

ANNUAL REPORT

2009  
2010

# Built to last

Inside GESCO Group



test of time





Dr.-Ing. Hans-Gert Mayrose, born in 1958. At GESCO since 1 February 2000, member of the Executive Board of GESCO AG since 1 January 2002. He has a doctorate in engineering and is responsible for the acquisition of new companies, supervising existing investments and investor relations.



Robert Spartmann, born in 1960. Professionally affiliated with GESCO since 1995 as an auditor and tax consultant. Member of the Executive Board of GESCO AG since 1 January 2001. Mr. Spartmann is responsible for the controlling of holdings, finance, accounting, personnel and legal issues.

Dear Readers,

Did you know that "Made in Germany" was coined in Great Britain? The United Kingdom was trying to distinguish local products from the allegedly inferior products being imported from Germany using the Merchandise Marks Act from 23 August 1887. Famously, it all turned out differently: The stigma was transformed into a seal of approval. "Made in Germany" is music to people's ears all over the world to this day. There's no doubt: German engineering is built to last and held in high esteem.

The GESCO Group companies also see high-quality products and services as a defining factor. Something not everyone has on offer and quality not everyone can guarantee. The core skills of the subsidiaries consist of knowledge and know-how about products and technologies, as well as materials and process chains. These skills are set down in patents and utility models, hand books and databases. First and foremost, this know-how is embodied by the people working for GESCO Group.

A corporate environment providing motivation through long-term prospects and a sound working atmosphere is called for to allow these virtues to come into full effect and bring commercial success. They require a convincing corporate culture and canon of values to which more than lip service is paid. Many values that have risen to fame under the buzz words of sustainability and corporate social responsibility have long been usual practice in SMEs and are also implemented in our Group as a matter of course. Long-term planning and sustainability have been rooted in GESCO AG's business model since our founding over twenty years ago.

Based on this foundation, we strive to achieve our goals of creating material values in the form of dividends and rising share prices through the means of earnings power and strong assets. For this reason, we focus on where individual companies and the entire Group will be in two, three or five years, and not so strongly on the result of the next quarter. In our eyes, this is a responsible way of treating the assets entrusted to us and the people working for the Group.

The way we see it, "Built to last" has three defining features: high-quality engineering, a canon of values that is consistently practiced and value added on the capital market. We firmly believe that these three features are mutually dependent on each other.

How do we bring this to life? You'll find the answers in this magazine. We hope you enjoy reading it.

*Hans-Gert Mayrose*

Dr.-Ing. Hans-Gert Mayrose

*Robert Spartmann*

Robert Spartmann



## There Doesn't Always Have to be an Exit: The Strategy of GESCO AG

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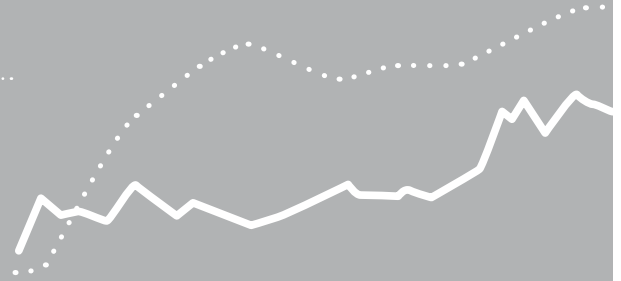
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# There Doesn't Always Have to be an Exit

## "But You'll Have to Sell at Some Point": The Somewhat Different Investment Model

Why do what everyone else does? Aren't most investors looking for companies with USPs? Aren't niche suppliers especially highly sought after? So, why shouldn't an investment company apply this principle to itself? What's good for manufacturing companies can also be good for investors. Having a clear profile means getting confused with other companies less often. And distinctiveness is a precious commodity in a highly competitive field – especially when emotions are involved.

GESCO AG's business model is an exception in the wide world of private equity, because we make long-term investments with no intention of exiting. The current profits of our subsidiaries are the source of our returns and not value added due to selling the companies. GESCO acquires SMEs with annual sales of at least € 10 million. The holding company has specialised on the tool manufacture/mechanical engineering and plastics technology segments.

## Sustainable Success with Long-Term Investments: This is Near and Dear to the Heart of Many Entrepreneurs

If you explain the model in private equity circles, maybe even to PE investors with leanings towards British and American business styles, than the reaction is often the spontaneous exclamation "But you'll have to sell at some point!" Question: Why? In contrast to these "typical" investors, the reaction from business owners is on-the-spot agreement as a rule instead of bafflement. Such a model picks up on the wishes of many business owners because they think in the long term and would appreciate a similar attitude from the new owner they may one day sell the company to. As a consequence, GESCO has specialised on taking over SMEs in situations arising from succession planning. On occasion, other constellations such as corporate spin-offs are scrutinised, but the model is best received in direct contact with business owners.



“I enjoy the operating business, being in touch with customers all over the world, developing solutions. Always being better and faster than the competition: That's our lifeblood. Deciding to buy a stake in the company wasn't easy, but it was definitely the right decision. Freedom in everyday business, but having sparring partners to fall back on when needed: It's the ideal mix.”

Klaus Mertens, managing partner SVT GmbH ›

## Taking Care of Succession: What does the Business Owner Want?

It mainly hinges on the seller whether a transaction as a part of succession planning works. Often processes that had progressed quite far fail because the sellers have “changed their minds” or seem to have thrown their life planning over board, leading to their questioning the sale as a whole. What may seem to be irrational and flighty behaviour at first glance, is often rooted in the lack of clarification of personal goals and needs, in particular the missing prioritisation of aims. Quite a few business owners want it all: The maximum price, a lasting minority shareholding along with still being able to influence the fate of the company, keeping the company on location with its entire staff, having their name stay on the door. In no case should the company be sold to competitors and the owner's niece is to keep her job in accounting.

While it may be possible to reconcile some of these aims, others cancel each other out. A good M&A consultant will try to recognise such priority mismatches beforehand and attempt to unpick the knot of conflicting motivations or slice right through it.

## Price Alone isn't Everything

Of course, pretty much all business owners are interested in money, and will ask for a price that is at least in line with the market, ideally a maximum selling price. But experience has shown that the selling price isn't the only factor a happy conclusion of the deal rests on. Business owners need to decide on an overall solution consisting of the price, possibly containing variable components, goals and values of the buyers, how the company will be treated after acquisition and other factors. Something like a feel-good factor can also come into play: Sellers will make their deci-

sions with resolve and not back out at the last minute, just before signing the documents if they sense that the transaction will let them “sleep well at night” without regret. For many business owners, selling to someone of good renown is part of the feel-good factor. Your track record is still your best calling card.

The GESCO model involves acquiring majorities of companies, generally 100 percent of shares. We don't tend to allow those selling the company to retain a minority interest. Alongside of tax reasons for the seller, there are general reasons for not doing so: It may be difficult to fully accept the dominant role of the new majority holder, if you've become used to being the boss, have no financial worries because of the price paid for say 80 percent of shares and still feel like the owner thanks to a minority interest. Letting the seller retain a minority interest can be the source of a lot of conflict. This is not balanced by any real advantage. So, we prefer a clean break.





## The Existing and New Entrepreneurs: Why the "New Guys" Buy Shares.

If investors are pursuing a long-term strategy for their investments, they need a management sharing this long-term view in place at the subsidiaries. In the case of succession issues, the principle-agent problem is simply solved by the new management acquiring a substantive amount of shares to the company it is managing. Whoever wants to be head of one of our subsidiaries is well aware that they will have to acquire ten to twenty percent of their company after a trial period. The purchase price is based on the market value, which in turn is determined by the company's earnings power.

## It All Started with an Idea: The History of GESCO AG

In 1989, a group of people involved in the SME sector, among them business owners, auditors and tax consultants, noted how problematic the huge amount of unresolved succession issues in German SMEs was. At the same time, they recognised that the lack of succession planning created an investment opportunity.

Their vision: Constructing a portfolio of healthy industrial SMEs acquired, supervised and managed by a slim-line, efficient parent company. In May 1989, the innovators used their private capital to found GESCO AG. Over the years, additional shareholders joined and the portfolio was expanded. The IPO on 24 March 1998 opened the door to the world of the capital market and brought further means for growth. Via capital increases in 2005 and 2007, GESCO AG generated funds that were used for acquisitions. The former unknown from the Bergische Land has become a recognised player in its twenty-year history, having gained great renown in the M&A world and capital market while maintaining a widespread network.

# The Buzz after Buying

Investors want to know how added value is generated in such a model. At the heart of the concept is the idea of maintaining typical strengths of SMEs while eradicating typical weaknesses.

The German SME sector with its owner-managers has clear competitive advantages in its lean structures that result in flexibility, speed and the ability to stay in close contact with the customer base. Employees identify with their employers and their tasks. We are dedicated to protecting this spirit of SMEs and the mindset of family-run companies. Our long-term investment approach, which lets GESCO be perceived as a “good investor”, is just as helpful for this as is the new manager buying a stake in the company. Having GESCO AG as investor even helps companies gain a higher level of attractiveness as employers.

But we can't skirt the issue that many SMEs display typical weaknesses. Often, finance and accounting were put on the back burner under rather technically minded

**Strong ties.** One of the main strong points of well-run SMEs is how strongly the staff identifies with the company. For this reason, we are committed to letting acquired companies keep their sense of identity.



management. This makes an increase of administrative personnel necessary as well as introducing an up-to-date ERP system. All of this needs to be reflected in the purchasing price. The higher level of business transparency achieved with these measures allows us to run the company more accurately. When we include the subsidiaries in GESCO Group's risk management system, this is not only in compliance with the law, it also makes the respective companies more aware of their position and what opportunities and threats exist.

Furthermore, differences can be observed between how privately owned companies and companies owned by professional (finance) investors make investments. When individuals are managing partners, they tend to show careful investment activi-

ties, completely avoid bank debts in some cases and limit the company's growth to what can be internally financed. This is a perfectly understandable approach for individual owner-managers. We as finance investors are more inclined to employ the financial strength of the Group to take advantage of market opportunities and make large-scale investments if customer demand can be shown to exist.

We also shouldn't forget that overhauling management can have an invigorating effect. It in no way takes anything away from the achievement of the generation retiring from the company that a new management with more modern training can send a wave of new energy coursing through a company. The company becomes more attractive as an employer to

its high performers and many employees welcome such an opportunity with open arms.

The typical owner-manager of an SME often works in isolation. In GESCO Group, managing partners of GESCO subsidiaries are tied into the loose but highly competent subsidiary network and profit from GESCO AG's know-how.



# SME's Meet the Capital Market: The Best of Both Worlds

GESCO AG is both a company listed on the stock exchange and one that sings the praises of SMEs. How does that fit? Wouldn't the purported casino capitalism be diametrically opposed to the honourable long-term mindset of the good old SME sector?

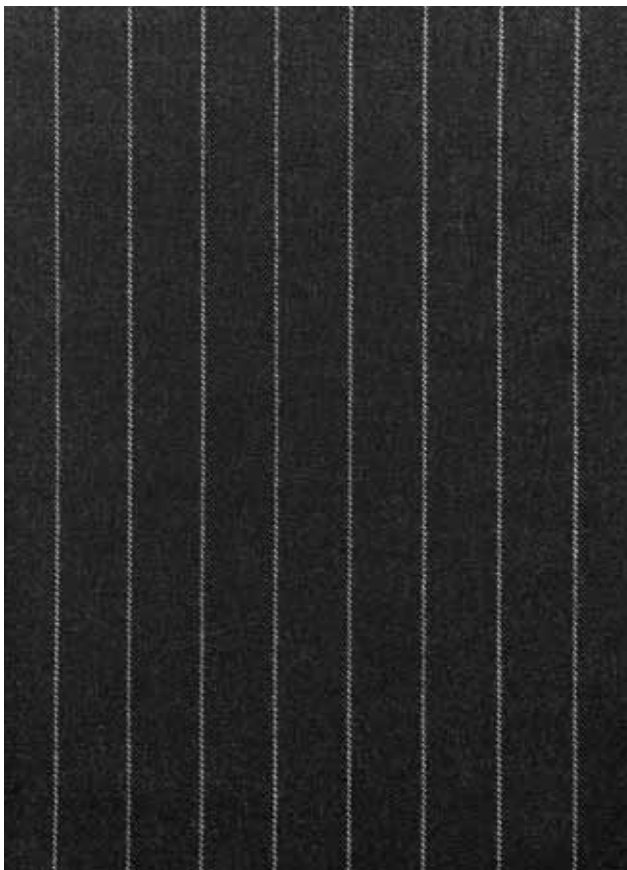
Let's be honest: Clichés like that are very convenient and also very warped. Not every stockbroker is a gambler and not every SME owner thinks only in terms of generations. The GESCO model in particular often demonstrates that SMEs with long-term strategies can absolutely be in good hands on the stock exchange and show sound performance. And we are still excited about the founding idea of the stock exchange: Investors give companies money so that they can invest in growth. The capital market is very important, as many SMEs also need to strengthen their equity. That is why we are striving to achieve the “best of both worlds”.

Not all investors are the same. Ideally, shareholders, the returns they expect and their investment horizon align with the strategy of the issuer. The typical GESCO investor is more value than growth oriented and makes more medium and long-term-investments than investing in the manner of day traders. You can spend a lot of time arguing about dividends and distribution policies but issuers

would do well to find a clear position in these topics. An attractive distribution policy has always been part of the positioning of our share. We are aiming for a distribution ratio of around 40 % of Group net income after minority interest, adjusted by any one-off effects. As we know from numerous conversations, many GESCO shareholders value regular distributions of dividends.

## Shareholders as Believers

When deciding where to invest, the returns expected and decision-making risks are at the top of the list. However, as far as we are aware, there is a surprisingly high number of “true believers” in the ranks of GESCO shareholders. Shareholders who made the very conscious decision to invest in exactly this kind of business model. Some of them are business owners themselves and want to use their investment to strengthen German SMEs. Others have different reasons tying them to the SME or industrial sector while



still others want to help solve succession issues. On top of that, the GESCO model is simple and easy to understand at its core. Many shareholders also see the merit of Warren Buffett's maxim "Only invest in a share of a business that you actually understand."

Not only private shareholders find this model attractive. Domestic and foreign fund companies, asset managers and family offices number among GESCO shareholders. Investors in France, Scandinavia, Switzerland, Austria and Great Britain see GESCO shares as the ideal way of investing in the technology-driven German industrial SME sector. This sector continues to enjoy an excellent reputation abroad.



Source: Deutsche Börse

☞ Only invest in a share of a business that you actually understand. ☞

Warren Buffett



## GESCO AG shareholder structure

As at 31 March 2010

approx. 65 %

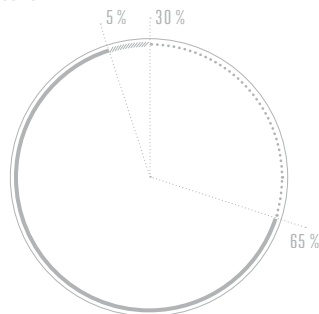
Private investors in free float

approx. 30 %

Institutional investors in free float

≥ 5 %

A private investor (no free float)



## Reading Builds up Knowledge – Reading Balance Sheets Builds up Wealth

A healthy balance sheet is a further element of the positioning of the GESCO share. We have always valued a strong equity base, a low level of goodwill and a sensible amount of debt. A strong balance sheet provides strategic freedom, the capacity to act and leaves you well-equipped for the future. These strengths are especially valuable and a great help for operating business in economically challenging times.

You need to have set such a balance sheet policy as a goal to be actively pursued. This again is a reflection of long-term thinking. Because high goodwill makes for a risk item on the balance sheet in times of low returns, one of our objectives is to keep goodwill at a low level. But doing this also reduces short-term profits. We are explicitly committed to such a conservative, risk-averse balance sheet policy. Shareholders consider these factors when comparing annual financial statement. As issuers, we see it as our duty to provide the necessary transparency.

## Employees as Shareholders

Ever since its IPO in 1998, GESCO has been offering all Group employees the opportunity to buy shares at favourable terms as part of its annual employee share scheme. We see this as contributing to their personal creation of wealth. Those who have taken part in every programme over the years were able to accumulate an attractive amount of wealth with low investments due to value added and dividends.

Our employees had no reason to feel left out on our ten-year IPO anniversary in 2008 either: Shareholders received a ten-percent dividend bonus and every employee was given a premium of € 250 along with a personal thank-you letter from the GESCO Executive Board sent to his or her home. The employees were especially appreciative of this token of recognition, beyond its material aspects.

# Through the Eyes of an Analyst

Interview with Holger Schmidt, senior analyst and segment coordinator for mechanical engineering at the investmentbank equinet AG in Frankfurt/Main. For ten years, equinet has been conducting research into GESCO. It is designated sponsor of GESCO shares on the XETRA and carried out the last two capital increases.



## **Mr. Schmidt, what do you see as the three most important investment criteria?**

First of all, reliable profitability or increases in profit which are above-average compared to the rest of the sector. This needs to be accompanied by a continuous free cash flow enabling dividend payment without eroding assets. Second, the management should be competent and strategy-driven (in the long term) with a solid track record. Third, an attractive evaluation heightens the appeal of a share for investors.

## **Why would investors want to buy so-called small-cap stock at all?**

Small-cap stock is often active on attractive niche markets offering higher margins. Internationalizing business activities can also provide growth opportunities for small-cap stock.

## **You talk to a lot of investors. What do foreign institutional investors think of German industrial SMEs?**

Good things! For them, they stand for excellent technology, high quality, innovative capabilities, and continuity in management and in the implementation of strategies.

## **Regardless of short-term earnings forecast and share price targets: How do you view the prospects of the GESCO business model in the medium and long term?**

One of the mainstays of the GESCO business model is acquiring further industrial SMEs and enhancing their strategic and operating development. This is opposed to other investment holding companies who generally achieve their results with exits. GESCO also acquires profitable companies that are not in need of restructuring. At the

same, larger risks are avoided, keeping the danger of goodwill impairment in mind. This approach is in line with the focus on sustainability in the long-term strategy of the business model. For the medium and long term, we judge that putting the business model into practice will show positive, sustainable and foreseeable results.



# Treasure Hunt

The change of values also affects the SME sector. Sociologists have described in detail how values such as performing your duty faded into the background since the 1960s and values like self-realization became more prominent.

This may sound very abstract as a scientific statement, but it had very concrete effects, such as those on metal workers in the Schwäbische Alb or on plastic injection moulding in the Sauerland. It used to be that children of business owners followed in their fathers' footsteps, but this has not been a matter of course for quite some time. Now they choose their own paths and often have neither the intrinsic motivation nor the material incentive to take over succession. Or they are true entrepreneurs but prefer to first stake their own claims and start their own company.

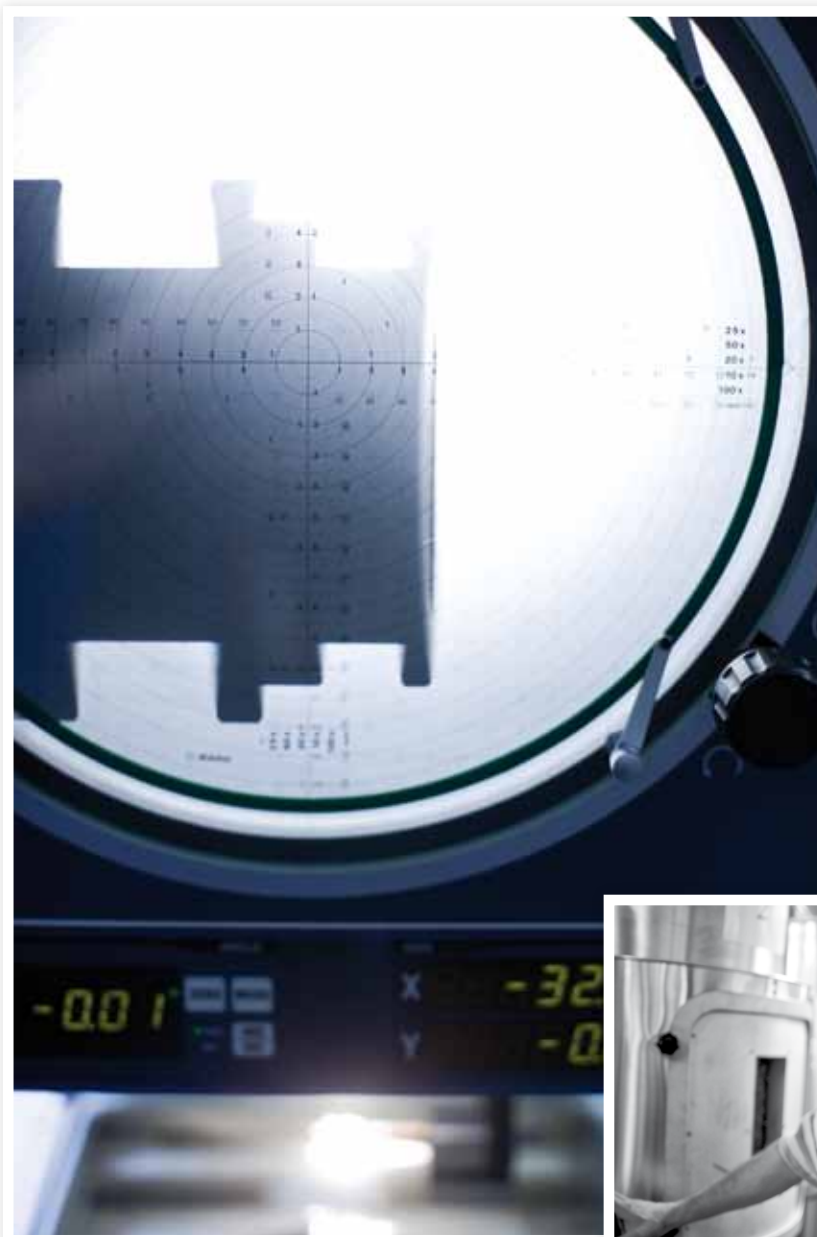
Changing values don't need to be a bad thing. Responsible business owners will be committed to finding the best solution for the company instead of bullying through a family-internal succession solution.

Moment of truth: Rational reasoning reaches its limits however where decisions are made that can exert such an influence on the happiness or misery of individual lives. Succession is not always openly discussed in families. Often expectations, wishes and desires are not carefully considered. Some children of business

owners suddenly wrench back control at the last minute while yet other business owners pull out of the deal right before meeting with the notary public.

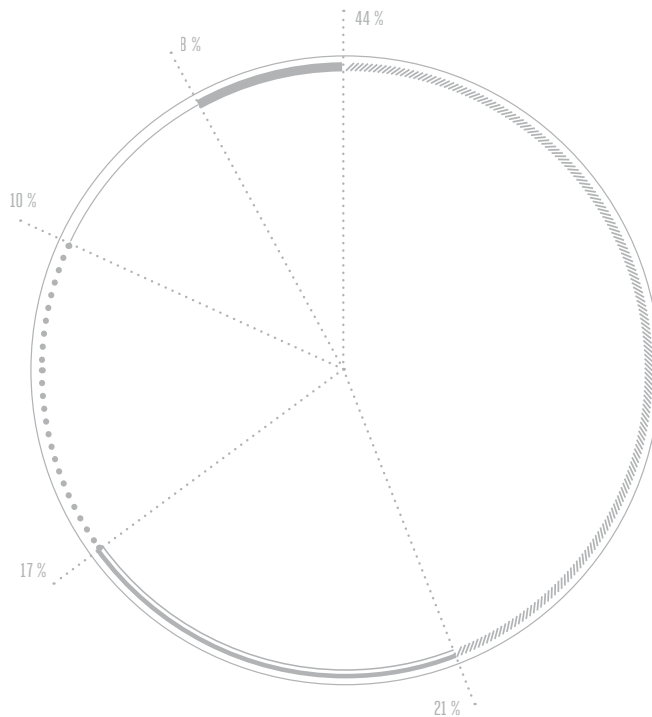
## No Transaction Without Emotions

Time and again, the Institut für Mittelstandsforschung (IfM) in Bonn has focused its scientific curiosity on succession issues. Hardly a lecture on this topic takes place that doesn't quote the 70,000 family-run companies that need to solve the question of succession every year. The IfM had new information to present at the end of April 2010: After existing data were adjusted, it was found that almost 110,000 companies will have to face the question of succession between 2010 and 2014, meaning about 22,000 each year. During these five years, 1.4 million employees will be affected by these successions. It is apparent that succession issues are quite significant to the national economy.



1.4 million employees work at companies where the question of succession will have to be resolved during the next five years. The cliché of having to fill the giant shoes of the patriarch is only true to some degree. Employees, too, notice when their boss is starting to reach retirement age. If the topic is pushed aside, top-level performers could drift away. "New guys" with a winning personality and convincing professional skills who are also willing to invest their own money in the company are generally welcomed. After all, employees do want their company to be successfully continued.

## Succession Solutions in German Family-Run Companies



44 %

Handover to family members

21 %

External sale

17 %

Management buy-in (MBI)

10 %

Management buy-out (MBO)

8 %

Shutdown due to a lack of successors

Source: IfM, Bonn

Dreaming of an entire supermarket of companies up for grabs would be overdoing it, though. Not every company is for sale in the first place. Furthermore, the number of companies with sales exceeding € 10 million, therefore making them of interest for GESCO and other finance investors, is also substantially smaller than the overall number mentioned. And finally, not every SME is a hidden champion.

Nevertheless: These “treasures of the SME sector” still exist. Such companies are well-positioned, well-run and have successes they can point to. These are the chests of gold we seek.

“ Having a company is somewhat similar to having kids: Everything starts off small, the years fly by and then you rub your eyes in amazement and say: 'Boy, have you grown!' You never notice how quickly time passes. The company is growing – and suddenly it's making € 10 million in sales and feeding more than 80 people and their families. ”

Dömer GmbH & Co. KG Stanz- und Umformtechnologie in Lennestadt in the Sauerland has been part of GESCO since 2005 and is an example of exemplary succession planning. The owners knew exactly what they wanted and liked the GESCO model. We shared a common language from the beginning and the transaction was completed in a very straightforward manner.

Dömer manufactures over 100 million stamping and bent parts every year that are delivered to customers in the automotive and supplier industries as well as window manufacturers, railway machinery companies and agricultural machinery companies.

Both quotes from Mr Dömer are taken from the speech he made to Dömer employees on the occasion of him and his wife retiring on 19 January 2007.

You can find out more about Dömer on page 35.

“ Keeping the company running was a key issue for us when we took care of who would succeed us. Our employees have been around for a long time. Most of them have been faithful Dömer employees for many years. Many of them did their vocational training at Dömer. ”



# Our Subsidiaries: Always the Bridesmaids, Never the Bride

From 70 mm long paper sticks to 30 meter high loading arms, from ploughs to levelling machines. Our subsidiaries' products and markets are very different. Diversification is the way to go. All companies face a common task, though: They want to manufacture products in Germany that are competitive both here and abroad. Consequently, there are strategic core elements shared by many companies despite how different they are.

Technological strength is usually at the heart of their business model, since GESCO AG invests in manufacturing companies. This can be a product range or high-level expertise in construction, materials or process engineering. Whatever our subsidiaries produce, it has to result in clear added value for customers and be able to hold its own in international competition.

Many of our subsidiaries develop supplementary services to the physical products they make, leading to holistic solutions for problems. More attractive than just being used as an extra workshop is entering into development partnerships.

You need close ties to markets and customers in order to transform technological know-how into hard cash. Typical strong features are short decision-making processes and flat hierarchies. As a managing partner of a subsidiary once said:

"Sometimes we're already delivering the order, while the competition is still busy compiling the quote."





## Transfer complete!

Whether the load is rum, yoghurt, bitumen or heavy fuel oil. The loading equipment at SVT GmbH has seen pretty much everything. For 40 years, the Schwelm-based company has been honing its skills in producing and selling technically high-quality loading equipment for moving liquid and gaseous materials on and off of ships and tankers.

Marine loading systems generate the highest share of sales, followed by land loading equipment for tankers. Swivel joints, platforms, stairways and control systems complete the portfolio.

SVT's particular strengths come into play when loading problematic goods. The products offered by the Schwelm-based company are able to withstand both aggressive and viscous substances such as chlorine, liquid sulphur, ethylene, pitch and bitumen. The temperature range is also extensive, covering -193 °C to +300 °C.





These strategic building blocks are also items on our checklist when buying a company. We don't purchase companies whose owners have no real answers to questions about competitiveness and viability for the future. Being a leader in technology, having strong USPs and high barriers to market entry are strategically attractive to us; less attractive are me-too products and price leadership. But we have to stay grounded, too: Not every metalworking company can be an international market leader.

## Employees

Only with the help of suitable employees can these strategies be implemented. It needs to be said loud and clear: The successes that German companies are enjoying in markets all over the world would be unthinkable without skilled staff, qualified workers, technicians and engineers, without in-house training and without a healthy

corporate culture. It goes without saying that we view our subsidiaries' management and employees as key players. That is why we value a positive corporate culture so highly in all of our companies.

Our subsidiaries are still characterised by the strong sense of identification our employees have with their respective employers and their tasks. All the while, research institutes like Gallup or psychonomics continue to publish frightening statistics about how unhappy many are in the corporate landscape or have already mentally quit their jobs.

We strive to maintain a positive corporate culture after takeovers, as they are such a crucial building block for success. These are generally companies that have existed for decades with a sense of identity that has grown over time. In no way do we desire to replace the spirit of a family company with the anonymous structures of a group.

However, this overall attitude does not preclude adjustments made to smaller details. If a company we acquire has employed a patriarchal, uncooperative leadership style to that point, then we see room for improvement. A lot of energy is freed when such a culture is rejuvenated, when employees are allowed to participate, when their creativity is not only tolerated but requested.





## ...Never a Bride

All in all, the GESCO Group companies reflect the strength and diversity of German industrial SMEs.

From time to time we receive offers to buy one or the other of our subsidiaries. Only in well-justified exceptions would we sell

for strategic reasons, but not for the profits generated by the exit. So, our subsidiaries will always be bridesmaids and never brides themselves. And we send a polite but very firm reply to the letters of interested buyers.

# Investments?

Of course! And on a regular basis, because cost-effective manufacturing in Germany needs a head-start in technology which usually requires up-to-date machinery. Regularly investing in our subsidiaries' assets is a matter of course for us.

The principle of sustainability reigns supreme in this regard. As a long-term investor, ensuring the long-term competitiveness of our subsidiaries is the deciding factor for GESCO AG. Consequently, there isn't an investment backlog in any part of the Group. For some companies, the machinery constitutes a market entry barrier against competitors, naturally always in combination with trained employees.

That managing partners have to acquire a share in the company also serves as a simple yet effective corrective mechanism when talking about investments. Dividend payments will be delayed for as long as it takes to return to the contractually agreed equity ratio if concentrated investment activities have increased a subsidiary's total assets. The managing partner will also be affected by a block on dividend payments. He or she usually uses these to pay off the loan necessary to finance the acquisition of a stake in the company. At the end of the day, this means: If a managing partner suggests a major investment, then a lot of thought has been put into this.

Nevertheless, it remains part of the sparring that takes place between GESCO and its subsidiaries to question investments and call for plausible reasons explaining their necessity. This can lead to reductions of the investment on occasion, but also to the original plans being extended.

## Long-Term Partnerships Instead of Short-Term Benefits

All business activities of GESCO Group are inspired by our long-term approach. This applies as much to GESCO AG's investment philosophy as it does to its business ties. Our subsidiaries concentrate on longstanding relations, both with customers and suppliers.

Companies offering lower prices will have a hard time replacing companies that have shown creativity and intelligence when envisioning customers' value creation chains, providing solutions for problems there and generating added value, becoming enmeshed with their value creation chain as a result.

Focusing on the long-term in supplier relations also has its advantages. Throughout the ups and downs of economic development, first one, then the other will have the upper hand. This is all part of the game and both purchasers and sellers should have a healthy desire to stay on top. A lot is to be said however for retaining at least some sense of fairness – "live and let live".



In December 2009, the new production hall for our subsidiary VWH was completed – on time and within the planned budget of € 700 thousand. VWH was committed to ensuring an environmentally friendly and energy efficient construction during the technical realization of the building. The additional 1,200 sqm of floor space will mainly be used to manufacture larger production equipment which could only be constructed and tested to a limited extent at the previous facilities.



Should push come to shove, such business ties should be more resilient than those that are inspired by no other values than getting as much out of it as you can. A prime example comes from the time when steel demand was booming. Existing contracts were simply being ignored by providers who doled out steel as they saw fit. In contrast to many other players on the market, our subsidiary Dörrenberg still received steel deliveries from important suppliers because business relations were friendly and Dörrenberg had proven to be a fair partner in the past.

All material reasons aside, for our employees being able to work in an environment where customers and suppliers can look each other in the eye is just more fulfilling. And that brings us back to the topic of motivation.







# Clear Rules: The Relationship Between the Parent Company and Subsidiaries

The practical form of the relationship between the parent company and subsidiaries is the deciding factor for whether a long-term investment can work. Only with a clear allocation of duties and responsibilities is it possible to maintain the work efficiency required in SMEs.



The managers of the subsidiaries are there to run the business of their respective companies. If you want to place high-performing managers at the helm of your subsidiaries, you shouldn't frustrate them with overbearing behaviour on the side of the Group or unnecessarily limit their operating freedom. On the other hand, the holding company needs business transparency, timely reporting and capable risk management. There's only a thin line between autonomy and being tied to the company and this line needs to be constantly reassessed.

Every year, the parent company and individual subsidiaries devise an annual plan

detailing the subsidiary's scope of operating independence for that year. This plan covers the income statement and liquidity, investment and personnel planning. All plans are challenged, modified if necessary and then resolved together during these planning negotiations. Within the framework of these plans, managers then are free to act, with the usual exception of business activities that require approval. The plans may need to be adjusted during the year, because reality doesn't always conform to plans. This is done without any red tape. Every month, the holding company receives figures from all subsidiaries as part of reporting. These figures are then evaluated, condensed and fed back to the subsidiaries



Well taken care of. Subsidiaries act independently in operating business. At the same time, they receive diverse forms of support from the parent company for issues that aren't part of their core business.

along the lines of a management information system. GESCO AG investment managers discuss the figures in monthly talks with the financial officers of the subsidiaries they supervise.

The “typical” SME may have many strong points, but the necessary focus on strategy questions can occasionally get bogged down in the to and fro of daily business. The parent company sees it as its duty to insist that the strategic direction of subsidiaries is regularly checked. Every year, strategy meetings take place at every subsidiary. They are attended by the management and senior employees of the respective subsidiaries as well as a member of the GESCO

AG Executive Board and the responsible GESCO AG business administration executive. Strategy is also discussed during meetings held throughout the year for the management of the subsidiaries and the Executive Board of the holding company.

## Coaching, Consulting and Controlling – and Chemistry

In spite of our focus on efficiency and performance, we see the management and employees as crucial performers. Maybe this is typical for the SME sector. Accord-

ingly, we highly value a positive, constructive environment in every subsidiary as well as all over the entire Group. Management meetings take place once a year and are a platform for getting to know each other and sharing thoughts and ideas. If we want performance to be up to our standards in the long term, then the “chemistry” has to be right.



# Impressive Subsidiaries

An Overview of the Main Operating GESCO Group Subsidiaries along with Their Products, Markets and Management.



# Ackermann Fahrzeugbau GmbH, Wolfhagen

## STRATEGY AND BUSINESS SEGMENTS

In the commercial vehicle industry, Ackermann is a renowned brand with a long-standing tradition. The company manufactures sandwich panels, sandwich structures and case kits for producing truck and trailer superstructures. At the heart of operations is one of the most modern European systems for producing large CFC-free polyurethane sandwich panels. Ackermann's customers include regionally active bodywork manufacturers as well as renowned national and international vehicle manufacturers. Thanks to their static and insulating properties, sandwich panels are also used in many other applications, such as in trailers for gliders, in RVs or in booth building.



## FINANCIAL YEAR 2009

The commercial vehicle industry was one of the sectors hit particularly hard by the recession. As everyone else, Ackermann saw demand dwindle after the record year 2008 and sales drop by more than half. The company therefore started adjusting its capacities as early as in the fourth quarter of 2008. Cost saving measures were implemented; temporary and fixed-term employment contracts were not renewed. In 2009, short-time work was introduced according to order situation.

## OUTLOOK AND GOALS FOR 2010

Ackermann expects demand in Germany and abroad to recover in 2010 and sales to rise on the back of that. The company will present its product range at its own booth at the IAA Commercial Vehicles, Hanover, in September 2010.

GESCO AG shareholding	80 %
Management shareholding	20 %
Capital ratio (31.12.2009)	47.7 %
2009 sales (in € m)	7.4 (-55.4 %)
Staff (31.12.2009)	71 (-27.6 %)
Member of the GESCO Group	since 15.05.1996



MICHAEL TABOURATZIDIS,  
MANAGING DIRECTOR

# Super Accurate High-precision Plastic Injection Moulding

AstroPlast Kunststoff-  
technik GmbH & Co. KG,  
Sundern

## STRATEGY AND BUSINESS SEGMENTS

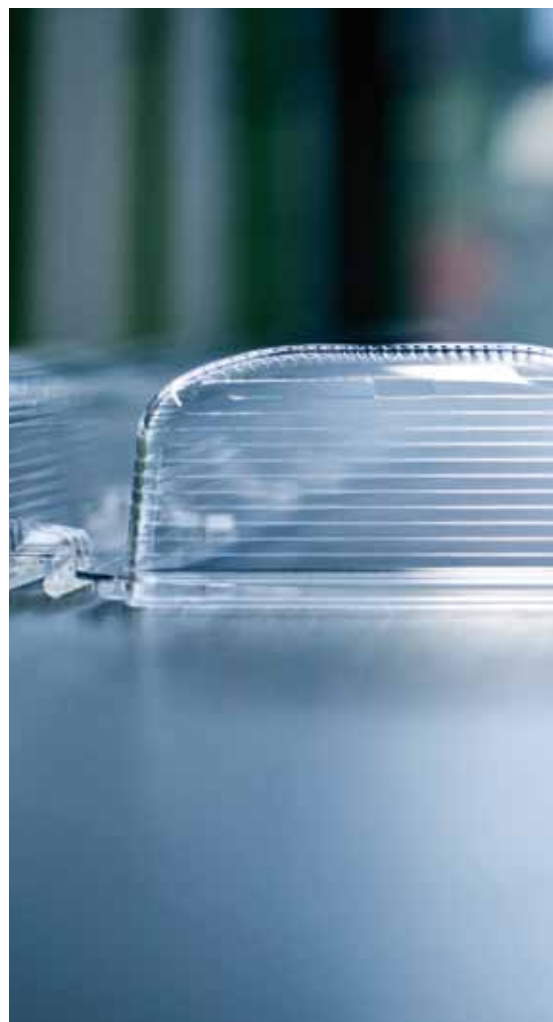
AstroPlast is a specialist for high precision injection-moulded plastics. The company develops, produces and markets its own range of plastic spools which are sold to manufacturers of wires, cables, tapes and optical fibres. AstroPlast also produces customised injection-moulded parts for the electrical, household appliances and automotive industries as well as the logistics sector. Based on its high level of technical expertise and its state-of-the-art machine park, AstroPlast has positioned itself as a consultant and a partner during development for its customers. Large machines with locking pressure of up to 2,300 tons particularly distinguish the company from its competitors.

## FINANCIAL YEAR 2009

While sales in the spools segment dropped significantly, the technical parts segment performed comparatively well. Total sales decreased by 35.9 %. The export rate fell steeply from 26 % to 13 % due to low demand from foreign companies. AstroPlast adjusted its staff levels, implemented short-time work and benefited from its extremely flexible working time and remuneration system. The company expanded its sales activities in 2009, including entering into cooperation agreements with sales representatives.

## OUTLOOK AND GOALS FOR 2010

In view of general economic conditions improving and its extensive market cultivation activities, AstroPlast expects sales to rise in 2010.



GESCO AG shareholding	80 %
Management shareholding	20 %
Capital ratio (31.12.2009)	35.5 %
2009 sales (in € m)	8.9 (-35.9 %)
Employees (31.12.2009)	68 (-18.1 %)
Member of the GESCO Group	since 01.05.1995



AstroPlast produces technical plastic injection moulding parts at the highest of quality levels thanks to cutting-edge production facilities and many years of expertise.



DR. WOLFGANG KEMPER,  
MANAGING DIRECTOR



## Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel

### STRATEGY AND BUSINESS SEGMENTS

The company was founded in 1924 and has established an excellent reputation as a systems provider in sophisticated tool manufacturing and in single and small-series part and component manufacturing for the specialist machinery industry. Beier offers its customers one-stop solutions starting with consulting and design all the way to production and on-site testing.

Paul Beier's customer base is largely from the automotive and mechanical engineering industries as well as the chemical and food industries. Thanks to its grading tools for parts with rotational symmetry, the company is in a unique position as a supplier to gear manufacturers. Products include casting machines and heat exchangers for the food industry, gears and worm gears, pumps, as well as complete cutting, stamping, pulling and grading tools. The company also works for the aeronautical engineering industry and is certified to the highest security level.

### FINANCIAL YEAR 2009

Compared to the record year 2009, Beier's business slowed down considerably. While sales in the tool manufacturing segment dropped significantly, the engineering segment developed steadily and managed to acquire new customers and projects despite the difficult economic environment. Beier invested in a new CNC processing centre for its high-performance site in 2009.

### OUTLOOK AND GOALS FOR 2010

In financial year 2009, some of the order backlog from 2008 was still being processed, but the number of incoming orders dropped. Beier therefore expects sales in 2010 to be less than in 2009.

GESCO AG shareholding	80 %
Management shareholding	20 %
Capital ratio (31.12.2009)	59.8 %
2009 sales (in € m)	9.1 (-15.0 %)
Staff (31.12.2009)	85 (-3.4 %)
Member of the GESCO Group	since 01.04.1999



Siegfried Heinrich,  
Managing director







## Dömer GmbH & Co. KG Stanz- und Umform- technologie, Lennestadt

### STRATEGY AND BUSINESS SEGMENTS

Dömer was formed in 1969 and has long-standing experience in metal stamping, bending and forming, as well as in related tool manufacture. The company manufactures sophisticated parts for the automotive, metal fittings and railway industries. In-depth expertise in machining technology and an above-average equipped machine park are major strengths, which are particularly important in the areas of advanced special components, complex structures and particular material specifications.

### FINANCIAL YEAR 2009

As Dömer generates the majority of its sales in the automotive industry, it was badly hit by the extreme sales slump in this sector in the fourth quarter of 2008 and the first six months of 2009. Total sales in 2009 were down by 31.0%. Management had already introduced measures to counter these developments as early as 2008, implemented a savings programme and also increased its activities with regard to sales and innovation. Dömer also aims to further increase the number of customers outside the automotive supply sector.

### OUTLOOK AND GOALS FOR 2010

Dömer expects sales to rise in 2010.



GESCO AG shareholding	100 %
Capital ratio (31.12.2009)	42.6 %
2009 sales (in € m)	8.3 (-31.0 %)
Staff (31.12.2009)	84 (-9.7 %)
Member of the GESCO Group	since 30.08.2005



Dr. Jochen Asbeck,  
Managing director



Gerd Böhner (l.) and Dr.-Ing. Frank Stahl,  
Managing director

150 Jahre **DD**  
Dörrenberg Edelstahl  
1860-2010



The core of Dörrenberg competence is rooted in an in-depth metallurgy know-how that has grown over decades.



# Stainless Steel Competence

## Dörrenberg Edelstahl GmbH, Engelskirchen- Ründeroth

### STRATEGY AND BUSINESS SEGMENTS

The largest company in GESCO Group is celebrating its 150<sup>th</sup> birthday in 2010. Dörrenberg has four divisions which operate as separate profit centres: stainless steel, stainless steel mould castings, precision castings and surface technology. The company offers its customers expert technical consulting, often as early as in the design stage. The consumer industries are widely spread, with the main industries being machine and plant construction, tool manufacture and automotive. Dörrenberg has unparalleled expertise throughout Europe as a unique full service provider in the stainless steel segment for the tool manufacturing industry.

Over decades, the company has developed an in-depth knowledge of metallurgy, conducts research and development activities with universities and institutes and owns numerous patents on steels developed in-house.

Dörrenberg Edelstahl GmbH has a majority shareholding in a joint venture in Spain with a focus on surface technology as well as a minority shareholding in a well-known stainless steel specialist in Turkey. Dörrenberg Special Steels PTE. Ltd (DoSS), Singapore, is Dörrenberg's representation in Asia; the CEO of DoSS holds 10 % of its shares.

### FINANCIAL YEAR 2009

In the fourth quarter of 2008, Dörrenberg already prepared for a massive slump in demand and dropping material prices in view of the looming recession. Extensive measures such as short-time work, voluntary salary cuts and other cost saving measures helped Dörrenberg achieve profits even during the crisis in 2009. After the company had generated healthy growth in the previous year, its sales went down by 44.6 % in total, of which half was due to prices for alloys and scrap metal dropping.

### OUTLOOK AND GOALS FOR 2010

Dörrenberg expects sales to remain steady or even increase slightly in 2010.

GESCO AG shareholding	90 %
Management shareholding	10 %
Capital ratio (31.12.2009)	53.3 %
2009 sales (in € m)	94.3 (-44.6 %)
Staff (31.12.2009)	481 (-5.3 %)
Member of the GESCO Group	since 01.01.1996

# Frank Group, Hatzfeld

## STRATEGY AND BUSINESS SEGMENTS

Frank Walz- und Schmiedetechnik GmbH is Europe's leading supplier of wear parts for the agriculture market and in addition supplies the municipal technology sector. The company produces rolled and forged parts made from specialist steel alloys. Frank is original equipment manufacturer (OEM) to agricultural machinery manufacturers in areas such as soil cultivation and harvesting technology. It also supplies spare parts to specialist wholesales and cooperatives. The "ORIGINAL FRANK" brand has been well established with the relevant target groups for decades and stands for first class quality, both nationally and internationally. The company's production is mainly located at its headquarters in Hatzfeld/Hessen as well as at its Hungarian subsidiary Frank Hungária Kft./Ozd. Frank also has the distribution company Frank Lemeks TOW/ Ternopil in Ukraine which provides access to the market in Eastern Europe.

## FINANCIAL YEAR 2009

Frank started into financial year 2009 with a large order volume and its capacities were well used until the middle of the year. However, the number of incoming orders, particularly in the OEM business, dropped as Eastern European customers of German agricultural machinery manufacturers were fighting with financing problems. Frank introduced short-time work in the fourth quarter of 2009. Direct export amounted to 37.0 % (previous year: 35.6 %).



Long time managing partner Gerhard Zirener left the company and entered retirement on 31 December 2009. Together with Heinz Georg, he had sold Frank to GESCO AG in 2006 within the scope of a succession planning project. Heinz Georg had retired already in March 2007 – the company has therefore been handed over to a completely new generation. Since 1 January 2010, Andreas Mosler is the sole managing director of the company. He had been managing director since 1 January 2008.



Gerhard Zirener (r., until 31.12.2009)  
and Andreas Mosler (l.),  
Managing director

## OUTLOOK AND GOALS FOR 2010

The 2010 forecast for the agri-technology sector is rather reserved; Frank expects sales to be slightly lower than in 2009.

GESCO AG shareholding	100 %
Capital ratio (31.12.2009)	35.0 %
2009 sales (in € m)	27.1 (-12.4 %)
Staff (31.12.2009)	164 (3.8 %)
Member of the GESCO Group	since 01.08.2006



## Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern

### STRATEGY AND BUSINESS SEGMENTS

Franz Funke Zerspanungstechnik turns parts made of brass, aluminum, red brass and steel into dimensions from 6 to 65 mm on cutting-edge CNC controlled machines. The company's customers are primarily from the plumbing, air conditioning, electrical and mechanical engineering sector. In addition to machining-based manufacturing, Funke offers services including galvanic surface finishing, assembly installation and thermal material handling, as well as connection technology such as soldering, welding and compression. Consulting and other services position Funke as a problem solver and support customer retention.

GESCO AG shareholding	80 %
Management shareholding	20 %
Capital ratio (31.12.2009)	41.6 %
2009 sales (in € m)	11.8 (-28.1 %)
Staff (31.12.2009)	66 (-9.6 %)
Member of the GESCO Group	since 01.05.1995

### FINANCIAL YEAR 2009

After generating the highest sales in the history of the company in 2008, Franz Funke's sales went down by 28.1 % in 2009. With the help of short-time work and adjusted staff numbers, it was possible to adapt production hours to dropping sales.

### OUTLOOK AND GOALS FOR 2010

As the general economic conditions seem to be improving, Franz Funke expect sales to rise in 2010.



DR. WOLFGANG KEMPER,  
MANAGING DIRECTOR

# Haseke GmbH & Co. KG, Porta Westfalica

## STRATEGY AND BUSINESS SEGMENTS

Haseke manufactures ergonomically optimised interfaces between man and machine, e.g. equipment for optimally placing monitors or operator panels in working environments. The company develops and sells applications for medical technology (MediArms), mechanical engineering and command and control technology industries (ProVersa) and office technology (Ercos) that use its “raise, lower, swivel” concept. At the end of 2009 / beginning of 2010, the company merged the “ProVersa” and “Ercos” brands in the industry segment in order to increase the focus on its core markets.

Haseke has established itself as a system supplier providing excellent quality “Made in Germany”. Its products are ergonomic, well designed and technologically advanced. The company also offers its customers extensive before and after sales service and advice.

The company uses an innovative, sophisticated modular system to quickly implement individual customer requirements and it develops new products from these ideas. Haseke is always expanding its know how and developing new product lines.



Modern radiology suspension system with an extension arm and ceiling application from Haseke.

## FINANCIAL YEAR 2009

Long-time managing partner Günter Kegel left his position as managing director and shareholder at the end of March 2009 for reasons relating to his future plans. As of 1 April 2009, seasoned sales manager Uwe Kunitschke was appointed as new managing director.

While the ProVersa segment was badly hit by the crisis in the mechanical engineering sector, the MediArms segment profited from steady development in the medical technology sector. Sales decreased by 11.1 % in total. Haseke invested in two CNC processing machines to shorten delivery times for small series equipment and samples and also to save costs.

## OUTLOOK AND GOALS FOR 2010

The company is cautiously optimistic about developments in 2010 and expects sales around the same level as in 2009.

GESCO AG shareholding	100 %
Capital ratio (31.12.2009)	38.5 %
2009 sales (in € m)	10.5 (-11.1 %)
Staff (31.12.2009)	46 (-4.2 %)
Member of the GESCO Group	since 01.01.1990



Uwe Kunitschke,  
Managing director  
(since 01.04.2009)



Günter Kegel,  
Managing director  
(until 31.03.2009)



Rainer Kiefer,  
Managing director

## Hubl GmbH, Vaihingen/Enz

### STRATEGY AND BUSINESS SEGMENTS

The company was founded in 1976 and develops and produces high-end precision machine cladding, coverings, housings and stainless steel sheet components. Important consumers include the photovoltaic, semiconductor, clean room engineering, air conditioning technology and food technology sectors as well as the pharmaceutical and medical technology industries and also mechanical engineering. Hubl's

strengths include the construction department with its excellent staff and state-of-the-art equipment as well as a high quality machine park. Using its creativity and flexibility the company develops superior solutions with sophisticated designs. Hubl has positioned itself as a system supplier to a wide range of customers and sectors, and provides complex development and construction services to its customers or is actively involved in respective customers' processes. The company focuses on product development, custom-made products and small series equipment.

### FINANCIAL YEAR 2009

Hubl's business activity started to decrease as early as the end of 2008. Until summer 2009, customer demand remained weak, but has been picking up again slightly since September. All in all, sales dropped by one third in 2009. The company countered by implementing an extensive cost saving programme and short-time work.

In 2009, Hubl invested anti-cyclically in a state-of-the-art punch laser processing centre from Trumpf. This new machine offers a wide range of new technical possibilities, the scratch-free processing of stainless steel sheets being one of them.

Together with its customer Sartorius, Hubl GmbH developed a new modular production unit for bio technology, which was successfully introduced in the market in 2009.

### OUTLOOK AND GOALS FOR 2010

Hubl expects sales to rise steeply in 2010.



Industrial scale from Sartorius. The casing and components were manufactured by Hubl.

GESCO AG shareholding	100 %
Capital ratio (31.12.2009)	36.7 %
2009 sales (in € m)	7.4 (-33.8 %)
Staff (31.12.2009)	85 (unchanged)
Member of the GESCO Group	since 01.01.2002





## Georg Kesel GmbH & Co. KG, Kempten

### STRATEGY AND BUSINESS SEGMENTS

Established in 1889, Kesel develops and produces milling machines and clamping systems. The milling machine product range includes rack and bandsaw blade milling machines. Machines for milling steering racks are a special product of the company. The company's clamping division has a broad range of systems meeting different specifications and offering a variety of clamping forces.

Kesel positions itself in market niches and is the technology leader in many of the fields it operates in. The company serves a broad customer base from a number of industries worldwide. In the last few years, it has forged ahead with its internationalization and established sales activities in China.

In April 2009, GESCO AG acquired 90 % of Georg Kesel GmbH & Co. KG as part of a succession plan, while Managing Director Martin Klug took over 10 %.

### FINANCIAL YEAR 2009

2009 was a difficult year for Kesel and the machine engineering sector in general. Sales slumped as a result of the recession. In order to adjust capacities and cost structure, previously outsourced activities were insourced again, temporary employment contracts terminated and short-time work implemented.

### OUTLOOK AND GOALS FOR 2010

Since October 2009, Kesel has recorded a rise in customer demand, particularly from Asia, and expects sales to increase in 2010.

GESCO AG shareholding	90 %
Management shareholding	10 %
Capital ratio (31.12.2009)	37.9 %
2009 sales (in € m)	6.3
Staff (31.12.2009)	42
Member of the GESCO Group	since 23.04.2009



Martin Klug,  
Managing director

# MAE Maschinen- und Apparatebau Götzen GmbH, Erkrath

## STRATEGY AND BUSINESS SEGMENTS

The company, founded in 1931, is a global leader in automatic levelling machines as well as in wheel presses for rolling stock. This is complemented by a standard range of manual level presses and special machines for clearing, assembling, checking and forming. Major customer sectors are the automotive and automotive supply industry, railway vehicle manufacturers and maintenance workshops, mechanical engineering and the machine tools and steel industry.

## FINANCIAL YEAR 2009

2009 was the third record year in succession for MAE. The company has almost doubled its sales over the last five years. Due to the recession, some orders in 2009 were delayed until 2010, but sales still increased again by another 5.6 % in total.

In recent years, MAE set new technological standards with a newly developed levelling machine for long parts, and innovation also soared in the wheel presses segment: The company completely re-engineered this product group, lowering energy use by 90 %, reducing noise emissions to practically zero and significantly lowering prices. Demand in this new machine concept is extremely high. At present, MAE particularly benefits from the emerging markets' investments in their railway infrastructure.

## OUTLOOK AND GOALS FOR 2010

MAE expects to be able to maintain its 2009 record levels in 2010 as well.

GESCO AG shareholding	100 %
Capital ratio (31.12.2009)	59.8 %
2009 sales (in € m)	25.9 (+5.6 %)
Staff (31.12.2009)	115 (-2.5 %)
Member of the GESCO Group	since 01.01.1997



Rüdiger Götzen,  
Managing director

# From Lollipops to Cotton Buds

## Setter Group, Emmerich

### STRATEGY AND BUSINESS SEGMENTS

Setter Group was founded in 1963 and comprises Setter GmbH & Co. Papierverarbeitung and its wholly-owned subsidiary Q-Plast GmbH & Co. as well as HRP Leasing GmbH. The company produces plastic and paper sticks and operates worldwide with an export ratio of approximately 85 %. It also sees itself as the quality and volume leader in this niche market. Setter supplies companies in the sweets and hygiene industry. The sticks are used in products like lollipops or in medical and consumer cotton buds.

### FINANCIAL YEAR 2009

Setter developed steadily despite the recession and managed to keep its sales volumes.

### OUTLOOK AND GOALS FOR 2010

Although Setter's international sales will benefit from the devaluation of the Euro compared to the US dollar, some of its customers are going to consolidate. Overall, Setter expects sales to remain steady in the current financial year.

GESCO AG shareholding	100 %
Capital ratio (31.12.2009)	87.0 %
2009 sales (in € m)	10.4 (0.4 %)
Staff (31.12.2009)	53 (1.9 %)
Member of the GESCO Group	since 30.04.2004



Robert Prager,  
Managing director

# 85%

of all sticks produced by Setter are exported. The paper and plastic sticks may look simple but they require a very elaborate production process.





# Cool

Cargo





## SVT GmbH, Schwelm

### STRATEGY AND BUSINESS SEGMENTS

SVT develops, manufactures and markets high-quality technical equipment to load and unload liquid and gaseous materials on and off ships and tankers. Key customers come from the chemical and petrochemical as well as the petroleum and gas industry. An important product group manufactured by the company is land and ship loading equipment for so-called liquefied natural gas (LNG), which is natural gas cooled to minus 165 °C. In this growth market, SVT offers superior technology and sees itself as the world's second largest provider. At the same time, SVT was able to expand its business in land loading systems.

SVT generates the majority of its sales abroad. Products are used globally, including the EU, the US, the Middle East and Asia up to as far away as Australia. The company has the technical expertise to build equipment and control units according to the standards in each respective country.

### FINANCIAL YEAR 2009

After the company managed to increase its sales by a staggering 37.7 % in 2008, it pushed sales up by another 9.5 % in 2009, mainly due to the delivery of two large orders in December 2009. The export ratio rose from 73.1 % to 80.4 %.

### OUTLOOK AND GOALS FOR 2010

As the high sales volume in 2009 included the two large orders, which will not to be repeated in 2010, SVT expects sales to drop slightly in the current financial year but to still remain at a very attractive level.

GESCO AG shareholding	90 %
Management shareholding	10 %
Capital ratio (31.12.2009)	67.4 %
2009 sales (in € m)	42.3 (+9.5 %)
Staff (31.12.2009)	166 (+3.1 %)
Member of the GESCO Group	since 01.01.2002



Klaus Mertens,  
Managing director

## VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH, Herschbach



### STRATEGY AND BUSINESS SEGMENTS

VWH specializes in automation technology, mould construction and sensor technology. The company's core competence is the development and manufacture of complex part and fully automated production systems for the assembly of components, including the appropriate testing technology. VWH is a niche provider specializing in custom plant engineering for automation technology, mould construction and in-line systems for manufacturing sensors.

VWH supplies well-known companies in the automotive and supplier industry, the electrical and electronics industry as well as the medical technology sector. The company can draw on a high level of technical expertise and is a competent partner for its clients from the development phase onwards.

### FINANCIAL YEAR 2009

Like many others, VWH was not spared by the recession and recorded an 8.8% drop in sales. The company anti-cyclically invested around € 700 thousand in the construction of a new assembly hall for manufacturing and testing large systems, which had not been previously possible in its existing premises. This investment has already let the company acquire its first large orders.

### OUTLOOK AND GOALS FOR 2010

VWH views 2010 with careful optimism and expects sales to increase.

GESCO AG shareholding	100 %
Capital ratio (31.12.2009)	36.9 %
2009 sales (in € m)	8.5 (-8.8 %)
Staff (31.12.2009)	99 (-2.9 %)
Member of the GESCO Group	since 25.04.2007



Thomas Sturm,  
Managing director



Alro GmbH, Molineus  
& Co. GmbH+ Co. KG,  
Tomföhrde GmbH & Co.  
Industrieverwaltungen,  
Wuppertal

These companies are management holdings that are wholly owned by GESCO AG and managed by GESCO AG employees. They manage let properties held by the companies. As these activities are not part of GESCO AG's core business, they are gradually being cut back.



# Freigegeben

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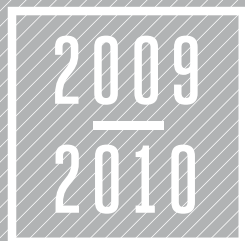
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ANNUAL REPORT



# 2009/2010

Financial Information



## The business model...

- GESCO AG acquires industrial SMEs on a long-term basis, i.e. without intending to exit, and develops them further.
- We seek out the "hidden champions" of the SME sector: proven success record, strategically attractive market and technological leaders.
- We focus on companies in the tool manufacture and mechanical engineering and plastics technology segments based in Germany and with sales of around € 10 million and above.
- We specialise in succession issues and always acquire majority holdings, mostly 100 %.
- When companies are acquired, the new management generally buys a 10-20 % share in their company.
- The subsidiaries are operationally independent and receive active support from GESCO AG in the form of coaching, consulting and financial controlling.
- Regular investment is made in the subsidiaries to ensure that the high standard of their technological equipment is maintained.
- Our aim is to increase the operating earnings of the subsidiaries and as a result sustainably enhance the value of the individual companies and the Group as a whole.
- The model optimises opportunities and limits risks.

## ...with substance...

- The operating subsidiaries have technical expertise gained over many years and a sound market position.
- All operating subsidiaries have adequate equity at their disposal.
- The GESCO Group provides a healthy balance sheet structure and growing earnings power.
- We operate under a low risk policy and the Group balance sheet demonstrates low risks.

## ...and vision

- We generate internal growth based on a healthy portfolio.
- The abundance of unresolved succession issues in the German SME sector also provides scope for external growth through further acquisitions.
- We stay true to the spirit of a family company while shaping companies to cope with globalisation.

Financial year 01.04.-31.03.		2000/2001 HGB	2001/2002 IFRS	2002/2003	2003/2004	2004/2005
Sales	€'000	146,481	158,627	153,835	171,234	192,264
of which domestic	€'000	118,206	124,411	124,165	133,220	140,768
foreign	€'000	28,275	34,216	29,670	38,014	51,496
EBITDA	€'000	14,710	15,638	14,580	17,947	20,114
EBIT	€'000	9,774	10,088	8,063	10,711	12,512
Earnings before tax	€'000	8,532	4,348	-1,600 <sup>*)</sup>	8,782	11,850
Taxes on income and earnings	€'000	-3,567	-548	-758	-3,985	-4,868
Taxation rate	%	41.8	12.6	---	45.4	41.1
Group net income after minority interest	€'000	4,102	2,939	-3,177 <sup>*)</sup>	4,198	6,228
Earnings per share <sup>1)</sup>	€	1.64	1.19	-1.29 <sup>*)</sup>	1.73	2.50
Investment in Property, Plant and Equipment <sup>2)</sup>	€'000	8,360	10,348	5,292	5,258	6,404
Depreciation on Property, Plant and Equipment	€'000	4,686	4,754	5,330	6,039	6,318
Equity	€'000	38,276	36,107	29,444	36,333	41,878
Total assets	€'000	104,912	134,204	138,515	138,370	145,070
Equity ratio	%	36.5	26.9	21.3	26.3	28.9
Employees (as at 31.12.)	No.	1,015	1,157	1,203	1,192	1,215
of which trainees	No.	52	61	69	63	60
Year-end share prices as at 31.03.	€	16.00	12.70	9.10	16.70	23.61
Dividend	€	0.72	0.75	0.50	0.70	0.90

\*) The losses in financial year 2002/2003 were attributable to the New Technologies division, which has been discontinued by 31.03.2003.

1) From FY 2001/2002 earnings per share according to IFRS.

2) Without additions from changes to the scope of consolidation.

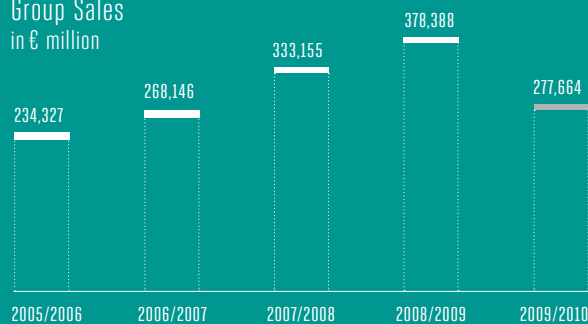
3) Including dividend bonus of € 0.22 due to 10-year anniversary of IPO.

GESCO shares

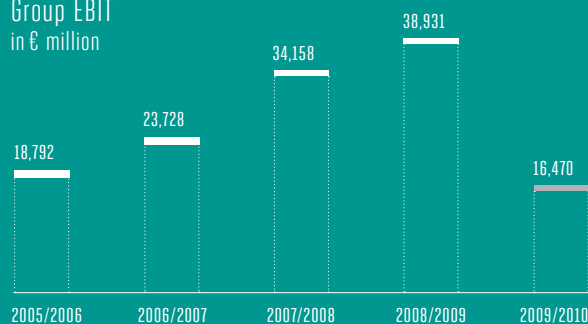
- Listed on the regulated market, Prime Standard, SDAX.
- The key to ambitious SMEs.
- Attractive dividend returns.
- Potential for further price gains through internal and external growth.
- Active investor relations, highly transparent reporting.

2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Change
234,327	268,146	333,155	378,388	277,664	-26.6 %
172,464	199,470	248,534	276,602	183,536	-33.6 %
61,863	68,676	84,621	101,786	94,128	-7.5 %
26,792	31,800	44,281	49,689	27,156	-45.3 %
18,792	23,728	34,158	38,931	16,470	-57.7 %
16,562	23,570	30,783	34,585	13,965	-59.6 %
-7,100	-9,311	-11,227	-10,897	-4,389	-59.7 %
42.9	39.5	36.5	31.5	31.4	-0.3 %
9,325	13,313	17,883	21,618	8,896	-58.8 %
3.54	4.83	5.92	7.16	2.95	-58.8 %
9,014	8,332	12,030	12,354	8,417	-31.9 %
6,718	6,745	8,252	8,191	8,758	6.9 %
54,379	74,948	89,845	103,285	105,173	1.8 %
174,430	211,762	236,511	259,598	246,356	-5.1 %
31.2	35.4	38.0	39.8	42.7	7.3 %
1,329	1,543	1,713	1,795	1,733	-3.5 %
75	81	105	109	99	-9.2 %
38.90	38.20	48.17	32.50	40.00	23.1 %
1.25	1.50	2.42 <sup>3)</sup>	2.50	1.30	-48.0 %

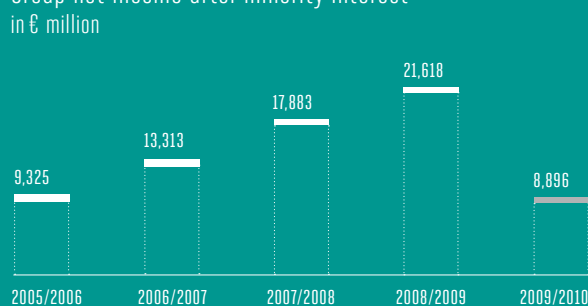
## Group Sales in € million



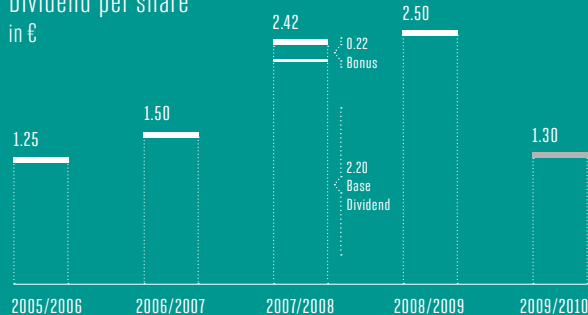
## Group EBIT in € million



## Group net income after minority interest in € million



## Dividend per share in €



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## Foreword by the Executive Board

### DEAR SHAREHOLDERS,



Executive Board –  
Robert Spartmann and  
Dr.-Ing. Hans-Gert Mayrose

GESCO Group has weathered the crisis quite well. Sales and earnings may have dropped significantly in percentage terms, but our standards had become rather high after six record years. That we, an industrial Group producing investment goods and directly or indirectly exporting them around the world, would not escape the effects of the massive financial and economic crisis goes without saying. In 2009, the German economy went through the worst recession since 1932 and many export markets collapsed as well. But amidst this serious crisis, the Group remained profitable, achieving Group net income after minority interest of € 8.9 million in financial year 2009/2010 – a respectable result. In 2009, this couldn't be taken for granted in the mechanical engineering segment, which is one of the main focuses of our activities. And last but not least, the Group balance sheet included in this Annual Report is very healthy. It shows sufficient liquidity, a high level of equity and moderate debt ratio.

This positive situation at the end of an unusually difficult financial year is the result of provident actions and the collective outcome of many individual measures. GESCO Group prepared early for the recession, was extremely disciplined in its spending, questioned investments and kept an eye out for opportunities at the same time. For large parts of the German industry, short-time work was the saving grace during the crisis and we too made consistent use of this tool, adjusting working hours to match capacity utilisation. We were committed to keeping our permanent staff because our employees are highly qualified, motivated and dedicated. If we could help it in any way, we did not wish to lose their qualifications and wealth of knowledge to the crisis, just like we avoided “saving our companies to death”. We neither wanted to damage their business substance nor their ability to supply and perform, so that they would quickly be able to regain top form during the next upturn.

Conclusion: The GESCO concept has withstood the crisis. With our up-to-date machinery and equipment, qualified staff and healthy financial situation, we are ready for action and able to push past our competitors and grasp both internal and external growth opportunities. In the past financial year, we expanded the Group by acquiring Georg Kesel GmbH & Co. KG. The transaction's variable purchase price structure took into account a large degree of economic uncertainty. We are still assessing other companies with view to takeover, even though the economic ups and downs are making it difficult to fix a price. Due to these problems with assessing the real value of companies, some entrepreneurs have delayed their intentions to sell until the overall economic situation picks up again in the hope of achieving a price they deem more suitable.

Conclusion:  
The GESCO concept has  
withstood the crisis.

The development of the GESCO share was comparatively steady during the crisis. It slumped less than our benchmark index SDAX in financial year 2008/2009, but also climbed less during financial year 2009/2010. A calculable distribution policy has always been part of the positioning of our share. The Executive Board and Supervisory Board propose a dividend of € 1.30 per share for financial year 2009/2010.

What happens next? Have we seen the last of the crisis? There are numerous signs pointing towards an upturn, but many questions remain. The banking crisis and recession have changed the shape and structure of the international financial and goods markets. No-one knows exactly if and when business will return to normal again or if this would actually be desirable in the financial sector. The crisis in the Eurozone is triggering additional insecurity. Nobody can be certain how all of this will affect the real economy.

In these difficult conditions, we are manoeuvring with careful judgement and cautious optimism. GESCO Group has a strong financial position and our subsidiaries' operations are well positioned and technically well equipped. But most of all, our managers and staff drive their companies with their qualifications, motivation and wealth of ideas. In financial year 2009/2010, our staff had to accept some rather painful salary cuts and many colleagues in our subsidiaries as well as the staff, Supervisory Board and Executive Board of GESCO AG renounced part of their wages in a show of solidarity. Both employees and managers of GESCO Group showed a high degree of motivation and identification during this difficult year and we are extremely grateful to them.

We would also like to thank you, the shareholders of GESCO AG, for your trust. Stay with us and accompany us in our further economic development. With our operating and financial strength, we feel well prepared to face any further potential economic downturns. Nevertheless, we all hope that the impending upturn will actually materialise and prove to be sustainable. In that event, our subsidiaries are chomping at the bit to take part and gain from it.

Yours sincerely,



Dr.-Ing. Hans-Gert Mayrose



Robert Spartmann

## GESCO Shares

The stock markets went through a breathtaking rollercoaster ride in 2009. In the wake of the recession, German indices slumped dramatically up to March 2009, just to start recovering again later on in the year.

In 2008, the GESCO share had developed much more steadily than the SDAX, the index relevant to us for drawing comparisons, but then also recorded losses at the beginning of 2009, which were only partially recoverable afterwards. In 2009, it fell by a total of 17.6 % while the SDAX rose by 24.9 %. During the entire financial year 2009/2010, the GESCO share gained 23.1 % and the SDAX 64.1 %. Looking at the last two financial years, i.e. a period roughly coinciding with the financial crisis, GESCO share performance was about 5 % lower than the SDAX. In the five and 10-year comparison on the other hand, it significantly exceeded our benchmark.

Trading liquidity of the GESCO share went down in the reporting year, with average daily sales totalling at least 7,000 shares and average volume around € 270,000. At the end of the financial year, the GESCO share was steadily positioned in the mid range of the SDAX.

The GESCO share remains widely spread. Free float decreased from 100 % to 95 % in the reporting year; a private investor notified us of having exceeded the 3 % mark on 4 September 2009 and the 5 % mark on 2 November. Both notifications were reported by us pursuant the German Securities Trading Act (WpHG). According to the regulations of Deutsche Börse AG, private investor shareholdings exceeding 5 % must be deducted from free float. To

## Good Reasons to Buy the GESCO Share

- The GESCO share provides access to the ambitious SME sector
- Stable business model proven over many years
- Sound, healthy assets with low balance sheet risks
- Sustainable, calculable dividend policies
- High level of management expertise with industry experience
- Opportunities through numerous unsolved succession issues
- Active investor relations and highly transparent reporting

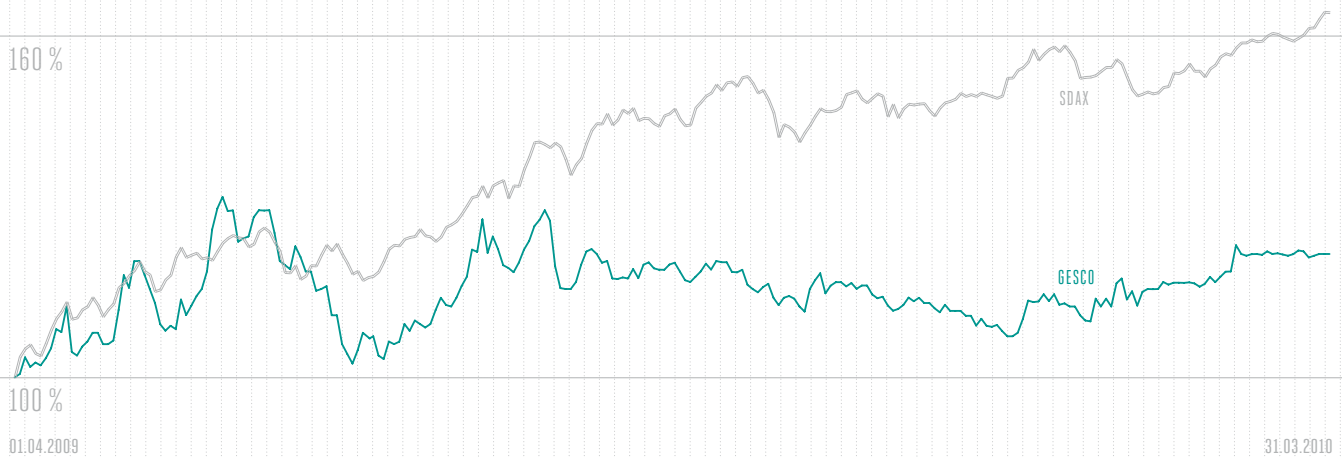
our knowledge, of the remaining free float of 95 %, around 30 % is held by institutional investors and about 65 % by private investors.

Until 31 December 2009, the designated sponsors of the GESCO share on the XETRA were Equinet AG and HSBC Trinkaus & Burkhardt. Since 1 January 2010, only Equinet AG remains as designated sponsor.

Research into the GESCO share is currently being compiled by Equinet, HSBC Trinkaus & Burkhardt, Bankhaus Lampe, GSC Research and Performaxx. On the reporting date, three analysts rated the share as “buy”, one as “overweight”, and one as “hold”.

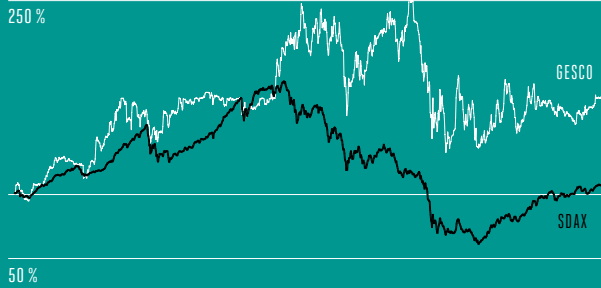
## Development GESCO Share vs. SDAX

Financial year 2009/2010



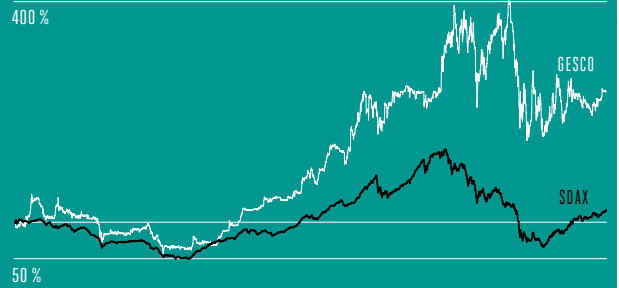
5 Years

(01.04.2005 - 31.03.2010)



10 Years

(01.04.2000 - 31.03.2010)



Information about the GESCO Share<sup>1)</sup>

International Securities Identification Number ISIN	DE0005875900
Securities identification number	587 590
Stock market abbreviation	GSC
Share capital	€ 7,859,800
Number of unit bearer shares	3,023,000
IPO	24 March 1998
Issue price	DM 42 / € 21.47
Year-end price, previous year (31 March 2009)	32.50 €
Year-end price, reporting year (31 March 2010)	40.00 €
High reporting year (1 June 2009)	€ 43.26
Low reporting year (1 April 2009)	€ 32.95
Market capitalisation on 31 March 2010	€ 120.9 million
Free Float	95 %
Shares held by members of the Supervisory Board (31 March 2010)	0.7 %
Shares held by members of the Executive Board (31 March 2010)	0.5 %
Transparency standard	Prime Standard
Indices	SDAX CDAX overall index Prime All Share Prime Industrial Classic All Share Prime Industrial Diversified

Key Indicators GESCO Share for 2009/2010

(Previous year values in brackets)

Dividend per share	€ 1.30 <sup>2)</sup> (€ 2.50)
Earnings per share according to IFRS	€ 2.95 (€ 7.16)

Stock Exchanges

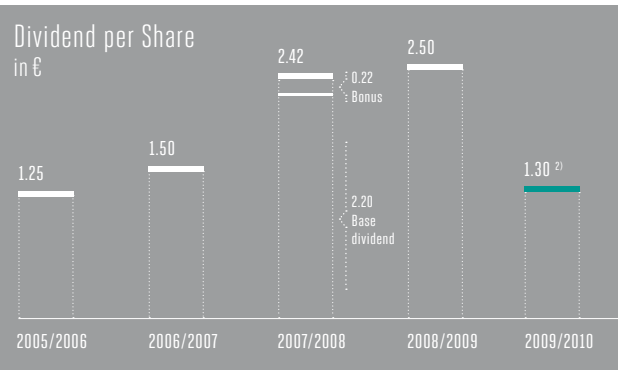
XETRA	Düsseldorf (open market)
Frankfurt (regulated market)	Hamburg (open market)
Berlin-Bremen (open market)	Munich (open market)
	Stuttgart (open market)

DIVIDEND POLICIES

We see a sustainable dividend as one of the most important factors for the position of the GESCO share. We are aiming for a distribution ratio of around 40% of Group net income after minority interest, adjusted by any one-off effects. We feel that this ratio provides a perfect balance between the request of many investors for distributions and GESCO Group's need to retain sufficient liquid assets for securing future growth.

On 28 August 2009, a dividend for the 2008/2008 financial year amounting to € 2.50 per share was paid out. With a total volume of € 7.5 million, this was the largest distribution in the history of the company.

At the Annual General Meeting on 2 September 2010, the Executive Board and Supervisory Board will propose a dividend of € 1.30 per share for financial year 2009/2010, increasing the distribution ratio compared to the previous year. At the time this decision was made, the dividend return, based on the proposed dividend, amounted to 3.3%.



<sup>1)</sup> All share prices reflect the XETRA closing price

<sup>2)</sup> Dividend proposal



## INVESTOR RELATIONS

Since 2000, GESCO AG has been a member of the Deutscher Investor Relations Verband e. V. (DIRK) and stands by its principles of open and continuous communication.

We have also been members of the Deutsches Aktieninstitut e. V. (DAI) since 1999 and support the development of share culture in Germany. We raise issues encountered by listed SMEs in the DAI's Small and Mid Caps workgroup.

The Annual Report 2008/2009, just like the Annual Report 2007/2008 before, was recognised with the Red Dot award by the Design Zentrum Nordrhein-Westfalen, a renowned award for successful design.

Our website [www.gesco.de](http://www.gesco.de) is a central information platform for all issues relating to the GESCO share, GESCO AG and GESCO Group companies.

We maintained active investor relations and general public relations activities during the 2009/2010 financial year. These activities mainly consisted of replying to shareholder questions, holding one-on-one meetings with domestic and foreign investors and analysts, and presenting our business model during capital market events. The following events deserve special mention:

- 25 June 2009: Annual Accounts Press Conference and Analysts' Meeting, Düsseldorf
- 2 July 2009: DSW Investment Forum, Düsseldorf
- 14 July 2009: DSW Investment Forum, Stuttgart
- 1 September 2009: DVFA Small Cap Conference, Frankfurt/Main
- 30 September 2009: Scherrer Small Cap Conference, Zurich
- 10 November 2009: Deutsches Eigenkapitalforum (German Equity Forum), hosted by Deutsche Börse AG and KfW Bank, Frankfurt/Main
- 26 November 2009: Vienna Investment Forum, Vienna
- 3 December 2009: UBJ Investor Conference, Hamburg
- 9 December 2009: Münchner Kapitalmarkt-Konferenz (Munich Capital Market Conference), Munich
- 4 February 2010: Small and Mid Cap Conference hosted by Close Brothers Seydler Bank AG, Frankfurt/Main

In the financial calendar at the end of this financial information, you will find an overview of important dates in financial year 2010/2011.

# Declaration of Compliance and Corporate Governance Report

In this report, the Executive Board – on its own behalf and that of the Supervisory Board – provides information on its corporate governance in accordance with Section 3.10 of the German Corporate Governance Code and Section 298a of the German Commercial Code (HGB).

The Executive Board and Supervisory Board of GESCO AG govern the company with a view to sustainability. The business model is of a long-term nature and all measures are aimed at sustainable positive development. The Executive Board and Supervisory Board of GESCO AG agree with the aims of the Code to promote good, trustworthy company management for the benefit of shareholders, employees and customers.

The Executive Board and Supervisory Board submitted a declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) in December 2009 and made it permanently available to shareholders on the company website at [www.gesco.de](http://www.gesco.de). It is also included in this corporate governance report.

## CORPORATE GOVERNANCE REPORT

The company dealt with the issue of corporate governance early on, already recognising the precursors to the Code published by the Government Commission on the Corporate Governance Code in February 2002. The version dated 18 June 2009 applies at present. Section 161 of the German Stock Corporation Act (AktG) requires an annual declaration of compliance with this Code. The current declaration of compliance and previous declarations are available to our shareholders and other interested parties on our website.

The Code requires a corporate governance report and, in particular, explanations regarding deviations from its recommendations. The preamble to the Code expressly provides for deviations from

its recommendations, which are aimed at enhancing the “flexibility and self regulation with regard to the corporate legal structure of German companies”. This means that deviations are not negative per se, but are actually beneficial for smaller companies in particular.

## SHAREHOLDERS AND ANNUAL GENERAL MEETING

Shareholders exercise their voting rights at the Annual General Meeting. Each share carries one vote. GESCO AG publishes all documents relevant to points on the agenda on the company website in the weeks before the Annual General Meeting. In the invitation to the Annual General Meeting, the company requests that shareholders exercise their voting rights. To make it easier for shareholders to vote, the company appoints a voting rights representative who can vote at the Annual General Meeting on behalf of shareholders and according to their instructions. The company feels that a high attendance rate is important for maintaining democracy amongst shareholders and for ensuring that decisions of the Annual General Meeting reflect the wishes of the majority of shareholders. GESCO AG publishes the invitation to the Annual General Meeting and any reports and information required to pass a resolution in accordance with the regulations of the German Stock Corporation Act (AktG). This information is also available on the company website. Since its IPO in 1998, the company publishes the voting results on its website on the day of the Annual General Meeting.

## EXECUTIVE BOARD AND SUPERVISORY BOARD

GESCO AG is a stock corporation under German law and as such is managed by two boards with individual ranges of competence – the Executive Board and Supervisory Board. Both boards maintain a close and trusting working relationship within the scope of their legally defined responsibilities. The Executive Board provides the Supervisory Board with regular, prompt and comprehensive infor-

mation on company planning, earnings and financial position, risk management, strategic development and intended acquisitions. A list of transactions requiring approval by the Supervisory Board was compiled.

Supervisory Board members did not receive any remuneration or benefits in kind for personal activities such as consultancy or agency services in the reporting year or the year before. Neither Executive Board members nor Supervisory Board members had any conflicts of interest.

## EXECUTIVE BOARD

Executive Board members are jointly responsible for managing the company. The Articles of Association stipulate their responsibilities. The Executive Board works out the strategic development of the company, asks the Supervisory Board for approval and implements it. The Executive Board also defines the company's goals, makes plans and manages the internal control and risk management system as well as the controlling of subsidiaries. In addition, the Executive Board prepares the quarterly and interim reports and also the individual financial statements of GESCO AG and the consolidated financial statements.

The Executive Board of GESCO AG consists of two people holding equal voting rights; no Chairman or Spokesman has been appointed. In this, the company did not comply with the recommendations of the Corporate Governance Code. Both Executive Board members complement one another with their professional know-how and their responsibilities are clearly defined; the company therefore does not feel it is necessary to appoint a Chairman or Spokesman.

In the reporting year, Dr. Hans-Gert Mayrose and Mr. Robert Spartmann were Executive Board members.

## SUPERVISORY BOARD

The Supervisory Board appoints Executive Board members, monitors their corporate governance and advises them on issues of company management. The report from the Supervisory Board contains detailed information on its work in the reporting year.

The Supervisory Board of GESCO AG has three members. This number has proven to be extremely effective, as strategic issues as well as detailed questions can be discussed in depth. Forming committees is obviously not practical in the case of a Supervisory Board consisting of only three people. The company feels that a strong point of the Supervisory Board derives from the fact that its members are equally informed about all issues.

The definition of an absolute age limit for the Executive Board and Supervisory Board does not appear useful, since benefit to the company – and not age – should be the decisive factor when filling a position. In this, the company did not comply with the recommendations of the Code.

Supervisory Board members in the reporting year were Klaus Möllerfriedrich (Chairman), Rolf-Peter Rosenthal (Deputy Chairman) and Willi Back. Willi Back is a former member of the Executive Board of GESCO AG. He was Chairman of the Executive Board of GESCO AG until 31 March 2004 and was appointed as member of the Supervisory Board by the Annual General Meeting in 2004.

## COMPREHENSIVE AND TRANSPARENT COMMUNICATION

GESCO AG promptly and truthfully informs shareholders, the capital market, media and general public about all relevant events and the financial development of the company. Financial reports, press releases and ad hoc reports, the financial calendar, documents relating to the Annual General Meeting and a host of other information are available on the company website.

## DIRECTORS' DEALINGS AND SHAREHOLDINGS OF MEMBERS OF THE EXECUTIVE BODIES

In October 2009, Supervisory Board member Willi Back informed the company of the sale of 3,000 GESCO shares. In October 2008, Dr. Hans-Gert Mayrose, member of the Executive Board, told the company about the acquisition of 1,000 shares. The shareholding ratio of the Executive Board was 0.5 % on the reporting date, while the ratio for the Supervisory Board was 0.7 %.

## REMUNERATION REPORT

The remuneration report prescribed for the corporate governance report by the Corporate Governance Code is part of the Group management report and included in this Annual Report; it was therefore not repeated at this point.

In line with the Act on the Appropriateness of Executive Board Remuneration (VorstAG), the Supervisory Board, with the help of external advisors, is currently assessing the structure of Executive Board remuneration.

## ACCOUNTING AND AUDIT OF FINANCIAL STATEMENTS

The individual financial statements of GESCO AG are prepared in accordance with the German Commercial Code (HGB). Since the financial year 2002/2003, the consolidated financial statements of GESCO AG have been pursuant to IFRS. The individual and consolidated financial statements were audited by Dr. Breidenbach und Partner GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Wuppertal. The subsidiaries' financial statements were audited by the following auditing companies: Dr. Breidenbach und Partner GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Wuppertal, K/S/R Treuhand und Revision GmbH Wirtschaftsprüfungsgesellschaft, Ennepetal, and MAZARS Hemmelrath GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf.

The Chairman of the Supervisory Board obtained the auditor's statement of independence in accordance with Section 7.2.1. of the Corporate Governance Code. In line with the resolution passed by the Annual General meeting on 27 August 2009, the Chairman of the Supervisory Board appointed the auditor for the individual and consolidated financial statements. The interim and quarterly reports were not audited in the reporting year.

## DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Executive Board and Supervisory Board of GESCO AG declare that the recommendations of the Government Commission on the Corporate Governance Code published by the Federal Ministry of Justice in the official section of the online Bundesanzeiger (Federal Gazette) were being followed pursuant to the version of the Code dated 6 June 2008 since issuing the last declaration of compliance in August 2008 until 5 August 2009, and were and are being followed pursuant to the version of the Code dated 18 June 2009 (published in the official section of the online Bundesanzeiger (Federal Gazette) on 5 August 2009) since 5 August 2009. The following exceptions apply.

- 3.8. – Deductible for Executive Board and Supervisory Board members under the D&O policy: The deductibles stated in the current D&O policies for Executive Board and Supervisory Board members fall below the minimum amount required by the latest version of the Code. In accordance with the Act on the Appropriateness of Executive Board Remuneration (VorstAG), existing policies must be adjusted by 30 June 2010. The company will adjust the policies for its Executive Board and Supervisory Board members to this new regulation within the specified period.
- 4.2.1. – Executive Board: The Executive Board of GESCO AG consists of two people; no Chairman or Spokesman has been appointed.

- 4.2.3. – Remuneration of the Executive Board: In the current contracts of Executive Board members, performance-based remuneration is, under certain circumstances, subject to an assessment period of several years. Once a contract is due for extension, the current arrangement will be assessed and adjusted as necessary.
- 5.1.2., 5.4.1. – Executive Board and Supervisory Board: No age limit has been determined for Executive Board and Supervisory Board members.
- 5.3. – Supervisory Board committees: The Supervisory Board of GESCO AG comprises three members; Supervisory Board committees are not required as all three Board members are involved in the entire decision-making process.

GESCO AG  
Supervisory Board and Executive Board

Wuppertal, December 2009

# Group Management Report

## GENERAL CONDITIONS

The German economy went through a serious recession in 2009. Economic performance slumped by 5.0 %, the worst decrease since 1932.

The Verband deutscher Maschinen- und Anlagenbau e. V. (VDMA – German Machinery and Plant Manufacturers Association), which is relevant for our largest segment tool manufacture and mechanical engineering, recorded a 24.8 % drop in sales in 2009. This massive slump was due to low demand in Germany as well as in the export sector. While sales still benefited to some extent from the previous year's order backlog, incoming orders slumped even more strongly by 38.0 %. The mechanical engineering sector was one of the hardest hit by the financial and economic crisis.

The Gesamtverband Kunststoffverarbeitende Industrie e.V. (GKV – Association of Plastic Goods Producers), which is the association relevant for our second, significantly smaller segment – plastics technology – reported a sales slump of 14.0 %, with export falling by 16.0 % and sales in Germany by 12.5 %.

When viewing the information from both associations, it is important to consider that the respective industries are very broad-based and industry data represent a wide variety of heterogeneous companies. Since the companies in the GESCO Group are mostly specialised SME niche suppliers, this industry data serves as a rough guide but its ability to indicate the development of GESCO Group is limited.

In the German M&A market segment for companies with sales in the region of approximately € 10 million to € 50 million, which is the segment relevant for us, the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (BVK – German Private Equity and Venture Capital Association) recorded 33 investments compared to 48 in 2008, equalling a decrease of 31 %. In our opinion, the development of this market segment was quite positive but at the same time fraught with difficulties. According to our own

knowledge, the number of potential customers dropped significantly. In view of the financial and economic crisis, many sellers had to say goodbye to their high price levels from previous years. But any valuation was made extremely difficult by the high degree of uncertainty about developments of the general economy as well as individual companies. Many private owners reacted to these uncertainties and connected valuation problems by delaying their disposals, which also played a part in the number of transactions decreasing.

## CHANGES TO THE SCOPE OF CONSOLIDATION

In April 2009, GESCO AG acquired a 90 % share in Georg Kesel GmbH & Co. KG, Kempten, as part of a succession plan, while the managing director took over 10 %. Kesel is a niche supplier in milling machine construction and clamping technology; the company generated sales of approximately € 6.3 million in 2009 with around 45 employees. Kesel was included in the 2009/2010 consolidated financial statements for an eight-month period. The purchase price takes into account economic uncertainties and includes a variable component in form of a purchase price repayment option should the specified earnings targets for 2009 and 2010 not be achieved.

## THE RECESSION

As an industrial group that mainly focuses on the capital goods industry and bases its business to a considerable extent on export, both directly and indirectly, GESCO Group cannot escape the effects of the enormous global recession. After successive record years, Group sales dropped in financial year 2009/2010, as had been expected. The financial year of GESCO AG and GESCO Group runs from 1 April to 31 March the following year, while the financial years of the subsidiaries coincide with the calendar year. Already in the fourth quarter of 2008, some of the subsidiaries recorded decreasing numbers of incoming orders and dropping sales. In the first half of 2009, the recession reached its peak, but since September 2009, the economy has begun to slowly recover.



The Group companies countered the recession with a double strategy. On the one hand, they adjusted costs to match the reduced number of incoming orders. They started implementing cost saving measures as early as in the fourth quarter of 2008 in view of looming economic difficulties. Depending on order situation, temporary employment contracts were terminated, fixed-term employment contracts were not extended and short-time work was used in a flexible manner. Previously outsourced services were insourced again as much as possible and rendered by the companies themselves. Lower prices were negotiated with suppliers, service providers and other business partners. Investments were evaluated. On the other hand, the companies started sales and innovation campaigns. Opportunities arising from operating or financial weaknesses of competitors were actively used. Our subsidiaries were and are able, thanks to their sound financial basis, to invest in the equipment they need, for example tools or machinery required for processing customer orders. GESCO AG is a financially sound principal shareholder with a long-term strategy. The companies were able to use this fact to their advantage in a competitive market environment. It was ensured that all cost saving measures did not impair the companies' performance and ability to supply in order to improve their competitive positions during the crisis as well as the following upturn.

The fact that GESCO Group companies were still able to obtain financing in financial year 2009/2010 helped their operating business. In view of sound finance and intact business models, the banks remained willing to extend loans. Some of our subsidiaries' customers however, particularly in Russia, had problems obtaining financing. This led to a drop in demand.

The overall aim of all subsidiaries was to improve their competitive positions in their respective markets on the back of the crisis. Looking at financial year 2009/2010 as a whole, many of them successfully achieved this goal.

## SALES AND EARNINGS

The financial year of GESCO AG and GESCO Group runs from 1 April to 31 March the following year, while the financial years of the subsidiaries coincide with the calendar year.

Two subsidiaries were able to significantly increase their sales in 2009 as well, but the vast majority of companies suffered moderate to serious sales decreases. The Group nevertheless remained profitable during the worst recession since World War II. In addition, both operating segments remained profitable in every quarter.

Group sales went down by a total 26.6 % from € 378.4 million to € 277.7 million. As prices for raw materials and steel fell, material expenditure decreased by 35.3 % (€ 74.0 million), more than sales. The material expenditure ratio therefore dropped steeply from 55.4 % to 48.9 % of sales. Personnel expenditure was down by 9.2 %, less than sales, as some cost savings only showed their effect after some time. The personnel expenditure ratio rose from 23.1 % to 28.6 % of sales.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) went down from € 49.7 million to € 27.2 million. Depreciation remained practically the same at € 10.7 million (€ 10.8 million). Earnings before interest and taxes (EBIT) therefore fell relatively lower to € 16.5 million (€ 38.9 million). The financial result amounted to € -2.5 million, an improvement on the previous year with € -4.3 million, reflecting lower interest rates but also the reduction of minority interests amongst our subsidiary partnerships, which must be recognised in the financial result according to IFRS.

With the Group tax rate remaining almost unchanged at 31.4 % (31.5 %) and minority interests of our subsidiary corporations being down, Group net income after minority interest for the year amounted to € 8.9 million (€ 21.6 million). This equates to earnings per share according to IFRS of € 2.95 (€ 7.16).

### Sales by region 2009/2010

(Previous year values in brackets)

66.1 % (73.1 %)

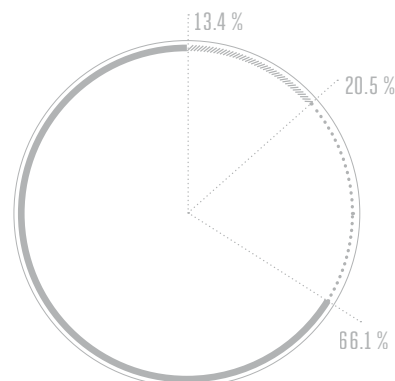
Germany

20.5 % (17.9 %)

Europe

13.4 % (9.0 %)

Outside Europe



These figures fall within the forecast range published at the accounts press conference and analysts' meeting in June 2009 that anticipated Group sales of between € 280 million and € 310 million and Group net income for the year after minority interest between € 7.0 million and € 10.5 million. In the interim report published in November 2009, we substantiated our earnings forecast and anticipated Group net income for the year after minority interest to fall within the middle of the stated range. While actual sales stayed around the lower end of this range, net income came in around the middle of the expected range. Margins were therefore better than anticipated.

## SALES AND EARNINGS BY SEGMENT

Detailed segment reporting included in the consolidated financial statements is divided into the following segments: Tool manufacture and mechanical engineering, plastics technology, GESCO AG and other/consolidation. Since neither the other/consolidation segment nor the GESCO AG segment generates material sales or earnings from operating activities, they are not included in this analysis.

Compared to the previous year, segment reporting policies were changed to comply with new requirements of IFRS 8 in the reporting period and to include the information used by management as performance indicators. As a result, the figures for the operat-

ing segments tool manufacture and mechanical engineering as well as plastics technology and finally GESCO AG are reported in accordance with the German Commercial Code (Handelsgesetzbuch – HGB), and reconciled with Group IFRS figures in the item Other/Consolidation. Previous years' figures were adjusted accordingly.

The segment tool manufacture and mechanical engineering remains by far the larger of the two segments with € 250.6 million sales (€ 337.2 million). EBIT dropped disproportionately to € 18.9 million (€ 39.8 million).

In the segment plastics technology, sales decreased by 34.7% to € 26.6 million (€ 40.7 million). This segment also saw EBIT fall disproportionately by 45.3% to € 3.0 million (€ 5.4 million).

Despite these significant drops in sales, both segments closed each quarter as well as the entire year with a clearly positive result.

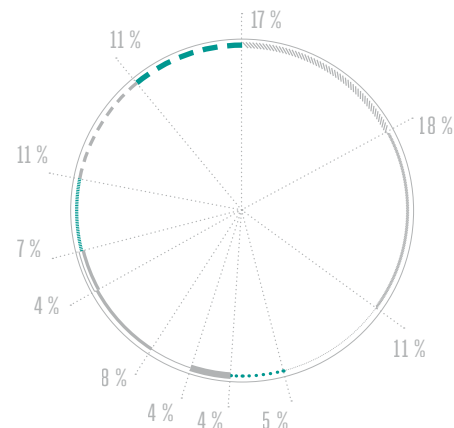
## SALES BY REGION

The export ratio for the Group was 33.9 % for the reporting year and was therefore significantly above the previous year's value of 26.9 %. The export ratio went up partially as a result of a structural shift towards export business and partially due to particularly low demand in Germany. Georg Kesel GmbH & Co. KG, which was

## Sales by customer sector 2009/2010

(Previous year values in brackets)

17 % (19 %)	4 % (8 %)	7 % (4 %)
Machine and plant construction	Foundries and roller mills	Energy/supply
18 % (18 %)	4 % (4 %)	11 % (9 %)
Passenger and commercial vehicle manufacturing	Construction, air conditioning, sanitary industry	Agricultural engineering
11 % (12 %)	8 % (6 %)	11 % (12 %)
Iron, plate and metal processing, tool construction	Chemical and petrochemical industry	Other customer groups
5 % (5 %)	4 % (3 %)	
Electrical, household goods, medical technology	Consumer goods industry	



consolidated for the first time, as well as MAE and SVT, which both grew in the reporting year contrary to the industry trend, have a high export rate, therefore increasing the Group's export rate. Since many customers of our subsidiaries are export-driven, GESCO Group likely also has a significant amount of indirect exports which, of course, cannot be precisely quantified.

Setter (reporting year: 90%), Kesel (88%), SVT (80%), MAE (52%) and Frank (37%) have especially high direct export ratios.

## SALES BY CUSTOMER SECTOR

GESCO AG considers the diversification of customer sectors as a key element of its risk management process. As a result, GESCO Group supplies a large variety of industries which makes it less dependent on economic developments in specific sectors. As the massive economic slump in 2009 affected almost all sectors, there were only slight changes in the structure of customer industries compared to the previous year.

The automotive supplier industry, which was particularly badly hit at an early stage during the recession, represents only a small part of GESCO AG's portfolio. Deliveries of series parts for vehicle production accounts for just under 5 % of Group sales, of which around 50 % relates to passengers and 50 % to commercial vehicles.

## INVESTMENT AND DEPRECIATION

As a long-term investor, GESCO AG sees a key success factor in future-proof technical equipment for its companies. By regularly investing in property, plant and equipment and intangible assets for our subsidiaries, we are ensuring their competitive edge.

In financial year 2009/2010, all investments were looked at critically in view of the recession. Some plans were abandoned or delayed. This did not cause any problems as all companies are equipped with up-to-date technology. However, we continued to invest wherever there was definite growth potential. Total volume amounted to € 9.5 million compared to € 12.7 million in the previous year.

We focused on acquiring a state-of-the-art punch laser processing centre for Hubl GmbH and constructing a production hall for VWH GmbH. Frank Walz- und Schmiedetechnik GmbH and Hubl GmbH also implemented new ERP systems to control their operations.

Depreciation on property, plant and equipment and amortisation on intangible assets amounted to € 10.7 million in the reporting year, the same level as in the previous year (€ 10.8 million).

## RESEARCH AND DEVELOPMENT

Most of our subsidiaries are SMEs with research and development activities that are largely market and customer-driven. Technical innovations as well as new products and applications are usually developed in projects as part of customer orders.

At Dörrenberg Edelstahl GmbH, research and development are an ongoing process carried out over many individual projects. The company cooperates with various universities and institutions, as required. In 2009, it focused on energy efficient, resource-saving products and methods.

MAE Maschinen- und Apparatebau Götzen GmbH completely re-engineered its wheel presses during recent years. Energy consumption went down by 90 % as a result and noise emissions to virtually zero. At the same time, it was possible to significantly reduce the sales price. As part of a pilot project in 2009, the company delivered the first levelling machines with a brand new non-contact laser measurement system for detecting circular concentricity errors.

## PROCUREMENT

GESCO Group companies consider procurement a strategic task; they strive to avoid dependencies and usually maintain long-term, constructive partnerships with their suppliers.

Raw material, steel and energy costs dropped at the beginning of 2009 but started to increase again in line with the economic recovery. There were no supply bottlenecks in the reporting year.

## GROUP BALANCE SHEET

While operating business decreased and lowered the balance sheet total, the acquisition of Georg Kesel GmbH & Co. KG increased this figure again. Overall, the balance sheet total dropped by 5.1 % to € 246.4 million (previous reporting date: 259.6 million).

On the asset side, inventories were reduced by 16.6 %. On the reporting date, liquid assets amounted to € 26.9 million (€ 30.3 million) despite the € 7.5 million dividend distributed in August 2009.

On the liabilities side, equity went up from € 103.3 million to € 105.2 million and the equity ratio from 39.8 % to 42.7 %. Non-current liabilities to financial institutions rose, mainly due to the acquisition of Kesel, while current liabilities to financial institutions dropped as a result of decreasing operating business.

Overall, the Group balance sheet structure is in exceptionally good health. Goodwill remained very low at € 6.7 million – only 6.4 % of equity. The amount of liquid funds remained adequate, the equity ratio was high and the debt ratio, i.e. the ratio between net liabilities to banks and EBITDA, was low with a factor of 1.7. GESCO Group therefore closed the financial year 2009/2010, which was marked by the recession, in a financially strong position and has the financial means for sustaining internal and external growth.

## ENVIRONMENTAL PROTECTION

The obligation to protect the environment, even beyond legal regulations and requirements, is firmly anchored in the self-image of GESCO Group. This applies to production as well as the life cycle of each product up to the point of recycling.

Our largest subsidiary Dörrenberg Edelstahl GmbH was the first German stainless steel producer to introduce a TÜV-certified environmental management system in 1997. This system is regularly audited.

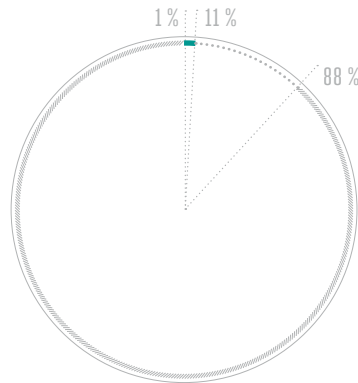
## Employees by segment

(Previous year values in brackets)

1,528 (1,549) 88 % (86 %)  
Tool manufacture and mechanical engineering

192 (233) 11 % (13 %)  
Plastics technology

13 (13) 1 % (1 %)  
GESCO AG



The Wuppertal Öko-Trend Institute awarded GESCO AG a certificate for corporate responsibility in the areas of environment, employees and society and gave the mark “very good” with 90.3 out of 100 points.

## EMPLOYEES

We are convinced that technically competent, motivated and loyal employees who identify with their employer represent a key strength of SMEs. That is why training and continuing education is very important within the Group.

We dealt with the financial and economic crisis by retaining permanent staff to avoid loss of know-how and so as not to damage the reputation as employer. It would also take a lot of time and incur considerable costs to recruit new staff with the right qualifications once the economy starts growing again. In order to adjust costs to dropping demand, temporary and fixed-term employment contracts were not extended and the companies implemented short-time work where required, depending on order situation and capacity utilisation. Many of the employees in our subsidiaries and at GESCO AG, who were unaffected by short-time work, showed their solidarity by accepting a voluntary salary cut.

For the first time, the Group's 1,733 staff include the 42 employees of Georg Kesel GmbH & Co. KG, acquired in April 2009. On the previous year's reporting date, GESCO Group employed 1,795

people. This drop is mainly due to fixed-term, and in individual cases also permanent, employment contracts being terminated.

In the autumn of 2009, GESCO AG offered all Group employees the opportunity to buy shares in the company at favourable terms under its twelfth employee share scheme. Just over 35 % of the Group's workforce took advantage of this opportunity to make a personal investment.

In an effort to bolster its long-term positioning as an attractive employer, Dörrenberg Edelstahl GmbH announced a competition at the beginning of 2009 for students studying engineering-related subjects with an emphasis on materials technology. An expert panel selected five prize winners from the scientific work submitted. Dörrenberg will present this award again in 2010.

Various remuneration and incentive systems are used at management level. In conventional succession planning cases, GESCO AG acquires 100 % of a company and hires a new manager who invests in the company he or she manages after a probationary period of approximately two years. The investment level is typically around 10 % to 20 %. For larger subsidiaries with several managers, the level per person is correspondingly lower. Thanks to these investments, the managers participate directly in the results of the respective subsidiary as shareholders. Management remuneration also includes a variable component linked to earnings of the managed company.



## REMUNERATION REPORT

Remuneration for the Executive Board consists of a fixed (base salary, private use of company vehicle, direct insurance) and a variable component. The variable component is calculated as a fixed percentage of Group net income after minority interest. Any losses are carried forward to future years, providing a long-term incentive.

Members of the Executive Board also benefit from a pension commitment (including widow and orphan benefits of 60 % and 30 %). After a waiting period of five years, the pension consists of a fixed percentage totalling 10 % and a time-of-service-dependent percentage of 0.5 % for each additional year of service of the most recent fixed salary. If a member of the Executive Board retires from the company early and the insured event has not occurred, the respective member of the Executive Board receives compensation in the amount of the pension at the time of retirement for a period of no more than 18 months. Compensation for other activities is deducted from these payments.

The Annual General Meeting of GESCO AG on 27 August 2009 authorised the company to acquire own shares according to Section 71 para. (8) of the German Stock Corporation Act (AktG) and to use these shares for a third tranche of the stock option programme launched in September 2007. Beneficiaries include the Executive Board and a small group of management employees of GESCO AG. The stock option programme is designed so that the beneficiaries have to contribute shares they have acquired themselves. Certain success criteria have to be met in order to participate and the potential gain is limited to 50 % of the exercise price. The Supervisory Board of GESCO AG initiated this third tranche in September 2009. A total of 24,000 options were issued to members of the Executive Board and management employees of GESCO AG. Each option entitles the holder to acquire one GESCO share. GESCO AG reserves the right to provide partial or full cash compensation

for gains under the programme instead of issuing some or all of the shares. Non-cash expenditures related to this programme are determined using a common binomial model, recorded in income and reported under other provisions. The model assumes volatility of 36.5 % and a risk-free interest rate of 5.0 % for the third tranche; the exercise price of the options issued in September 2009 is € 39.11. The waiting period is two years and nine months after the option is issued; after the end of the waiting period, the options may be exercised at any time up to 15 March of the year after next. The fair value per option on the issue date is € 6.44.

In line with the Act on the Appropriateness of Executive Board Remuneration (VorstAG), the Supervisory Board is currently assessing the structure of remuneration for the Executive Board of GESCO AG.

Remuneration for the Supervisory Board consists of a fixed salary plus a fixed payment for each Supervisory Board meeting. In addition, each member of the Supervisory Board receives performance-based remuneration calculated as a fixed percentage of Group net income after minority interest. The Chairman of the Supervisory Board receives twice the amount and the Deputy Chairman of the Supervisory Board receives one and a half times the amount of fixed remuneration.

## DISCLOSURES UNDER SECTION 315 PARA. 4 OF THE GERMAN COMMERCIAL CODE (HGB)

The share capital of GESCO AG is € 7,859,800 and is divided into 3,023,000 bearer shares. Each bearer share is granted one vote in the Annual General Meeting.

According to Sections 76 and 84 of the Stock Corporation Act (AktG) and Section 6 para. 1 of the GESCO AG Articles of Association, the Executive Board consists of one or more per-

sons. According to Section 6 para. 2 of the Articles of Association and in accordance with legal regulations, the Supervisory Board appoints and dismisses the Executive Board and establishes the term of service and the number of members. The Supervisory Board may also appoint replacement members. According to Section 17 para. 1 of the Articles of Association, resolutions are passed by the Annual General Meeting with a simple majority of the votes cast, unless binding legal regulations state otherwise; where the law requires a capital majority in addition to a majority of votes cast, resolutions are passed with a simple majority of the share capital represented when the resolution is voted on. According to Section 17 para. 2 of the Articles of Association, the Supervisory Board has the right to make amendments to the Articles of Association which only concern the adoption.

The Annual General Meeting of 23 August 2007 authorised the Executive Board to increase the company's share capital once or several times by a total of € 3,929,900 until 22 August 2012 with the consent of the Supervisory Board by issuing new shares in exchange for cash or contributions in kind. Subscription rights may be excluded in certain cases. The Executive Board has not made use of this authorisation to date.

The Annual General Meeting on 27 August 2009 authorised the company to acquire up to ten out of every hundred shares of the current share capital until 26 February 2011 under consideration of own shares already held. Subject to the approval of the Supervisory Board and under certain conditions, the Executive Board is also authorised to dispose of the acquired shares in a manner other than via the stock exchange or by offering them to all shareholders, to use them for the purpose of acquiring companies or investments, or to retract some or all of them. The Executive Board has not made use of this authorisation to date.

## CORPORATE GOVERNANCE REPORT AND DECLARATION OF COMPLIANCE

The Corporate Governance Report and Declaration of Compliance in accordance with Section 298a of the German Commercial Code (HGB) are available on the company website at [www.gesco.de](http://www.gesco.de).

## OPPORTUNITY AND RISK REPORT

The concept of GESCO Group is designed to recognise, evaluate and seize opportunities on the one hand while identifying and limiting risks on the other. Both aspects affect Group structure on the conceptual level and the implementation of active risk and opportunity monitoring on the operational level. Managing risks and opportunities is ultimately an ongoing entrepreneurial process. The architecture of GESCO Group is designed in a way that ensures negative developments for specific companies do not place the entire Group at risk. This is why we largely forgo the use of instruments such as cash pooling or guarantees and other commitments.

The analysis of opportunities and risks is especially important when acquiring companies. GESCO AG generally acquires companies in the tool manufacture/mechanical engineering and plastics technology segments. In order to reduce its dependency on the cycles of individual segments and markets, GESCO AG's emphasis is on the diversification of its customer base. Accordingly, new companies that help diversify the customer base are of particular interest.

Since information asymmetry between buyer and seller is unavoidable in the course of company acquisitions, every purchase involves risks. The retirement of the existing owner-manager and the appointment of a new manager are some of the critical suc-

cession planning aspects. Finding a suitable new manager who meets expectations is subject to risk. On the other hand, there is an opportunity to revitalise the company by replacing and rejuvenating the management.

Prior to a purchase, companies are subjected to a due diligence assessment in order to identify the risks associated with any company acquisition to the extent they are recognisable. In particular, income figures used to establish a purchase price and respective company budgets should be critically evaluated. When the expectations of buyer and seller regarding the future income potential of the acquisition target diverge, an earn-out agreement is a proven way to share the risks and opportunities of future developments.

After acquisition, companies are quickly integrated into the GESCO Group reporting, controlling and risk management system.

In financial year 2009/2010, a new software was introduced for reporting, assessing and following up risks within the risk management system. Risks and their risk classification are assessed by estimating the effects on a subsidiary's earnings and their probability of occurrence. Low and medium risks are reported monthly by the subsidiaries, while high risks are reported to GESCO AG ad hoc.

A jointly developed annual budget establishes the framework for business developments, personnel measures and investments of the subsidiaries. During the year, GESCO AG receives monthly figures from the subsidiaries as part of regular reporting. GESCO AG records and assesses this information, adds its own financial and accounting figures and consolidates everything. The results are fed into a management information system, to which the Executive Board and Supervisory Board of GESCO AG have monthly access.

In monthly on-site meetings at each company, the GESCO AG business administration executive and the financial officers of the subsidiaries promptly analyse, interpret and evaluate these figures to determine the degree to which the objectives have been met. A member of the GESCO AG Executive Board visits each subsidiary at least once every quarter, particularly with a view to discussing strategic issues.

This prompt and detailed reporting system also continuously monitors the value of the shares owned by GESCO AG in its subsidiaries as well as its receivables from associated companies. The aim is to recognise any deviations from plan figures early and counteract them.

Detailed Group guidelines, available in form of a manual, minimise accounting risks and define the standard to be complied with by all Group companies and auditors. The regular analyses of the subsidiaries' figures carried out during the year also include an analysis and assessment of accounting risks. The responsible employees at GESCO AG are available to offer advice and answer any questions on the subject of accounting by the subsidiaries' managers and financial officers. If there are fundamental changes to accounting principles, such as the introduction of the Accounting Law Reform Act (Bilanzrechtsmodernisierungsgesetz) for example, all affected Group employees receive appropriate training.

The annual meeting, monthly meetings and strategy sessions examine the company's situation as a whole. Risks are evaluated, but there is also an analysis of entrepreneurial opportunities and courses of action for enhancing the business volume.

Although it is necessary to standardise risk management, we place great importance on personal contact to our subsidiaries' managements and employees and engage in regular exchange with them. We feel that implementing a system of checks and balances, critically questioning facts and circumstances and using common sense is vital for supplementing any standardised system.

Risks can be limited but not ruled out. In the end, all entrepreneurial activity is associated with risks. In their operating business, all GESCO AG subsidiaries are subject to the opportunities and risks typical for their respective industries as well as general economic risks. The largest risks for GESCO Group companies currently arise from the general economic development in Germany and the export markets.

**Procurement risks:** After the extremely volatile price developments in previous years, raw materials, steel and energy prices bottomed out at the beginning of 2009 and started rising again during the further course of the year. We expect prices to rise slightly in 2010. There were no serious supply bottlenecks during the reporting year, and we do not anticipate any in the coming financial year.

**Trade receivables** are largely covered by credit insurance. Many commercial credit insurers however reacted vehemently to the financial and economic crisis. Companies from the automotive and automotive supply industry in particular were excluded from commercial credit insurance. Against this backdrop, subsidiaries analyse the situation of relevant uninsured customers with the support of GESCO AG and define further action to be taken usually in direct discussion with customers. A maximum risk amount is defined for every customer and has to be complied with strictly. This is of course always a balancing act between attempting to limit risks and the need to take advantage of entrepreneurial opportunities and not lose customers.

Overall **insurance coverage** for GESCO Group is regularly evaluated in order to ensure sufficient protection under adequate terms and conditions.

**Currency risks** from the operating business are hedged for significant orders. Currency risks from financing are the result of our financing in Swiss francs. GESCO AG and some of its subsidiaries have been partly financed in Swiss francs for many years, allowing them to benefit from the lower interest rate in Switzerland. This financing normally consists of three, six or twelve-month loans under long-term master financing agreements. As a result, it is possible to switch from financing in Swiss francs to financing in Euros on short notice if required. The exchange rate between the Swiss franc and the Euro is monitored each business day and examined to determine if there is a need for action. Repayment amounts are secured by exchange rate hedges on a case-by-case basis. Overall financing is actively managed. As a consequence of the financial crisis, the Swiss franc increased considerably against the Euro, which resulted in accounting price losses on the reporting date. The system of financing in Swiss francs results in regular price gains or losses referring to the reporting date, which are predominantly not liquidity-related. After the reporting period, GESCO AG changed its loans denominated in Swiss francs to Euro. In addition, the subsidiaries' Swiss franc credit volume was hedged with an option. This limits the currency risks from foreign currency payables for the new financial year 2010/2011.

The general risks related to raising **debt and/or equity** have increased since September 2008 as a result of the financial crisis. Based on current knowledge however, we are not aware of any bottlenecks for our Group in raising debt at reasonable conditions. We expect interest rates to remain low in financial year 2010/2011 and possibly rise again slightly towards the end of the year. GESCO Group works with around two dozen different banks

and is therefore not relying on any one institution. Under current capital market conditions, a capital increase is a probable option. However, there is no need for such a capital increase at present. The difficult conditions for raising debt could lead to customers of our subsidiaries experiencing financing bottlenecks and therefore impact the operating business of GESCO Group.

There were no material changes to the tax situation in financial year 2009/2010. We are also not aware of any developments related to legal conditions that would have a significant impact on the Group. The Accounting Law Reform Act (Bilanzrechtsmodernisierungsgesetz) passed in March 2009 has an impact on the accounting of subsidiaries. The conversion to the new accounting standards represents a one-time burden on finances and personnel.

It is also important to note that the number of taxation and legal changes results in significant administrative costs for GESCO AG and our subsidiaries. At a minimum, all taxation and legal changes ultimately need to be examined for relevance.

We currently see the biggest risks in the operating business. As an industrial Group that mainly focuses on the capital goods industry and bases its business to a considerable extent on export, both directly and indirectly, we are significantly affected by economic fluctuations in Germany and abroad.

We are not currently aware of any risks that could endanger or significantly affect survival of GESCO AG and the Group.

## OUTLOOK

Economic research institutes and the Federal Government are expecting the gross domestic product to grow between 1.4 % and 1.5 % in 2010. The VDMA is projecting sales of companies in its industry to remain the same in 2010 as in the previous year. The GKV expects sales in 2010 to be up on 2009, but has not submitted a precise outlook.

We are anticipating GESCO Group sales and earnings in financial year 2010/2011 to be higher than in financial year 2009/2010. Should the general economic recovery become more pronounced, we forecast GESCO Group sales to grow further year on year in financial year 2011/2012 and earnings to increase at an above average rate.

But we must not forget that the economic development remains uncertain. Many government budgets are suffering badly from effects of the financial and economic crisis, the crisis in Greece is affecting the Eurozone and the banking sector has not been completely re-adjusted yet. The real economic consequences, such as for the extension of loans to production companies, are highly uncertain.

In spite of all this uncertainty however, it must be pointed out that GESCO Group closed 2009, the year of the crisis, with a clearly positive result and had a large amount of equity and sufficient liquid funds as of the reporting date. In our opinion, our subsidiaries stand an excellent chance of improving their competitive position during the crisis and the Group will emerge from it even stronger.



Apart from the acquisition of Kesel, we are striving for additional external growth by acquiring further strategically attractive SMEs. Concrete forecasts about company acquisitions cannot be made in view of the sometimes emotional nature of such transactions. Planning also remains highly uncertain, making valuing target companies difficult.

No significant events occurred after the end of the reporting year.

Wuppertal, 26 May 2010

The Executive Board

Robert Spartmann

Dr.-Ing. Hans-Gert Mayrose

# GESCO AG – Summary of the Annual Financial Statements Dated 31 March 2010

# GESCO AG – Summary of the Annual Financial Statements Dated 31 March 2010

## BALANCE SHEET

Assets	31.03.2010 €'000	31.03.2009 €'000
Intangible Assets	37	69
Property, plant and equipment	106	170
Financial Assets	61,382	56,764
<b>Non-current assets</b>	<b>61,525</b>	<b>57,003</b>
Receivables and other assets	32,208	30,937
Securities and liquid funds	22,206	24,061
<b>Current assets</b>	<b>54,414</b>	<b>54,998</b>
<b>Total assets</b>	<b>115,939</b>	<b>112,001</b>
<b>Equity and liabilities</b>		
Equity	76,800	78,525
Provisions	5,509	5,303
Liabilities	33,630	28,173
<b>Total Assets</b>	<b>115,939</b>	<b>112,001</b>

## INCOME STATEMENT

	01.04.2009 -31.03.2010 €'000	01.04.2008 -31.03.2009 €'000
Earnings from investments	12,080	15,667
Other operating income and expenditure	-2,280	-2,528
Personnel expenditure	-2,001	-2,301
Depreciation on property, plant and equipment and intangible assets	-100	-97
Financial result	-1,359	258
Earnings from ordinary business activity	6,340	10,999
Taxes on income and earnings	-529	-997
<b>Net income</b>	<b>5,811</b>	<b>10,002</b>
Transfer to revenue reserves	-1,884	-2,465
<b>Retained Profit</b>	<b>3,927</b>	<b>7,537</b>

PROPOSED APPROPRIATION OF NET INCOME:

For the 2009/2010 financial year, the Executive Board and Supervisory Board of GESCO AG are proposing the following appropriation of retained profit for the year in the amount of € 3,926,832.00:

Payment of a dividend in the amount of € 1.30 per share on the current share capital entitled to dividends (3,023,000 shares less 2.360 treasury shares)	€ 3,926,832
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The complete financial statements of GESCO AG compiled in accordance with the regulations of the German Commercial Code (HGB) and the Stock Corporation Act (AktG) and audited by Dr. Breidenbach und Partner GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Wuppertal, and attested with an unqualified audit opinion, are published in the electronic version of the German Federal Gazette and submitted to the commercial registry under HRB (German Commercial Registry) number 7847. The financial statements are available from GESCO AG.

# GESCO Group – Consolidated Financial Statements Dated 31 March 2010



## GESCO GROUP BALANCE SHEET

Assets		31.03.2010 €'000	31.03.2009 €'000
<b>A. NON-CURRENT ASSETS</b>			
<b>I. Intangible assets</b>			
1. Industrial property rights and similar rights and assets as well as licences	(1)	9,636	7,905
2. Goodwill	(2)	6,693	6,378
3. Prepayments made	(3)	598	87
		<b>16,927</b>	<b>14,370</b>
<b>II. Property, plant and equipment</b>			
1. Land and buildings	(4)	29,970	29,925
2. Technical plants and machinery	(5)	22,375	21,883
3. Other plants, fixtures and fittings	(6)	16,777	17,226
4. Prepayments made and plants under construction	(7)	1,196	723
5. Property held as financial investments	(8)	3,276	3,430
		<b>73,594</b>	<b>73,187</b>
<b>III. Financial investments</b>			
1. Shares in affiliated companies	(9)	15	15
2. Shares in associated companies	(10)	1,114	1,142
3. Investments	(11)	38	38
4. Securities held as fixed assets	(12)	4,069	4,100
5. Other loans		305	100
		<b>5,541</b>	<b>5,395</b>
<b>IV. Other assets</b>	<b>(13)</b>	<b>2,497</b>	<b>857</b>
<b>V. Deferred tax assets</b>	<b>(14)</b>	<b>3,011</b>	<b>2,576</b>
		<b>101,570</b>	<b>96,385</b>
<b>B. CURRENT ASSETS</b>			
<b>I. Inventories</b>	<b>(15)</b>		
1. Raw materials and supplies		16,019	17,840
2. Unfinished products and services		17,481	24,387
3. Finished products and goods		38,957	44,131
4. Prepayments made		531	1,121
		<b>72,988</b>	<b>87,479</b>
<b>II. Receivables and other assets</b>	<b>(13)</b>		
1. Trade receivables		36,605	37,643
2. Amounts owed by affiliated companies		523	1,015
3. Amounts owed by companies with which a shareholding relationship exists		1,372	2,261
4. Other assets		5,978	4,042
		<b>44,478</b>	<b>44,961</b>
<b>III. Securities</b>	<b>(16)</b>	<b>18</b>	<b>18</b>
<b>IV. Cash, Bundesbank credit, credit with financial institutions and cheques</b>	<b>(17)</b>	<b>26,942</b>	<b>30,347</b>
<b>V. Accounts receivable and payable</b>		<b>360</b>	<b>408</b>
		<b>144,786</b>	<b>163,213</b>
		<b>246,356</b>	<b>259,598</b>

[illegible]

## GESCO GROUP INCOME STATEMENT

		01.04.2009- 31.03.2010 €'000	01.04.2008- 31.03.2009 €'000
Sales revenues	(22)	277,664	378,388
Change in stocks of finished and unfinished products		-10,023	5,883
Other company-produced additions to assets	(23)	714	940
Other operating income	(24)	6,201	4,658
<b>Total income</b>		<b>274,556</b>	<b>389,869</b>
Material expenditure	(25)	-135,690	-209,704
Personnel expenditure	(26)	-79,325	-87,387
Other operating expenditure	(27)	-32,385	-43,089
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>27,156</b>	<b>49,689</b>
Depreciation on property, plant and equipment and intangible assets	(28)	-10,686	-10,758
<b>Earnings before interest and tax (EBIT)</b>		<b>16,470</b>	<b>38,931</b>
Earnings from securities		157	164
Earnings from investments in associated companies		-25	-49
Other interest and similar income		513	1,425
Depreciation on securities held as fixed assets		0	-776
Interest and similar expenditure		-2,905	-4,094
Minority interest in partnerships		-245	-1,016
<b>Financial result</b>		<b>-2,505</b>	<b>-4,346</b>
<b>Earnings before tax (EBT)</b>		<b>13,965</b>	<b>34,585</b>
Taxes on income and earnings	(29)	-4,389	-10,897
<b>Group net income for the year after tax</b>		<b>9,576</b>	<b>23,688</b>
Minority interest in incorporated companies		-680	-2,070
<b>Group net income for the year after minority interest</b>		<b>8,896</b>	<b>21,618</b>
Earnings per share (€) acc. to IFRS	(30)	2.95	7.16

## STATEMENT OF COMPREHENSIVE INCOME

	01.04.2009- 31.03.2010 €'000	01.04.2008- 31.03.2009 €'000
<b>Group net income for the year</b>	<b>9,576</b>	<b>23,688</b>
Currency translation differences	-16	-316
Revaluation of securities not impacting on income	-59	-873
<b>Income and expenditure recorded directly in equity</b>	<b>-75</b>	<b>-1,189</b>
<b>Total result for the period</b>	<b>9,501</b>	<b>22,499</b>
of which shares held by minority interests	681	2,062
of which shares held by GESCO shareholders	8,820	20,437

## GESCO GROUP CASH FLOW STATEMENT

	01.04.2009- 31.03.2010 €'000	01.04.2008- 31.03.2009 €'000
Group net income for the year (including share attributable to minority interest in incorporated companies)	9,576	23,688
Depreciation on property, plant and equipment	10,686	11,534
Losses from investments in associated companies	25	49
Share attributable to minority interest in partnerships	245	1,016
Decrease in long-term provisions	74	-308
Other non-cash expenditure	1,520	2,877
Cash flow for the year	22,126	38,856
Losses from the disposal of property, plant and equipment/intangible assets	59	159
Gains from the disposal of property, plant and equipment/intangible assets	-200	-98
Decrease/increase in stocks, trade receivables and other assets	20,271	-19,682
Decrease in trade creditors and other liabilities	-19,920	-1,579
Cash flow from ongoing business activity	22,336	17,656
Incoming payments from disposals of property, plant and equipment/intangible assets	823	291
Disbursements for investments in property, plant and equipment	-8,267	-12,354
Disbursements for investments in intangible assets	-1,065	-373
Incoming payments from disposals of financial assets	66	0
Disbursements for investments in financial assets	-265	-2,103
Incoming payments from the sale of consolidated companies	344	305
Disbursements for the acquisition of consolidated companies and other business units	-7,632	-1,181
Cash flow from investment activity	-15,996	-15,415
Disbursements to shareholders (dividend)	-7,537	-7,303
Disbursement for the purchase of own shares	0	-522
Incoming payment from the sale of own shares	233	171
Disbursements to minority interests	-1,304	-1,798
Incoming payments from raising (financial) loans	16,240	17,607
Outflow for repayment of (financial) loans	-17,377	-10,136
Cash flow from funding activities	-9,745	-1,981
Cash increase in cash and cash equivalents	-3,405	260
Financial means on 01.04.	30,365	30,105
Financial means on 31.03.	26,960	30,365

## GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

	Subscribed capital	Capital reserves	Revenue reserves	
	€'000	€'000	€'000	
As at 01.04.2008	7,860	36,214	41,010	
Dividends			-7,303	
Acquisition of own shares				
Disposal of own shares			-32	
Revaluation of securities recognised in income for the period				
Stock option programme		124		
Other neutral changes			-1,500	
Result for the period			21,556	
As at 31.03.2009	7,860	36,338	53,731	
Dividends			-7,537	
Disposal of own shares			40	
Stock option programme		191		
Result for the period			8,896	
As at 31.03.2010	7,860	36,529	55,130	

## GESCO GROUP SEGMENT REPORT

	Tool manufacture and mechanical engineering		Plastics technology		
€'000	2009/2010	2008/2009	2009/2010	2008/2009	
Order backlog	86,436	148,294	4,299	6,168	
Incoming orders	190,780	345,722	24,896	38,061	
Sales revenues	250,602	337,190	26,551	40,679	
of which with other segments	0	0	0	0	
Depreciation	7,213	7,327	1,744	1,606	
EBIT	18,925	39,818	2,974	5,436	
Investments	8,762	10,565	751	2,024	
Employees (No./reporting date)	1,528	1,549	192	233	



Own shares €'000	Exchange equalisation items €'000	Revaluation IAS 39 €'000	Total €'000	Minority interest incorporated companies €'000	Equity capital €'000
-13	53	97	85,221	4,624	89,845
			-7,303	-805	-8,108
-522			-522		-522
203			171		171
		776	776		776
			124		124
			-1,500		-1,500
62	-308	-873	20,437	2,062	22,499
-270	-255	0	97,404	5,881	103,285
			-7,537	-500	-8,037
193			233		233
			191		191
	-17	-59	8,820	681	9,501
-77	-272	-59	99,111	6,062	105,173

GESCO AG		Other/Consolidation		Group	
2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009
0	0	0	0	90,735	154,462
0	0	195	192	215,871	383,975
0	0	511	519	277,664	378,388
0	0	0	0	0	0
100	97	1,629	1,728	10,686	10,758
-4,460	-4,926	-969	-1,397	16,470	38,931
4	138	0	0	9,517	12,727
13	13	0	0	1,733	1,795

# GESCO AG

## Notes to the Consolidated Financial Statements, 31 March 2010

### GENERAL INFORMATION

GESCO AG is a private limited company with headquarters in Wuppertal, Germany. The company is registered under commercial register number HRB 7847 at Wuppertal district court. The company is dedicated to acquiring investments in SMEs and providing consulting and other services. The consolidated financial statements of GESCO AG, Wuppertal, dated 31 March 2010 were prepared based on the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as they apply in the EU and under consideration of Section 315a para. 1 of the German Commercial Code (HGB).

#### Application and Impact of New or Amended Standards

These consolidated financial statements of GESCO AG were prepared under consideration of all standards applicable to annual reporting years commencing prior to 31 March 2009. Standards that only became effective after the start of the 2009/2010 financial year were not applied in advance, with the exception of the amendments to IFRS 8 (Operating Segments) carried out during the improvements to IFRS in April 2009.

The following new or amended standards had to be considered for the 2009/2010 financial year:

- IFRS 8 “Operating Segments”
- IFRIC 13 “Customer Loyalty Programmes”
- IFRIC 15 “Agreements for the Construction of Real Estate”
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”
- Amendments to IAS 1 “Presentation of Financial Statements”
- Amendments to IAS 23 “Borrowing Costs”
- Amendments to IAS 32 “Financial Instruments: Presentation (Puttable Instruments)”
- Amendments to IAS 39 / IFRS 7 “Reclassification of Financial Assets”
- Amendments to IAS 39 / IFRS 7 “Reclassification of Financial Assets – Effective Date and Transition”
- Amendments to IAS 39 / IFRIC 9 “Embedded Derivatives”
- Amendments to IFRS 1 / IAS 27 “Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”
- Amendments to IFRS 2 “Share-based Payments (Vesting Conditions and Cancellation)”
- IFRS 7 “Financial Instruments: Disclosures”
- Various amendments to “Annual Improvement Project 2006 - 2008”

The application of the above-mentioned regulations did not have any material effects on the consolidated financial statements of GESCO AG.

The following standards and interpretations have been published and endorsed by the EU, but they are only mandatory for financial years beginning after 1 April 2009.

- IFRIC 7 “Distributions of Non Cash Assets to Owners (Non-cash Dividend)”
- IFRIC 8 “Transfers of Assets from Customers”
- Amendments to IAS 27 “Consolidated and Separate Financial Statements”
- Amendments to IAS 32 “Financial Instruments: Presentation (Classification of Rights Issues)”
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement (Eligible Hedged Items)”
- Amendments to IFRS 1 “Restructuring of the Standard”
- Amendments to IFRS 3 “Business Combinations”

The following standards and interpretations have been published, but have not yet been endorsed by the EU:

- Amendments to IAS 24 “Related Party Disclosures”
- Amendments to IFRS 1 “Additional Exemptions for first-time Adopters”
- Amendments to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”
- Amendments to IFRS 2 “Group Cash-settled Share-based Payment Transactions”
- IFRS 9 “Financial instruments: Revision and Replacement of all Existing Standards; Classification and Measurement”
- Amendments to IFRIC 14/IAS 19 “Prepayments of a Minimum Funding requirement”
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”
- IFRS for SMEs
- Various amendments to “Annual Improvement Project 2007 - 2009”

Based on current information, standards and interpretations that will become mandatory in future periods have no material impact on the consolidated financial statements of GESCO AG. These standards and interpretations will be applied once they become obligatory.

### Deviations from the German Commercial Code (HGB)

Material deviations from accounting and valuation methods under German commercial law are as follows:

Capital is consolidated by offsetting the book value of investments against the equity of the subsidiaries valued according to IFRS principles. Deviating from the treatment according to the German Commercial Code (HGB), first-time consolidation takes place based on the acquisition date of the respective investments.

In the consolidated financial statements under commercial law, goodwill resulting from capital consolidation was offset against reserves. In the IFRS financial statements, differences resulting from capital consolidation are allocated to the asset positions as far as possible; any residual goodwill is reported as an asset and subject to a regular impairment test. Negative differences from capital consolidation flow to the income statement. According to IFRS, obligations from debtor warrants also have to be considered for capital consolidation.

Contrary to the regulations under commercial law, a property leasing company is included in the consolidated financial statements according to the principle of full consolidation.

In the consolidated financial statements under commercial law, depreciation of property, plant and equipment and amortisation of intangible assets is calculated based on the recovery period for tax purposes. In the IFRS financial statements, amortisation is calculated based on the expected economic life. Special tax depreciation allowances are eliminated.

Under IFRS, pension provisions and similar obligations recorded under the German Commercial Code (HGB) according to the fiscal partial value procedure under Section 6a of the Income Tax Act (EStG) are valued using the projected unit credit method under consideration of future salary and pension increases and current market interest rates.

Provisions for expenditure, especially provisions for omitted maintenance, are not permitted under IFRS.

Deferred taxes are reported according to the balance sheet based liabilities method. Deferred taxes on loss carry-forwards are capitalised if the future realisation of these potential tax reductions is reasonably certain on the reporting date.

According to IFRS, own shares bought back are offset openly against equity.

In addition to the general deviations identified above, the following deviations between IFRS and the regulations for consolidated financial reporting under commercial law apply to the consolidated financial statements dated 31 March 2010:

- Capitalisation of assets and reporting of liabilities relating to finance leasing agreements according to IAS 17.
- Available for sale securities reported at fair value. Revaluation gains and losses are reported in equity without affecting income until the investment is sold or a permanent reduction in value is to be included in income.

### Consolidated Financial Statements – Reporting Date

The reporting date for the consolidated financial statements is the reporting date of the parent company (31 March 2010). The financial years of the subsidiaries and associated companies included in the consolidated financial statements generally match the calendar year, and therefore do not deviate from the parent company's financial year by more than three months. As a result, interim financial statements were not prepared for 31 March 2010 in accordance with IAS 27.36. There are only a few buying and selling relationships between the operating subsidiaries. Their products and services differ. Some loan relationships exist between the parent company and certain subsidiaries. Any significant events affecting included companies that occurred by the consolidated reporting date were considered in the preparation of the consolidated financial statements. Preparing and auditing additional interim financial statements would mean a disproportionately high expenditure of time and cost, with no corresponding gain of information.

### Scope of Consolidation

In addition to GESCO AG, the consolidated financial statements include all subsidiaries for which GESCO AG directly or indirectly holds the majority of voting rights. Significant associated companies were included according to the equity method. In principle, first-time consolidation and deconsolidation takes place on the investment acquisition or disposal date. A property leasing company was included in the scope of consolidation according to SIC 12 since the Group is entitled to the economic benefits from the assets held by said company.

On 17 April 2009, GESCO AG acquired 90 % and management 10 % of the shares in Georg Kesel GmbH & Co. KG, Kempten (Allgäu). Kesel is a niche supplier in milling machine construction and clamping technology, and generates sales of approximately € 6 million with 45 employees. A fixed purchase price of € 7,425 thousand and additional variable purchase price adjustments, which are dependent on future earnings, were agreed on acquisition. The purchase price allocation takes into account estimated receivables from purchase price decreases of € 2,115 thousand. € 6,425 thousand of the purchase price was paid with available funds. The company was fully consolidated effective 1 May 2009 and is included in the consolidated financial statements for the 2009/2010 financial year for a period of eight months.



The impact of the addition of the fully consolidated company is as follows:

	31.03.2010 €'000	31.03.2009 €'000
Intangible assets	3,035	0
Property, plant and equipment	1,428	0
Financial investments	34	0
Current assets (excluding liquid assets)	5,553	0
Liquid assets	6	0
Provisions	147	0
Liabilities	4,496	0

This addition affected Group earnings by € -494 thousand and Group sales by € 4,456 thousand last year. If this company had been included in the consolidated financial statements of GESCO AG at the beginning of the financial year, earnings would have been affected by € -921 thousand and sales by € 6,334 thousand. The above-mentioned results include effects from the first consolidation.

A total of 34 companies are included in the consolidated financial statements according to the principle of full consolidation, and one other company is included under the equity method.

Three subsidiaries (foreign distribution companies) with an immaterial effect on the assets, financial position and earnings were not consolidated but instead valued at their respective cost of acquisition. The effect on sales, earnings and total assets is less than 2.0%. Another company, which is also not of material significance, was valued at cost of acquisition. This affected earnings and total assets by less than 0.5% overall.

A list of investments is included at the end of these notes.

### Consolidation Methods/Equity Method

Capital consolidation is based on a full revaluation on the respective acquisition date. The cost of acquisition is offset against the revalued or, in case of the equity method, proportionately revalued equity of the subsidiary on the acquisition date. Assets and liabilities are recorded at fair value.

Subsequent changes in the equity of associated companies are recorded as changes in the level of investment of the respective associated company.

Income and expenditure as well as receivables and liabilities between fully consolidated companies are eliminated.

To the extent that temporary differences arise from consolidation processes that affect earnings but are not related to goodwill, income tax effects are considered and deferred taxes (IAS 12) are recorded.

### Accounting and Valuation Methods

The financial statements, on which the consolidated financial statements dated 31 March 2010 are based, are consistently prepared according to uniform accounting and valuation methods.

In the individual financial statements, foreign currency transactions are converted using the exchange rate in effect at the time of the respective transaction. On the reporting date, monetary items are adjusted to their fair value using the relevant conversion rate; differences are included in earnings.

The company prepares financial statements outside the Euro region in the respective national currency according to the functional currency concept. Assets and liabilities on these financial statements are converted to Euros using the exchange rate in effect on the reporting date. Equity is reported at the historical exchange rate, with the exception of items recorded directly in equity. Income statement items are converted at average exchange rates; the resulting exchange rate differences are not included in earnings but in equity. The following table lists the exchange rates that were used:

		Reporting date rate		Historical Rate	Average rate	
1 € =		31.12.2009	31.12.2008		2009	2008
Hungary	HUF	270.4200	266.7000	272.2300	280.3270	251.5121
Singapore	S\$D	2.0194	2.0040	1.9323	2.0364	2.0763
Turkey	TRY	2.1547	2.1488	1.7548	2.1709	1.9121

In the listing of changes to property, plant and equipment, provisions and equity, the opening and closing balances are converted using the exchange rates on the respective reporting dates while changes during the year are converted using the average rate. Exchange rate difference are reported separately and excluded from income.

Intangible assets acquired in exchange for payment are reported at their cost of acquisition less regular depreciation.

Property, plant and equipment is valued at the cost of acquisition or production. Public sector subsidies are deducted from the original acquisition cost when the asset is recorded. Straight-line depreciation over the expected useful life is applied to property, plant and equipment.

Property, plant and equipment leased under financing lease contracts is recorded at the lower of fair value or the cash value of the lease payments. Depreciation follows the principles of depreciation for property, plant and equipment owned by the Group (IAS 17).

Property held as financial investments is valued at the lower of fair value and the historical production or acquisition cost.

Investments included under financial investments are reported at the lower of fair value or the cost of acquisition. Investments in associated companies are valued according to the equity method.

Securities held as non-current assets are valued at market prices on the reporting date. Changes in value are included in equity with no effect on income. When securities are sold or in case of a permanent impairment, changes in value are included in result for the period.

Raw materials and supplies are valued at the average cost of acquisition, while unfinished and finished products are valued at the cost of manufacture including the overhead costs of all essential materials and production. Realisation risks are taken into account through depreciation on the lower net sales price.

In principle, receivables and other assets are reported at fair value. Potential bad debts are covered by a commensurate allowance for doubtful accounts. Foreign currency receivables are converted at the exchange rates in effect on the reporting date. Gains and losses from exchange rate fluctuations are included in earnings.

In accordance with IAS 32, third-party shares in our partnerships are reported as separate items in debt capital. These shares represent management investments in the companies they manage as well as the proportion of earnings to which management is entitled. Third-party shares in our incorporated companies are reported as separate equity positions.

Reacquired own shares are openly reported as an adjustment to equity.

Provisions for pensions and similar obligations are calculated using the actuarial method according to IAS 19. In addition to pensions and entitlements known on the reporting date, expected future salary and pension increases as well as interest rate changes are also considered. Service expenditures are reported under personnel expenditures, and the interest portion of the provision allocation is reported in the financial result.

To the extent they exceed 10 % of the total liability, actuarial gains and losses are immediately included in income using the corridor method.

Other provisions include all liabilities identified on the reporting date that are based on past business transactions and where the amount or due date is uncertain. Provisions are established according to the best estimate of the actual liability and are not offset against positive profit contributions. A legal or factual obligation to a third party is required in order to establish a provision. Provisions with a residual term of more than one year are discounted to the reporting date at a market interest rate suitable for the Group and term, and under consideration of future price developments.

Liabilities are reported at their respective cash value. Foreign currency liabilities are converted using the exchange rates in effect on the reporting date. Gains and losses from exchange rate fluctuations are included in earnings. Discounts are deducted from liabilities to financial institutions and credited to the respective loan over its term.

Deferred taxes arising from timing differences between the commercial and tax balance sheet are calculated according to the balance sheet based liability method and reported separately. Deferred taxes are calculated based on current tax laws. Deferred tax assets are offset against deferred tax liabilities when the creditor, debtor and term are the same.

Contingent liabilities represent possible or existing obligations based on past events where resources are not expected to be expended. Therefore they are not included on the balance sheet. The reported contingent liabilities correspond to the scope of liability on the reporting date.

## INFORMATION ON THE GROUP BALANCE SHEET

The breakdown of fixed assets as well as changes for the reporting year and the previous year are shown in the following tables:

Group Statement of fixed Assets as at 31.03.2010									
€'000	Cost of acquisition or manufacture								
	As at 01.04.2009	Changes Scope of consolidation	Additions	Transfers	Disposals	Revaluation	Change Exchange rate difference	As at 31.03.2010	
<b>I. INTANGIBLE ASSETS</b>									
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets									
a. Building cost subsidies	20	0	0	0	0	0	0	20	
b. Computer software	3,953	8	501	124	3	0	-1	4,582	
c. Technology	14,216	3,027	0	0	0	0	0	17,243	
d. Customer base	2,126	0	0	0	0	0	0	2,126	
	<b>20,315</b>	<b>3,035</b>	<b>501</b>	<b>124</b>	<b>3</b>	<b>0</b>	<b>-1</b>	<b>23,971</b>	
2. Goodwill	7,244	365	0	0	50	0	0	7,559	
3. Prepayments made	87	0	598	-87	0	0	0	598	
	<b>27,646</b>	<b>3,400</b>	<b>1,099</b>	<b>37</b>	<b>53</b>	<b>0</b>	<b>-1</b>	<b>32,128</b>	
<b>II. TANGIBLE ASSETS</b>									
1. Land and buildings	41,703	924	341	0	0	7	-15	42,960	
2. Technical plant and machinery	59,155	212	4,110	116	849	0	-10	62,734	
3. Other plant, fixtures and fittings	51,436	292	2,771	207	1,003	10	-5	53,708	
4. Prepayments made and plant under construction	723	0	1,195	-360	362	0	0	1,196	
5. Property held as a financial investment	6,941	0	0	0	0	0	0	6,941	
	<b>159,958</b>	<b>1,428</b>	<b>8,417</b>	<b>-37</b>	<b>2,214</b>	<b>17</b>	<b>-30</b>	<b>167,539</b>	
<b>III. FINANCIAL ASSETS</b>									
1. Shares in affiliated companies	15	0	0	0	0	0	0	15	
2. Investment in associated companies	1,142	0	0	0	25	0	-3	1,114	
3. Investments	38	0	0	0	0	0	0	38	
4. Securities held as fixed assets	11,620	34	0	0	6	0	0	11,648	
5. Other loans	100	0	265	0	60	0	0	305	
	<b>12,915</b>	<b>34</b>	<b>265</b>	<b>0</b>	<b>91</b>	<b>0</b>	<b>-3</b>	<b>13,120</b>	
	<b>200,519</b>	<b>4,862</b>	<b>9,781</b>	<b>0</b>	<b>2,358</b>	<b>17</b>	<b>-34</b>	<b>212,787</b>	

Including:

<sup>1)</sup> Revaluation acc. to IAS 39 (no impact on income): 59



	Depreciation					Book values		
	As at 01.04.2009	Additions	Disposals	Revaluation	Change Exchange rate difference	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
	15	1	0	0	0	16	4	5
	3,413	305	3	0	0	3,715	867	540
	8,407	1,320	0	0	0	9,727	7,516	5,809
	575	302	0	0	0	877	1,249	1,551
	<b>12,410</b>	<b>1,928</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>14,335</b>	<b>9,636</b>	<b>7,905</b>
	866	0	0	0	0	866	6,693	6,378
	0	0	0	0	0	0	598	87
	<b>13,276</b>	<b>1,928</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>15,201</b>	<b>16,927</b>	<b>14,370</b>
	11,778	1,218	0	-6	0	12,990	29,970	29,925
	37,272	3,799	715	0	3	40,359	22,375	21,883
	34,210	3,587	866	0	0	36,931	16,777	17,226
	0	0	0	0	0	0	1,196	723
	3,511	154	0	0	0	3,665	3,276	3,430
	<b>86,771</b>	<b>8,758</b>	<b>1,581</b>	<b>-6</b>	<b>3</b>	<b>93,945</b>	<b>73,594</b>	<b>73,187</b>
	0	0	0	0	0	0	15	15
	0	0	0	0	0	0	1,114	1,142
	0	0	0	0	0	0	38	38
	7,520	0	0	59 <sup>1)</sup>	0	7,579	4,069	4,100
	0	0	0	0	0	0	305	100
	<b>7,520</b>	<b>0</b>	<b>0</b>	<b>59</b>	<b>0</b>	<b>7,579</b>	<b>5,541</b>	<b>5,395</b>
	<b>107,567</b>	<b>10,686</b>	<b>1,584</b>	<b>53</b>	<b>3</b>	<b>116,725</b>	<b>96,062</b>	<b>92,952</b>

## Group Statement of fixed Assets as at 31.03.2009

€'000	Cost of acquisition or manufacture						As at 31.03.2009
	As at 01.04.2008	Additions	Transfers	Disposals	Revaluation	Change Exchange rate difference	
<b>I. INTANGIBLE ASSETS</b>							
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets							
a. Building cost subsidies	20	0	0	0	0	0	20
b. Computer software	3,562	286	25	19	102	-3	3,953
c. Technology	14,216	0	0	0	0	0	14,216
d. Customer base	2,126	0	0	0	0	0	2,126
	<b>19,924</b>	<b>286</b>	<b>25</b>	<b>19</b>	<b>102</b>	<b>-3</b>	<b>20,315</b>
2. Goodwill	7,244	0	0	0	0	0	7,244
3. Prepayments made	29	87	-25	4	0	0	87
	<b>27,197</b>	<b>373</b>	<b>0</b>	<b>23</b>	<b>102</b>	<b>-3</b>	<b>27,646</b>
<b>II. TANGIBLE ASSETS</b>							
1. Land and buildings	39,888	1,855	26	14	0	-52	41,703
2. Technical plant and machinery	54,186	4,316	920	323	70	-14	59,155
3. Other plant, fixtures and fittings	47,285	5,463	204	1,500	0	-16	51,436
4. Prepayments made and plant under construction	1,273	720	-1,150	120	0	0	723
5. Property held as a financial investment	6,941	0	0	0	0	0	6,941
	<b>149,573</b>	<b>12,354</b>	<b>0</b>	<b>1,957</b>	<b>70</b>	<b>-82</b>	<b>159,958</b>
<b>III. FINANCIAL ASSETS</b>							
1. Shares in affiliated companies	15	0	0	0	0	0	15
2. Investment in associated companies	1,484	0	0	49	0	-293	1,142
3. Investments	38	0	0	0	0	0	38
4. Securities held as fixed assets	9,617	2,003	0	0	0	0	11,620
5. Other loans	0	100	0	0	0		100
	<b>11,154</b>	<b>2,103</b>	<b>0</b>	<b>49</b>	<b>0</b>	<b>-293</b>	<b>12,915</b>
	<b>187,924</b>	<b>14,830</b>	<b>0</b>	<b>2,029</b>	<b>172</b>	<b>-378</b>	<b>200,519</b>

Including:

<sup>1)</sup> Unscheduled depreciation: 886<sup>2)</sup> Unscheduled depreciation: 776<sup>3)</sup> Revaluation acc. to IAS 39 (no impact on income): 97

	Depreciation					Book values		
	As at 01.04.2008	Additions	Disposals	Revaluation	Change Exchange rate difference	As at 31.03.2009	As at 31.03.2009	As at 31.03.2008
	14	1	0	0	0	15	5	6
	3,001	311	20	122	-1	3,413	540	561
	7,320	1,087	0	0	0	8,407	5,809	6,896
	273	302	0	0	0	575	1,551	1,853
	<b>10,608</b>	<b>1,701</b>	<b>20</b>	<b>122</b>	<b>-1</b>	<b>12,410</b>	<b>7,905</b>	<b>9,316</b>
	0	866 <sup>1)</sup>	0	0	0	866	6,378	7,244
	0	0	0	0	0	0	87	29
	<b>10,608</b>	<b>2,567</b>	<b>20</b>	<b>122</b>	<b>-1</b>	<b>13,276</b>	<b>14,370</b>	<b>16,589</b>
	10,846	1,158	14	-210	-2	11,778	29,925	29,042
	34,068	3,519	323	21	-13	37,272	21,883	20,118
	32,129	3,360	1,271	0	-8	34,210	17,226	15,156
	0	0	0	0	0	0	723	1,273
	3,357	154	0	0	0	3,511	3,430	3,584
	<b>80,400</b>	<b>8,191</b>	<b>1,608</b>	<b>-189</b>	<b>-23</b>	<b>86,771</b>	<b>73,187</b>	<b>69,173</b>
	0	0	0	0	0	0	15	15
	0	0	0	0	0	0	1,142	1,484
	0	0	0	0	0	0	38	38
	6,647	776 <sup>2)</sup>	0	97 <sup>3)</sup>	0	7,520	4,100	2,970
	0	0	0	0			100	0
	<b>6,647</b>	<b>776</b>	<b>0</b>	<b>97</b>	<b>0</b>	<b>7,520</b>	<b>5,395</b>	<b>4,507</b>
	<b>97,655</b>	<b>11,534</b>	<b>1,628</b>	<b>30</b>	<b>-24</b>	<b>107,567</b>	<b>92,952</b>	<b>90,269</b>

### (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 depreciated and amortised using the straight-line method over the following periods:

Building cost subsidies:	19 - 20 years
Computer software:	3 - 7 years
Technology:	10 - 13 years
Customer base:	6 - 10 years

The development of the individual items is shown in the asset history sheets (reporting year and previous year). The technology and customer base items are the result of hidden reserves uncovered as part of first-time consolidations.

### (2) Goodwill

In accordance with IFRS 3, goodwill is not subject to regular amortisation but is instead subjected to an annual impairment test. This process uses the cash flows from the current company budget for the next three years; a continuous growth rate of 1 % is assumed for subsequent periods. The resulting values are discounted using a weighted average cost of capital of 10 %. This results in a present value (value in use) that is compared to the reported goodwill. According to the results of the impairment test, no write-down was required on the reporting date (previous year: € 866 thousand).

This method of determining the cash value follows the relevant IFRS standards; it does not correspond to the method we use to determine company values for the purpose of acquisitions.

The addition relates to the difference arising from the first-time consolidation of an acquired company.

### (3) Prepayments Made

The reported amount is related to the acquisition and implementation of software.

### (4) Land and Buildings

Buildings are always depreciated over a 40 or 50 year period using the straight-line method.

### (5) Technical Plants and Machinery

Technical plants and machinery are always depreciated over a five to 15 year period using the straight-line method. This balance sheet item also includes equipment under financing leases with a book value (cash value of the lease payments less planned depreciation) of € 95 thousand on the reporting date (previous year: € 81 thousand). The company is not free to dispose of the assets held under financing lease contracts. These assets are depreciated over their expected useful life.

#### (6) Other Plants, Fixtures and Fittings

Other plants, fixtures and fittings are always depreciated over a period of three to 15 years using the straight-line method.

#### (7) Prepayments Made and Plants Under Construction

The amount reported primarily relates to buildings and machinery.

#### (8) Property Held as Financial Investment

Fixed assets include three properties that are held as financial investments and generate rental income.

These properties are valued at the cost of acquisition less straight-line depreciation on parts of the buildings over the estimated useful life of 40 years. The fair value of property held as financial investment was € 3,617 thousand (previous year: € 3,620 thousand). The fair values for each property were calculated using the gross rental method. This calculation was based on market interest rates of approximately 8.0 % (previous year: 8.0 %). No expert opinions regarding the attributable present values were obtained.

Property held as financial investment generated rental income in the amount of € 514 thousand (previous year: € 522 thousand) and resulted in directly attributable operating expenditure in the amount of € 134 thousand (previous year: € 185 thousand) and depreciation of € 154 thousand (previous year: € 154 thousand).

#### (9) Shares in Affiliated Companies

Shares are held in three distribution companies in the USA, Switzerland and the Ukraine.

#### (10) Investments in Associated Companies

Positive results of companies, valued at equity, are reported as additions on the Group asset history sheet. A share of a loss, dividend distributions and the sale of shares are reported under dispositions.

Currency translation differences are included in equity without affecting income.

Depreciation and the share of income for companies valued at equity are reported on the income statement under income from investments in associated companies.

The following table depicts significant financial information for associated companies:

	31.03.2010 €'000	31.03.2009 €'000
Assets	9,190	10,061
Liabilities	3,621	4,349
Sales	8,158	10,520
Net loss	-126	-243

#### (11) Investments

Companies of minor significance are reported under investments.

#### (12) Securities Held as Non-Current Assets

All securities are available for sale. They are reported at their fair value according to market prices on the reporting date. The book values reported in the Group asset history sheet correspond to the respective fair value on the reporting date. Historical acquisition costs are reported in the asset history sheet.

The recognised item relates to Telekom AG shares and fixed-interest bearing loans with a term until March 2014 as well as bearer bonds with a term until March 2011, which were issued by the Landesbank Baden-Württemberg.

No securities were sold during the reporting year or in the previous year.

#### (13) Receivables and Other Assets

Receivables and other assets were adjusted for the expected level of losses. The resulting book values corresponded to the fair values. Other assets consist of the following:

	31.03.2010 €'000	31.03.2009 €'000
<b>Non current</b>		
Loan receivables	1,449	729
Claims arising from purchase price adjustments	765	0
Miscellaneous	283	128
<b>Total</b>	<b>2,497</b>	<b>857</b>



Most of the loan receivables resulted from financing the acquisition of minority shares by the managers of the respective subsidiaries and are secured by pledging the shares. The loans have a term of up to ten years and are subject to interest at market rates.

	31.03.2010 €'000	31.03.2009 €'000
<b>Current</b>		
Loan receivables	219	500
Income tax refund claims	2,706	1,932
Tax prepayments	454	385
Claims arising from purchase price adjustments	1,350	0
Miscellaneous	1,249	1,225
<b>Total</b>	<b>5,978</b>	<b>4,042</b>

The decrease in value of other financial assets is as follows:

	2009/2010 €'000	2008/2009 €'000
<b>As of 01.04.</b>	<b>341</b>	<b>376</b>
Reversals	-37	-35
<b>As of 31.03.</b>	<b>304</b>	<b>341</b>
(specific adjustments out of this amount)	(304)	(341)

### Trade Receivables

Trade receivables are non-interest-bearing and due within 12 months.

The decrease in value of trade receivables developed as follows:

	2009/2010 €'000	2008/2009 €'000
<b>As of 01.04.</b>	<b>1,451</b>	<b>1,138</b>
Claims	-248	-74
Reversals	-381	-201
Additions	585	588
<b>As of 31.03.</b>	<b>1,407</b>	<b>1,451</b>
(specific adjustments out of this amount)	(953)	(957)

Allowances were recorded in specific cases under consideration of the credit rating, economic situation and economic environment of the respective business partners.

The maturity structure of receivables before allowances is as follows:

Book value		On the reporting date					
€'000		Not due €'000	overdue up to ... days				
			30 €'000	60 €'000	90 €'000	180 €'000	Over 180 €'000
31.03.2010	38,012	29,931	4,184	1,096	613	1,133	1,055
31.03.2009	39,094	27,124	6,598	2,626	1,255	1,332	159

#### (14) Deferred Tax Assets and Liabilities

Deferred taxes are determined and reported at 30.5 % (previous year: 30.5 %) of the timing differences between the valuation of assets and liabilities in the IFRS financial statements and financial statements for tax purposes as well as realisable loss carry-forwards. The deferred taxes reported on the balance sheet result from the following balance sheet items and loss carry-forwards:

	31.03.2010		31.03.2009	
	Deferred taxes		Deferred taxes	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Intangible assets	1,556	1,380	1,804	1,261
Property, plant and equipment	223	3,913	212	4,013
Inventories	32	408	29	291
Pension provisions	515	0	542	0
Other provisions	72	52	184	0
Liabilities	472	1	314	28
Tax loss carry forwards	1,514	0	627	0
Other	81	103	61	116
	<b>4,465</b>	<b>5,857</b>	<b>3,773</b>	<b>5,709</b>
Net figure <sup>1)</sup>	-1,454	-1,454	-1,197	-1,197
<b>Total</b>	<b>3,011</b>	<b>4,403</b>	<b>2,576</b>	<b>4,512</b>

1) Deferred tax assets and liabilities are offset when the creditor, debtor and term are the same.

Deferred taxes on loss carry-forwards are capitalised if the future realisation of these potential tax reductions within a five-year planning horizon is reasonably certain on the reporting date. Deferred tax assets in the amount of approximately € 622 thousand (previous year: € 559 thousand) from loss carry-forwards for tax purposes were not reported since it is not considered very likely that a trade tax will be applied.

#### (15) Inventories

Write-downs are distributed among the individual items as follows:

in €'000	Raw materials and supplies		Unfinished products and services		Finished products and services		Prepayments made		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Cost of acquisition or manufacture	18,029	19,379	18,292	24,861	42,436	48,655	531	1,121	79,288	94,016
Write-downs	2,010	1,539	811	474	3,479	4,524	0	0	6,300	6,537
As of 31.03.	16,019	17,840	17,481	24,387	38,957	44,131	531	1,121	72,988	87,479

#### (16) Securities

Securities reported under current assets are highly liquid and not subject to material fluctuations in value.

#### (17) Deposits with Financial Institutions

This item mainly consists of short-term fixed deposits and current account credit balances denominated in Euros and held by various banks.

#### (18) Equity

The subscribed capital of the Group equals the subscribed capital of GESCO AG and totals € 7,860 thousand divided into 3,023,000 bearer shares with full voting and dividend rights.

The Annual General Meeting on 23 August 2007 authorised the Executive Board to increase the company's share capital once or several times by a total of € 3,929,900 until 22 August 2012 with the consent of the Supervisory Board by issuing new shares in exchange for cash or contributions in kind. Subscription rights may be excluded in certain cases. The Executive Board has not made use of this authorisation to date.

The ordinary General Meeting on 27 August 2009 authorised the company to acquire up to 10 out of every 100 shares of the current share capital until 26 February 2011 under consideration of own shares already held. The Executive Board has not made use of this authorisation to date. On the back of acquiring own shares according to Section 71 para. 1 no. 2 of the Stock Corporation Act (AktG), own shares were acquired as part of an employee share scheme.

Shares in circulation and own shares developed as follows:

	Shares in circulation	Own shares held	
	No.	No.	Share of the share capital in %
<b>As of 01.04.2008</b>	<b>3,022,746</b>	<b>254</b>	<b>0.01</b>
Purchases	-12,000	12,000	0.40
Employee share scheme	3,994	-3,994	0.13
<b>As of 31.03.2009</b>	<b>3,014,740</b>	<b>8,260</b>	<b>0.27</b>
Purchases	0	0	0.00
Employee share scheme	5,900	-5,900	0.20
<b>As of 31.03.2010</b>	<b>3,020,640</b>	<b>2,360</b>	<b>0.08</b>

In the past, the company offered an employee share scheme limited to approximately two months in the second half of the calendar year after the respective Annual General Meeting. The purpose of this scheme was to provide employees of GESCO Group with the opportunity to acquire GESCO AG shares at a discount from the market price. Shares with a total value of € 193 thousand (previous year: € 203 thousand) disposed of under the employee share scheme were issued to employees at a total selling price of € 110 thousand (previous year: € 118 thousand). The discount granted to employees was included in other operating expenditure. The proceeds from the sale were used to pay off liabilities.

Most of the capital reserve of € 36,529 thousand (previous year: € 36,338 thousand) is the result of shares issued at a premium.

The Annual General Meeting on 27 August 2009 authorised the company to acquire its own shares according to Section 71 para. 1 no. 8 of the German Stock Corporation Act (AktG) and to use these shares for the purpose of a stock option programme launched in 2007. Beneficiaries include the Executive Board and a small group of management employees of GESCO AG. The stock option programme is designed so that the beneficiaries have to contribute shares they have acquired themselves. Certain success criteria have to be met in order to participate and potential gain are limited. In September 2009, the Supervisory Board of GESCO AG initiated the third tranche of the stock option programme. A total of 24,000 options were issued to members of the Executive Board and management employees of GESCO AG. Each option entitles the holder to acquire one GESCO share.

GESCO AG reserves the right to provide partial or full cash compensation for gains under the programme instead of issuing some or all of the shares. Non-cash expenditure under this programme is determined using a common binomial model, recorded in earnings and recognised in equity. The model assumes volatility for the 2009 tranche of 36.5 % and a risk-free interest rate of 5.0 %; the exercise price of the options issued in September 2009 is € 39.11. The waiting period is two years and nine months after the option is issued; after the end of the waiting period, the options may be exercised at any time up to 15 March of the year after next. The fair value for each option is € 6.44. These annual financial statements are the first to include the expenditure (€ 34 thousand) resulting from the stock option programme initiated in the reporting year for a seven-month period. Total expenditure for the first, second and third tranche amounted to € 191 thousand in the reporting year; in the previous year total expenditure was € 124 thousand.

The key terms and conditions of the stock option programme are summarised in the following table:

	Tranche 2009	Tranche 2008	Tranche 2007
End of waiting period	26.05.12	20.05.11	22.05.10
End of term	15.03.14	15.03.13	15.03.12
Exercise price	€ 39.11	52.18	54.15
No. of options issued	24,000	24,000	24,000
Profit limit per option	€ 19.56	26.09	27.07
Fair value per option	€ 6.44	8.83	9.16

The development of claims arising from the stock option plan is as follows:

	2009/2010		2008/2009	
	No. of options	Weighted average exercise price €	No. of options	Weighted average exercise price €
Outstanding options 01.04.	48,000	53.17	24,000	54.15
In the financial year				
granted	24,000	39.11	24,000	52.18
returned	0		0	
exercised	0		0	
expired	0		0	
Outstanding options 31.03.	72,000	48.48	48,000	53.17
Options that can be exercised 31.03.	0		0	

During the reporting year, revenue reserves increased by net earnings for the year in the amount of € 8,896 thousand. Reductions include the dividend of € 7,537 thousand (€ 2.50 per share) for the previous year as well as the loss from the sale of own shares in the amount of € 40 thousand which was not included in income.

The proposed dividend per share is € 1.25 on the financial statement preparation date. With 3,020,640 shares currently issued and outstanding, the proposed dividend payout is € 3,927 thousand. This dividend payout has no income tax consequences for the company.

### (19) Minority Interests

Minority interests consist of capital and earnings interests in the incorporated companies and partnerships. Minority interest in the incorporated companies is reported under equity and is the result of investments in Ackermann Fahrzeugbau GmbH, Dörrenberg Edelstahl GmbH, Dörrenberg Tratamientos Térmicos S.L., Dörrenberg Special Steels PTE. Ltd., Frank-Hungária Kft and SVT GmbH. In accordance with IAS 32, minority interest in partnerships is included under non-current liabilities. It is the result of investments in AstroPlast Kunststofftechnik GmbH & Co. KG, Franz Funke Zerspanungstechnik GmbH & Co. KG, Georg Kesel GmbH & Co. KG, Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG and the property leasing company.

On the balance sheet, minority interest in partnerships is recognised in equity and capital.

### (20) Provisions

Pension provisions are based on salary-dependent direct benefits for managing employees and members of the Executive Board as well as fixed pension benefits for certain employees. Increases for some of the pension plans for managing employees are based on the benefit plans of the Essener Verband. Pension provisions refer exclusively to the defined benefit plans and are calculated according to the projected unit credit method under IAS 19.

Liability insurance policies obtained to finance pension obligations qualify as plan assets and are recorded at the value of the obligation if the insurance benefits coincide with the payments to entitled employees and are paid to the employees in case the employer becomes insolvent. The fair value of plan assets corresponds to the cash value of the underlying obligations.



The projected unit credit of pension obligations has developed as follows:

	2009/2010 €'000	2008/2009 €'000
As of 01.04.	9,298	10,210
Service costs	97	118
Interest costs	506	492
Pension annuities paid	-600	-593
Settlements	-11	-190
Actuarial losses/gains	542	-739
As of 31.03.	9,832	9,298

Development of plan assets (liability insurance):

	2009/2010 €'000	2008/2009 €'000
As of 01.04.	702	720
Employer contributions	34	34
Benefits paid	-18	-18
Actuarial losses/gains	8	-34
As of 31.03.	726	702

Pension provisions are derived as follows:

	2010 €'000	2009 €'000
Projected pension obligations	9,832	9,298
Plan assets (liability insurance)	-726	-702
Actuarial gains not recorded	235	777
As of 31.03.	9,341	9,373

Asset coverage of pension obligations:

	31.03.2010		31.03.2009	
	Projection €'000	Plan assets €'000	Projection €'000	Plan assets €'000
Without asset cover	9,012	0	8,507	0
Some asset cover	820	726	791	702
As of 31.03.	9,832	726	9,298	702

Pension costs consist of the following:

	2009/2010 €'000	2008/2009 €'000
Service costs	97	118
Interest accruing on expected pension obligations	506	492
Actuarial gains/losses	0	-287
	603	323

The calculations are based on biometric core values according to Prof. Dr. Klaus Heubeck (2005 G) and the following actuarial assumptions:

	2009/2010	2008/2009
Interest rate	5.50 %	6.00 %
Increase in salaries	3.00 %	3.00 %
Increase in pensions	1.50 %	1.50 %
Staff turnover	1.00 %	1.00 %

The development of pension obligations and fund assets is shown in the following table:

	2009/2010 €'000	2008/2009 €'000	2007/2008 €'000	2006/2007 €'000	2005/2006 €'000
Projection	9,832	9,298	10,210	10,602	9,852
Plan assets	-726	-702	-720	-758	0
Funded status	9,106	8,596	9,490	9,844	9,852

Expected contribution payments for the 2009/2010 financial year are € 34 thousand.

The composition and development of other provisions is shown in the following summary:

	As of 01.04.2009 €'000	Changes in scope of consolidation €'000	Utilisation €'000	Addition/ new creation €'000	Release €'000	Reclassi- fications €'000	As of 31.03.2010 €'000
<b>Non-current</b>							
Purchase price annuity obligation	644	0	0	49	0	-70	623
Purchase price obligation	1,082	0	0	127	0	0	1,209
<b>Total</b>	<b>1,726</b>	<b>0</b>	<b>0</b>	<b>176</b>	<b>0</b>	<b>-70</b>	<b>1,832</b>
<b>Current</b>							
Recultivation obligation	880	0	0	0	0	0	880
Guarantees and warranties	4,670	139	-928	1,007	-1,956	0	2,932
Purchase price obligation	1,164	0	-1,118	0	-46	0	0
Cost of annual financial statements	589	8	-566	590	-27	0	594
Follow-up costs	1,179	0	-909	984	0	0	1,254
Impending losses	715	0	-715	125	0	0	125
Other	1,188	0	-152	491	-65	70	1,532
<b>Total</b>	<b>10,385</b>	<b>147</b>	<b>-4,388</b>	<b>3,197</b>	<b>-2,094</b>	<b>70</b>	<b>7,317</b>

The purchase price annuity obligation resulted from the acquisition of shares in a subsidiary and is reported at the projected unit credit according to IAS 19.

Provisions for pending losses relate to risks from potential market price alterations.

Other provisions mainly relate to interest on taxes, additions to tax and regulatory requirements.

## (21) Liabilities

	As of 31.03.2010 (31.03.2009) €'000	Residual term up to 1 year €'000	Residual term up to 5 years €'000	Residual term > 5 years €'000
Liabilities to financial institutions	74,449	22,597	39,672	12,180
	(72,823)	(25,271)	(40,722)	(6,830)
Trade creditors	7,372	7,372	0	0
	(9,521)	(9,521)	(0)	(0)
Prepayments received on orders	11,497	11,497	0	0
	(15,421)	(15,421)	(0)	(0)
Liabilities on bills	50	50	0	0
	(1,188)	(1,188)	(0)	(0)
Liabilities to companies with which a shareholding relationship exists	182	182	0	0
	(107)	(107)	(0)	(0)
Other liabilities	21,510	17,962	3,360	188
	(27,839)	(26,993)	(647)	(199)
<b>Total</b>	<b>115,060</b>	<b>59,660</b>	<b>43,032</b>	<b>12,368</b>
	(126,899)	(78,501)	(41,369)	(7,029)

Liabilities with a remaining term of up to 1 year are as follows:

	As of 31.03.2010 (31.03.2009) €'000	Residual term up to 30 days €'000	Residual term 30 to 90 days €'000	Residual term 90 to 360 days €'000
Liabilities to financial institutions	22,597	5,635	3,937	13,025
	(25,271)	(7,957)	(1,669)	(15,645)
Trade creditors	7,372	6,950	312	110
	(9,521)	(9,065)	(456)	(0)
Prepayments received on orders	11,497	4,109	1,892	5,496
	(15,421)	(2,869)	(3,641)	(8,911)
Liabilities on bills	50	50	0	0
	(1,188)	(280)	(908)	(0)
Liabilities to companies with which a shareholding relationship exists	182	182	0	0
	(107)	(107)	(0)	(0)
Other liabilities	17,962	9,053	1,828	7,081
	(26,993)	(9,382)	(7,686)	(9,925)
<b>Total</b>	<b>59,660</b>	<b>25,979</b>	<b>7,969</b>	<b>25,712</b>
	(78,501)	(29,660)	(14,360)	(34,481)

Liabilities to financial institutions are mainly secured by:

	31.03.2010 €'000	31.03.2009 €'000
Load charges	30,391	29,450
of which on property held as financial investment	4,090	4,090
Book value of property	27,638	27,147
Assignment of		
movable fixed assets as security	13,668	12,186
inventories	17,232	17,726
Assignment of receivables	11,473	7,351

The parent company has also pledged shares in subsidiaries with a total book value of € 46,821 thousand (previous year: € 42,968 thousand).

Approximately € 36,713 thousand (previous year: € 39,721 thousand) of the liabilities to financial institutions result from long-term financing in Swiss francs with a short-term fixed interest rate (usually for three months). On the reporting date, interest rates for this financing ranged from 0.53 % to 2.95 % (previous year: 1.23 % to 4.1 %). These interest rates correspond to market rates for loans denominated in Swiss francs. Fixed redemption payments have been established for specific loans.

Loans denominated in Swiss francs are owed to German financial institutions, which means they are so-called hybrid financing instruments according to IAS 39. Due to the short-term fixed interest rate, the book value of the loans corresponds to their fair value. Valuation changes up to the reporting date are included in earnings.

€ 32,334 thousand (previous year: € 20,337 thousand) of the remaining liabilities to financial institutions result from long-term loans of domestic companies with fixed repayment terms and a remaining term between one and 11 years (previous year between one and 11 years). Interest rates vary between 1.41 % and 6.58 % (previous year: 3.18 % and 6.75 %). These interest rates correspond to the market rates for the respective loans and companies. € 592 thousand relates to liabilities of foreign companies at an interest rate of between 3.74 % and 11.65 %. Other liabilities to financial institutions consist of current accounts.

Other liabilities consist of the following:

	31.03.2010 €'000	31.03.2009 €'000
Wages, salaries, social security	9,651	12,754
Other taxes	1,817	2,035
Income taxes	2,387	3,744
Outstanding incoming invoices	1,167	1,327
Finance leasing	147	0
Miscellaneous liabilities	6,341	7,979
<b>Total</b>	<b>21,510</b>	<b>27,839</b>

Most of the other liabilities result from subsequent purchase payments and current liabilities owed to third parties. A total of € 2,233 thousand in subsequent purchase payments will be due in more than one year. Wage, salary and social security liabilities include partial retirement and anniversary obligations in the amount of € 1,023 thousand (previous year: € 846 thousand) that will be due in more than one year.



## INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Georg Kesel GmbH & Co. KG, Kempten, which was acquired during the reporting year, was included in the income statement of the consolidated financial statements for the first time for an eight-month period.

### (22) Sales Revenues

Sales revenue is recognised with the transfer of liabilities and benefits related to the assets that are sold. For more information, please consult the section on segment reporting.

### (23) Other Company-produced Additions to Assets

This item mainly consists of costs for technical equipment and tools.

### (24) Other Operating Income

Other operating income breaks down as follows:

	2009/2010 €'000	2008/2009 €'000
Income from writing back/utilising provisions	3,091	2,512
Price gains	246	238
Income from the disposal of fixed assets	200	98
Income from insurance refunds	295	94
Miscellaneous	2,369	1,716
<b>Total</b>	<b>6,201</b>	<b>4,658</b>

### (25) Material Expenditure

Material expenditure includes:

	2009/2010 €'000	2008/2009 €'000
Expenditure on raw materials and supplies and goods purchased	120,995	189,335
Expenditure on services purchased	14,695	20,369
<b>Total</b>	<b>135,690</b>	<b>209,704</b>

## (26) Personnel Expenditure

Personnel expenditure includes:

	2009/2010 €'000	2008/2009 €'000
Wages and salaries	65,369	73,070
Social security contributions / expenditure on pensions and benefits	13,956	14,317
<b>Total</b>	<b>79,325</b>	<b>87,387</b>

The interest on pension provisions is included under interest and similar expenditure.

## (27) Other Operating Expenditure

Other operating expenditure breaks down as follows:

	2009/2010 €'000	2008/2009 €'000
Operating expenditure	11,542	17,158
Administrative expenditure	4,187	4,290
Expenditure on distribution	11,602	13,791
Miscellaneous expenditure	5,054	7,850
of which allowances on receivables and other assets	585	588
<b>Total</b>	<b>32,385</b>	<b>43,089</b>

## (28) Depreciation on Property, Plant and Equipment and Amortisation on Intangible Assets

Depreciation on property, plant and equipment and amortisation on intangible assets is reported in the Group asset history sheet. Additional information can be found in the notes regarding the corresponding balance sheet items.

## (29) Taxes on Income and Earnings

Actual taxes on income and earnings as well as deferred taxes are reported as income tax. Income tax breaks down as follows:

	2009/2010 €'000	2008/2009 €'000
Actual taxes	5,200	12,059
Deferred taxes	-811	-1,162
<b>Total</b>	<b>4,389</b>	<b>10,897</b>

The reconciliation between budgeted income tax expenditure based on a tax rate of 30.5 % (previous year 30.5 %) and actual income tax expenditure reported on the income statement is as follows:

	2009/2010 €'000	2008/2009 €'000
<b>Group result before income tax</b>	<b>13,965</b>	<b>34,585</b>
Anticipated income tax expenditure	-4,259	-10,548
Permanent differences arising on expenditure which is not tax deductible	-274	-700
Tax-free income	210	45
Income tax for different reporting periods	-13	50
Goodwill impairments	0	-264
Consolidation effects	0	-25
Temporary differences for losses, for which no deferred taxes have been capitalised	-106	693
Differences in tax rates	-79	-58
Miscellaneous	132	-90
<b>Total</b>	<b>-4,389</b>	<b>-10,897</b>

Depreciation on securities held as fixed assets totalling € 0.2 million, which is not tax deductible, was included in expenditure in the previous year.

The capitalisation of future tax savings from tax loss carryforwards led to a tax saving of € 0.9 million (previous year: 0.7 million) in the 2009/2010 reporting year.

### (30) Earnings per Share

According to IAS 33, earnings per share are calculated by dividing the Group net earnings attributable to shareholders by the weighted average number of shares issued and outstanding:

	2009/2010	2008/2009
Group net income (€'000)	8,896	21,618
Weighted number of shares (number)	3,016,903	3,017,299
<b>Earnings per share in accordance with IAS 33 (€)</b>	<b>2.95</b>	<b>7.16</b>

There are no factors that would cause dilution.

## INFORMATION ON THE CASH FLOW STATEMENT

In accordance with IAS 7 (Cash Flow Statement), the cash flow statement shows the movement in the inflows and outflows of funds in the Group during the reporting year. The financial resources portfolio includes securities reported under 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 held by financial institutions and cheques.

Cash flow from investment activity includes € 184 thousand in unpaid investments.

The company made and received the following payments during the financial year:

	2009/2010 €'000	2008/2009 €'000
Interest paid	2,241	3,136
Interest received	487	1,472
Taxes paid	6,909	14,465

## INFORMATION ON THE SEGMENT REPORT

Compared to the previous year, **segment reporting policies** were changed to comply with the new requirements of IFRS 8 and to include the information used by management as performance indicators. As a result, the figures for the operating segments tool manufacture and mechanical engineering as well as plastics technology are reported in accordance with the German Commercial Code (HGB) as are those for GESCO AG, and reconciled with Group IFRS figures in the item other/consolidation. Previous years' figures were adjusted accordingly.

The companies are assigned to segments according to their respective field of activity. Companies in the **tool manufacture and mechanical engineering segment** mainly focus on the production of machines and tools as well as the provision of related services. The **plastics technology segment** includes plastic processing companies that manufacture injection-moulded plastic parts and foam composite board as well as plastic and paper sticks.

The **GESCO AG segment** comprises the activities of GESCO AG as an investment holding company. Companies that are not assigned to any other segment as well as consolidation effects and reconciliations to the corresponding Group values are reported in the **other/consolidation segment**.

There are no material business relationships between the segments.

Segment investments relate to intangible assets (excluding goodwill) as well as property, plant and equipment.

Group EBIT can be derived from Group net income for the year based on the consolidated income statement.

Sales revenue is divided by region as follows:

	2009/2010		2008/2009	
	€'000	%	€'000	%
Germany	183,536	66.1	276,602	73.1
Europe (excluding Germany)	56,921	20.5	67,731	17.9
Other	37,207	13.4	34,055	9.0
Total	277,664	100.0	378,388	100.0

Displaying information on sales revenues from products and services pursuant to IFRS 8.32 would incur disproportionate effort and expense due to the diverse range of products and services.

Non-current assets (only intangible assets and property, plant and equipment) per region are as follows:

	2009/2010		2008/2009	
	€'000	%	€'000	%
Germany	87,262	96.4	84,255	96.2
Other regions	3,259	3.6	3,302	3.8
Total	90,521	100.0	87,557	100.0

## OTHER INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

### Research and Development Costs

Research and development costs are treated as current expenditure. No capitalisation was required. Research and development costs totalled approximately 2 % of sales in both financial years.

### Information on Financial Instruments

Due to interest-rate advantages, the Group was partly financed by loans denominated in Swiss francs with a short-term fixed interest rate in financial year 2009/2010. Due to short-term maturity and/or short-term fixed interest rates, the fair values of receivables, credit balances and foreign-currency liabilities to financial institutions correspond to the book values. Interest rates on long-term loans receivable, liabilities to financial institutions denominated in Euros and other liabilities correspond to market interest rates so that their fair values also correspond to the book values.

The fair values and book values of financial instruments reported at the cost of acquisition are shown in the following table:

	Book value		Fair value	
	31.03.2010 €'000	31.03.2009 €'000	31.03.2010 €'000	31.03.2009 €'000
Trade receivables	36,605	37,643	36,605	37,643
Other receivables	7,664	6,243	7,664	6,243
Cash and cash equivalents	26,960	30,365	26,960	30,365
<b>Financial assets</b>	<b>71,229</b>	<b>74,251</b>	<b>71,229</b>	<b>74,251</b>
Trade creditors	7,372	9,521	7,372	9,521
Liabilities to financial institutions	74,449	72,823	74,449	72,823
Other liabilities	30,852	40,811	30,852	40,811
<b>Financial liabilities</b>	<b>112,673</b>	<b>123,155</b>	<b>112,673</b>	<b>123,155</b>



The following table shows the assignment of assets and liabilities to categories according to IAS 39:

	Balance sheet amount		Net result on the income statement	
	31.03.2010 €'000	31.03.2009 €'000	31.03.2010 €'000	31.03.2009 €'000
Loans and receivables	71,229	74,251	506	1,425
Assets available for sale	4,069	4,100	292	-416
<b>Financial assets</b>	<b>75,298</b>	<b>78,351</b>	<b>798</b>	<b>1,009</b>
Liabilities held for trading	0	138	0	0
Other financial liabilities	112,673	123,017	-2,315	-3,525
<b>Financial liabilities</b>	<b>112,673</b>	<b>123,155</b>	<b>-2,315</b>	<b>-3,525</b>

### Contingent Liabilities

	2009/2010 €'000	2008/2009 €'000
Liabilities from the issue and assignment of bills	384	752
Liabilities under guarantees	38	265

Investment projects initiated during the reporting year resulted in commitments in the amount of € 20 thousand (previous year € 441 thousand). These investments will be concluded in the 2010/2011 financial year.

Various companies in GESCO Group are required to maintain specific covenants.

There are no ongoing legal disputes that are expected to result in an effect on income in excess of the provisions that have already been established. The guarantees received are within industry standards. Where claims are expected, provisions have been established for the expected amounts based on current information.

## Rental and Lease Agreements

The following payment obligations exist for finance lease arrangements:

	Total €'000	2010/11 €'000	2011/12-2012/13 €'000	2013/14 & Following years €'000
Minimum lease payments	162	63	99	0
Discounting amount	15	3	12	0
Cash value	147	60	87	0

Some of the lease agreements contain purchase options to acquire the leased items at the end of the lease term.

Rental and lease agreements (operating leases) have been concluded for buildings as well as other plant, fixtures and fittings. Related rental and lease payments amounted to € 2,744 thousand for the reporting year (previous year: € 2,608 thousand).

Due dates for the minimum lease payments arising from operating leases and rental agreements are as follows:

	2009/2010 €'000	2008/2009 €'000
Up to one year	2,302	2,425
One to five years	2,987	2,930
Over five years	2,071	2,357
Total	7,360	7,712

Some of the lease agreements contain purchase options to acquire the leased items at the end of the lease term.

## RISK MANAGEMENT

In order to recognise risks as early as possible and initiate compensating measures, GESCO Group implemented a Groupwide risk management system in 1999. Detailed information regarding risks and opportunities can be found in the Group management report.

The GESCO Group is exposed to financial instrument risk in the form of credit risk, liquidity risk and market price risk. All types of risk may affect the assets, financial position and earnings of the Group.

Credit risk mainly affects trade receivables.

Liquidity risk refers to the risk of being unable to meet payment obligations as they come due.

Market price risk mainly consists of exchange rate changes relating to business operations as well as interest rate and exchange rate changes related to financing.

Since the type and scope of the respective risks affects every company differently, the management of these risks is defined separately for each company in the Group. Most risk management activities are implemented as part of business operations and financing activities.

Information on the individual risk categories:

### 1. Credit Risk

Credit risk consists of the potential for an economic loss when a contractual partner does not pay on time or fails to meet all or part of the payment obligations. Great emphasis is placed on the management of trade receivables within the Group. The receivables are highly diversified; there are no debtors that owe more than 5 % of the Group's receivables portfolio. The type and extent of credit insurance coverage depends on the credit rating of the respective customer. Commonly used instruments include export insurance, letters of credit, credit insurance, prepayments, guarantees, bonds and the retention of title. The risk of default for the Group is limited to the ordinary business risk. Allowances for doubtful accounts were established for identifiable default risks. Counterparty risk for derivative financial instruments is limited by only entering into derivative transactions with well-known domestic financial institutions.

The theoretical maximum default risk (credit risk) equals a total loss of the book value of the financial instruments. Based on current information, the default risk for unadjusted financial instruments is low since risk management tools limit the probability of default.

## 2. Liquidity Risk

Cash is managed separately by each company in the Group; there is no centralised cash pooling for the Group. Expected cash flows from business operations as well as financial assets and liabilities are considered for cash management purposes.

Future payments are largely covered by receipts from business operations. Peak financing requirements are covered by the existing liquidity reserve and by lines of credit.

## 3. Market Price Risk

Market price risk refers to the risk of exchange rate changes related to business operations as well as the risk of interest rate and exchange rate changes related to financing and fluctuations in the market price of securities.

Market price risk due to the risk of exchange rate changes is the result of international business relationships. Exchange rate fluctuations are constantly monitored using a variety of information sources. The relationship between the US dollar and the Euro is especially important. The general competitiveness and profitability of specific projects for companies within the Group that have production facilities in the Euro region while issuing invoices in US dollars is naturally affected by changes in the relationship between the US dollar and the Euro.

For significant business transactions, exchange rate risks are hedged by means of forward exchange transactions. These forward exchange transactions may be subject to market price risk to the extent that currencies must be sold at the current spot price on the settlement date. The ultimate purpose of forward transactions is to avoid risks resulting from exchange rate fluctuations. As a result, potential losses due to exchange rate changes are eliminated along with potential gains. The term and scope of these transactions corresponds to the underlying business transactions.

In accordance with IFRS 7, the company prepares a sensitivity analysis for market price risk in order to determine the effects of hypothetical changes to the risk variables. These hypothetical changes are applied to the financial instrument portfolio on the reporting date. This process assumes that the portfolio on the reporting date is representative for the entire year.

GESCO Group is exposed to financing liability risk related to long-term financing denominated in Swiss francs with a short-term fixed interest rate. If the value of the Euro had been 10 % higher on the reporting date, Group net earnings and consolidated equity after minority interests would have been € 2,232 thousand higher (previous year: € 2,393 thousand) compared to the reported value. If the value of the Euro had been 10 % lower on the reporting date, Group net earnings and consolidated equity after minority interests would have been € 2,728 thousand lower (previous year: € 2,925 thousand) compared to the reported value.

After the reporting period, GESCO AG changed its loans denominated in Swiss francs to Euro. In addition, the subsidiaries' Swiss franc credit volume was hedged with an option. This limits the currency risks from foreign currency payables for the new financial year 2010/2011.

Interest rate risk mainly results from debt financing. According to IFRS 7, interest rate risk is represented by means of a sensitivity analysis. The sensitivity analysis illustrates the effects of hypothetical changes in market interest rates on interest income and expenditure. Had market interest rates been 100 basis points higher or lower during the reporting year, Group net earnings and consolidated equity after minority interests would have been € 512 thousand (previous year: € 470 thousand) lower or higher.

Currency risks from the supply of goods and services are only limited for the GESCO Group. For goods supplied by subsidiaries outside the Eurozone, larger orders are almost entirely hedged by forward transactions.

Trade receivables denominated in foreign currencies amounted to € 1,233 thousand (previous year: € 945 thousand) on the reporting date. This corresponds to 3.4 % (previous year: 2.5 %) of total trade receivables. Receivables are denominated in the following currencies:

	2009/2010 €'000	2008/2009 €'000
US dollar:	244	277
Singapore dollar:	848	247
Hungarian forint:	41	265
Australian dollar:	0	4
African rand:	100	118
Swiss franc:	0	34

A 10 % fluctuation in exchange rates on the reporting date would have affected both equity and Group net earnings after minority interests by either € -71 thousand or € +86 thousand (previous year: € -53 thousand or € +65 thousand).

Securities held and available for sale are subject to risks related to changes in the stock exchange price of securities. If the stock exchange price of the shares included in securities held as non-current assets had been 10 % higher or lower on the reporting date, consolidated equity would have been € 204 thousand higher or lower with no effect on income (previous year: € 210 thousand with no effect on income).

### Information on Relationships with Affiliated Companies

Business relationships between fully consolidated and not fully consolidated companies within the Group are conducted under regular market terms and conditions. Receivables from related companies are mainly due from Connex SVT Inc., USA, Frank Lemeks TOW, Ukraine, and MAE.ch GmbH, Switzerland.

## EMPLOYEES

The average number of employees was as follows:

	2009/2010	2008/2009
Factory staff	1,095	1,115
Office staff	564	544
Trainees	97	95
<b>Total</b>	<b>1,756</b>	<b>1,754</b>

Marginal part-time employees were converted to the equivalent in full-time employees.

### Exemption Requirements for Group Companies

Since AstroPlast Kunststofftechnik GmbH & Co. KG, Franz Funke Zerspanungstechnik GmbH & Co. KG, Haseke GmbH & Co. KG, Georg Kesel GmbH & Co. KG, Molineus & Co. GmbH + Co. KG, Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Q-Plast GmbH & Co. Kunststoffverarbeitung, Setter GmbH & Co. Papierverarbeitung, Tomfhrde GmbH & Co. Industrierwartungen und die Dömer GmbH & Co. KG Stanz- und Umformtechnologie have been included in the consolidated financial statements of GESCO AG, they are exempt from the obligation to prepare, audit and publish annual financial statements and a management report in accordance with the applicable regulations for incorporated companies as per Section 264b of the German Commercial Code (HGB).

According to Section 264 para. 3 of the German Commercial Code (HGB), Hubl GmbH and MAE Maschinen- und Apparatebau Götzen GmbH are exempt from the obligation to prepare, audit and publish annual financial statements and a management report according to Section 264ff of the German Commercial Code (HGB).

### Publication of the Consolidated Financial Statements

The consolidated financial statements will be published on 29 June 2010 in conjunction with an annual accounts press conference and analysts' meeting in Hatzfeld.

## Corporate Governance

The Executive Board and Supervisory Board of GESCO AG comply with the Corporate Governance Code and have made a declaration of compliance available to shareholders on the website of GESCO AG.

The Executive Board holds a total of 0.5 % of company shares. Members of the Supervisory Board hold a total of 0.7 % of company shares.

## Auditor

The fee included in expenditure for the financial year amounted to € 120 thousand (previous year: € 125 thousand) for the audit of the annual and consolidated financial statements of GESCO AG, € 73 thousand (previous year: € 0 thousand) for other audit services, € 5 thousand (previous year: € 0 thousand) for tax consulting services and € 0 thousand (previous year: € 31 thousand) for other services. Fees were also incurred in the amount of € 200 thousand (previous year: € 204 thousand) for the audit of consolidated subsidiaries, € 30 thousand (previous year: € 24 thousand) for tax consulting services and € 4 thousand (previous year: € 1 thousand) for other services.

## EXECUTIVE BODIES OF THE COMPANY

### Executive Board

**Robert Spartmann, Gevelsberg**

**Member of the Executive Board**

**Dr.-Ing. Hans-Gert Mayrose, Mettmann**

**Member of the Executive Board**

Remuneration received by the Executive Board – distributed among its members – is as follows (previous year):

	Fixed remuneration €'000	Variable remuneration €'000	Stock options €'000	Total €'000
Robert Spartmann	222 (234)	109 (281)	60 (39)	391 (554)
Dr.-Ing. Hans-Gert Mayrose	210 (222)	109 (281)	60 (39)	379 (542)
<b>Total</b>	<b>432 (456)</b>	<b>218 (562)</b>	<b>120 (78)</b>	<b>770 (1,096)</b>

The stock option values reported are based exclusively on financial-mathematical calculations. This does not mean that Executive Board members have already received a gain. The exercise prices amount to € 54.15, € 52.18 and € 39.11.



By the reporting date, members of the Executive Board achieved an entitlement to the following percentages of their pensions commitments based on their assessment value (most recent fixed salary):

Robert Spartmann	12.0 %
Dr.-Ing. Hans-Gert Mayrose	12.5 %

Remuneration received by a former member of the Executive Board amounted to € 51 thousand in the financial year (€ 51 thousand).

On 31 March 2010, pension provisions for incumbent members of the Executive Board and one former member of the Executive Board totalled € 1,113 thousand (previous year € 1,066 thousand).

### Supervisory Board

**Klaus Möllerfriedrich, Wuppertal**

**Chairman, Auditor**

Chairman of the Supervisory Board:

- COREST AG, Düsseldorf
- TopAgers AG, Langenfeld

Deputy Chairman of the Supervisory Board:

- Beaujean AG Holding, Düsseldorf (until 15 July 2009)

Member of the Supervisory Board:

- MicroVenture GmbH & Co. KGaA, investment holding company, Düsseldorf
- Dr. Ing. Thomas Schmidt AG, Cologne

**Rolf-Peter Rosenthal, Wuppertal**

**Deputy Chairman, Retired bank director**

Chairman of the Advisory Board:

- Siegfried Leithäuser GmbH & Co. KG, Hamm

Member of the Advisory Board:

- Jackstädt Holding GmbH, Wuppertal
- Coroplast Fritz Müller GmbH & Co. KG, Wuppertal

**Willi Back, Neckargemünd****Retired Chairman of the Executive Board of GESCO AG, Wuppertal**

Member of the Advisory Board:

- Metall-Chemie Holding GmbH, Hamburg

Remuneration received by the Supervisory Board – distributed among its members – is as follows (previous year):

	Fixed remuneration €'000	Variable remuneration €'000	Total €'000
Klaus Möllerfriedrich	16 (18)	29 (75)	45 (93)
Rolf-Peter Rosenthal	14 (15)	29 (75)	43 (90)
Willi Back	11 (13)	29 (75)	40 (88)
<b>Total</b>	<b>41 (46)</b>	<b>87 (225)</b>	<b>128 (271)</b>

GESCO AG has obtained a “Directors’ and Officers’ Liability Insurance” (D&O insurance) policy for Group management. This policy covers the members of the Executive Board and Supervisory Board of GESCO AG as well as the managers of the subsidiaries. Insurance premiums of € 37 thousand (previous year € 39 thousand) were paid during the 2009/2010 financial year.

Wuppertal, 26 May 2010

The Executive Board

R. Spartmann

Dr.-Ing. H.-G. Mayrose

## STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Wuppertal, 26 May 2010

The Executive Board

R. Spartmann

Dr.-Ing. H.-G. Mayrose

## SIGNIFICANT GROUP SHAREHOLDINGS

Fully consolidated companies	Proportion of capital <sup>1)</sup> in %
Ackermann Fahrzeugbau GmbH, Wolfhagen	80
Alro GmbH, Wuppertal	100
AstroPlast Kunststofftechnik GmbH & Co. KG, Sundern	80
AstroPlast Verwaltungs GmbH, Sundern <sup>2)</sup>	100
Degedenar Grundstückverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG, Eschborn <sup>3)</sup>	100
Dömer GmbH & Co. KG Stanz- und Umformtechnologie, Lennestadt	100
Dömer GmbH, Lennestadt <sup>2)</sup>	100
Dörrenberg Edelstahl GmbH, Engelskirchen-Ründeroth	90
Dörrenberg Tratamientos Térmicos SL, Alasua, Navarra, Spain	60
Dörrenberg Special Steels PTE. Ltd., Singapore	90
Frank Walz- und Schmiedetechnik GmbH, Hatzfeld	100
Frank-Hungaria Kft., Ózd, Hungary	74
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern	80
Franz Funke Verwaltungs GmbH, Sundern <sup>2)</sup>	100
Georg Kesel GmbH & Co. KG, Kempten	90
Kesel & Probst Verwaltungs-GmbH, Kempten <sup>2)</sup>	100
Haseke GmbH & Co. KG, Porta Westfalica	100
Haseke Beteiligungs-GmbH, Porta Westfalica <sup>2)</sup>	100
Hubl GmbH, Vaihingen/Enz	100
MAE Maschinen- und Apparatebau Götzen GmbH, Erkrath	100
Molineus & Co. GmbH + Co. KG, Wuppertal	100
Grafic Beteiligungs-GmbH, Wuppertal <sup>2)</sup>	100
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel	80
WM Werkzeug- und Maschinenbau Verwaltungs-GmbH, Kassel <sup>2)</sup>	100
Q-Plast GmbH & Co. Kunststoffverarbeitung, Emmerich	100
Q-Plast Beteiligungs-GmbH, Emmerich <sup>2)</sup>	100
Setter GmbH & Co. Papierverarbeitung, Emmerich	100
Setter GmbH, Emmerich <sup>2)</sup>	100
HRP-Leasing GmbH, Emmerich	100
SVT GmbH, Schwelm	90
Tomföhrde GmbH & Co. Industrieverwaltungen, Wuppertal	100
Tomföhrde GmbH, Wuppertal <sup>2)</sup>	100
VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH, Herschbach	100

<sup>1)</sup> Share capital held directly or via majority shareholdings<sup>2)</sup> Corporation as the general partner<sup>3)</sup> Special purpose entity according to SIC 12

Companies valued at equity	Proportion of capital <sup>1)</sup> in %
Saglam Metal Sanayi Ticaret A.S., Istanbul, Turkey	20

Companies of material significance valued at the cost of acquisition	Proportion of capital <sup>1)</sup> in %
Connex SVT Inc., Houston, USA	100
MAE.ch GmbH, Unterstammheim, Switzerland	100
Frank Lemeks Tow, Ternopil, Ukraine	75

<sup>1)</sup> Share capital held directly or via majority shareholdings

## Auditor's Report

We have audited the consolidated financial statements prepared by GESCO AG comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the financial year from 1 April 2009 to 31 March 2010. The preparation of the consolidated financial statements and the Group Directors' Report in accordance with IFRS, as adopted by the EU, and the additional requirements of Section 315a para. 1 of the German Commercial Code (HGB) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit so that material misstatements affecting the presentation of the assets, financial position and earnings in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and economic and legal environment of the Group as well as expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit prepares a reasonable basis for our assessment.

Our audit did not lead to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements under German commercial law pursuant to Section 315a para. 1 of the German Commercial Code (HGB) and give a true and fair view of the assets, financial position and earnings of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable presentation of the Group's position and the opportunities and risks of future development.

Wuppertal, 27 May 2010

Dr. Breidenbach und Partner GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

(Dr. Wollenhaupt)  
Auditor

(Straube)  
Auditor

## Report from the Supervisory Board

Dear Shareholders,

The effects of the financial and economic crisis on GESCO Group were top of the Supervisory Board's agenda in financial year 2009/2010. The Group coped with the crisis comparatively well and managed to generate a positive result despite the serious recession. This was achieved by employing a coherent strategy with focus on sustainability, taking preventative measures at an early stage and last but not least a host of individual measures implemented with a large degree of commitment by the GESCO Group management and all employees.

In this report, the Supervisory Board provides information about its activities in the financial year 2009/2010. The main topics are its continuous dialogue with the Executive Board and the audit of the annual financial statements and consolidated financial statements.

### WORK OF THE SUPERVISORY BOARD

Throughout the reporting year, the Supervisory Board observed the tasks incumbent upon it in accordance with German law and the Articles of Association. These tasks included the regular exchange of information with the Executive Board and the supervision of the company's management. The Supervisory Board was directly involved in all decision-making of fundamental importance to the company. The effects of the financial and economic crisis on GESCO AG and its subsidiaries as well as on the M&A market were discussed in detail. The Executive Board regularly briefed the Supervisory Board both in writing and verbally, promptly and comprehensively on all relevant issues of corporate planning and its strategic development, on the course of transactions, the position of the Group and the individual subsidiaries including the risk situation as well as on risk management. Detailed annual plans of the main subsidiaries were submitted to the Supervisory Board and discussed with the Executive Board. Deviations in the course of business from the respective annual plans and objectives were explained to the Supervisory Board in detail and collectively analysed by both the Executive Board and Supervisory Board. The Supervisory Board also dealt with the measures implemented by the subsidiaries to counteract the effects of the economic crisis in the reporting year. The members of the Supervisory Board and the Chairman in particular were also in regular contact with the Executive Board outside Supervisory Board meetings and stayed informed on current trends in the business situation and any significant business transactions. The Supervisory Board thoroughly investigated the reports and proposals for resolutions from the Executive Board and, as far as this was required in accordance with legal and statutory provisions, cast its vote.

Acquisition plans were extensively discussed by the Supervisory and Executive Boards. In the run-up to an acquisition, target companies are appraised at their locations by a Supervisory Board member.





Supervisory Board – Rolf-Peter Rosenthal (deputy chairman),  
Klaus Möllerfriedrich (chairman), Willi Back (l. to r.)

The Supervisory Board of GESCO AG has consciously been kept small with three members in order to facilitate efficient work and intensive discussions both in strategic and detailed issues. The Supervisory Board therefore believes that it is not sensible or appropriate to create Supervisory Board committees. This also applies to an accounting committee, whose tasks are carried out by the entire Supervisory Board. Supervisory Board committees were therefore not created in the financial year 2009/2010.

A total of ten Supervisory Board meetings took place in financial year 2009/2010. All members of the Supervisory Board participated in every meeting. The Supervisory Board was also briefed in detail between meetings in the form of written reports on all projects and plans which were of particular importance to the company.

In order to gain a better understanding of the individual subsidiaries, the Supervisory Board visits one or two subsidiaries per year together with the Executive Board. The Supervisory Board also uses the opportunity of a direct exchange of ideas with the individual managers of subsidiaries of GESCO AG during the annual management meetings of GESCO Group.

## CORPORATE GOVERNANCE

The Supervisory Board continuously monitored the development of the corporate governance standard. The Executive Board also reports on behalf of the Supervisory Board on corporate governance at GESCO AG pursuant to Section 3.10 of the German Corporate Governance Code. The Executive Board and Supervisory Board submitted an updated declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) in December 2009 and made it permanently accessible to the shareholders on the company's website. GESCO AG complies with the recommendations of the Government Committee on the German Corporate Governance Code in accordance with the version of the Code of June 2009 with the exception of the deviations given in the declaration of compliance.

In May 2009, the Supervisory Board again conducted an efficiency audit of its work. The efficiency audit is carried out as a survey based on a structured questionnaire. The questionnaire is filled out separately by the members and results are then documented and evaluated by the Chairman of the Supervisory Board. The results of the survey are subsequently discussed by the Supervisory Board and analysed to determine if there is any need to take action and if there are any opportunities to improve.

## EXECUTIVE BOARD REMUNERATION

The management report and notes to the consolidated and individual financial statements include detailed information on the structure of Executive Board remuneration. In financial year 2009/2010, the Supervisory Board, with the help of external advisors, assessed the effects of the Act on the Appropriateness of Executive Board Remuneration (VorstAG).

The Supervisory Board is of the opinion that, considering the size of the company, the existing remuneration system already complies to a large extent with the regulations of the new law. The significant reduction of Executive Board remuneration in line with the changed economic environment in the past financial year is just one such example. The existing remuneration system includes a variable component that is linked to Group net income after minority interest, displaying an entrepreneurial character with view to sustainability. Any Group net losses after minority interest are carried forward and offset against future gains. Both the Executive Board and Supervisory Board of GESCO AG have therefore always been obliged to pursue a business policy aimed at sustainability. Where necessary, the remuneration system is currently being adjusted to the requirements of the law with the help of legal advisors. The Supervisory Board intends to present the new remuneration system to the Annual General Meeting on 2 September 2010.

## AUDIT OF ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Corresponding to the legal provisions, the auditor selected by the Annual General Meeting on 27 August 2009, Dr. Breidenbach und Partner GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Wuppertal, was commissioned by the Supervisory Board to audit the annual financial statements and consolidated financial statements on 10 September 2009. The auditor confirmed its independence to us in a letter dated 20 May 2009. It also provided evidence that it is qualified to audit listed companies due to its successful participation in a quality control audit by the German Chamber of Auditors.

The annual financial statements drawn up for the financial year from 1 April 2009 to 31 March 2010 by the Executive Board in accordance with the regulations of the German Commercial Code (HGB) and the management report of GESCO AG were audited by the auditor. The auditor issued an unqualified auditor's report.

The consolidated financial statements and Group management report of GESCO Group for the financial year from 1 April 2009 to 31 March 2010 were drawn up by the Executive Board and audited by the auditor on the basis of the International Financial Reporting Standards (IFRS), taking into account Section 315a of the German Commercial Code (HGB). The auditor furnished the consolidated financial statements and Group management report with an unqualified auditor's report.

This year, the focal points of the audit by the auditor for the individual financial statements of GESCO AG were the valuation of investments, accrual and recoverable amount of receivables from associated companies, recognition and measurement of claims arising from purchase agreements and the completeness and valuation of other provisions. The focal point of the consolidated financial statements included the acquisition of Georg Kesel GmbH & Co. KG, impairment tests with view to economic forecasts, reporting of deferred taxes, completeness of the notes to the consolidated financial statements and segment report according to IFRS. The complete financial statements as well as the accompanying auditor's reports were sent to all members of the Supervisory Board in good time before the accounts meeting. They were the subject of intensive discussions in the meeting of the Supervisory Board on 26 May 2010. The auditors reported on the main results of the audits and were available to the Supervisory Board for questions and additional information. The auditors gave comprehensive answers to all questions from the Supervisory Board. No objections were raised to the annual financial statements and the management report after the final result of the audit carried out by the Supervisory Board. After its own audit of the annual financial statements, the consolidated financial statements, the management report and the Group management report, the Supervisory Board approved the result of the audit by the auditor and accepted the annual financial statements and the consolidated financial statements in the meeting on 31 May 2010. The annual financial statements of GESCO AG have thereby been adopted. The Supervisory Board consented to the proposal of the Executive Board to appropriate the retained profit.

## THANKS FOR THE WORK ACHIEVED

The Supervisory Board would like to thank the Executive Board, the managers of the subsidiaries and all GESCO Group employees for their great commitment in the past financial year. We would particularly like to thank the Executive Board and employees of GESCO AG as well as the executives and Managing Directors of those subsidiaries affected by short-time work for voluntarily renouncing parts of their salaries and remuneration.

Wuppertal, 31 May 2010

Klaus Möllerfriedrich  
Chairman of the Supervisory Board

# Financial Calendar/Shareholder Contact

## FINANCIAL CALENDAR

29 June 2010

Annual Accounts Press Conference and Analysts' Meeting

August 2010

Announcement of figures for the first quarter

(01.04.-30.06.2010)

2 September 2010

Annual General Meeting in the Stadthalle, Wuppertal

November 2010

Despatch of the interim report

(01.04.-30.09.2010)

February 2011

Announcement of figures for the first nine months

(01.04.-31.12.2010)

## SHAREHOLDER CONTACT

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

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