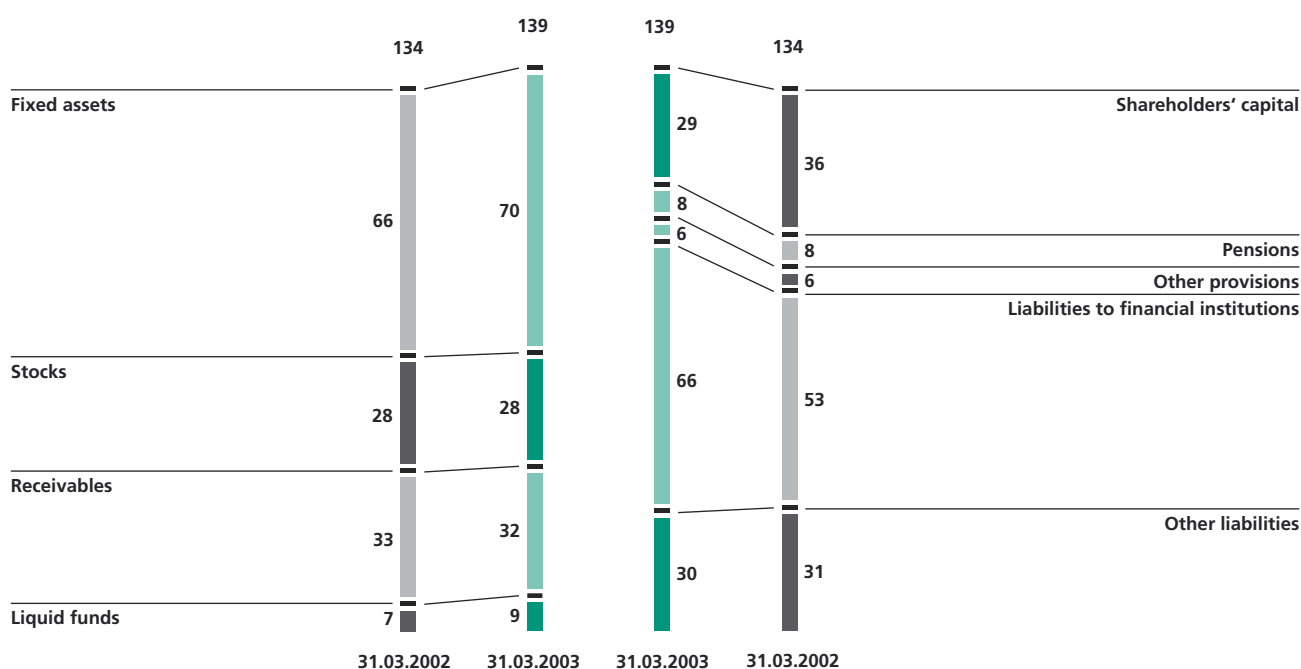
Group balance sheet

At EUR 138.5 million, total assets were 3.2 % up on last year (EUR 134.2 million).

On the assets side of the balance sheet, the first-time consolidation of Hubl GmbH greatly contributed towards the increase in property and technical equipment as well as to the increase in goodwill. Financial assets were significantly reduced as a result of write-downs in the New Technologies division. In current assets, stocks and receivables and other assets were reduced. Liquid funds rose from EUR 7.0 million to EUR 8.7 million.

On the liabilities side, distribution of profits for the previous year, the Group loss, acquisition of own shares and the revaluation pursuant to IAS 39 all led to a fall in shareholders' capital. Since in the consolidated financial statements the valuation of the parent company's investment is offset against the shareholders' capital of the respective subsidiary, but the subsidiary's liabilities are consolidated and therefore increase total assets, the capital ratio within the Group tends to drop with each company acquisition. In the year under review the capital ratio stood at 21.3 % (26.9 %). The increase in liabilities can be attributed to financing company acquisitions in the year under review, the first-time consolidation of Hubl GmbH and the rise in liabilities due to investments by individual Group companies. The fall in other liabilities in the year under review related to acquisition costs now falling due for affiliated companies acquired in the past.

Group balance sheet as at 31 March 2003 and 31 March 2002 in EUR million



Risk report and risk management

Within the GESCO Group, risk management is a top priority. The starting point for reducing risk within the Group is GESCO AG's acquisition policy. The benchmark for company acquisitions is very high, with any potential acquisition being subject to a comprehensive due diligence process. In particular, its projected figures are carefully analysed, including using external expertise. At portfolio level, acquisitions are managed in such a way as to prevent crises in certain sectors or the financial difficulties experienced by individual affiliated companies from jeopardising the Group's existence. The balanced portfolio and widely spread range of customer sectors play a key role in the Group's stability, even in difficult economic conditions.

As soon as a company is acquired, it is immediately integrated into the Group's reporting system and risk management system. The relevant data is analysed and evaluated at monthly meetings on site.

When acquiring companies in the New Technologies division, from which we have since withdrawn, we set particularly high standards. For the most part, these investments were newly established companies which were still in the process of organising their corporate structures. We concentrated on manufacturing or manufacturing-related companies and, when looking into acquisitions, focused our attention on criteria such as sector affiliation, market position, management quality, performance focus, technology management, unique selling points, barriers to market entry, production and personnel strategies as well as sales strengths. As and when required, we called in external expertise.

The availability of strategic co-investors with an industrial background suited to each company was another important factor in minimising risk. However, our experience with co-investor Agfa Gevaert in the case of Silicon Vision and uncertainties surrounding the strategic focus of other co-investors clearly showed that it is not only the operating business in New Technologies which is characterised by considerable fluctuations. The strategic focus of large-scale industrial companies is also affected. What started out as a gain turned into a loss which went beyond our sphere of influence.

Faced with continued weak market conditions and a broad reluctance to invest on the part of potential customers, our investments were not able to convert their expertise into market success in time.

In their operating business, the Base Technologies companies still in the portfolio are affected by economic developments in their own sector. Since the bulk of Group sales is still generated in Germany, the Group is only exposed to exchange rate risks to a limited extent. The exchange rate risks resulting from the foreign sales of SVT GmbH, whose exports account for two thirds of its sales, are hedged through forward transactions in essential cases.

Since GESCO AG and numerous subsidiaries are financed in Swiss francs due to the attractive interest rate, there is a certain risk relating to the exchange rate correlation between the Swiss franc and the euro. Given the considerable rate increases over the last couple of years, we perceive only a small risk here of further significant increases in the exchange rate.

We anticipate a generally stable interest rate.

As far as the general legal and fiscal conditions are concerned, we are not aware of any developments which could have a significant impact on the Group. However, the considerable degree of planning uncertainty caused by legislative indecision, particularly regarding tax legislation, makes it harder to make predictions.

Overall, no risks have been identified that could jeopardise or significantly impede the continued existence of GESCO AG and of the Group.

Environmental protection

Above and beyond compliance with statutory obligations and directives, a duty to protect the environment is an integral part of the corporate philosophy of our subsidiaries. This includes using production resources sparingly and economically and encompasses the design of the products themselves.

Our largest subsidiary, Dörrenberg Edelstahl, was the first German manufacturer of stainless steel to have a system of environmental management certified by the Technical Inspection Authority (TÜV). Numerous successful monitoring audits have followed and confirmed that the system is running smoothly.

Developers at our MAE subsidiary managed to replace the traditional oil-powered hydraulic drive with an electromechanical drive for one part of the levelling machines. The environment benefits from this significant reduction in the amount of oil used and an 80 % reduction in electricity costs. These are also convincing sales arguments.

Thanks to its new foaming plant, which came on stream in the summer of 2002, Ackermann Fahrzeugbau is producing foamed panels that are 100 % CFC-free.

Employees

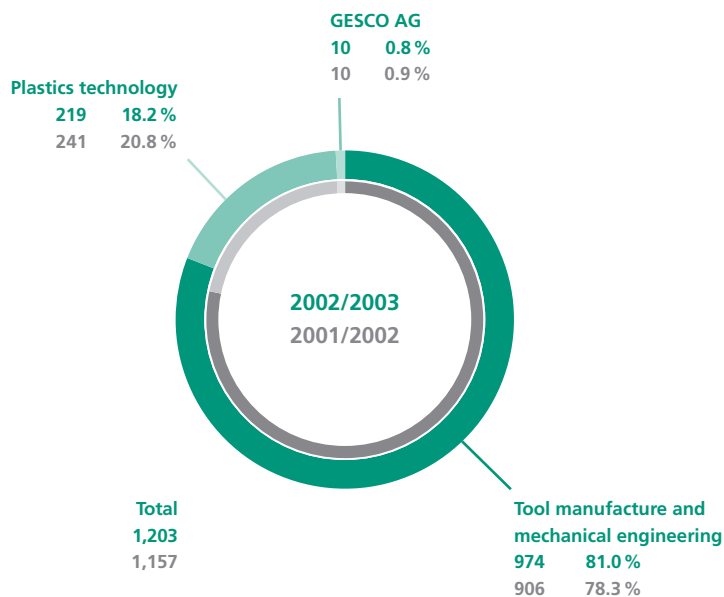
At the balance sheet reporting date, the increase in the workforce from 1,157 to 1,203 is mainly attributable to the changes in the scope of consolidation. Employee numbers in the individual companies remained largely unchanged.

The employees are fundamental to the success of our subsidiaries. The GESCO Group enjoys very low staff turnover, a high level of commitment to and identification with the company, specialist expertise and a focus on customers' requirements. Managers are aware of the importance of keeping up-to-date with personnel matters and training and continuous professional development are afforded high priority. Our subsidiaries are generally recognised as important training centres in their respective regions.

GESCO AG's investment philosophy encourages the managing directors of the operating companies to have a stake in the companies they run. The remuneration of our managing directors comprises a fixed and a variable, performance-related component. The remuneration of the Executive Board of GESCO AG also comprises a fixed and a variable, performance-related component.

In autumn 2002, GESCO AG offered all Group employees the opportunity to buy GESCO shares under an employee share scheme for the fifth time. 27.6 % of all employees took up this offer.

Employees by segment



Outlook

The panel of experts charged with evaluating general economic trends predicted a growth in gross domestic product of around one per cent for 2003. In their spring reports the research institutes gave an estimate of 0.5%. In the first quarter of 2003, Germany's gross domestic product shrunk by 0.2% on the same period last year. General economic stagnation is therefore on the cards for 2003.

The VDMA predicts moderate growth for the sector and is expecting sales to stagnate in 2003. GKV member companies are also predicting sales at last year's levels. Institutes and associations are highlighting the considerable degree of uncertainty surrounding current forecasts. Against this backdrop, many listed companies have not published forecasts for 2003.

Considering the ongoing problematic conditions, growth in incoming orders at our subsidiaries is rather positive. Even though there are still no signs of a real economic turnaround, we are cautiously optimistic about the new financial year. We anticipate that sales will rise slightly and profit will tie in with the earnings power of previous years. We are facing the future with optimism now that there are no longer any risks associated with New Technologies following the disposal of the division. The GESCO Group is intact, the companies are well managed and have a lean structure, competitive products and the ability to innovate, as well as competent, motivated employees. They can operate flexibly, have short decision making routes and can act quickly. These are the main prerequisites for continued success in the future.

At GESCO AG level, we are always looking into a number of concrete purchasing options in the traditional sectors. However, there are currently fewer companies available which meet our strict requirements. In the current climate company owners not needing to sell are waiting for an economic upturn in order to be able to demonstrate a higher earning capacity value for their company. Generally, we will continue to apply our extremely strict criteria when acquiring companies. Developments over the last few years and the way our companies have performed well under difficult economic conditions have proven the worth of our acquisition policy. Portfolio expansion or sales growth can never be seen as an end in themselves. Instead, they are always focused on achieving sustainable growth in earnings. In future, therefore, the sustained and successful development of our Group will continue to take precedence over short term growth considerations.

Following the end of the period under review, no events of particular significance occurred.

Control

Image

Conviction

Courage

Harmony

Enthusiasm

Direction

Focus

Character

Discipline



Res

Financial year 2002/2003 –
key figures

- Summarised version of GESCO AG annual financial statements in accordance with HGB.
- Consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for the first time.

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Summarised Annual Financial Statements of GESCO AG as at 31 March 2003

Balance Sheet

Assets	31.03.2003	31.03.2002
	EUR'000	EUR'000
Intangible assets	47	67
Tangible assets	145	215
Financial asset	39,267	35,789
Fixed assets	39,459	36,071
Receivables and other assets	18,757	18,355
Securities and liquid funds	5,954	5,328
Current assets	24,711	23,683
Total assets	64,170	59,754
Liabilities		
Shareholders' capital	30,991	38,179
Provisions	2,557	2,044
Liabilities	30,622	19,531
Total liabilities	64,170	59,754
Profit and Loss Account	01.04.2002	01.04.2001
	-31.03.2003	-31.03.2002
	EUR'000	EUR'000
Earnings from investments	6,307	11,910
Other operating income and expenditure	-2,353	-5,965
Personnel expenditure	-1,217	-1,354
Depreciation on fixed assets	-108	-106
Financial result	-924	-38
Expenditure on the assumption of losses	-7,586	-2,137
Earnings from ordinary business activity	-5,881	2,310
Taxes on income and earnings	549	294
Net loss for the year	-5,332	2,604
Withdrawal from revenue reserves	6,582	-
Retained profit	1,250	-

GESCO AG – Proposed appropriation of profits

The Executive Board and Supervisory Board of GESCO AG propose that the retained profit for financial year 2002/2003 of EUR 1,250,000.00 be appropriated as follows:

Payment of a dividend of EUR 0.50 per unit share on the share capital currently entitled to receive dividends (2,500,000 shares less 100,000 own shares)	EUR 1,200,000.00
Allocation to other revenue reserves	EUR 50,000.00
Retained profit	EUR 1,250,000.00

The full annual financial statements of GESCO AG, which have been drawn up in accordance with the provisions of the German Commercial Code (HGB) and German Joint Stock Corporations Act (AktG) have been given an unqualified auditor's report by Dr. Breidenbach, Dr. Guldenagel & Partner KG, auditors and tax consultants, Wuppertal and will be published in the Bundesanzeiger (Federal Gazette) and deposited at the Wuppertal County Court under number HRB 7847. The annual financial statements can be requested from GESCO AG.

GESCO GROUP

Consolidated financial statements
as at 31 March 2003

GESCO Group Balance Sheet

Assets		31.03.2003	31.03.2002
		EUR	EUR
A. Fixed assets			
I. Intangible assets			
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets	(1)	693,286	739,868
2. Goodwill	(2)	12,483,600	6,840,915
3. Prepayments made	(3)	48,392	22,946
4. Negative difference	(4)	-539,728	-552,837
		12,685,550	7,050,892
II. Tangible assets			
1. Land and buildings	(5)	24,073,097	19,851,992
2. Technical plant and machinery	(6)	11,963,421	7,128,277
3. Other plant, fixtures and fittings	(7)	10,804,306	10,712,609
4. Prepayments made and plant under construction	(8)	134,627	2,735,182
5. Property held as financial investments	(9)	6,373,203	7,372,309
		53,348,654	47,800,369
III. Financial assets			
1. Shares in affiliated companies		1	1
2. Investments in associated companies	(10)	1,005,063	1,257,879
3. Investments	(11)	238,124	5,539,633
4. Securities held as fixed assets	(12)	2,449,240	3,772,281
		3,692,428	10,569,794
		69,726,632	65,421,055
B. Current assets			
I. Stocks	(13)		
1. Raw materials and supplies		8,019,211	6,846,929
2. Unfinished goods, unfinished services		7,870,615	6,940,787
3. Finished products and goods		11,570,394	14,404,440
4. Prepayments made		328,799	207,057
		27,789,019	28,399,213
II. Receivables and other assets	(14)		
1. Trade receivables		21,689,068	21,189,698
2. Claims on affiliated companies		811,283	989,630
3. Claims on companies with which a shareholding relationship exists		1,162,734	881,214
4. Other assets		6,364,026	8,221,579
		30,027,111	31,282,121
III. Securities	(15)	25,170	2,973,805
IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques	(16)	8,646,593	4,032,499
		66,487,893	66,687,638
C. Prepaid expenses		116,832	129,308
D. Deferred taxes	(17)	2,184,018	1,965,707
		138,515,375	134,203,708

Liabilities		31.03.2003	31.03.2002
		EUR	EUR
A. Eigenkapital	(18)		
I. Shareholders' Capital		6,500,000	6,500,000
II. Capital reserves		21,142,226	21,142,226
III. Revenue reserves		1,967,851	6,972,644
IV. Own shares		-954,999	-323,752
V. Revaluation IAS 39		-1,459,041	0
		27,196,037	34,291,118
VI. Minority interests	(19)	2,248,449	1,815,441
		29,444,486	36,106,559
B. Provisions	(20)		
1. Provisions for pensions		8,256,215	8,083,555
2. Other provisions		5,452,325	5,494,727
		13,708,540	13,578,282
C. Liabilities	(21)		
1. Liabilities to financial institutions		65,346,542	53,204,732
2. Trade creditors		6,359,252	6,539,350
3. Prepayments received on orders		2,849,626	2,613,519
4. Liabilities from accepting bills drawn		960,574	1,037,943
5. Liabilities to companies with which a shareholding relationship exists		264,334	10,034
6. Other liabilities		16,146,651	17,853,175
		91,926,979	81,258,753
D. Prepaid income		716	1,803
E. Deferred taxes	(17)	3,434,654	3,258,311
		138,515,375	134,203,708

GESCO Group – Profit and Loss Account

		01.04.2002 -31.03.2003 EUR	01.04.2001 -31.03.2002 EUR
1. Sales revenue	(22)	153,834,748	158,626,919
2. Change in stocks of finished and unfinished products		268,309	-1,962,753
3. Other company produced additions to assets	(23)	621,211	353,505
4. Other operating income	(24)	3,571,211	4,270,659
5. Total performance		158,295,479	161,288,330
6. Expenditure on materials	(25)	-72,446,535	-79,017,154
7. Personnel expenditure	(26)	-52,613,048	-47,264,445
8. Other operating expenditure	(27)	-18,656,226	-19,368,421
9. Earnings before interest, tax, depreciation and amortisation (EBITDA)		14,579,670	15,638,310
10. Depreciation on tangible and intangible assets	(28)	-6,516,380	-5,550,618
11. Earnings before interest and tax (EBIT)		8,063,290	10,087,692
12. Earnings from other securities		74,415	153,978
13. Earnings from investments in associated companies		-422,146	-1,553,495
14. Earnings from lending the Group's financial assets		0	11,516
15. Other interest and similar income		461,878	577,299
16. Depreciation on securities held as fixed assets	(29)	0	-2,433,000
17. Write-downs on investments and receivables in New Technologies	(30)	-7,609,776	-320,000
18. Interest and similar expenditure		-2,167,629	-2,176,415
19. Financial result		-9,663,258	-5,740,117
20. Earnings before tax (EBT)		-1,599,968	4,347,575
21. Taxes on income and earnings	(31)	-757,908	-547,786
22. Earnings after tax		-2,357,876	3,799,789
23. Share of the profit attributable to minority interests		-818,727	-861,215
24. Group net loss/income for the year		-3,176,603	2,938,574
Earnings per share (EUR)	(32)	-1.29	1.19

Cash Flow Statement

	2002/2003 EUR'000	2001/2002 EUR'000
Group net income for the year (including share of income attributable to minority interests)	-2,358	3,800
Depreciation on fixed assets	13,115	8,304
Losses on investments in associated companies	422	1,553
Increase in long term provisions	173	220
Other non-cash expenditure/income	-201	313
Cash flow for the year	11,151	14,190
Profit/loss from the disposal of fixed assets	90	39
Loss from changes in the scope of consolidation	101	-319
Decrease in stocks, trade receivables and other assets	4,614	-9,768
Decrease in trade creditors and other liabilities	-4,822	-2,099
Cash flow from ongoing business activity	11,134	2,043
Incoming payments from the disposal of fixed assets/intangible assets	673	237
Disbursements for investments in tangible assets	-10,145	-10,006
Disbursements for investments in intangible assets	-267	-246
Incoming payments from the disposal of financial assets	6	801
Disbursements for investments in financial assets	-1,609	-5,777
Incoming payments from the sale of consolidated companies	647	0
Disbursements for the acquisition of consolidated companies and other business units	-8,091	11
Cash flow from investment activities	-18,786	-14,980
Disbursements to shareholders (dividends)	-1,856	-1,772
Incoming payments from the sale of own shares	467	397
Disbursements for the acquisition of own shares	-1,070	-715
Disbursements to minority shareholders	-387	-379
Incoming payments from raising loans	12,164	8,633
Cash flow from funding activity	9,318	6,164
Real change in financial means	1,666	-6,773
Financial means on 01.04.	7,006	13,779
Financial means on 31.03.	8,672	7,006

Movement in Shareholders' Capital

	Subscribed capital EUR'000	Capital reserves EUR'000	Revenue reserves EUR'000	Own shares EUR'000	Revaluation IAS 39 EUR'000	Total EUR'000	Minority interests EUR'000	Shareholders' capital EUR'000
As at 01.04.2001	6,391	21,142	5,916	-6	-809	32,634	1,774	34,408
Revaluation of securities not impacting on income					-700	-700		-700
Revaluation of securities taken to income in the results for the year					1,509	1,509		1,509
Acquisition of own shares				-1,102		-1,102		-1,102
Disposal of own shares				784		784		784
Capital increase	109		-109		0	0		
Dividends			-1,772			-1,772		-1,772
Other neutral changes						0	-819	-819
Results for the year			2,938			2,938	861	3,799
As at 31.03.2002	6,500	21,142	6,973	-324	0	34,291	1,816	36,107
Revaluation of securities not impacting on income					-1,459	-1,459		-1,459
Acquisition of own shares				-1,070		-1,070		-1,070
Disposal of own shares			28	439		467		467
Dividends			-1,856			-1,856		-1,856
Other neutral changes						0	-387	-387
Results for the year			-3,177			-3,177	819	-2,358
As at 31.03.2003	6,500	21,142	1,968	-955	-1,459	27,196	2,248	29,444

Segment Report

The following table provides an overview of the key indicators for the segments of the GESCO Group.

	Tool manufacture and mechanical engineering		Plastics technology	
	2002/2003 EUR'000	2001/2002 EUR'000	2002/2003 EUR'000	2001/2002 EUR'000
Sales revenue	124,877	122,405	28,749	35,501
of which with other segments	176	0	0	0
EBIT	9,122	9,834	2,700	3,233
EBITDA	12,732	13,422	4,110	4,368
Financial result	-780	-917	-203	-287
of which income from associated companies	0	0	345	0
Depreciation	3,610	3,588	1,410	1,135
of which unscheduled	0	0	0	0
of which on goodwill	0	0	0	0
Segment assets	82,935	73,320	22,671	20,935
of which shares in associated companies	0	0	561	217
Segment debts	29,253	32,427	4,977	6,075
Investment	9,559	4,473	2,379	7,760
Employees (reporting date)	974	906	219	241

New Technologies		GESCO AG / other/ consolidation		Group	
2002/2003 EUR'000	2001/2002 EUR'000	2002/2003 EUR'000	2001/2002 EUR'000	2002/2003 EUR'000	2001/2002 EUR'000
0	0	209	721	153,835	158,627
0	0	-176	0	0	0
-226	-73	-3,533	-2,906	8,063	10,088
-226	-73	-2,036	-2,079	14,580	15,638
-7,573	-2,130	-1,107	-2,406	-9,663	-5,740
-144	-1,611	-623	58	-422	-1,553
0	0	1,496	828	6,516	5,551
0	0	400	274	400	274
0	0	813	303	813	303
0	5,322	32,909	34,627	138,515	134,204
0	144	444	897	1,005	1,258
0	151	74,841	59,444	109,071	98,097
0	0	6,493	5,755	18,431	17,988
0	0	10	10	1,203	1,157

NOTES

General information

The consolidated financial statements as at 31 March 2003 of GESCO AG have for the first time been 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 Standing Interpretations Committee (SIC). The 2002 version of the statements has been applied.

The financial statements comply with the EU Directive on accounting for corporate groups (Directive 83/349/EEC). To achieve equality with consolidated financial statements drawn up in accordance with the German Commercial Code (HGB), all information and explanations required under HGB beyond those required under IASB have been provided. As the preconditions of § 292a HGB have been fulfilled, these consolidated financial statements prepared in accordance with IFRS exempt the company from the obligation to draw up consolidated financial statements in accordance with HGB. The assessment of these preconditions is based on the German Accounting Standard No. 1 (DRS 1) published by Deutsches Rechnungslegungs Standards Committee DRSC e.V.

Transition to IFRS/differences compared with HGB

The first-time application of the IASB rules has been carried out in accordance with SIC 8 (First-Time Application of IAS as the Primary Basis of Accounting) and the conversion to IFRS is therefore retrospective. According to SIC 8, in the context of first-time application of IFRS, the adjustments to the accounting and valuation methods are to be effected retrospectively as if the financial statements had always been prepared in accordance with IFRS. The adjustments as at 1 April 2001 have taken place without any impact on income but have been charged to the revenue reserves and minority interests.

The transition to IFRS has resulted in the following changes to the shareholders' capital as at 1 April 2001 compared with the shareholders' capital based on the provisions of the German Commercial Code as at 31 March 2001:

	EUR'000
Shareholders' capital in accordance with HGB as at 31 March 2001	38,276
Adjustment to goodwill	2,469
Full consolidation of a property leasing company	-2,126
Switching depreciation to economic life and cancellation of special tax depreciation	3,534
Adjustment in valuation of pension provisions	-1,473
Elimination of provisions for expenses	722
Adjustment to other liabilities	-3,066
Take-back obligation	-3,413
Other changes	-515
Shareholders' capital in accordance with IFRS as at 1 April 2001	34,408

In detail, the changes are due to the following material differences compared to the accounting and valuation methods under the German Commercial Code applied to date:

Capital consolidation is effected by offsetting the book value of the investment with the shareholders' capital of the subsidiaries which has been revalued in accordance with IFRS principles. Unlike the accounting treatment under HGB, first-time consolidation was carried out as at the date of acquisition of the relevant investment.

In consolidated financial statements prepared in accordance with HGB, the goodwill resulting from capital consolidation is offset against the reserves. Under IFRS, goodwill is reported under assets and written off over the expected useful life. Negative differences arising from capital consolidation are released in line with the average useful life of the assets acquired. Under IFRS, the obligation resulting from a debtor warrant also had to be taken into account.

Contrary to HGB regulations, a property leasing company was recorded in the consolidated financial statements in line with the principles of full consolidation.

In the HGB consolidated financial statements, the calculation of depreciation for intangible and tangible assets was based on the depreciation periods allowed under tax legislation. In the IFRS accounts, it is the economic useful life that forms the basis for the calculation of depreciation. Special tax depreciation allowances have been eliminated.

The pension provisions and similar obligations previously accounted for in accordance with the fiscal partial value procedure pursuant to § 6a EStG (Income Tax Act) are calculated using the projected unit credit method and taking into account future salary and pension increases and current market interest rates.

The elimination of provisions for expenditure refers in particular to the provision for omitted maintenance, which is not permitted in accordance with IFRS.

The adjustment to other liabilities refers to future purchase price improvements from debtor warrants relating to company acquisitions, which in accordance with IFRS are to be reported as liabilities as at the date of acquisition.

The commitments from the take-back obligation which are now reported as liabilities refer to a take-back obligation arising from a partial securities repo transaction which under HGB is reported as a financial obligation.

The other changes refer mainly to the differences in valuation of deferred taxes as well as time changes regarding the minimisation of corporation tax on dividend payouts. Deferred taxes are accounted for using the balance sheet based liabilities method. Deferred taxes on losses carried forward are posted on the assets side, where there is sufficient certainty on the reporting date that it will be possible to achieve tax mitigation potential.

In accordance with IFRS, own shares bought back are offset openly against shareholders' capital.

In addition to the changes outlined above compared with the consolidated financial statements as at 1 March 2001, there are also the following differences between IFRS and HGB accounting regulations for the consolidated financial statements as at 1 April 2003:

- Capitalisation of assets and reporting of liabilities under finance leasing agreements under liabilities in accordance with IAS 17.
- Available for sale securities reported at fair value. Gains and losses on revaluation are reported under shareholders' capital with no effect on income until the investment is sold or a permanent diminution in value is to be charged to the profit and loss account.
- Kühlmann Kunststoff-Technik GmbH, Geseke, included in the HGB financial statements at equity, has been fully consolidated in accordance with IFRS.

Taking the above differences compared to HGB into account, the consolidated financial statements prepared in accordance with DRS 1 comply with Directive 83/349/EEC and pursuant to § 292a HGB exempt the company from preparing financial statements in accordance with HGB.

Consolidated financial statements – reporting date

The reporting date for the consolidated financial statements is the same as that for the parent company (31 March 2003). In principle, the financial years of the subsidiaries included in the consolidated financial statements are the same as the calendar year and they therefore do not differ from the financial year of the parent company by more than three months. It was therefore decided to dispense with compiling intermediate accounts as at 31 March 2003. Where there have been events of particular importance up until the Group reporting date, these have been taken into account in the consolidated financial statements.

Scope of consolidation

In addition to GESCO AG, all subsidiaries in which GESCO AG directly or indirectly holds the majority of the voting rights are included in the consolidated financial statements. Material associated companies are included at equity. In principle, the first-time consolidation or deconsolidation is carried out as at the date of acquisition or disposal of the shareholding. A property leasing company has been included in the scope of consolidation in accordance with SIC 12 as the economic benefit of the property held by the Group is attributable to it.

In financial year 2002/2003, the scope of consolidation was extended to include wholly owned subsidiary Hubl GmbH with registered office in Vaihingen/Enz, which was acquired at the end of April 2002. Founded in 1976, the company develops and produces precision machines coverings, top quality casings and other stainless steel products. Hubl GmbH has been included in the consolidated financial statements since 1 May 2002. The difference arising from first-time consolidation amounts to EUR 6,456 thousand which refers to the goodwill.

In mid January, 7.5% of the shares in Gewerbepark Wilthener Straße GmbH were acquired which brings the participation to 40%. The company is included in the consolidated financial statements in accordance with the equity method. The positive difference resulting from this acquisition amounting to EUR 125 thousand refers exclusively to the property.

At the beginning of March 2003, the shares in Steiner GmbH & Co. KG, Wilnsdorf, and Steiner VerwaltungsgmbH, Wilnsdorf previously included in the consolidated financial statements at equity, were sold. The diminution in value prior to the sale was reported under earnings from investments in associated companies in the profit and loss account.

GESCO Technology AG is no longer included in the scope of consolidation as it was disposed of in full at the end of March 2003. As a result of this sale, the investment companies of GESCO Technology AG reported in accordance with the equity method comprising Planet ID GmbH, Essen and CSP Camsoft AG, Villingen-Schwenningen, as well as the investment companies OPS Automation AG, Troisdorf, and Ehrfeld Mikrotechnik AG, Wendelsheim, which were reported at fair value, are no longer part of the Group. The resultant gains and losses are reported under depreciation on investments and receivables in the New Technologies division. The income and expenditure figures for GESCO Technology AG for 2002 are included in the consolidated financial statements for 2002/2003 and, due to the different Group reporting date: also 1 January to 31 March 2003 (date of sale) as the disposal is a material event after the reporting date of GESCO Technology AG.

The investments in Paroll Doppelboden-Systeme GmbH & Co. KG, Radevormwald, and its general partner, Paroll Doppelboden-Systeme Beteiligungsgesellschaft mbH, Radevormwald, were reduced from 74% to 40% through the sale of shares on 31 March 2002. As their financial year differs from that of the Group, the profit and loss account in the consolidated financial accounts for financial year 2002/2003 still includes the income and expenditure figures for the companies for the first quarter. Thereafter, the companies will be included in the consolidated financial statements using the equity method.

The impact of the additions and disposals on the fully consolidated companies is as follows:

	31.03.2003 EUR'000	31.03.2002 EUR'000
Goodwill	6,456	4,736
Tangible assets	5,800	2,319
Current assets (excluding liquid funds)	2,700	-1,138
Liquid funds	300	-99
Provisions	100	-151
Liabilities	6,200	7,805

The new consolidations and deconsolidations had a positive effect on the Group result, amounting to EUR 767 thousand (previous year EUR 566 thousand).

A total of 21 companies were fully consolidated (IAS 22) and three associated companies were included in the consolidated financial statements using the equity method (IAS 28).

One subsidiary (foreign sales company) whose influence on the assets, financial position and earnings is of minor importance was not consolidated but valued at the cost of acquisition. The influence on sales, results and total assets amounts to less than 0.5%. Four associated companies, which are also of minor importance were also valued at the cost of acquisition. The effect on the results and total assets was less than 0.5%.

A full list of shareholdings has been deposited at the Commercial Register of the Wuppertal County Court (HRB 7847). The significant Group companies are listed in a table at the end of these Notes.

Consolidation methods/equity method

The capital was consolidated by carrying out a new full valuation as at the date of acquisition in each case. The costs of acquisition were thereby offset against the new value or, in the case of the equity method, against the pro rata newly valued shareholders' capital of the subsidiaries as at the date of acquisition. Assets and debts are reported at fair value. Any remaining differences on the assets side are capitalised as goodwill and are subject to scheduled depreciation over the anticipated useful life.

A negative difference from capital consolidation which is not attributable to measurable future losses and expenditure is capitalised and released to income over the average weighted useful life of the depreciable assets acquired.

Subsequent changes to the shareholders' capital of associated companies and the updating of the difference from first-time consolidation are recorded as a change in the level of holding reported for the relevant associated company.

Income and expenditure and receivables and liabilities between consolidated companies are eliminated.

Where there are temporary differences resulting from consolidation measures which impact on earnings but do not affect goodwill, these are taken into account for income tax purposes and reported under deferred taxes (IAS 12).

Accounting and valuation methods

In principle, the accounts included in the consolidated financial statements as at 31 March 2003 are drawn up in accordance with standardised accounting and valuation methods.

Intangible assets acquired for consideration are reported at cost of acquisition less scheduled depreciation. Any negative difference arising from capital consolidation is capitalised and released to income over the weighted average useful life of the depreciable asset acquired.

Tangible assets are valued at the cost of acquisition or manufacture. Public sector subsidies are deducted from the original cost of acquisition when the asset is capitalised. The cost of external capital is recorded directly as expenditure. Tangible assets are depreciated on a straight-line basis over their economic useful life.

Tangible assets rented under finance leases are capitalised at the attributable fair value or the lower present value of the lease instalments. Depreciation is carried out in the same way as for tangible assets owned by the Group (IAS 17). The company is entitled to purchase the leased items for an agreed price at the end of the leasing agreement.

Property held as financial investments is reported at the net book value or fair value if lower.

The affiliated company which is reported under financial assets but is not consolidated and the investments reported under financial assets are reported at the cost of acquisition or fair value if lower. Holdings in associated companies are valued at equity.

Securities held as fixed assets are valued at the stock exchange prices on the reporting date. Changes in value are openly deducted from shareholders' capital without any impact on income. Changes in value are recorded in the results for the relevant accounting period if the securities are sold or if there is a permanent diminution in value.

Raw materials and supplies are valued at the average cost of acquisition, **unfinished and finished products** are valued at the cost of manufacture including the necessary portions of the overhead costs of materials and production. The costs of external capital are not capitalised as part of the cost of acquisition or manufacture. Realisation risks are taken into account through depreciation on the net sales price.

In principle, **receivables and other assets** are carried at fair value. Provisions have been created to take account of any receivables risks. Receivables denominated in foreign currencies were reported at the exchange rate on the reporting date. Exchange gains and losses are taken to the profit and loss account.

Repurchased **own shares** are reported openly as an adjustment to shareholders' capital.

Provisions for pensions and similar obligations are calculated in accordance with actuarial methods pursuant to IAS 19 whereby not only the known pensions and projected benefits, but also expected future increases in salaries and pensions and the trend in interest rates are taken into account. Actuarial gains and losses exceeding 10 % of the scope of obligations of the relevant plan are spread across the average residual period of service. The service costs are reported under personnel expenditure and the interest portion of the allocation to provisions is reported under the financial result.

Other provisions take into account all discernible liabilities as at the reporting date which are based on past business transactions and whose amount or due date is uncertain. The provisions have been created for the amount which is most likely to be required and have not been netted off against positive income balances. Provisions are only created if there is a legal or actual obligation to third parties. Provisions which have a residual term of more than one year are discounted at the usual market rate for that term on the reporting date, taking account of future inflation.

In principle, **liabilities** are reported at the relevant present value. Liabilities under finance leasing agreements are reported under liabilities at the present value of the leasing instalments. Liabilities denominated in foreign currencies were reported at the exchange rate prevailing on the balance sheet reporting date. Exchange gains and losses are taken to income in the profit and loss account. Discounts are deducted from liabilities to financial institutions and added back to the relevant loan on a scheduled basis over the life of the loan.

Deferred taxes arising from temporary differences in the values reported in the commercial and tax balance sheets are determined in accordance with the balance sheet based liability method and reported separately. Deferred tax assets comprise claims to tax reductions arising from the utilisation, which can be expected with sufficient certainty, of existing loss carryforwards. Deferred taxes are determined on the basis of current tax legislation. Deferred tax assets are netted off against deferred tax liabilities where the creditor and debtor are the same and the maturities are matching.

Irrespective of their intended purpose, **derivative financial instruments** are reported at fair value under other provisions and any changes in value are taken to income under other operating expenditure in the profit and loss account.

Contingent liabilities are possible or existing obligations which refer to past events and for which an outflow of funds is unlikely. Such obligations are therefore not reported in the balance sheet. The level of obligations reported for contingent liabilities corresponds to the extent of the liability as at the reporting date.

Information on the Group balance sheet

(1) Industrial property rights and similar rights and assets as well as licences to such rights and assets

The assets summarised under this item are subject to straight-line depreciation over a period of three to five years.

(2) Goodwill

The addition to goodwill of EUR 6,456 thousand results from the addition of Hubl GmbH, Vaihingen/Enz. The goodwill is written down on a scheduled basis over the term of the expected useful life of 10 to 15 years.

Group Statement of Fixed Assets

	Cost of acquisition or manufacture					As at 31.03.2003 EUR
	As at 01.04.2002 EUR	Additions Scope of consolidation EUR	Additions EUR	Transfers EUR	Disposals	
I. Intangible assets						
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets	2,086,020	531,911	237,444	2,800	28,427	2,829,748
2. Goodwill	12,295,834	6,456,010	0	0	0	18,751,844
3. Prepayments made	22,946	0	28,246	-2,800	0	48,392
4. Negative difference	-639,026	0	-5,494	0	0	-644,520
	13,765,774	6,987,921	260,196	0	28,427	20,985,464
II. Tangible assets						
1. Land and buildings	24,810,043	4,446,951	489,812	195,748	14,470	29,928,084
2. Technical plant and machinery	23,534,031	1,793,886	2,616,455 ¹	2,424,273	779,569	29,589,076
3. Other plant, fixtures and fittings	33,081,959	1,200,211	2,047,819	115,161	1,294,956	35,150,194
4. Prepayments made and plant under construction	2,735,182	0	134,627	-2,735,182	0	134,627
5. Property held as financial investments	9,332,384	0	2,795	0	662,124	8,673,055
	93,493,599	7,441,048	5,291,508	0	2,751,119	103,475,036
III. Financial assets						
1. Shares in affiliated companies	1	0	0	0	0	1
2. Investments in associated companies	3,634,476	0	572,824	0	3,202,237	1,005,063
3. Investments	5,859,630	0	1,297,476	0	2,542,400	4,614,706
4. Securities held as fixed assets	9,579,700	0	136,000	0	0	9,715,700
	19,073,807	0	2,006,300	0	5,744,637	15,335,470
	126,333,180	14,428,969	7,558,004	0	8,524,183	139,795,970

Including:

¹ Investment subsidies from previous years	146,741	⁵ Unscheduled depreciation in accordance with IAS 39	6,598,985
² Unscheduled depreciation in accordance with IAS 36	400,000	⁶ Revaluation in accordance with IAS 39	
³ Write-ups from BP	-17,915	(no impact on income)	1,459,041
⁴ Unscheduled depreciation in accordance with IAS 36	779,537		

Depreciation

Net book values

As at 01.04.2002 EUR	Additions Scope of consolidation EUR	Additions EUR	Disposals EUR	As at 31.03.2003 EUR	As at 31.03.2003 EUR	As at 31.03.2002 EUR
1,346,152	461,946	355,880	27,516	2,136,462	693,286	739,868
5,454,919	0	813,325	0	6,268,244	12,483,600	6,840,915
0	0	0	0	0	48,392	22,946
-86,189	0	-18,603	0	-104,792	-539,728	-552,837
6,714,882	461,946	1,150,602	27,516	8,299,914	12,685,550	7,050,892
4,958,051	124,618	772,318	0	5,854,987	24,073,097	19,851,992
16,405,754	389,936	1,487,450	657,485	17,625,655	11,963,421	7,128,277
22,369,350	578,345	2,496,851	1,098,658	24,345,888	10,804,306	10,712,609
0	0	0	0	0	134,627	2,735,182
1,960,075	0	572,641 ²	232,864	2,299,852	6,373,203	7,372,309
45,693,230	1,092,899	5,329,260 ³	1,989,007	50,126,382	53,348,654	47,800,369
0	0	0	0	0	1	1
2,376,597	0	825,640 ⁴	3,202,237	0	1,005,063	1,257,879
319,997	0	6,598,985 ⁵	2,542,400	4,376,582	238,124	5,539,633
5,807,419	0	1,459,041 ⁶	0	7,266,460	2,449,240	3,772,281
8,504,013	0	8,883,666	5,744,637	11,643,042	3,692,428	10,569,794
60,912,125	1,554,845	15,363,528	7,761,160	70,069,338	69,726,632	65,421,055

(3) Prepayments made

The amount reported refers to the acquisition of software.

(4) Negative differences

Negative differences have arisen from the capital consolidation of two subsidiaries, which will be released to income over the weighted average useful life of 33 to 35 years in line with the assets acquired. The income is reported in the profit and loss account under other operating income.

(5) Land and buildings

In principle, buildings are depreciated on a straight-line basis over a period of 40 or 50 years. The book value includes one building held under a financing lease of EUR 67 thousand (previous year EUR 0 thousand). This building is depreciated over its economic useful life.

(6) Technical plant and machinery

In principle, technical plant and machinery are subject to scheduled depreciation on a straight-line basis over a period of 5 to 15 years. This item also includes equipment leased under a financing lease with a book value (present value under leasing obligations less scheduled depreciation) as at the Group reporting date of EUR 362 thousand (previous year EUR 445 thousand). Depreciation is carried out over the anticipated useful life of the assets.

(7) Other plant, fixtures and fittings

In principle, other plant, fixtures and fittings are depreciated on a straight-line basis over a period of 3 to 15 years.

(8) Prepayments made and plant under construction

The amount reported refers mainly to fixtures and fittings. The decrease compared with the previous year results from the completion of the new production building and foaming plant at Ackermann Fahrzeugbau GmbH in Wolfhagen.

(9) Property held as financial investments

The company still has six buildings and plots of land which are held as investments and which generate rental income. In financial year 2002/2003 one property was sold and following the end of financial year 2002/2003 another property was sold. Further disposals are intended.

The properties are valued at the cost of acquisition less the straight-line depreciation calculated on an economic useful life of 40 years as well as extraordinary depreciation. Extraordinary depreciation was carried out to adjust the book value to the lower fair value as at the reporting date. The fair value of the properties held as financial investments amounted to EUR 6,839 thousand (previous year EUR 7,841 thousand). The fair values of individual properties were calculated according to the gross rental method based on usual market rates of approx. 8.0%. Surveys were not obtained on the attributable fair values.

The land and buildings held as financial investments generated rental income of EUR 388 thousand (previous year 721 thousand) compared with directly attributable calculable operating expenditure of EUR 250 (previous year EUR 293 thousand) and depreciation of EUR 574 thousand (previous year EUR 525 thousand). Depreciation includes write downs to lower fair values of EUR 400 thousand (previous year EUR 274 thousand).

(10) Investments in associated companies

The acquisition of 7.5 % in Gewerbepark Wilthener Straße GmbH and the positive results of those companies valued at equity are reported in the Group statement of fixed assets as an addition under cost of acquisition. Shares in losses are reported as an addition under depreciation. Distributions and sales of shareholdings are reported under disposals.

Three investments valued at equity were written down by EUR 779 thousand to their lower fair value prior to their disposal.

In contrast to unscheduled depreciation, the share of income from other associated companies amounted to EUR 357 thousand.

Depreciation, losses and the share of income from companies valued at equity are included in the profit and loss account under net income from investments in associated companies.

(11) Investments

Additions refer primarily to contributions for holdings in the New Technologies segment which have been made or are outstanding and are being reported for the first time in accordance with the gross method of presenting cost and depreciation.

Disposals refer to the cessation of the New Technologies segment through investment disposals.

The additions under depreciation refer to write-downs during the financial year on companies in the New Technologies segment. These were carried out as a result of the long term impaired earnings outlook for the investments in question and are reported in the profit and loss account under depreciation on investments and receivables in the New Technologies segment.

(12) Securities held as fixed assets

All securities are available-for-sale and are valued at the stock exchange price on the reporting date as the attributable fair value. The book values reported in the Group statement of fixed assets correspond to the relevant fair value as at the reporting date. The historic cost of acquisition is reported in the statement of fixed assets. Changes in fair value of EUR 1,459 thousand are carried under shareholders' capital with no effect on income as they are not deemed to be permanent.

(13) Stocks

The write-downs carried out refer to the individual items as follows:

EUR'000	Raw materials and supplies		Unfinished and finished products and services		Finished products and goods		Prepayments made		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Cost of acquisition or manufacture	8,850	7,640	8,357	7,251	12,804	15,646	329	207	30,340	30,744
Write-downs	831	793	486	310	1,234	1,242	–	–	2,551	2,345
As at 31.03.	8,019	6,847	7,871	6,941	11,570	14,404	329	207	27,789	28,399

(14) Receivables and other assets

Charges have been made on receivables and other assets to account for the expected level of losses. The book values determined correspond to the fair values. Trade receivables are due within 12 months and do not bear interest. Other assets comprise the following:

	31.03.2003 EUR'000	31.03.2002 EUR'000
Loan receivables	2,313	2,661
Income tax refund claims	2,003	4,514
Purchase price receivables	900	–
Other	1,148	1,047
Total	6,364	8,222

Loan receivables result mainly from the sale of minority holdings to the managing directors of the relevant subsidiaries and are secured by pledging the shares sold. The loans have a term of up to nine years and bear interest at market rates. Of the loans, EUR 1,026 thousand (previous year EUR 1,695 thousand) are not due until financial year 2005/2006 or thereafter.

Purchase price receivables of EUR 900 thousand were repaid in full shortly after the reporting date.

The item 'other' above includes long term assets of EUR 102 thousand (previous year EUR 94 thousand).

(15) Securities

Securities held as current assets in the past year refer mainly to amounts invested in near money market funds. All the securities are highly liquid and are subject to insignificant risk in terms of change in value.

(16) Credit balances with financial institutions

Essentially, this item contains short term fixed deposits and current account credit balances held in Euros at different banks.

(17) Deferred tax assets and liabilities

Deferred taxes are determined and reported on the basis of temporary differences in the values carried for assets and liabilities in the commercial balance sheet under IFRS and the tax balance sheet as well as on realisable loss carryforwards. The reported deferred taxes result from the following balance sheet items and loss carryforwards:

Deferred tax	31.03.2003	31.03.2003	31.03.2002	31.03.2002
	assets EUR'000	liabilities EUR'000	assets EUR'000	liabilities EUR'000
Tangible assets	281	3,792	1,242	4,361
Pension provisions	614	–	561	–
Other provisions	248	289	130	639
Liabilities	88	11	148	11
Tax loss carryforwards	1,775	–	1,654	–
Other	123	288	46	62
	3,129	4,380	3,781	5,073
Net figure ¹	-945	-945	-1,815	-1,815
Total	2,184	3,435	1,966	3,258

¹ Deferred tax assets a liabilities are netted off, where the creditor and debtor are the same and the maturities match.

Deferred taxes from loss carryforwards are capitalised to the extent that as at the reporting date it can be assumed with sufficient certainty within a planning period of five years that their tax reducing potential can be realised. Deferred tax assets of around EUR 300 thousand from loss carryforwards were not reported, as under § 9 No. 1 Clause 2 ff GewStG (Trade Tax Act) (exemption option for property companies) the application of trade tax is deemed to be highly unlikely.

(18) Shareholders' capital

The **subscribed capital** of the Group corresponds to the subscribed capital of GESCO AG and amounts to EUR 6,500 thousand, divided into 2,500,000 bearer unit shares which carry full voting and dividend entitlements.

The ordinary General Meeting on 5 September 2002 authorised the company to acquire its own shares up to 10 per cent of the current share capital, including the shares already held, up until 29 February 2004.

At the reporting date, the company had **authorised capital** of up to EUR 128 thousand, limited to 26 August 2003, earmarked for the issue of employee shares. To this extent, the subscription right of shareholders is excluded.

The movement in **shares in circulation** and **own shares** is as follows:

	Shares in circulation	Own shares held	Share of share capital in %
	No.	No.	
As at 01.04.2001	2,499,600	400	0.02
Purchases	-84,565	84,565	3.38
Employee share scheme	7,537	-7,537	0.30
Sales to institutional investors	50,500	-50,500	2.02
As at 31.03.2002	2,473,072	26,928	1.08
Purchases	-109,002	109,002	4.36
Employee share scheme	15,930	-15,930	0.64
Sales to institutional investors	20,000	-20,000	0.80
As at 31.03.2003	2,400,000	100,000	4.00

In the past, after each General Meeting the company has carried out an employee share scheme in the second half of the calendar year, which is limited in time to around two months, during which employees are given the opportunity to buy shares in GESCO AG at a price which is discounted to the stock exchange price. The shares sold were sold to employees for a total price of EUR 77 thousand (previous year EUR 51 thousand). The difference between this and the price on acquisition is recorded under other operating expenditure. Shares were sold to institutional investors for a total price of EUR 268 thousand (previous year EUR 619 thousand). The proceeds from the sale were used to repay liabilities. The shares purchased were acquired for a total cost of EUR 1,070 thousand (previous year EUR 1,102 thousand).

One associated company holds 20,000 shares.

There are no stock option plans.

The **capital reserves** result essentially from premiums on the issue of shares and remained unchanged at EUR 21,142 thousand.

During the year under review, the **revenue reserves** were reduced by the net loss for the year of EUR 3,177 thousand as well as by the dividend for the previous year of EUR 1,856 thousand. The inclusion of gains on the sale of own shares to institutional investors without any impact on income led to an increase of EUR 28 thousand.

As at the time of preparing the consolidated financial statements, the **proposed dividend** per share stood at EUR 0.50. With 2,400,000 shares currently in circulation, this produces a proposed distribution of EUR 1,200 thousand.

As a result of the **revaluation in accordance with IAS 39**, write-downs on available-for-sale securities of EUR 1,459 thousand were set off against shareholders' capital.

(19) Minority interests

Minority interests refer to the share of capital and results in Ackermann Fahrzeugbau GmbH, AstroPlast Kunststofftechnik GmbH & Co. KG, Franz Funke Zerspanungstechnik GmbH & Co. KG, Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, SVT GmbH, Kühlmann Kunststoff-Technik GmbH, Haseke GmbH & Co. KG, Paroll Doppelboden-Systeme GmbH & Co. KG and the property leasing company.

(20) Provisions

In addition to the final salary related direct commitments for senior managers and members of the Executive Board, the provisions for pensions are based on fixed amount pension commitments for some of the employees. Increases under some of the pension plans for senior managers are based on the benefit plans of the Essener Verband. Provisions for pensions refer exclusively to the benefits-related pension plans and are calculated according to the projected unit credit method under IAS 19.

The movement in **projected benefit obligation** was as follows:

	2002/2003 EUR'000	2001/2002 EUR'000
As at 01.04.	8,075	7,514
Change in the scope of consolidation	–	267
Service costs	217	173
Interest costs	430	414
Pension annuities paid	-376	-342
Actuarial gains/losses	-361	49
As at 31.03.	7,985	8,075

The **provisions for pensions** are calculated as follows:

	2003 EUR'000	2002 EUR'000
Projected benefit obligation	7,985	8,075
Actuarial gains not recorded	271	9
As at 31.03.	8,256	8,084

Pension costs comprise the following:

	2002/2003 EUR'000	2001/2002 EUR'000
Service costs	217	173
Interest accruing on expected pension benefit obligation	430	414
Service costs to be offset subsequently	–	56
Depreciation on actuarial gains/losses	-99 ¹	2
Total	548	645

¹ Inc. gains on the winding up of one pension plan due to changes in biometric circumstances.

The calculations are based on the basic biometric values published by Prof. Dr. Klaus Heubeck (MT 98) as well as the following **actuarial assumptions**:

	2002/2003	2001/2002
Interest rate	6%	6%
Increase in salaries	2%	2%
Index linked increase in pension annuities	2%	2%
Fluctuation	1%	1%

The movement in and composition of other provisions are shown in the following table.

	As at 01.04.2002 EUR'000	Utilisation EUR'000	Addition/ new creation EUR'000	Release EUR'000	As at 31.03.2003 EUR'000
Recultivation obligation	1,329	0	0	0	1,329
Guarantees and warranties	933	-498	454	-16	873
Purchase price annuity obligation	789	-18	0	0	771
Legal costs	500	0	80	0	580
Costs of annual financial statements	376	-369	371	-7	371
Follow-up costs	380	-283	144	-97	144
Threatened losses	317	-281	105	-16	125
Miscellaneous	871	-235	627	-4	1.259
Total	5,495	-1,684	1,781	-140	5,452

The recultivation obligation refers to official requirements and conditions which have to be fulfilled regarding the operation of a landfill site of a subsidiary. Provisions have been set up for the expenditure determined as probable by an expert survey.

The purchase price annuity obligation arose in relation to the purchase of shares in a subsidiary and have been posted in the balance sheet at the level of the projected benefit value in accordance with IAS 19. Of the amount shown on the liabilities side, the following amounts are due as follows:

up to 1 year	EUR 66 thousand
1 to 5 years	EUR 230 thousand
over 5 years	EUR 475 thousand

The legal costs include the best possible estimated expenditure from various claims pursued and defended by individual subsidiaries. Each individual lawsuit is of minor importance in terms of the assessment of the assets, liabilities, financial situation and earnings of the Group.

The threatened losses refer to the likely excess obligation arising from various purchase and sale agreements as at the reporting date.

Miscellaneous provisions refer in particular to possible obligations arising from guarantees (EUR 240 thousand), ancillary sales costs (EUR 180 thousand) and the fair value of a swap transaction (EUR 413 thousand).

(21) Liabilities

	As at 31.03.2003 (31.03.2002) EUR'000	Remaining term of up to 1 year EUR'000	Remaining term of up to 5 years EUR'000	Remaining term of > 5 years EUR'000
Liabilities to financial institutions	65,347 (53,205)	14,196 (14,767)	27,305 (22,892)	23,846 (15,546)
Trade creditors	6,359 (6,539)	6,359 (6,389)	0 (150)	0 (0)
Prepayments received on orders	2,850 (2,614)	2,850 (2,614)	0 (0)	0 (0)
Liabilities on bills	961 (1,038)	961 (1,038)	0 (0)	0 (0)
Liabilities to companies with which a shareholding relationship exists	264 (10)	264 (10)	0 (0)	0 (0)
Other liabilities	16,147 (17,853)	12,996 (17,127)	2,813 (439)	338 (287)
Total	91,928 (81,259)	37,626 (41,945)	30,118 (23,481)	24,184 (15,833)

The liabilities to financial institutions are mainly secured by:

	31.03.2003 EUR'000	31.03.2002 EUR'000
Land charges	26,125	22,625
of which on property held as financial investments	4,857	4,857
Book value of property	27,400	21,368
Assignment of movable fixed assets as security	8,826	6,166
Stocks	6,603	6,130
Assignment of receivables	4,188	3,380

The parent company has also pledged shares in subsidiaries with a total book value of EUR 29,913 thousand (previous year EUR 18,874 thousand).

Of the liabilities to financial institutions, around EUR 44,267 thousand (previous year EUR 34,454 thousand) refer to long term credit facilities in Swiss francs with short term fixed rates (in principle three months). As at the reporting date, the interest rates for these loans ranged from 1.1 % to 2.3 %. These rates correspond to the usual market interest rates for Swiss franc loans. Fixed redemption payments have been agreed for individual loans. In principle, no final maturities are agreed.

The Swiss franc loans have been granted by German financial institutions and therefore constitute “hybrid financing instruments” in accordance with IAS 39. Given the short term nature of the fixed rates, the book values of the loans correspond to their fair value. Any changes in value as at the reporting date are taken to the profit and loss account.

Of the remaining liabilities to financial institutions, EUR 18,206 thousand (previous year EUR 11,792 thousand) refer to long term loans with fixed redemption payments and residual maturities of between 4 and 13 years (previous year between 5 and 14 years). As in the previous year, the interest rates range from 3.5 % to 8.25 %. These interest rates represent the usual market rates for the relevant loans and companies. The other liabilities to financial institutions relate to current accounts.

Other liabilities comprise the following:

	31.03.2003 EUR'000	31.03.2002 EUR'000
Wages, salaries, social security	6,685	6,091
Other taxes	1,547	1,755
Income taxes	1,260	2,618
Outstanding incoming invoices	537	587
Finance leases	232	333
Miscellaneous liabilities	5,886	6,469
Total	16,147	17,853

Miscellaneous liabilities refer primarily to subsequent purchase payments as well as short term liabilities to third parties. The subsequent purchase payments and a portion of the other liabilities amounting to a total of EUR 2,557 thousand (previous year EUR 287 thousand) are not due for over a year. The liabilities arising from wages, salaries and social security include obligations for age-related part time working of which EUR 497 thousand (previous year EUR 257 thousand) is not due for over a year.

Information on the profit and loss account

(22) Sales revenue

In principle, sales revenue is recorded when the benefit and liability from the assets sold are transferred. Further explanations are given in the segment report.

(23) Other company produced additions to assets

This item essentially comprises the costs of production equipment built by the Group.

(24) Other operating income

Other operating income comprises the following:

	2002/2003 EUR'000	2001/2002 EUR'000
Income from writing back/utilising provisions	1,269	2,170
Earnings contribution	768	–
Receivables waiver	226	–
Income from the disposal of fixed assets	204	431
Compensation	–	511
Miscellaneous	1,104	1,159
Total	3,571	4,271

The earnings contribution results from an acquisition carried out in the previous year where the vendor had undertaken a guarantee to make a one-off payment if earnings did not reach a certain level in the year after the disposal.

(25) Expenditure on materials

Expenditure on materials includes:

	2002/2003 EUR'000	2001/2002 EUR'000
Expenditure on raw materials and supplies and goods purchased	65,133	70,413
Expenditure on services purchased	7,313	8,604
Total	72,446	79,017

The reduction in expenditure on materials results essentially from the change in the scope of consolidation and associated changes in income and expenditure structures.

(26) Personnel expenditure

Personnel expenditure includes:

	2002/2003 EUR'000	2001/2002 EUR'000
Wages and salaries	43,242	39,142
Social security contributions	8,642	7,416
Expenditure on pensions and benefits	729	707
Total	52,613	47,265

The increase in personnel expenditure results essentially from the change in the scope of consolidation and the associated changes in income and expenditure structures. The expenditure on pensions and benefits includes additions to pension provisions excluding accrued interest which is reported under interest and similar expenditure.

(27) Other operating expenditure

Other operating expenditure breaks down as follows:

	2002/2003 EUR'000	2001/2002 EUR'000
Operating expenditure	7,025	6,559
Administrative expenditure	2,595	2,345
Expenditure on distribution	5,994	6,817
Miscellaneous expenditure	3,042	3,647
Total	18,656	19,368

(28) Depreciation on tangible and intangible assets

Depreciation on tangible and intangible assets is shown in the Group statement of fixed assets. During the year under review, unscheduled depreciation was carried out on property held as financial investments. Further explanations are given in the notes on the corresponding balance sheet items.

(29) Depreciation on securities held as fixed assets

In the previous year, depreciation on securities held as fixed assets included depreciation for permanent diminution in value of available-for-sale securities.

(30) Depreciation on investments and receivables in the New Technologies segment

Depreciation on investments and receivables in the New Technologies segment includes EUR 6,599 thousand (previous year EUR 320 thousand) unscheduled depreciation on all investments in the New Technologies division as well as EUR 1,011 thousand unscheduled depreciation on short term loans to companies in this division.

(31) Taxes on income and earnings

The actual taxes on income and earnings and deferred taxes are reported as income tax. Income tax comprises the following:

	2002/2003 EUR'000	2001/2002 EUR'000
Actual taxes	996	1,623
Deferred taxes	-238	-1,075
Total	758	548

The anticipated expenditure on income taxes is reconciled to the tax expenditure reported in the profit and loss account as follows:

	2002/2003 EUR'000	2001/2002 EUR'000
Group result before income tax	-1,600	4,348
Anticipated income tax income/expenditure	608	-1,652
Permanent differences arising on expenditure which is not tax deductible	-1,271	-313
Income tax for different reporting periods	527	1,257
Consolidation effects	-381	-116
Temporary differences for losses, for which no deferred taxes have been capitalised	-215	–
Differences in tax rates	10	134
Miscellaneous	-36	142
Total	-758	-548

The anticipated expenditure on tax is based on a Group tax rate of 38 % (previous year 38 %). This comprises corporation tax (25 %) plus the solidarity surcharge (5.5 %) as well as trade tax (based on average municipal levy rate of 375 %).

(32) Earnings per share

In accordance with IAS 33 (Earnings per Share), earnings per share are derived by dividing the Group net income for the year attributable to shareholders by the weighted average number of shares in circulation:

		2002/2003	2001/2002
Group net loss/income for the year	(EUR'000)	-3,177	2,939
Weighted number of share	(No.)	2,455,743	2,460,902
Earnings per share in accordance with IAS 33	(EUR)	-1.29	1.19

There are no circumstances which could lead to a dilution effect.

Information on the cash flow statement

In accordance with IAS 7 (Cashflow Statement), the **cash flow statement** shows the movement in the inflows and outflows of funds in the Group during the year under review. The financial means portfolio continues to contain securities held as current assets which are highly liquid and not subject to any significant risk of change in value, as well as the item cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques. The financial means portfolio includes credit balances with banks totalling EUR 456 thousand (previous year EUR 256 thousand), which are pledged as security for liabilities on the part of third parties.

During the year under review, the company made and received the following payments:

	2002/2003 EUR'000	2001/2002 EUR'000
Interest paid	1,905	1,977
Interest received	406	545
Taxes refunded (-)/paid	-678	3,653

The cash flow statement does not include investment in intangible assets of EUR 2,200 thousand which do not yet affect the liquidity.

Information on the segment report

The **segment report** has been drawn up in accordance with IAS 14 (Segment Reporting). Segmentation has been structured according to business activity.

The companies are allocated to the segments in accordance with their area of activity. The companies in the tool manufacture and mechanical engineering segment are mainly active in the production of tools and machinery and related services. The plastics processing companies are allocated to the plastics technology segment, especially those in injection-moulded plastics and foamed sheet manufacture.

The **New Technologies** segment comprises GESCO Technology AG as the parent company of minority holdings in new technology companies. Where the participation in the relevant subsidiary is a minimum of 20 %, the company result is included in the accounts pro rata according to the equity method. The segment was sold off on 31 March 2003.

GESCO AG/other/consolidation comprises the activities of GESCO AG as a holding company. In addition, those companies not allocated to another segment are reported here as well as the consolidation effects including all goodwill and other assets and liabilities which cannot be allocated to another segment. This item therefore includes land and property held as financial investments as well as the loan debts of the other two segments. GESCO AG generated EBIT of EUR -3,250 thousand (previous year EUR -2,995 thousand) and EBITDA of EUR -2,329 thousand (previous year EUR 2,586 thousand) as well as segment assets of EUR 18,878 thousand (previous year EUR 13,966 thousand) and associated debt of EUR 4,743 thousand (previous year EUR 5,447 thousand).

There are no material **business links** between the segments.

Segment investment refers to tangible and intangible assets. Goodwill is recorded centrally under GESCO AG/other/consolidation.

Depreciation refers to the assets allocated to the individual segments.

The operating assets of the segments contain all the assets of the companies allocated to the segments with the exception of tax refund claims.

Segment liabilities comprise all liabilities and provisions of the companies allocated to the segments with the exception of income tax liabilities and loans.

Group EBIT and EBITDA can be reconciled to the Group net income for the year using the Group profit and loss account.

Sales revenue is attributable to the regions as follows:

	2002/2003 EUR'000	2002/2003 %	2001/2002 EUR'000	2001/2002 %
Germany	124,165	80.7	124,411	78.4
Europe (excluding Germany)	22,848	14.9	20,166	12.7
Rest of the world	6,822	4.4	14,050	8.9
Total	153,835	100.0	158,627	100.0

The secondary reporting format for segment report comprises segmentation by region. As all the Group assets are in Germany, the Group represents the region of Germany overall and the information in the secondary reporting format is identical to that in the Group balance sheet and profit and loss account.

Other information on the consolidated financial statements

Research and development costs

In principle, research and development costs are treated as current expenditure. No capitalisation was necessary. The research and development costs amounted to around 2 % of sales in both financial years.

Information on financial instruments

Due to clear interest-rate advantages, the Group is largely financed in Swiss francs with a short term fixed interest rate. In order to utilise the interest-rate advantages of being financed in Swiss francs also in the case of existing, long term financing in euro, the company has concluded an interest rate and currency swap agreement. Under the terms of the swap agreement, the company pays quarterly interest of 4 % on a nominal amount of CHF 8,000 thousand and correspondingly receives 4.76 % interest on a nominal amount of EUR 5,095 thousand. The swap agreement ended on 10 April 2003 and was extended until 25 March 2004. The swap agreement is reported at the market value of EUR 413 thousand (previous year EUR 288 thousand) under Other provisions, although fluctuations in value are reported under Other operating income/expenditure. A currency swap takes place on the expiry date, provided that the contractual requirements for this are met.

Due to their short term maturity or fixed interest rates, the market value of receivables, credit balances with financial institutions and currency liabilities to financial institutions reported in the balance sheet correspond to the book values. In the case of longer term claims arising from loan agreements, liabilities to financial institutions in euro and other liabilities, the interest rates correspond to the usual market interest rates so that here too, the market values correspond to the book values

Contingent liabilities

	2002/2003 EUR'000	2001/2002 EUR'000
Liabilities from the issue and assignment of bills	166	118
Liabilities under guarantees	1,411	2,094
Security for third party liabilities	456	294

There are possible retrospective improvements in the purchase price, resulting from the acquisition of three companies, depending on their future earnings. As at the respective balance sheet reporting dates, these improvements are shown on the balance sheet at their probable value.

GESCO AG has undertaken to maintain certain equity ratios and balance sheet indicators with regard to two affiliated companies.

Investment contributions of around EUR 889 thousand were granted to a subsidiary. This is with the proviso that the company creates a specified number of permanent jobs by 30 June 2004, which will exist for a fixed time period. The contributions must be repaid on non-fulfilment of this condition. The company does not anticipate that the contributions will have to be repaid.

There are currently no legal disputes which would involve any anticipated impact on results other than the amounts which are being provided for as legal costs. The guarantees received are standard for the industry; in so far as a claim is expected, provisions for the most likely amount have been set up.

Rental and leasing agreements

The following payment obligations exist for financing leasing agreements:

	Total	2003/04	2004/05	2008/09 and
	EUR'000	EUR'000	-2007/08	subsequent
			EUR'000	EUR'000
Min. leasing payments	255	141	114	–
Discounts	23	15	8	–
Cash values	232	126	106	–

The leasing agreements contain purchase options for the acquisition of the leased properties at the end of the leasing period. For other plant, fixtures and fittings, there are short term leasing agreements (operating leases) in place. The leasing payments due on these amounted to EUR 1,335 thousand in the reporting year (previous year EUR 905 thousand).

The minimum leasing payments due on operating leases are as follows:

	2002/2003	2001/2002
	EUR'000	EUR'000
up to one year	1,419	1,151
one to five years	1,825	1,710
from the sixth year (cumulative)	–	111
Total	3,244	2,972

The leasing agreements contain purchase options for the acquisition of the leased properties at the end of the leasing period. At the balance sheet reporting date, the Group has payment obligations in connection with investments in tangible and financial assets of EUR 10 thousand (previous year EUR 1,283 thousand).

Retrospective payments of EUR 70 thousand could result from a not yet concluded investigation by the tax authorities.

Information on the relationships with affiliated companies

The business relationships between fully consolidated Group companies and companies which are not fully consolidated are concluded under third party terms and conditions. The claims on affiliated companies mainly apply to Connex Inc. The claims on companies with which a shareholding relationship exists primarily include claims on Paroll Doppelboden-Systeme GmbH & Co. KG and Ackermann Fahrzeugbau Oschersleben GmbH. The liabilities to companies with which a shareholding relationship exists include in particular obligations to a company in which the Group holds less than 4 % of the shares.

Employees

On average the following number of employees were employed:

	2002/2003	2001/2002
Factory staff	704	642
Office staff	379	344
Trainees	61	47
Total	1,144	1,033

Part time positions were aggregated to full time positions.

Exemption requirements for Group companies

By being consolidated in the Group financial statements of GESCO AG, under the further requirements of § 264b HGB, the companies AstroPlast Kunststofftechnik GmbH & Co. KG, Franz Funke Zerspanungstechnik GmbH & Co. KG, Haseke GmbH & Co. KG, MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG and Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG are exempt from the obligation of compiling, having audited and publishing annual financial statements and a Directors' Report in accordance with the regulations applying to joint stock companies.

Under the further requirements of § 264 Para. 3 HGB, Dörrenberg Edelstahl GmbH is exempt from the obligation of compiling, having audited and publishing annual financial statements and a Directors' Report in accordance with § 264ff. HGB.

Information according to § 160 Para. 1 No. 8 AktG

In accordance with § 41 Para. 2 WpHG, Julius Baer Investment Funds Services Ltd., Zurich/Switzerland, informed GESCO AG on 24 April 2002 that the company represented by it, Julius Baer Multistock SICAV, an investment company under Luxembourg law, held 5.17 % of the voting rights in GESCO AG as at 1 April 2002 and had therefore exceeded the 5 % voting rights threshold.

Corporate Governance

In principle, the Executive Board and Supervisory Board of GESCO AG observe the German Corporate Governance Code and have made their declaration of compliance available to shareholders.

In total, the Executive Board holds 1.3 % of the shares in the company, although no single Executive Board member holds more than 1.0 % of the shares. The members of the Supervisory Board hold a total of 0.2 % of the shares in the company.

Executive Bodies

Executive Board

- Willi Back, Wuppertal
Chairman of the Executive Board

Member of the Advisory Board:
- K. A. Schmersal GmbH & Co., Wuppertal

- Robert Spartmann, Gevelsberg
Member of the Executive Board

- Dr.-Ing. Hans-Gert Mayrose, Mettmann,
Member of the Executive Board

Chairman of the Supervisory Board:
- OPS Automation AG, Troisdorf

Deputy Chairman of the Supervisory Board:
- Ehrfeld Mikrotechnik GmbH, Wendelsheim
- Silicon Vision AG i.l., Moritzburg (from 26.07.2002)

Member of the Supervisory Board:
- CSP Camsoft AG, Villingen-Schwenningen
- Silicon Vision AG i.l., Moritzburg (until 26.07.2002)

In the financial year, the total remuneration of the Executive Board amounted to EUR 669 thousand (previous year: EUR 668 thousand). Of the total emoluments, EUR 477 thousand (previous year: EUR 373 thousand) relates to fixed elements, EUR 88 thousand (previous year: EUR 171 thousand) to variable elements and EUR 104 thousand (previous year: EUR 124 thousand) to pension expenses. As at 31 March 2003, pension provisions for members of the Executive Board amounted to EUR 694 thousand (previous year EUR 577 thousand).

Supervisory Board

- Klaus Möllerfriedrich, Wuppertal
Chairman, Chartered Accountant

Chairman of the Supervisory Board:

- Wolk AG, Wuppertal
- GESCO Technology AG, Wuppertal (until 29.04.2003)
- MITECH Mittelstand + Technologie AG, Düsseldorf (from 28.11.2002)

Member of the Supervisory Board:

- Asys Holdings AG, Oberhausen
- Regeneratio Pharma AG, Wuppertal
- Identco AG, Hürth until 04.2002)

Member of the Advisory Board

- TTB Logistikzentrum GmbH & Co. KG, Ludwigsfelde

- Rolf-Peter Rosenthal, Wuppertal
Deputy Chairman, Bank Director (ret'd)

Chairman of the Supervisory Board:

- Etienne Aigner AG, Munich

Deputy Chairman of the Supervisory Board

- Hindrichs-Auffermann AG, Düsseldorf (until 31.03.2003)
- Rheinische Textilfabriken AG, Wuppertal
- GESCO Technology AG, Wuppertal (until 29.04.2003)

Member of the Supervisory Board:

- Johnson Controls Interiors GmbH & Co. KG /
- JC INSITU Beteiligungsgesellschaft mbH, Wuppertal

- Dr. Hans Bernhard von Berg, Haan
Managing Director (ret'd) Gebr. Happich GmbH, Wuppertal

Member of the Supervisory Board:

- GESCO Technology AG, Wuppertal (until 29.04.2003)

In the financial year, the total remuneration for the members of the Supervisory Board amounted to EUR 60 thousand (previous year: EUR 67 thousand). Of this figure, EUR 23 thousand (previous year EUR 38 thousand) relates to variable elements.

GESCO AG has taken out a Directors' and Officers' Liability Insurance (D&O) as a group policy for members of the Group's management. The insured persons are the members of the Executive Board and the Supervisory Board of GESCO AG and the Managing Directors of the subsidiaries. Insurance premiums of EUR 54 thousand (previous year EUR 47 thousand) have been paid in financial year 2002/2003.

Wuppertal, 27 May 2003

The Executive Board

W. Back

R. Spartmann

Dr.-Ing. H.-G. Mayrose

Significant Group shareholdings

Fully consolidated companies

	% share of capital held ¹
Ackermann Fahrzeugbau GmbH, Wolfhagen	80
Alro GmbH, Wuppertal	100
AstroPlast Kunststofftechnik GmbH & Co. KG, Sundern	80
AstroPlast Verwaltungs GmbH, Sundern ²	100
Degedener Grundstückverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG, Eschborn ³	100
Dörrenberg Edelstahl GmbH, Engelskirchen-Ründeroth	100
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern	80
Franz Funke Verwaltungs GmbH, Sundern ²	100
Haseke GmbH & Co. KG, Porta Westfalica	80
Haseke Beteiligungs-GmbH, Porta Westfalica ²	100
Hubl GmbH, Vaihingen/Enz	100
MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG, Erkrath	100
Maschinen- und Apparatebau Götzen GmbH, Erkrath ²	100
Molineus & Co. GmbH + Co. KG, Wuppertal	100
Grafic Beteiligungs-GmbH, Wuppertal ²	100
Kühlmann Kunststoff-Technik GmbH, Geseke ⁴	40
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel	90
WM Werkzeug- und Maschinenbau Verwaltungs-GmbH, Kassel ²	100
SVT GmbH, Schwelm	90
Tomfohrde GmbH & Co. Industrierwartungen, Wuppertal	100
Tomfohrde GmbH, Wuppertal ²	100

Companies valued at equity

Gewerbepark Wilthener Straße GmbH, Bautzen	40
Paroll Doppelboden-Systeme GmbH & Co. KG, Radevormwald	40
Paroll Doppelboden-Systeme Beteiligungsgesellschaft mbH, Radevormwald ²	40

Significant companies valued at cost of acquisition

Ackermann Fahrzeugbau Oschersleben GmbH, Oschersleben	24
GIS Gewerbe- + Immobilien-Service GmbH, Bautzen	40
Connex SVT Inc., Houston, USA	100

¹ Shares in the capital held directly or via a majority holding

² General partner

³ Special Purpose Entity (SPE) in accordance with SIC 12

⁴ 80 % of the voting rights held by AstroPlast Kunststofftechnik GmbH & Co. KG until 30.04.2004

Auditors' Report

We have audited the consolidated financial statements, consisting of balance sheet, profit and loss account, changes in shareholders' capital, cash flow statement and notes to the financial statements for the financial year from 1 April 2002 to 31 March 2003 as compiled by GESCO AG. The company's Executive Board is responsible for the preparation and content of the consolidated financial statements. It is our task to assess whether the consolidated financial statements comply with the International Financial Reporting Standards (IFRS) based on the audit conducted by us.

We have audited the consolidated financial statements in accordance with the German auditing rules and in compliance with the principles of proper and correct auditing laid down by the IDW (German Institute of Auditors). In accordance with these principles, our audit must be planned and carried out in such a way that there is sufficient certainty that the consolidated financial statements are free of material misstatements. Audit activities are planned in accordance with our knowledge of the Group's business activity and economic and legal framework as well as the anticipated margin of error. Our audit has also assessed the evidence for the values and details provided in the consolidated financial statements on the basis of random checks. The audit includes an assessment of the accounting principles used and of the material estimates made by the legal representatives, as well as an assessment of the overall presentation of the consolidated financial statements. We believe that our audit forms a sufficiently reliable basis for our opinion.

We are of the opinion that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, as well as the payment flows in the financial year, in accordance with IFRS.

Our Auditors' Report, which also covers the Group Directors' Report for the financial year from 1 April 2002 to 31 March 2003 compiled by the Executive Board, has led to no objections. We are of the opinion that the Group Directors' Report and other details provided in the consolidated financial statements give a true and fair view of the position of the Group and accurately portrays the risks inherent in future developments. We hereby also confirm that the consolidated financial statements and the Group Directors' Report for the financial year from 1 April 2002 to 31 March 2003 fulfil the conditions for releasing the company from compiling consolidated financial statements and a Group Directors' report under German law.

Wuppertal, 30 May 2003

Dr. Breidenbach, Dr. Güldenagel und Partner KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

signed: ppa

(Dr. Breidenbach) (Eisenberg)
Auditor Auditor



Supervisory Board
Klaus Möllerfriedrich (Chairman),
Rolf-Peter Rosenthal (Deputy Chairman),
Dr. Hans Bernhard von Berg
(l. to r.)

Report of the Supervisory Board of GESCO AG for financial year 2002/2003

During financial year 2002/2003, the Supervisory Board concerned itself constantly with the company's position and development, in accordance with the duties and powers imposed upon it by law and under the articles of association.

This was done at a number of face to face meetings between the Chairman of the Supervisory Board with the members of the company's Executive Board and at eight Supervisory Board meetings, which were all attended by all Supervisory Board members. In addition, all Supervisory Board members were informed of important events outside meetings. No sub-committees were formed.

At their meetings, the Supervisory and Executive Boards discussed ongoing acquisitions and the economic and financial position of the various affiliated companies in depth. The Supervisory Board also received monthly reports from the affiliated companies.

All business requiring the consent of the Supervisory Board under the articles of association was referred to and approved by it. In financial year 2002/2003, this related primarily to consent for the acquisition and disposal of investments, including the disposal of Gesco Technology AG, which the Supervisory Board expressly approved following comprehensive discussions with the Executive Board.

In accordance with legal regulations, Dr. Breidenbach, Dr. Güldenagel und Partner KG, auditors and tax consultants, Wuppertal, the auditors appointed by the General Meeting, were commissioned by the Supervisory Board to audit the annual financial statements and consolidated financial statements for 2002/2003.

The auditors audited the annual financial statements to 31 March 2003 and the Directors' Report drawn up by the Executive Board and accepted them without qualification. The auditors have also examined the risk management system and confirmed its functionality.

The Supervisory Board has received the auditors' report and noted the auditors' conclusions.

The Supervisory Board has examined the annual financial statements, Directors' Report and the proposed application of profits as drawn up by the Executive Board and discussed them in detail at the meeting with the auditors on 26 May 2003. All questions by the Supervisory Board were answered comprehensively by the auditors. In the light of the conclusive examination, the Supervisory Board has no objections to the annual financial statements or Directors' Report. The Supervisory Board approved the annual financial statements on 26 May 2003, which are therefore adopted for the purposes of § 172 AktG. The Supervisory Board supports the Executive Board's proposals for the application of profits.

As at 31 March 2003, the Executive Board prepared the consolidated financial statements of the GESCO Group in accordance with the International Financial Reporting Standards (IFRS) pursuant to the statements by the International Accounting Standards Board (IASB) for the first time, which were also examined and passed unqualified by the auditors. At its meeting on 26 May 2003, the Supervisory Board also discussed the consolidated financial statements with the auditors and approved them on 4 June 2003 following submission of the final version.

The Supervisory Board would like to thank the members of the Executive Board, the Managing Directors of the affiliated companies and all the staff of the GESCO Group for their dedication and commitment in the past financial year.

Wuppertal, 4 June 2003

The Supervisory Board

Klaus Möllerfriedrich
Chairman

Financial calendar/Shareholder services

Financial calendar

26 June 2003 at 09:30 hrs

Annual Accounts Press Conference to announce the annual financial statements for 2002/2003 at the Steigenberger Parkhotel, Düsseldorf

26 June 2003 at 15:00 hrs

DVFA Analysts' Meeting at the Steigenberger Frankfurter Hof, Frankfurt/Main

26 June 2003 at 17:00 hrs

Teleconference for institutional investors and analysts

30 July 2003 at 10.30 hrs

Annual General Meeting in the Stadthalle, Wuppertal

August 2003

Announcement of figures for the first quarter (01.04.-30.06.2003)

November 2003

Announcement of figures for the first half year (01.04.-30.09.2003) and despatch of the interim report

February 2004

Announcement of figures for the first nine months (01.04.-31.12. 2004)

24 June 2004

Annual Accounts Press Conference and Analysts' Meeting

9 September 2004

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 interim report

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If you would like to be kept regularly informed, please let us know and ask to be included on our permanent mailing list.





Tradition
Innovation
Vision

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