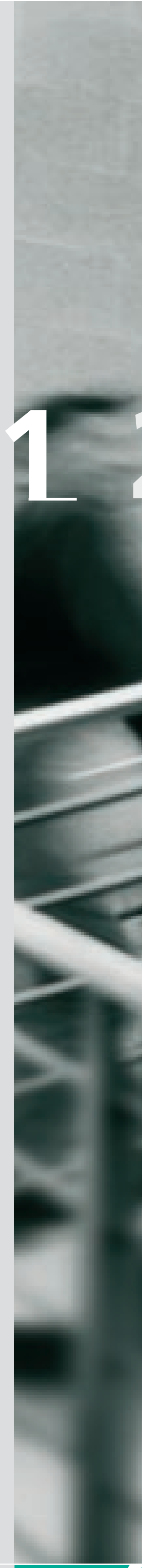
Annual Report 2001 2002

Annual Report



GESCO

Tradition
Innovation
Vision

GESCO AG & GESCO GROUP

GESCO – substance with vision

- As a holding company, **GESCO AG** has set itself the objective of acquiring profitable and strategically attractive small and medium sized companies in the industrial sector, supporting their further development and thereby increasing the value of the individual companies and the Group as a whole. Raising profits has priority over increasing sales.

- The **Base Technologies** division represents the core component of GESCO's portfolio. The company acquires 100% holdings in small and medium-sized niche providers in the tool manufacture and mechanical engineering as well as plastics technology industries with a view to holding them for the long term, normally in the context of succession arrangements.

- As a strategic complement to the core portfolio, via its wholly-owned subsidiary GESCO Technology AG, GESCO also acquires minority stakes in a select number of up-and-coming companies in the **New Technologies**, generally in conjunction with other co-investors from the relevant segment.

- In all its activities GESCO attaches great importance to a balance between **solidity** and **dynamism**, which has resulted in successful growth over a period of many years.

- GESCO is a **company of entrepreneurs**: subsidiaries are managed by qualified sector experts, who generally also hold stakes in them.

- As the lead company GESCO AG ensures that its subsidiaries are run in accordance with the latest management standards, providing **coaching, consulting** and **(financial) control.**

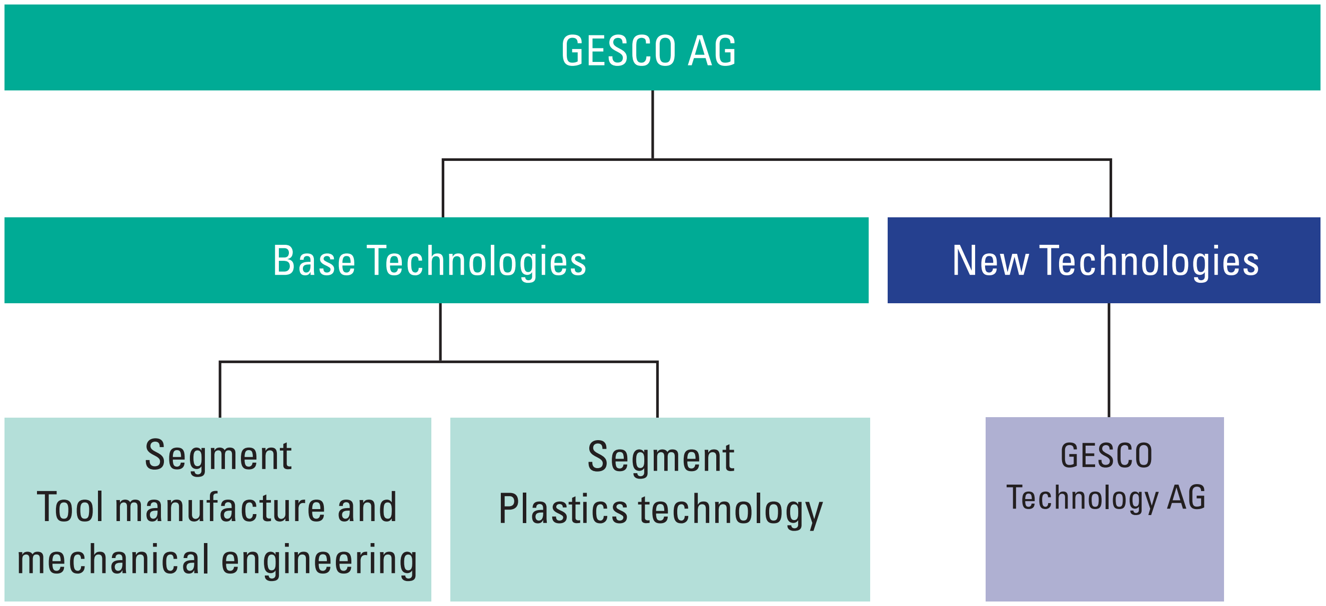
- Their affiliation to the Group enhances the **standing** of subsidiaries vis-à-vis banks, customers and suppliers.

- GESCO shares offer investors sound **substance** and high **value.**

- GESCO shares provide an attractive **dividend yield**: the distribution policy is shareholder-friendly.

- At the same time GESCO shares inspire **vision** as, in the future too, the acquisition of established niche providers and companies with no obvious management successor give the Group first-rate growth opportunities.

- GESCO AG is a member of the **German Investor Relations Circle (DIRK)** and is bound by its principles of an active, open and continuous communications policy.



The GESCO Group at a glance

Financial year 01.04.-31.03.		1997/1998	1998/1999	1999/2000	2000/2001
Sales	EUR '000	128,908	173,521	200,274	146,481
of which - domestic	EUR '000	104,721	133,911	167,229	118,206
- foreign	EUR '000	24,187	39,610	33,045	28,275
EBITDA [1]	EUR '000	12,555	14,566	17,514	14,710
EBIT [2]	EUR '000	8,669	9,643	10,587	9,774
Earnings from ordinary business activity	EUR '000	6,883	8,902	10,098	8,532
Taxes on income and earnings	EUR '000	-1,331	-2,899	-4,286	-3,567
Taxation rate	%	26.4	32.6	42.4	41.8
Group net income for the year	EUR '000	3,166	5,463	5,149	4,102
DVFA/SG cash flow	EUR '000	6,607	10,707	11,617	10,090
DVFA/SG earnings	EUR '000	3,133	4,829	4,666	4,012
DVFA/SG earnings per share [3]	EUR	1.25	1.93	1.87	1.60
Group net income per share for the year [3]	EUR	1.27	2.18	2.06	1.64
Working capital [4]	EUR '000	29,594	42,961	28,598	35,998
Capital employed [5]	EUR '000	59,908	71,377	70,273	63,443
ROCE [6]	%	14.5	13.5	15.1	15.4
Investment	EUR '000	5,816	11,374	14,472	14,519
Depreciation [7]	EUR '000	3,937	4,948	7,027	5,796
Shareholders' capital	EUR '000	32,090	37,079	35,252	38,276
Total assets	EUR '000	93,857	122,946	97,781	104,912
Capital ratio	%	34.2	30.2	36.1	36.5
Employees (as at 31.12.)	No.	897	1,471	1,816	1,015
of which trainees	No.	32	45	50	52
Year-end share prices as at 31.03.	EUR	21.47	17.1	14.92	16.00
Dividend	EUR	0.38	0.56	0.66	0.72

1 EBITDA: Earnings before interest, tax, depreciation and amortisation.

2 EBIT: Earnings before interest and tax.

3 With 2,500,000 shares.

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

5 Capital employed: average fixed assets, stocks and trade receivables less average trade creditors.

6 ROCE: EBIT divided by capital employed.

7 Including depreciation on financial assets and securities held as current assets.

2001/2002	Change
156,431	6.8 %
122,215	3.4 %
34,216	21.0 %
15,419	4.8 %
10,250	4.9 %
4,303	-49.6 %
-586	-83.6 %
13.6	–
2,789	-32.0 %
14,081	39.6 %
3,629	-9.5 %
1.45	-9.5 %
1.12	-31.7 %
40,102	11.4 %
73,225	15.4 %
14.0	–
28,860	98.8 %
8,488	46.4 %
39,166	2.3 %
123,032	17.3 %
31.8	–
1,095	7.9 %
55	5.8 %
12.70	-20.6 %
0.75	4.2 %

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This Annual Report is also available in German

OVERVIEW

Overview of the GESCO Group

- Chairman's Statement with key information for financial year 2001/2002.
- GESCO shares and adoption of Corporate Governance Codex.
- The GESCO strategy.
- Strategy in practice: a profile of two GESCO companies.
- Group Directors' Report with detailed information on financial year 2001/2002.

CHAIRMAN'S STATEMENT

Willi Back, Chairman of the Executive Board

Dear shareholder,

In financial year 2001/2002, GESCO's performance in a difficult market proved the worth of our strategy.

- Our subsidiaries in the **Base Technologies division** performed well despite the tough conditions. Acquisitions in March and April this year were used to expand the division.

- In the **New Technologies division**, we invested in two additional companies, taking the portfolio up to six companies in total. The difficult situation in the sector impacted on those companies in this division which are already operational.

- Overall, we have been successful with our sector-focused **strategy**, which takes a broader approach within each sector and is based on a diversified portfolio, in particular with regard to customer segments. This is especially true in difficult times like these, when we have been able to maintain our operating earnings power at its usual level.

- A **proposed dividend** of EUR 0.75 per share represents the fifth consecutive increase in as many years.

Operating business on course

Operating business was generally satisfactory at our subsidiaries in the Base Technologies sector, which is divided into the segments tool manufacture and mechanical engineering, and plastics technology. Whereas the first months of the year were marked by a high level of incoming orders, the second half of the year saw a noticeable economic slowdown.

Including the pro rata sales of SVT GmbH, which joined the Group in early 2002, sales increased by 6.8 % to EUR 156.4 million (EUR 146.5 million). Whilst the difficult economic conditions had a significant impact on some of our companies, others largely bucked the trend, achieving growth in the year under review. All operating companies in the Group were in the black.

The investments in the **New Technologies division** are held by our wholly owned subsidiary, GESCO Technology AG. The companies in this division, which already were up and running, were affected by the restraint exercised across the board by potential industrial customers, who either postponed or cancelled investments. Consequently, business at these companies developed negatively, with business plans having to be extended over a longer period as a result. In view of this, GESCO Technology AG carried out writedowns on two of its investments.

Irrespective of the development in operating business, a number of special factors impacted on Group profits including:

- The storm damage at our biggest subsidiary, Dörrenberg, in May 2001 caused direct losses of around EUR 0.3 million.
- The high exchange rate of the Swiss franc against the euro resulted in a rise in liabilities to financial institutions of around EUR 1.1 million, because of the high level of financing in Swiss francs.
- Following the tax reform, writedowns on securities held as fixed assets adversely affected Group results by EUR 3.0 million at the end of 2001. However, this was offset by the considerable tax breaks, which could not have been achieved at a later date following the change in the tax framework.

The above factors impacted on the results for the year under review, but they have no lasting influence on the GESCO Group's earnings power.

EBITDA amounted to EUR 15.4 million (EUR 14.7 million), which shows that operating income remains on course. Group net income for the year stood at EUR 2.8 million (EUR 4.1 million).

DVFA/SG earnings per share amounted to EUR 1.45 (EUR 1.60) and we increased DVFA/SG cash flow, which at EUR 14.1 million was well above the previous year's value of EUR 10.1 million.

At EUR 28.9 million, investment by the Group almost doubled compared with the previous year (EUR 14.5 million). The focus here was investing in shareholdings and expanding production capacity at our subsidiaries.

As a result of the above factors, at 14 %, ROCE (return on capital employed) did not reach the previous year's level of 15.4 %.

GESCO's portfolio

The Base Technologies division is the core of our portfolio. Since it was founded in 1989, GESCO AG has acquired well established, high earning small and medium sized niche providers, which in most cases lack a natural successor. As much as 80 % of the funds invested are attributable to this division. Following the change in the tax framework, M&A business relating to SMEs, which meet our stringent acquisition criteria, came to a virtual standstill in 2000 and 2001. However, we made maximum use of this lull to set up our New Technologies division to strategically complement the Base Technologies division.

In the year under review, the New Technologies division was further expanded following two acquisitions. In July 2001, GESCO Technology AG acquired 13 % of the newly established Ehrfeld Mikrotechnik GmbH, which has since become a joint stock company (AG). Our co-investors are mg technologies and FAG Kugelfischer. GESCO Technology AG also acquired 19 % of the shares in OPS Automation AG in Troisdorf in the same month. This company offers innovative sensor systems for monitoring technical installations online.

Our portfolio in the New Technologies division therefore comprises six investments. Given the current circumstances, we are not looking to make any further acquisitions, but intend to focus on supporting and expanding the existing companies. Acquisitions in the Base Technologies division have priority.

Following some movement in the M&A market for established companies during 2001, we strengthened our Base Technologies division by acquiring two companies early on in 2002.

The acquisitions relate to the takeover in full of the operations of Schwelm Verladetechnik GmbH via our subsidiary, SVT GmbH, which was established in March 2002. Schwelm is a successful global niche provider of loading equipment, including for liquefied natural gas. GESCO holds 90 % of the shares in the company, while Managing Director Klaus Mertens holds the remaining 10 %.

Following the end of the year under review, we took over 100 % of the shares in Hubl GmbH in Vaihingen/Enz in April 2002. The manufacturer of stainless steel products is a successful supplier to customers in the clean room technology, the semiconductor industry as well as the pharmaceutical and medical sectors. Reinhard Hubl, who together with his father founded the company in 1976, is continuing in his position as Managing Director.

Both companies fit our acquisition criteria perfectly and seamlessly slot into our portfolio. SVT enhances the GESCO Group’s ongoing internationalisation by contributing to the share of exports, while Hubl is our first contact with Baden-Württemberg, with which we are expanding beyond our regional home market in North-Rhine Westphalia.

As part of the streamlining of our portfolio, we sold 34 % of our shares in Paroll Doppelboden-Systeme GmbH & Co. KG, a company operating in the construction sector, to the Managing Director, thereby reducing our shareholding to 40 %.

In 2001, our subsidiary AstroPlast acquired a 40 % stake in KKT Kühlmann Kunststoff-Technik GmbH in Geseke, with an option to increase its shareholding at a later date. The two companies complement each other in terms of sales and production.

GESCO shares

Share indices dropped overall in 2001, a trend which also affected GESCO shares. However, in addition to share price performance, the second crucial element of an investment in stocks is the dividend. Our proposed dividend of EUR 0.75 per share, which represents the fifth consecutive increase, highlights our shareholder-friendly distribution policy. Compared with the previous year, this equates to a 4.2 % rise. Based on the current share price, the dividend yield on GESCO shares of 6 % is attractive.

As already announced at our AGM, we adopted the Corporate Governance guidelines for listed companies produced by the Frankfurter Grundsatzkommission (Frankfurt Commission) at the time of publication of our Interim Report in November 2001. In the meantime, the official Codex prepared by the government commission has become available. In the current Annual Report, we are therefore providing information as to where we basically agree with the views presented in the Codex and where our policy differs from certain guidelines.

New addition to GESCO’s Executive Board

With effect from 1 January 2002, Dr.-Ing. Hans-Gert Mayrose was appointed to the Executive Board of GESCO AG. Dr. Mayrose joined GESCO in February 2000. He will continue to sit on the Executive Board of GESCO Technology AG as well.

Outlook for the new financial year

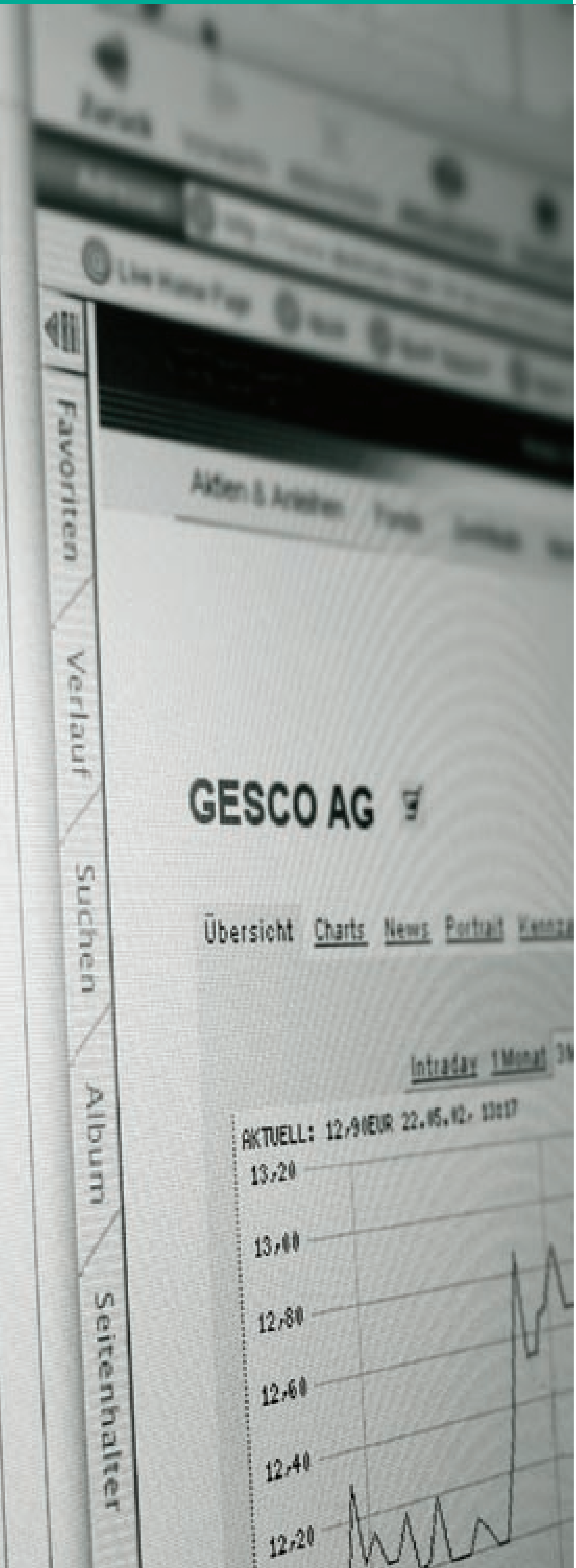
Economic forecasts differ widely at present, with experts' views varying considerably with regard to the extent of the generally anticipated upturn in the economy and to when it is to start. The political unrest in the Middle East continues to cause uncertainty and makes it extremely difficult to make any forecasts.

Provided that the economy develops positively in line with forecasts from early in the year, we expect a slight increase in Group sales and the profits for the GESCO Group. The companies in our Base Technologies division are well positioned and will benefit from an upturn in the economy. 2002 will be the year in which our New Technologies division has to prove itself. As before, we intend to expand our Base Technologies division by acquiring successful companies in this sector. Given the fact that many medium-sized companies lack a natural successor, we believe that there will be no shortage of opportunities in this respect.

When the economic environment is difficult, it takes an incredible level of commitment to maintain the high level of results achieved in the past. Although such commitment is not rewarded by a sharp increase in growth, which would be visible to the outside world, it promotes a strengthening in terms of substance and creates the preconditions which enable the company to respond quickly to any recovery in the economy. I should therefore like to thank everyone whose contribution has helped to make the past financial year a success. I also thank you, our shareholders, for your trust in GESCO AG.

Yours sincerely

SHARES



Adoption of the Corporate Governance guidelines – proof of our focus on the capital markets and a further step towards transparent communication.

Fifth consecutive increase in dividend in as many years – continuation of our shareholder-friendly dividend policy.

GESCO shares/Corporate Governance

2001 proved to be a particularly difficult year on the capital markets. By early summer, the indices had generally lost ground and finally saw a sharp drop on 11 September. Since then, the situation has been uncertain in political and economic terms as well as with regard to the capital markets. This development also affected the GESCO share price, which fell by around 20 % in the year under review.

Fifth consecutive increase in dividend

In continuation of our shareholder-friendly dividend policy, the Executive Board and the Supervisory Board will recommend a dividend of EUR 0.75 per share to the Annual General Meeting, which represents an increase of 4.2 % on the previous year's dividend of EUR 0.72. This will be the fifth consecutive increase in the dividend in as many years.

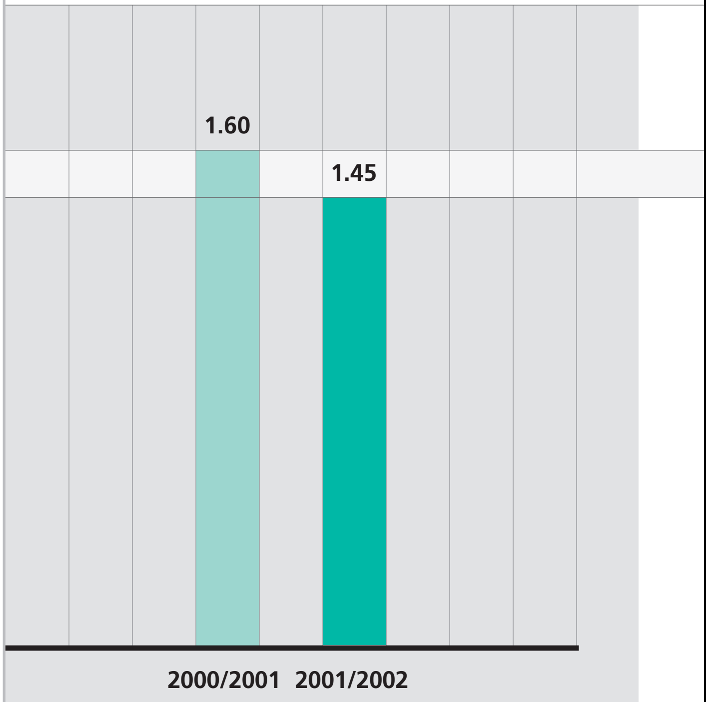
DVFA/SG earnings per share amounted to EUR 1.45 (EUR 1.60) and DVFA/SG cash flow per share stood at EUR 5.63 (EUR 4.04).

In accordance with §41 of the Securities Trading Act, Zürich-based Julius Bär Investment Funds announced in April 2002 that one of the funds managed by the company has shares representing 5.17 % of the voting rights in GESCO. We value this shareholding, as it is proof of the company's trust in the long-term success of our strategy. New institutional shareholders have also invested in GESCO in the year under review.

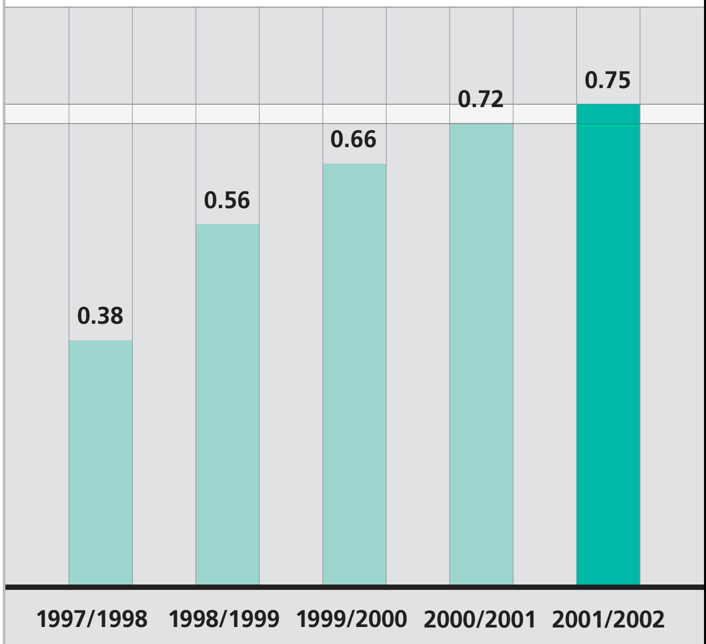
GESCO AG is a member of the Deutscher Investor Relations Kreis e. V. (DIRK, German Investor Relations Circle) and has adopted its aims, including a proactive, open and ongoing communications policy. Roadshows and meetings with the relevant representatives from the financial community are also objectives, as is regular contact with private investors.

On 5 September 2001, we gave a presentation at the 1st SMAX Conference in Munich, which was attended by analysts, institutional investors, banks and the financial press. From 1 March to 3 March 2002, we were represented at Invest 2002 in Stuttgart, where we shared a stand with other listed companies. This resulted in many contacts with the local financial community as well as people in the media and private investors.

DVFA/SG earnings per share in EUR



Dividend per share in EUR



On 24 June 2002, the SDAX select index of the top 100 companies in the SMAX small-cap segment will be reduced to include only 50 companies. The main criteria for inclusion are market capitalisation and trading liquidity. GESCO AG will continue to be listed on the SDAX, subject to the quarterly review of index listed companies. Institutional shareholders who invest in second-tier stock attach a great deal of importance to whether a company is included in the SMAX.

In line with the SMAX guidelines, we will switch from reporting under HGB (German Commercial Code) to the International Financial Reporting Standards (IFRS, previously known as International Accounting Standards or IAS for short).

Share buy-back programme

In financial year 2001/2002, we once again bought back GESCO AG shares. As at 31 March 2002, we held a total of 26,928 own shares in our securities account, which corresponds to around one per cent of all shares in the company.

Corporate Governance

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

On 26 February 2002, the Corporate Governance government commission submitted its proposal for a Corporate Governance Codex to the Federal Minister of Justice. The requirement for an annual declaration of compliance with the Codex is stated in § 161 AktG (Companies Act), which is included as part of the Transparenz- und Publizitätsgesetz (TransPuG, Act on transparency and publications). The Executive Board and the Supervisory Board of GESCO AG have declared their agreement with the aim of the Codex, which is to promote sound management that is governed by the interests of and based on the trust of shareholders, employees and customers. Our corporate policy is aimed at increasing the company value on a sustained basis and GESCO AG has in principle adopted the Corporate Governance Codex. Any points where GESCO AG's policy differs from the guidelines provided in the Codex are explained below. The preamble to the Codex expressly provides for this kind of deviation, which is aimed at "enhancing the flexibility and self-regulation with regard to the corporate legal structure of German companies".

- 3.8. - D&O liability insurance: a Group D&O insurance policy has been taken out for members of corporate bodies of the GESCO Group. There is no excess on this policy. The policy also covers the members of the Executive Board and the Supervisory Board of GESCO AG.

- 5.3.1, 5.3.2 - Supervisory Board: GESCO AG has deliberately chosen to keep the number of Supervisory Board members down to three only, in order to facilitate efficiency and in-depth discussion with regard to matters concerning the overall strategy and specific details. As a result, we believe that there would be little point in forming Supervisory Board committees.

- 6.6 - Sale and purchase of shares by members of the Executive Board and the Supervisory Board. We have adopted the materiality threshold of EUR 25,000 per Board member per month specified in the fourth financial market promotion law.

- 7.1.4 - List of shareholdings: The Codex specifies that the results for the past financial year should also be reported in the annual accounts for any material interest; we deviate from this to the extent that we do not publish the results of our subsidiaries. This is due to the fact that the publication of the results of our subsidiaries, which are all SMEs, could adversely affect their positioning vis-à-vis the competition.

GESCO share data [1]

Securities identification number	587 590
Stock market abbreviation	GSC
Share capital	EUR 6,500,000
Number of unit bearer shares	2,500,000
Stock market launch	24 March 1998
Issue price	DM 42 / EUR 21.47
Year-end price prev. year (30.03.2001)	EUR 16.00
Year-end price reporting year (28.03.2002)	EUR 12.70
High (23.05.2001)	EUR 16.39
Low (24./26.09.2001)	EUR 10.45
Price/earnings ratio as at 28.03.2002	8.8
Market capitalisation as at 28.03.2002	EUR 31,750,000
Free float	100 %
Shares held by members of the Supervisory Board	0.2 %
Shares held by members of the Executive Board	1.2 %

Key indicators per GESCO share for 2001/2002

Dividend	EUR 0.75
Group net income per share	EUR 1.12
DVFA/SG earnings per share	EUR 1.45
DVFA/SG cash flow per share	EUR 5.63

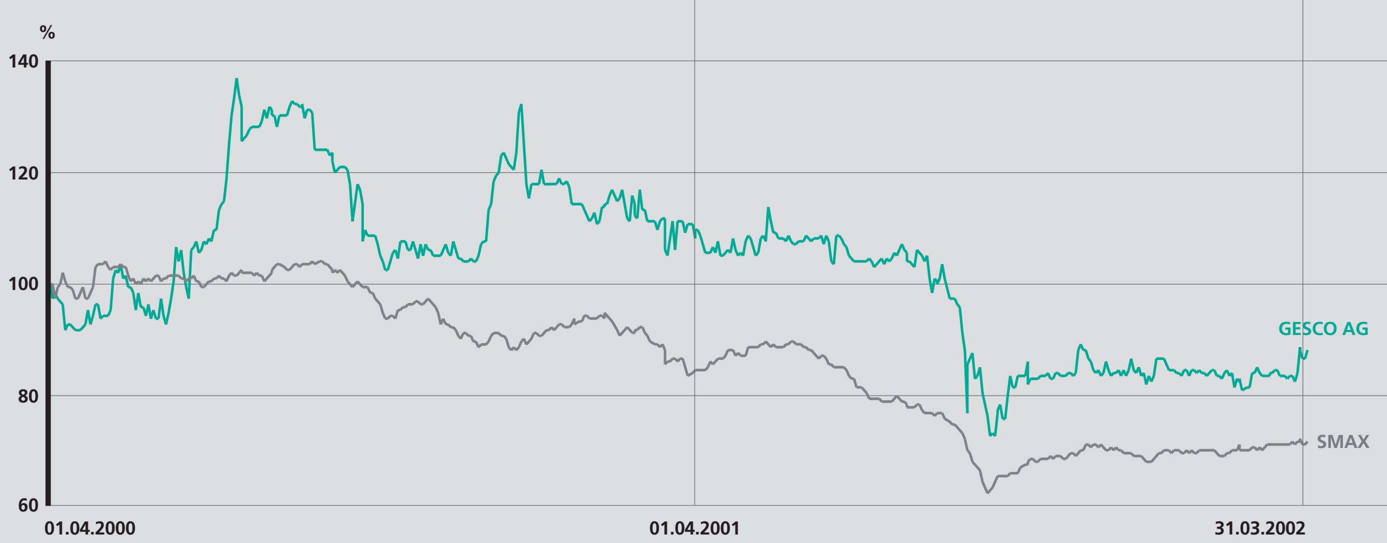
Stock exchanges

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

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

You will find a list of principal dates in the financial year until the end of 2003 in the financial calendar at the end of this annual report.

GESCO AG share price against the SMAX



STRATEGY

Dynamism and flexibility are the key success factors for SMEs. In an ideal situation, small and medium sized companies are lean, transparent organisations, able to make rapid decisions, with a high level of staff loyalty and marked customer focus. GESCO acquires these successful companies and uses its expertise to support and further develop them.

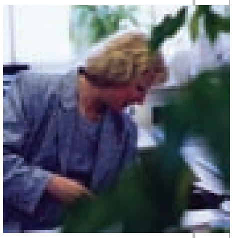
The holding company GESCO AG was established in 1989 by a group of private investors. The aim was to solve the problem of succession for industrial SMEs and thereby take advantage of the investment opportunities offered by unresolved successor arrangements. From the very beginning, GESCO concentrated on the majority acquisition of manufacturing companies, with a view to holding these investments long term.

This division which is now know as Base Technologies continues to constitute the core of our portfolio. As a strategic step, we established the complementary New Technologies division in June 2000. Both divisions are completely separate in organisational terms and adopt different investment approaches.

The core division: Base Technologies

This division represents the original and current focus of GESCO and comprises manufacturing SMEs from the two segments, tool manufacture and mechanical engineering, and plastics technology. Well managed and well positioned, these profitable niche providers are characterised both by a high level of innovation and a consistent customer and market focus.

Investments in this division are held long term. We are not exit-oriented, preferring to retain and further develop successful companies. Our subsidiaries are well placed in their respective markets and enjoy a good reputation. To maintain this strength, we preserve the identity, culture and market positioning of the individual companies.



Our company acquisitions usually result from situations where an owner/managing director has no natural successor. For existing owners selling to us, the continued existence of the company and retention of jobs are a high priority. We take over 100 % of the shares in the companies and appoint a new Managing Director. Unlike other holding companies, we offer the new manager the opportunity to acquire a stake of around 20 % in the company which he runs, following a probationary period. In this way, we attract high quality managers with entrepreneurial flair who also wish to become shareholders. With the obvious advantages this model offers for management loyalty and acceptance among the workforce, it lends individual companies, and the GESCO Group as a whole, a high degree of stability.

Although this particular management buy-in approach is generally the case at GESCO, the company will also consider participating in a management buy-out, provided a suitable Managing Director is already in place.

In both cases, the Managing Director acts completely autonomously but can look to GESCO AG for support and make use of the GESCO Group's expertise. While managing directors of SMEs tend to work in comparative isolation, at GESCO they are part of a network where strong communication ties and an in-depth exchange of ideas and experiences are commonplace.

This procedure benefits all parties: the existing owner delivers his life's work into safe hands, while the new Managing Director has space to develop as an entrepreneur, has a stake in the company (which he would have been unlikely to be able to acquire alone) and has access to the back-up provided by GESCO AG and the Group as a whole. As a shareholder, GESCO AG can participate in positive, growing results. At the same time, the company is also creating considerable macro economic benefits by offering successful companies without successors a bridge to the future, safeguarding jobs and maintaining established relationships with customers and suppliers.

The supplementary division: New Technologies

Established in June 2000, this division represents a further development in our equity story and the expansion of our successful model for managing manufacturing companies into the young growth companies segment. Investments in this field are held by our wholly-owned subsidiary GESCO Technology AG. In the case of young, up-and-coming companies, the founder or founders have to remain involved to further develop the company. For this reason, in principle we only deal in minority investments in this segment, often with strategic co-investors from relevant industries such as Agfa Gevaert, mg technologies and FAG Kugelfischer. In New Technologies too, we concentrate on manufacturing companies or companies linked to the manufacturing industry. In contrast to the Base Technologies companies, our investment focus here is medium term and exit-oriented, whether through a trade sale, IPO, buy-back by the founders or another sort of sale.

With a portfolio of six participations, this division has reached its target level and we have no plans for further acquisitions at the moment, but will be concentrating our efforts on managing and developing our existing companies.

Hard and soft factors

Choosing the right companies and the right managers is key to our success. It is only by increasing cooperation that the structure which stands on these foundations can gain in strength and stability. GESCO's aim is to pursue and broaden its own strategy and improve its portfolio, at the same time focusing on the financial controlling, support and strategic development of its subsidiaries in close cooperation with the managers of the various companies. The participation of GESCO AG as a shareholder, coupled with any necessary measures to optimise reporting systems and increase transparency, ensure that the company has a first-rate standing with banks, suppliers and customers. This gives our subsidiaries particular advantages in terms of the new capital adequacy framework for banks associated with the current debate on Basel II requirements.

Our reporting system is informative, practical and appropriate for SMEs. Financial reporting and risk management reporting is supplemented by regular local visits to the respective companies by one of the Executive Board members of GESCO AG as well as by the monthly attendance of a business administration executive. We firmly believe that there is no substitute for face to face discussion when it comes to jointly interpreting figures and analysing corporate risks and opportunities.

It is not only contact between GESCO and the individual companies which is actively encouraged; working together within the Group takes high priority. Managing Directors' meetings from time to time serve to enhance specialist expertise and ensure continuous knowledge transfer, thereby strengthening the spirit of teamwork within the Group. Although synergies are not of prime importance at acquisition stage and each company has a responsibility to be financially successful, we promote synergies and cooperation which are beneficial to all involved.

The ultimate aim of all these measures is to create value added, proving that successful companies can become even more successful as part of a holding company Group.

The divisions in the GESCO portfolio

	Base Technologies	New Technologies
Status	▪ Core component of the portfolio ▪ Built up since the establishment of GESCO AG in 1989 ▪ Investments held by GESCO AG	▪ Strategic supplement to the portfolio ▪ Built up since June 2000 ▪ Investments held by wholly-owned subsidiary GESCO Technology AG
Investment philosophy	▪ Majority holding, generally 100 % ▪ Usually as part of a successor arrangement ▪ New Managing Director appointed where required ▪ Managing Director investment, usually 20% ▪ Long term focus, not exit-oriented ▪ Return on investment from current earnings	▪ Minority investment (10 % to 40 %) ▪ Usually strategic partners as co-investors ▪ Medium term focus ▪ Return on investment from exit
Acquisition criteria	▪ Tool manufacturing and mechanical engineering and plastics technology segment ▪ Established, profitable niche providers ▪ Sales upwards of around EUR 10 million ▪ Sufficient shareholders' capital ▪ No restructuring	▪ Manufacturing companies or companies linked to the manufacturing industry ▪ Above average potential for growth ▪ Convincing USPs ▪ Start-ups with solid business plan or established companies facing a surge in growth ▪ Realistic prospects for exit at a later date

PROFILE

Since 1999/2000, we have included a detailed profile of one of our affiliated companies in each Annual Report. This year, we focus on the two sister companies AstroPlast Kunststofftechnik and Franz Funke Zerspanungstechnik, which have been members of the GESCO Group since 1995.

Previous Annual Reports have featured:

- MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG (Annual Report 1999/2000)
- Dörrenberg Edelstahl GmbH (Annual Report 2000/2001)

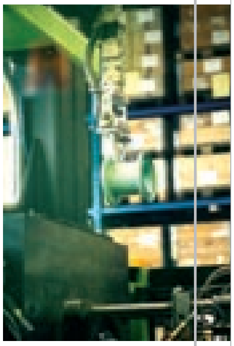
The "Corporate Profile" appended to the Annual Report provides a detailed overview of all the affiliated companies.

Innovative experts: AstroPlast and Franz Funke

The two long-established sister companies operating in the fields of plastic and metal processing are based in a country location in the Sundern region of the Sauerland. Our acquisition of the two companies represented a typical successor settlement, but as they operated in different branches of the industry, the demands placed on the new Managing Director were particularly challenging.

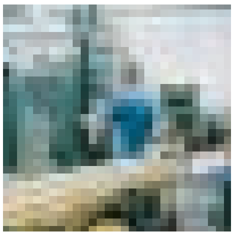
The history

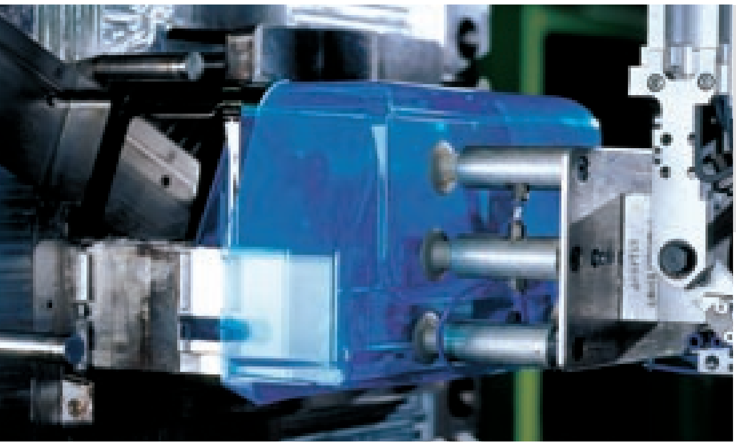
The roots of the company Franz Funke date back to 1919 when the owner's grandfather founded a metal-processing company. The factory developed slowly but steadily producing nails, rivets and screws using a pressing technique. After an inspirational visit to the USA by his grandson Fritz Funke in the 1960s, the product range of screws and rivets was expanded to include machined parts. In an extremely competitive market, the company has performed well ever since with its range of precision machined parts made from brass, aluminium and steel for use in the instruments, electrical and motor vehicle industries. Alongside this operation, Fritz Funke founded a sister company in the early 1970s producing injection-moulded plastics, at the same time establishing the present positioning of the two companies. The owner and Managing Director led both these companies for more than 30 years. However, since no successor could be found either in the family or within the company, he decided to sell. His key priorities at the time of the sale were that the two companies continued and jobs were not lost.

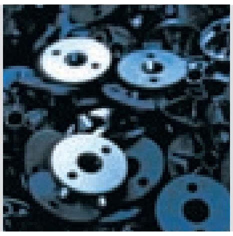


Acquisition by GESCO

GESCO AG took over 100 % of the shares in both companies in 1995, appointing as Managing Director Dr.-Ing. Wolfgang Kemper. Along with the appropriate technical and commercial knowledge, he brought into the organisation his many years of experience in the leadership of a family company. In the intervening period, Dr. Kemper has acquired a 20 % participation in each of the companies he runs.







Since the takeover of the two companies by GESCO and the appointment of Dr. Kemper, the companies have enjoyed dynamic development. They have increased their sales by more than 50 % and improved profits to a very considerable extent.

The two companies currently employ around 120 people; as previously, central functions, such as personnel, accounts, vehicle fleet management and purchasing, are carried out jointly for both companies.

In recent years, AstroPlast and Franz Funke have invested several million euros in technical equipment and production expansion.

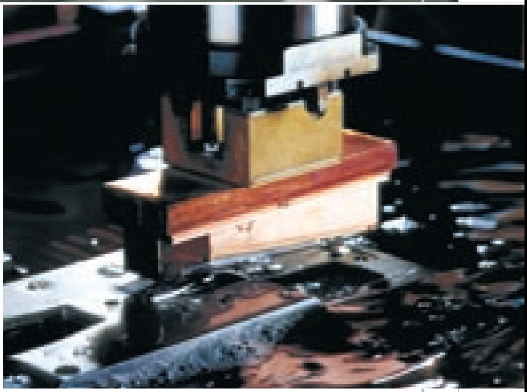
New ideas in plastic: AstroPlast Kunststofftechnik

AstroPlast, specialising in high precision injection-moulded plastics, turned out to be the company with a larger growth potential. The company achieves sales of approximately EUR 9 million and operates in two trading divisions. Some 70 % of sales are attributable to the company's own range of spools while 30 % are derived from the manufacture of customised components for different branches of industry.

AstroPlast has made a name for itself with its proprietary range of various sizes and specifications of plastic spools. To mention just a few examples, customers wind wire, cables, monofilament, tapes and optical fibres on to the spools. Extreme accuracy is required because some of these materials have a diameter of only a few hundredths of a millimetre, such as fine wire used in the production of watches and in the microchip industry. It is particularly important that the body of the spool has no seams which could possibly damage the wound goods or its coating. These spools are produced using precision tools, manufactured with a high level of technical knowhow in the company's in-house tool-making workshop and serviced and maintained on a regular basis.

The spools are produced in a very robust, reusable design and also in a lighter-weight, disposable version for export purposes. The product range also includes various packaging and transport containers for spools of different sizes made from different materials.

In addition to this proprietary product range, AstroPlast produces "technical parts" on a customised, made-to-order basis for various branches of industry such as the electrical and household appliance industries and the office supplies sector. Almost every hotel or caravan refrigerator manufactured contains parts made by AstroPlast. This Sundern based company also supplies well known manufacturers of washing machines and heating thermostats.



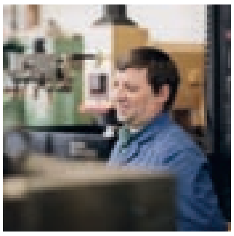
AstroPlast uses a range of advanced equipment including CNC controlled machine tools in the tool-making shop, microprocessor controlled injection-moulding machines, two-component injection moulding machines, a central material drying and supply unit, ultrasound welding machines and finishing machines such as printing machines for ink-ball printing and screen printing. The company can therefore offer complete production under one roof using internally produced tools at a consistently high, accurately defined quality. Product quality is monitored via a certified quality management system from control of the raw material through to checking and testing the finished parts. The quality control system also includes integration of suppliers within the process chain.

The reliability and flexibility of the organisation depends to a significant extent on the in-house tool-making shop, which develops, designs and makes the tools necessary for manufacture of the relevant plastic components. This strengthens the independence of the company and contributes to the company's dominance of the complete process chain; many years of production experience flow directly into the design of these tools. All of which means that the tools can be serviced, maintained or modified extremely promptly.

However, AstroPlast not only ensures quality of its "hardware", the company is also constantly expanding its "software", in order to distinguish itself from the competition in the field of supplementary services. Indeed, development and consultancy services for customers are assuming an increasing importance. When AstroPlast is involved in the customer's project planning phase, the team from Sundern can provide suggestions based on its many years of experience.

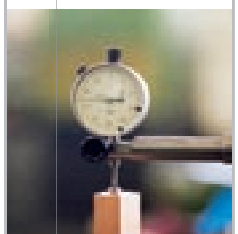
The quality of consultancy services relies especially on the creativity and imagination of the team members who are developing new solutions. People in the industry are able to recognise the careful thought on which these products are based from the practical details included in the company's range of spools and transport containers as well as in the technical parts range.

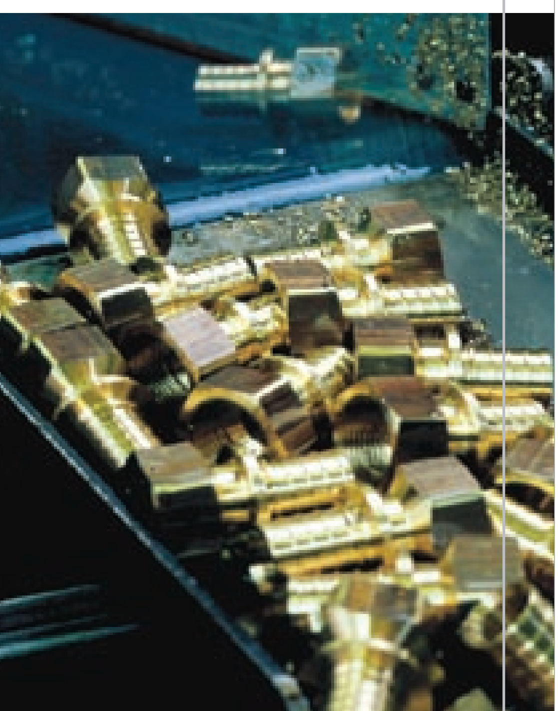
All in all, business is buoyant at AstroPlast. The company works around the clock in a three-shift system. Every month more than 150 tonnes of plastic, predominantly polystyrene and ABS, are processed.

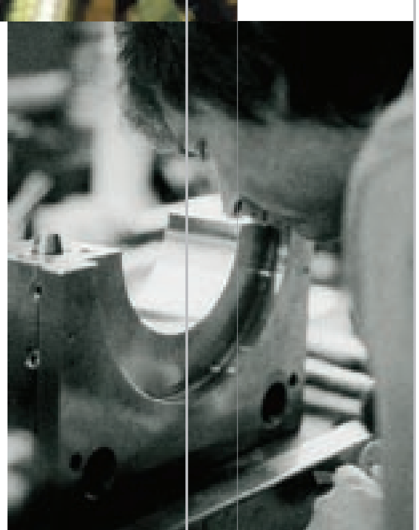


In 2001, AstroPlast acquired a 40 % participation in Kühlmann Kunststoff-Technik GmbH in Geseke, a supplier of injection-moulded plastic parts with sales of approximately EUR 6.5 million. There are plans to increase the holding in the next few years. The two companies complement one another in production and machinery and co-operate in sales and distribution.

AstroPlast intends to build upon its successful reputation for new ideas. The company goes beyond its products and develops innovative solutions, which intelligently support the customer's business processes. At the trade fair "Wire 2002" in Düsseldorf, spools fitted with transponders and an Internet-based management system for consignment stores received a very positive response



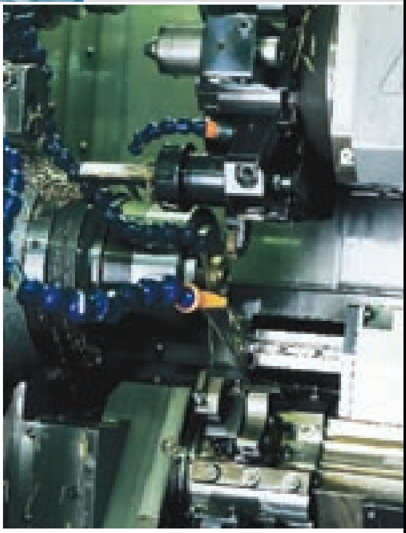




Precision in metal: Franz Funke Zerspanungstechnik

As a company specialising in metal cutting technology, Franz Funke manufactures machined parts with diameters from 6 mm to 65 mm predominantly in nonferrous metals, such as brass, but also in aluminium and steel. The company's customers operate primarily in the fields of sanitary ware, air-conditioning, electrical goods, motor vehicles and mechanical engineering. Over recent years, Franz Funke has also invested in equipment and now has advanced technical facilities including CNC controlled machines with single-spindle and multiple-spindle technology. In addition to metal cutting, the range of services includes processes such as galvanic surface treatment, component-group assembly, thermal material treatments and bonding techniques such as soldering, welding and pressing.

Alongside the company's technical equipment, the experience, creativity and above-average commitment of the skilled workforce make a decisive contribution to the company's success. In a highly competitive market, Franz Funke has asserted itself successfully in terms of performance capability, reliability and flexibility.



Franz Funke operates a three-shift system on five days of the week processing approximately 200 tonnes of material every month. Over recent years, the company has successively trimmed its product range distancing itself from certain products, but at the same time continuously increasing sales and profit. At present, sales are approximately EUR 6 million.

Whenever necessary, the two sister organisations co-operate, for example, when machined parts need to be coated with plastic. Franz Funke also has a certified quality management system and monitors the quality of products on a continuous basis.

Exemplary in terms of the environment

Environmental protection is a matter of high priority for both companies. AstroPlast recovers granulate from production surplus and rejected parts and feeds this back into the production cycle; brass chips occurring during production at Franz Funke are treated as valuable raw materials rather than as waste. In both companies, the entire production process is optimised in terms of environmental protection. For example, thermal energy recovered at AstroPlast is used as a source of heat for both sister companies.

AstroPlast and Franz Funke within the GESCO Group

If you ask Dr. Kemper the secret of the success of the two companies, his immediate answer will be “my creative colleagues”. The specialist expertise and knowhow demonstrated by the staff are supplemented by an innovative approach, an understanding of the customer’s processes, interdisciplinary thinking and most importantly by taking pleasure in the success of practical solutions.

Like all the organisations in the GESCO Group, these two Sundern based companies are integrated into the structure of the group. GESCO offers the companies operational independence in combination with close support. A member of the Executive Board of GESCO AG regularly visits every organisation in the group; a business consultant is present in each company on a monthly basis.

As Dr. Kemper explains, “the concept is particularly attractive, because I am free to develop as a Managing Director but, at the same time, I have the accounting and financial controlling expertise of GESCO behind me. It’s a very reassuring feeling.” One further plus is the lively exchange of experience between the Managing Directors of the various affiliated companies. As Dr. Kemper puts it, “the Managing Directors of SMEs normally conduct their business under a shroud of secrecy; they cannot usually discuss their problems with anybody. With us, the reverse is true; there is no need to hide, and all of the various questions arising can be discussed openly.”

Conversely, GESCO can draw on the technical expertise of the Managing Director whenever necessary, for example, in preparation for acquisition projects. In other words, this is a partnership from which both sides benefit. And the former owner is also pleased to note that his life’s work has been continued with such success.

DIRECTORS' REPORT

The performance by GESCO Group companies in a difficult market has proven the worth of our strategy.

General conditions

Following dynamic growth of 3 % in 2000, gross domestic product in Germany rose by only 0.6 % in 2001 with growth rates falling quarter by quarter and, at -0.1 %, entering negative territory in the last quarter.

When considering the general conditions, a distinction should be made between the activities of GESCO AG as a holding company and the segments in which our operating subsidiaries are involved. In 2001, the situation for holding companies was marked by the debate on the lack of exit opportunities resulting from the bear market on the stock exchange. GESCO AG was not affected by this as our investment approach in the Base Technologies division is long term and we are not looking for exit opportunities. In the New Technologies Division we do not expect to sell any investments for two or three years at the earliest.

Base Technologies division

Tool manufacture and mechanical engineering segment

The Verband deutscher Maschinen- und Anlagenbau e.V. (German Machinery and Plant Manufacturers Association) reported a drop in incoming orders of 7 % for 2001. The year began with high volumes of orders but demand dropped more and more in subsequent months. For 2002, the Association expects production to fall by 2 %, but sees opportunities for a recovery in the second half of the year.

Plastics technology segment

The Gesamtverband Kunststoffverarbeitende Industrie e. V. (Association of Plastic Goods Producers, GKV) reported a 0.6 % increase in sales in 2001 compared with the previous year. For 2002, the GKV expects a slight increase in sales at best.

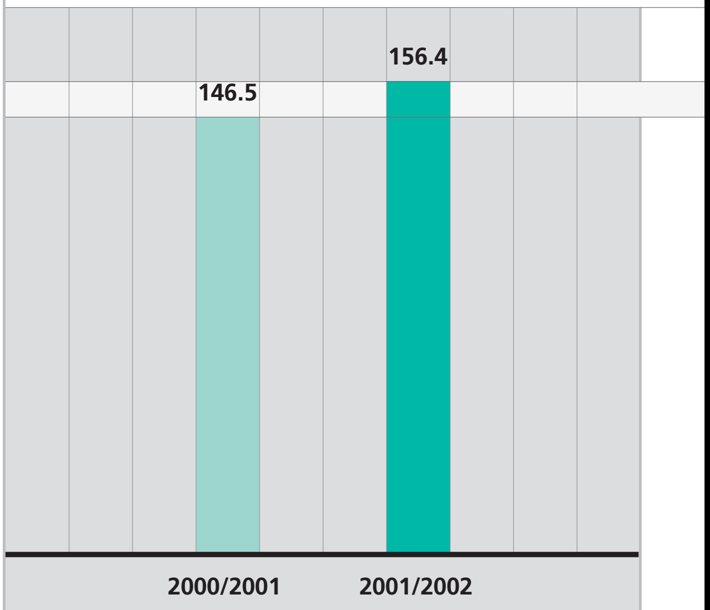
New Technologies division

The main focus of our portfolio in this division is semiconductor and transponder technology as well as microtechnology. Those of our subsidiaries that are already operating were far harder hit by the economic downturn than the companies in the Base Technologies division. The Zentralverband Elektrotechnik und Elektroindustrie e. V. (Association of the Electrical Engineering and Electrical Industries) reported a 15 % drop in sales in the semiconductor industry in Germany. The already negative trend intensified as a result of the terror attacks of 11 September 2001 and developed into severe investor restraint on the part of potential industrial customers with regard to New Technologies and IT products.

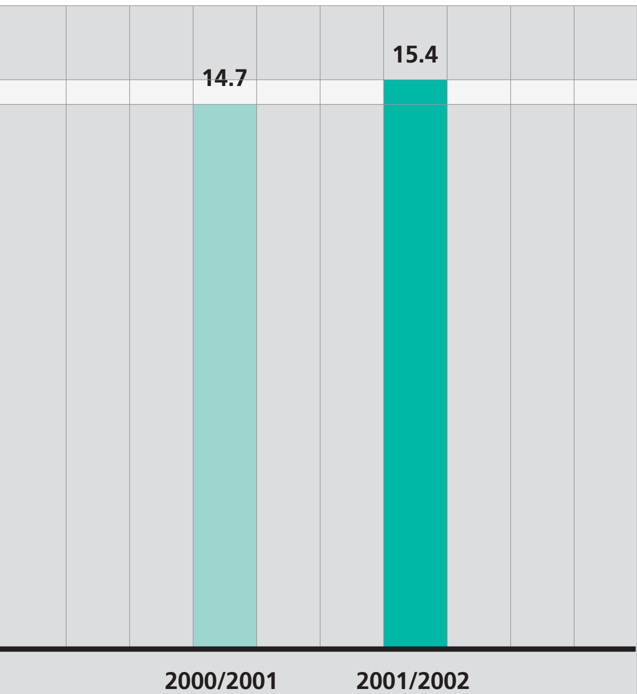
Sales and profits

Including the pro rata sales of SVT GmbH which joined the Group at the beginning of 2002, sales rose by 6.8 % to EUR 156.4 million (EUR 146.5 million).

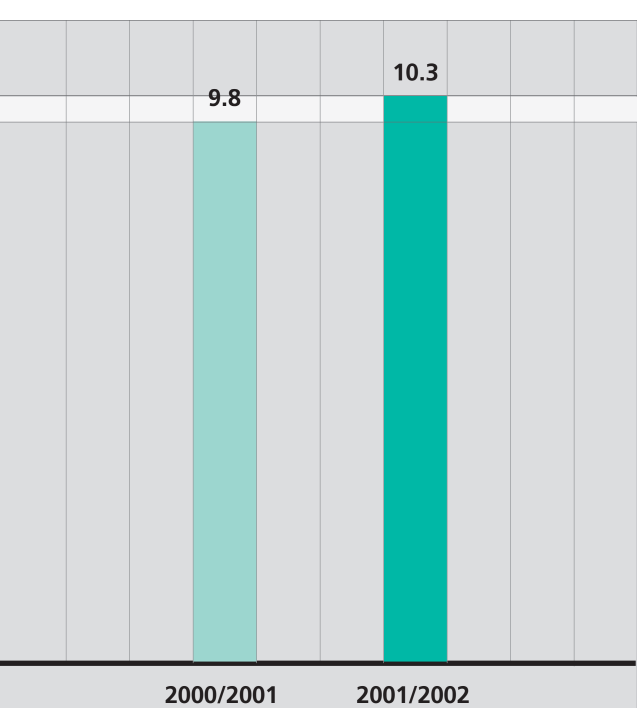
Group sales in EUR million



**Group EBITDA
in EUR million**



**Group EBIT
in EUR million**



The operating business of companies in the Base Technologies division, our most important source of earnings, remained on course and the companies maintained their operating earnings power. Results were depressed by around EUR 0.3 million as a result of the storm damage at Dörrenberg Edelstahl GmbH. At some EUR 15.4 million, earnings before interest, tax and depreciation (EBITDA) were well up on the figure for the previous year (EUR 14.7 million). Earnings before interest and tax (EBIT) stood at EUR 10.3 million (EUR 9.8 million).

Since the GESCO Group is largely financed in Swiss francs because of the interest rate advantages this offers, the high exchange rate of the Swiss franc against the euro led to an accounting increase in our liabilities to financial institutions of some EUR 1.1 million. The book losses resulting from the change in exchange rates are offset by considerable interest benefits.

In the previous year, securities were brought into a partial securities repurchase agreement with extension option. The changed tax framework meant that extending the repurchase agreement would have made it impossible to subsequently use any price falls for tax purposes. As a result, the securities were taken back at the end of 2001 and transferred to fixed assets. Securities held as current assets were also transferred to fixed assets. In total this contributed EUR 8.8 million to investments in the "GESCO AG/Other/Consolidation" segment. The valuation in the Group under company law in accordance with the less strict lower of cost or market principle led to unscheduled writedowns of EUR 3.0 million. No use was made of the option of undertaking further depreciation. This depreciation is offset by substantial fiscal benefits in financial year 2001/2002 and to a lesser extent in the two subsequent years.

Taking account of depreciation on financial assets and investments, the financial result amounted to EUR - 6.0 million (EUR - 1.3 million). The Group tax ratio was reduced markedly from 41.8 % to 13.6 %. Group net income for the year amounted to EUR 2.8 million (EUR 4.1 million).

GESCO Group profit and loss account

	2001/2002 EUR '000	2000/2001 EUR '000	Change
Sales revenue	**156,431**	**146,481**	**6.8 %**
Change in stocks of finished and unfinished products	-1,973	1,848	–
Other company produced additions to assets	345	216	59.7 %
Operating performance	**154,803**	**148,545**	**4.2 %**
Other operating income	4,110	2,857	43.9 %
Expenditure on materials	-77,979	-75,167	3.7 %
Personnel expenditure	-46,429	-44,232	5.0 %
Depreciation	-5,168	-4,936	4.7 %
Other operating expenditure	-18,993	-17,218	10.3 %
Financial results	-6,041	-1,317	–
Earnings from ordinary business activity	**4,303**	**8,532**	**-49.6 %**
Taxes	-680	-3,643	-81.3 %
Net income for the year	3,623	4,889	-25.9 %
Share of the result attributable to minority interests	-834	-787	6.0 %
Group net income for the year	**2,789**	**4,102**	**-32.0 %**

The DVFA/SG result amounted to EUR 3.6 million (EUR 4.0 million); DVFA/SG cash flow rose to EUR 14.1 million (EUR 10.1 million).

Under the influence of the factors mentioned, the return on capital employed (ROCE) failed to reach the previous year's high figure of 15.4 % and stood at 14.0 %.

Sales and profits by segment

Detailed tables containing the segment reports can be found in the Notes to the Group financial statements. They are divided into the segments tool manufacture and mechanical engineering and plastics technology in the Base Technologies division, and New Technologies.

Tool manufacture and mechanical engineering is the most important segment, accounting for 79 % of sales and 76 % of total operating EBITDA. Sales grew by 12.6 % partly due to the first-time consolidation of SVT GmbH; profits rose by 13.9 %. At EUR 4.4 million, investment was running at the level of the previous year. Staff numbers rose by 7.7 % to 816 (758).

Tool manufacture and mechanical engineering		**2001/2002**	**2000/2001**	**Change**
Sales	EUR '000	122,405	108,673	12.6 %
Share in Group sales		79 %	74 %	–
EBITDA	EUR '000	13,679	12,012	13.9 %
Share in total operating EBITDA		76 %	68 %	–

Plastics technology

		2001/2002	2000/2001	Change
Sales	EUR '000	33,306	37,331	-10.8 %
Share in Group sales		21 %	26 %	–
EBITDA	EUR '000	4,310	5,595	-23.0 %
Share in total operating EBITDA		24 %	32 %	–

By contrast, **plastics technology** accounts for 21 % of Group sales and 24 % of total operating EBITDA. Following the boom year of 2000, sales and profits in this segment fell. The reason for the sharp increase in investments to EUR 5.3 million is primarily attributable to the construction of a production facility with a new foaming plant at Ackermann Fahrzeugbau. The number of employees fell by 13.4 % to 187 (216).

New Technologies does not report any sales since the companies in this segment are minority holdings that are not fully consolidated. Earnings do not accrue until the sale of the investments, which is planned for a later date. Apart from GESCO Technology AG, the pro rata results of those subsidiaries in which GESCO Technology AG has an investment of at least 20 % were included in the segment reporting. The investments reported in this segment relate to the acquisition of holdings. Depreciation, which was charged against two investments in the financial year, is reflected in the financial result.

More detailed information on the companies in both business divisions can be found in the supplement to the annual report, "Corporate Profile".

Sales by region

In financial year 2001/2002, the GESCO Group's export ratio increased yet again, amounting to 21.9 % (19.3 %). 12.9 % of sales were achieved in European countries apart from Germany and 9 % outside Europe. This increase was primarily attributable to the high ratio of exports at SVT GmbH. Since many of our companies' domestic purchasers are themselves export-oriented, domestic sales also include indirect exports that are not reflected in the figures.

Sales by region	**2001/2002**	**2000/2001**
Germany	78.1 %	80.7 %
Europe	12.9 %	14.6 %
Outside Europe	9.0 %	4.7 %
Total	**100.0 %**	**100.0 %**

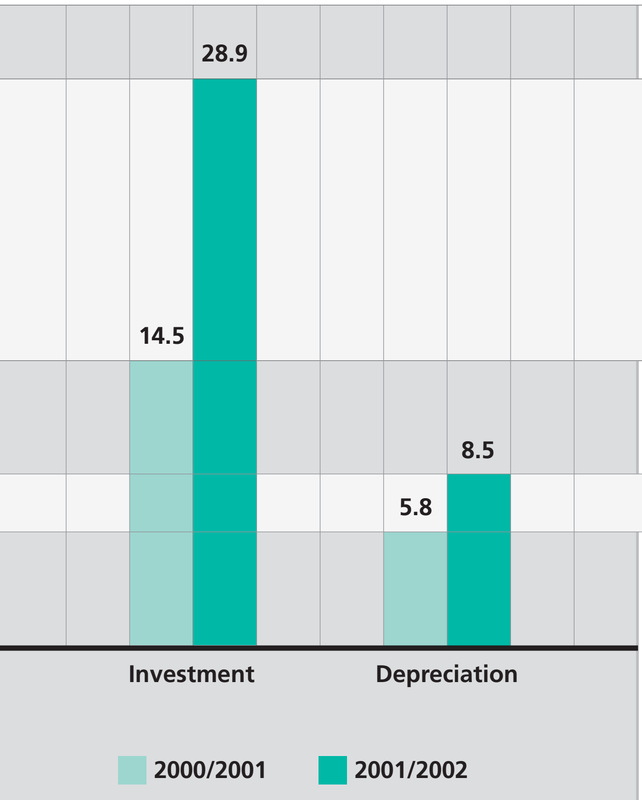
Sales by customer sector

Group sales remain widely distributed over various customer groups. Plant construction and mechanical engineering dominate but overall customers are broadly spread. This diversified customer base contributes to the diversification of risk in our portfolio and counteracts dependence on the economic cycles in individual sectors. The Group is neither dependent on individual customers nor on specific sectors.

Sales by customer sector

	2001/2002	2000/2001
Plant construction and mechanical engineering	28 %	28 %
Car and commercial vehicle construction	18 %	23 %
Iron, sheet metal and metal processing, tool manufacture	13 %	13 %
Construction, air conditioning, sanitation	11 %	12 %
Electrical, domestic appliances and medical technology	8 %	8 %
Foundries and rolling mills	6 %	8 %
Energy/supply	6 %	1 %
Chemical and petrochemical industries	2 %	2 %
Other customer groups	8 %	5 %
Total	**100 %**	**100 %**

Investment and depreciation
in EUR million



Investment and depreciation

At EUR 28.9 million, investment amounted to almost double the figure for the previous year (EUR 14.5 million). Of this, around a third was attributable to the acquisition of shareholdings, a third to investments in our subsidiaries' operating business and a further third in the securities held as fixed assets mentioned above.

In financial year 2001/2002, investment by the operating companies again focused on expanding production capacity. Ackermann Fahrzeugbau built a new production facility with a new foaming plant, which will be commissioned in mid-2002. The costs for this amounted to some EUR 6.2 million in total. This investment represents a milestone for Ackermann, which is expanding its product range and increasing productivity by completely redesigning its production flow.

Haseke constructed a new hall in order to substantially expand its production area and rationalise its production processes and introduced an ERP system to integrate operating processes on the IT system.

MAE also increased its production area by building new facilities and was therefore able to optimise its processes for the production of wheel presses in particular. The company also constructed a new building to house its expanded administration and design activities.

Since a large number of operating companies have invested heavily in recent years, a levelling off in investment in tangible assets is planned for financial year 2002/2003.

Depreciation including depreciation on financial assets amounted to EUR 8.5 million (EUR 5.8 million).

Research and development

For our companies in the **Base Technologies division**, research and development is a continuous customer and market-driven process in which application-oriented solutions are created in close cooperation with customers. Thanks to their specialised expertise, our companies benefit from the trend towards outsourcing in large-scale industry and are involved by their customers as partners as early as the development phase.

In addition to processing customer enquiries and orders, our companies attach great importance to proactively instigating improvement processes, refining products and distinguishing themselves from their competitors with innovative solutions.

Committed employees, who adopt a holistic approach and who examine customers' process chains critically, are essential to finding solutions that meet the demands of the market. At the majority of our companies, a company suggestion scheme encourages employees' creativity.

In 2001, Dörrenberg continued to work on the user-oriented development of material and process technology. This included, for example, coating the surfaces of aluminium tools, hardening the edges of tools and tool segments and the development of new steel materials.

MAE worked at the innovative refinement of its product range of levelling machines and wheel presses.

With its new foaming plant, Ackermann broke new ground in terms of process technology and developed innovative processes for foaming large scale panels using penthan with partners from the chemical and mechanical engineering industries.

Research and development plays a particularly important role for the companies in the **New Technologies division**. Silicon Vision AG, for example, further developed its innovative image sensor chips during the past year and modified them for specific areas of application. In recent years, OPS Automation AG has developed an innovative sensor for monitoring the status of machinery and pumps using frequency analysis, which is based on space travel technology.

Procurement

Our subsidiaries view their suppliers as partners. Supplier audits ensure that the stipulated quality is reliably maintained. A wide circle of suppliers protects against dependence on individual suppliers. There were no supply bottlenecks in the year under review.

Group balance sheet

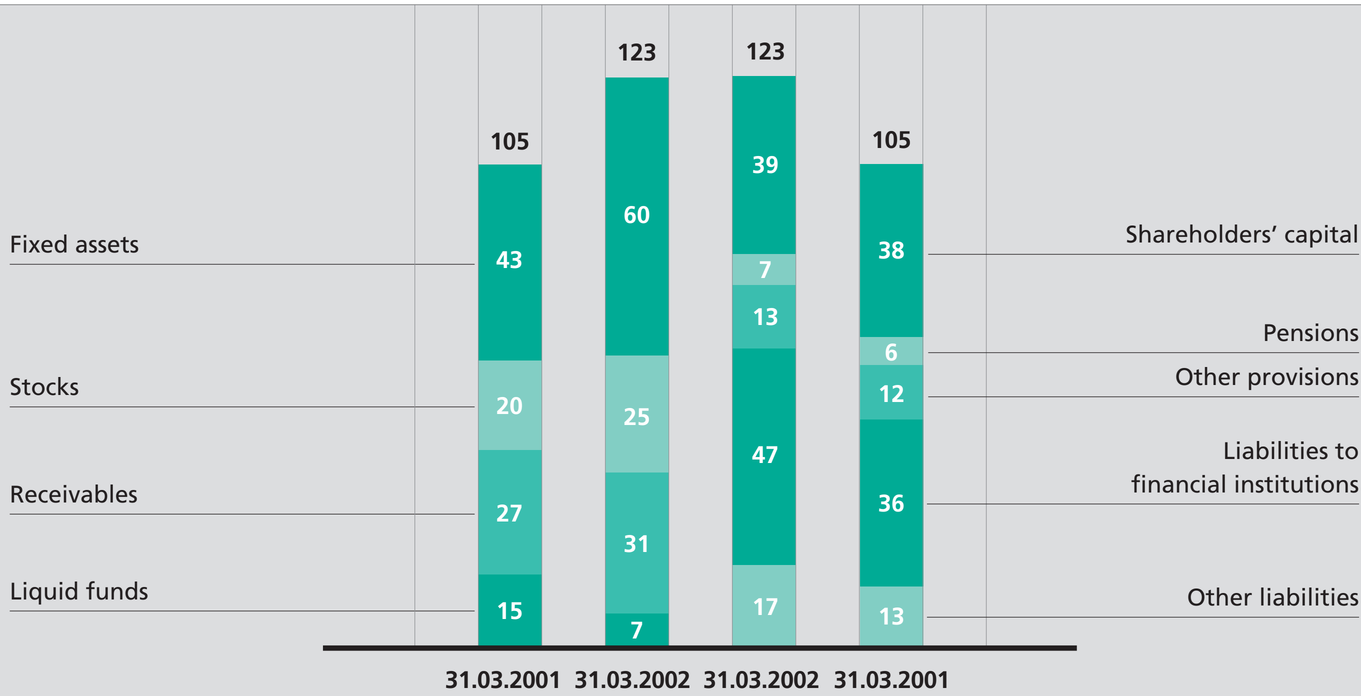
In March 2002, GESCO AG sold 34 % of its shares in Paroll Doppelboden-Systeme GmbH & Co. KG to the Managing Director, who now holds 60 % of the company, while GESCO has retained the remaining 40 %. Since the shareholding was already below 50 % on GESCO AG's balance sheet reporting date, Paroll is no longer included with its individual assets and liabilities in the consolidated balance sheet for financial year 2001/2002 but its individual items of income and expenditure are still included in the Group profit and loss account. In future, Paroll will be included in the consolidated financial statements using the equity method.

This disposal from the group of fully consolidated companies is offset by an addition: in March 2002, the newly established subsidiary SVT GmbH acquired the entire business activities of Schwelm Verladetechnik GmbH with retrospective effect to 1 January 2002; SVT GmbH is included in the consolidated financial statements with its rump financial year from 18 January to 31 March 2002.

Following the end of the financial year in April 2002, we took over 100 % of the shares in Hubl GmbH in Vaihingen/Enz, a stainless steel processor, which is successful as a supplier to customers in clean room technology, the semiconductor industry as well as the medical and pharmaceutical industries, with retrospective effect to 1 January 2002. In 2001, the company generated sales of EUR 8.2 million. Since the acquisition took place after the balance sheet reporting date, Hubl is not included in the consolidated financial statements for 2001/2002.

Compared with the previous year, total assets rose by 17.3 % to EUR 123.0 million (EUR 104.9 million).

Group balance sheet as at 31 March 2001 and 31 March 2002 in EUR million



On the assets side of the balance sheet, this increase includes the high level of investments undertaken by the GESCO Group. The rise in fixed assets, stocks and receivables is offset by a reduction in liquid assets.

Goodwill from the acquisition of the business activities of Schwelm Verladetechnik GmbH and subsequent purchase costs for a subsidiary acquired in previous years constitute important components of the increase in fixed assets. The increase in investments of some EUR 1.3 million is the result of investments by GESCO Technology AG in new associated companies. Securities held as fixed assets included those securities, which were part of a securities repurchase agreement and transferred to fixed assets together with securities held as current assets at the end of 2001 (EUR 5.8 million).

On the liabilities side, at 31.8% the capital ratio maintained a good level despite a marked extension in the balance sheet. The share capital was converted from DM to EUR through a resolution by the General Meeting on 30 August 2001 and increased by EUR 108,851.49 to EUR 6,500,000 by converting revenue reserves to even out the capital base. As a result of the high level of investment and the rise in the Swiss franc, liabilities to financial institutions rose. The increase in other liabilities related to the purchase costs for the acquisition of associated companies that are not yet due.

The conversion to the euro was effected smoothly across the Group on 1 January 2002.

In accordance with the guidelines of the German stock exchange for the small-cap segment of the market, as a Group we will be switching to reporting to International Financial Reporting Standards (IFRS) from financial year 2002/2003.

Risk report and risk management

Within the GESCO Group, risk management is viewed as a key management task. Both at subsidiary level and aggregated at Group level, risk relevant factors and events that may emerge from developments in the company, from their respective markets and technologies or from relationships with customers, suppliers or lenders are monitored and assessed continuously in real-time. The individual items are discussed and reviewed for their relevance in monthly meetings with the subsidiaries.

New subsidiaries are immediately integrated not just in the reporting system, but also in the risk reporting system.

Since no exits are planned for financial year 2002/2003, the situation on the capital markets in this time frame will have no impact on business development at GESCO Technology AG. In their operating business, GESCO Technology AG's affiliates are faced with substantial challenges in certain cases, as the investment attitude of industry in the case of new technologies and IT is currently characterised by marked restraint.

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

Environmental protection

Above and beyond compliance with statutory obligations and directives, a duty to protect the environment is an integral part of the corporate philosophy of our subsidiaries.

Our largest subsidiary, Dörrenberg Edelstahl GmbH, was the first German manufacturer of stainless steel to have a system of environmental management verified by the Technical Inspection Authority (TÜV) and is certified accordingly. In February 2002, the second monitoring audit took place and confirmed the viability of the environmental management system in accordance with DIN EN ISO 14001. The audit encompassed the entire Ründeroth plant with its four divisions, stainless steel, stainless steel mould castings, precision castings and surface technology as well as the plant disposal site in Stiefelhagen.

MAE also sets great store by the eco-friendliness of its products. As a result, for some parts of the levelling machines the traditional oil-powered hydraulic drive was replaced by an electromechanical drive, significantly reducing the amount of oil used and cutting energy consumption by around 80 %.

With its large-scale investment in a new foaming plant, Ackermann is taking account of the demands of the legislator for the production of CFC-free foamed panels from 2004.

Employees

At the balance sheet reporting date, the GESCO Group employed a staff complement of 1,095. The rise of 7.9 % on the previous year (1,015) is mainly due to the first-time consolidation of SVT GmbH and its 119 members of staff.

The employees are fundamental to the success of our subsidiaries. The GESCO Group enjoys low staff turnover, a high level of commitment to and identification with the company, specialist expertise, a cross-divisional approach and a consistent focus on customers' requirements.

Management, the Works Council and the workforce cooperate in the interests of the company in question and of jobs.

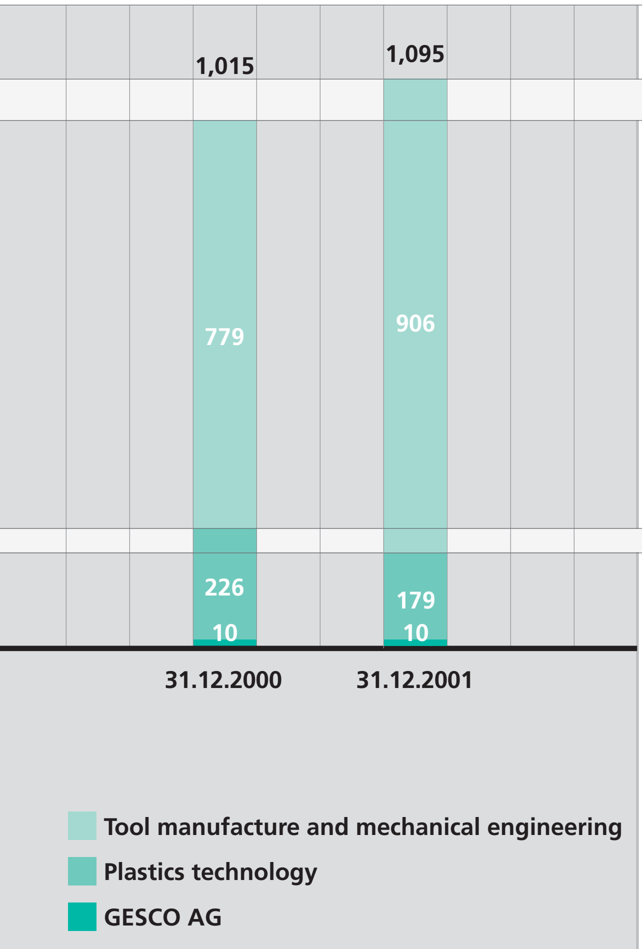
The managers at our companies are aware of the vital role played by personnel matters and view these as an important management task. Our subsidiaries are generally recognised as important training centres in their respective regions and ensure that our staff's expertise in their relative special areas and, for example, in IT is continuously developed.

GESCO AG's investment philosophy envisages local managers having a stake in the companies they run so that managers not only participate directly in their companies' success but are also directly affected via their own pockets in the case of investment decisions. In addition, most managers are also shareholders in GESCO AG. The remuneration of our managers comprises a fixed and a variable, performance-related component, the level of which is geared to predefined targets linked to the company's results.

The remuneration of the Executive Board of GESCO AG also comprises a fixed and a variable, performance-related component. In financial year 2001/2002, we undertook an extensive review of the costs and benefits of a share option programme for members of the executive bodies and concluded that the personnel expenditure and the costs of installing and maintaining a programme of this kind are disproportionate to the potential added value for a company of our size and structure. The Executive Board and Supervisory Board are shareholders in GESCO AG and view this as a long term commitment. In conjunction with the stake held by managers in the companies they run, we have a model, which we are convinced is superior to any share option programme. On 30 August 2001, we presented the results of this review to the General Meeting and subsequently obtained broad agreement from both shareholders and shareholder representatives.

In autumn 2001, GESCO AG offered all Group employees the opportunity to buy GESCO shares, in line with the permitted limits under tax regulations, under an employee share scheme for the fourth time in succession. Group-wide, 27.1 % of all employees took up this offer to accumulate private capital with an investment in GESCO shares.

Employees by business division



Outlook

Experts' expectations for economic framework data are continuously changing and estimates on the time frame and extent of the expected economic upturn vary greatly. It is therefore extremely difficult to make any forecasts at the moment. There is no uniform trend with regard to incoming orders for the first months of the new financial year 2002/2003, and while they are satisfactory, there is currently still no evidence of strong impetus for a sustained upturn in the economy.

Our companies in the Base Technologies division are well positioned in their respective markets and should be able to reap above average benefits if the economy recovers again. For those companies in the New Technologies division that are already operating, the new financial year will be the one in which they prove themselves.

Presupposing that the forecast moderate economic recovery materialises, we expect a slight increase in sales and profits for the GESCO Group on financial year 2001/2002.

Our acquisitions are currently focused on the Base Technologies division and will remain so over the next few years. A larger number of medium sized companies are faced with the question as to who will succeed the present owners and many are also on the threshold of growth that they are unable to cope with from their own resources as family companies. GESCO AG with its long term focus, its partnership model and its understanding of ambitious, innovative medium-sized companies is an attractive partner both in resolving the question of succession and in providing support in the path towards growth.

FIGURES

Financial year 2001/2002 in figures:

The annual financial statements of GESCO AG and the GESCO Group.

GESCO AG

Annual financial statements as at 31 March 2002

GESCO AG – Balance sheet as at 31 March 2002

Assets

		31.03.2002 EUR	31.03.2001 EUR '000
A. FIXED ASSETS			
I. Intangible assets			
1. IT software		67,564.00	90
II. Tangible assets			
1. Other plant, fixtures and fittings	(1)	214,661.62	243
III. Financial assets			
1. Shares in affiliated companies	(2)	34,708,268.16	26,037
2. Investments		1,080,568.72	925
3. Other loans		0.00	767
		35,788,836.88	27,729
		36,071,062.50	**28,062**
B. CURRENT ASSETS			
I. Receivables and other assets			
1. Claims on affiliated companies	(3)	10,708,775.01	11,294
of which with a remaining term in excess of one year: EUR 2,973,302.90 (EUR 3,519 thousand)			
2. Claims on companies with which a shareholding relationship exists		662,134.46	17
of which with a remaining term in excess of one year: EUR 436,825.65 (EUR 0 thousand)			
3. Other assets	(4)	6,972,583.85	2,655
of which with a remaining term in excess of one year: EUR 1,694,949.66 (EUR 1,612 thousand)			
		18,343,493.32	13,966
II. Securities			
1. Own shares	(5)	323,751.42	6
2. Other securities	(6)	2,812,635.39	4,386
		3,136,386.81	4,392
III. Cash in hand, credit balances with financial institutions		2,191,186.43	9,083
		23,671,066.55	**27,441**
C. PREPAID EXPENSES		**11,486.56**	**31**
		59,753,615.62	**55,534**

BALANCE SHEET

Liabilities

		31.03.2002 EUR	31.03.2001 EUR '000
A. SHAREHOLDERS' CAPITAL			
I. Subscribed capital	(7)	6,500,000.00	6,391
II. Capital reserves		21,142,226.07	21,142
III. Revenue reserves			
1. Statutory reserves		58,717.27	59
2. Reserve for own shares		323,751.42	6
3. Other revenue reserves	(8)	7,532,391.99	6,672
		7,914,860.68	6,737
IV. Profit carried forward		17,560.84	0
V. Net income for the year		2,604,521.58	3,077
		38,179,169.17	**37,347**
B. PROVISIONS			
1. Provisions for pensions and similar obligations	(9)	529,962.84	386
2. Tax provisions		65,137.63	138
3. Other provisions	(10)	1,448,414.00	1,503
		2,043,514.47	**2,027**
C. LIABILITIES	(11)		
1. Liabilities to financial institutions of which with a remaining term of up to one year: EUR 149,844.52 (EUR 0 thousand)		16,010,894.73	15,891
2. Trade creditors of which with a remaining term of up to one year: EUR 31,438.92 (EUR 18 thousand)		31,438.92	18
3. Liabilities to affiliated companies of which with a remaining term of up to one year: EUR 112,610.57 (EUR 26 thousand)		112,610.57	26
4. Other liabilities of which taxes: EUR 839,235.28 (EUR 167 thousand) of which social security: EUR 10,594.51 (EUR 11 thousand) of which with a remaining term of up to one year: EUR 3,375,987.76 (EUR 225 thousand)		3,375,987.76	225
		19,530,931.98	**16,160**
		59,753,615.62	**55,534**

GESCO AG – Profit and Loss account

P+L

			01.04.2001 -31.03.2002 EUR	01.04.2000 -31.03.2001 EUR '000
1.	Earnings from investments EUR 11,909,540.31 (EUR 7,427 thousand))		11,909,540.31	7,431
2.	Other operating income	(12)	704,886.66	1,789
3.	Personnel expenditure			
	a) Wages and salaries		-1,124,279.79	- 1,068
	b) Social security contributions and expenditure on pensions and benefits of which on pensions: EUR 156,052.77 (EUR 61 thousand)		-229,914.92	- 130
4.	Depreciation on tangible and intangible assets		- 106,102.44	- 96
5.	Other operating expenditure	(13)	- 6,669,509.52	- 2,083
6.	Income from other securities and from lending financial assets		19,466.39	33
7.	Other interest and similar earnings of which from affiliated companies: EUR 220,812.22 (EUR 170 thousand)		670,395.29	1,047
8.	Depreciation on financial assets and securities held as current assets		- 233,972.79	- 860
9.	Interest and similar expenditure of which to affiliated companies: EUR 21,540.24 (EUR 1 thousand)		- 493,017.47	- 693
10.	Expenditure on the assumption of losses	(14)	- 2,137,420.21	0
11.	**Earnings from ordinary business activity**		**2,310,071.51**	**5,370**
12.	Taxes on income and earnings		295,360.00	- 2,292
13.	Other taxes		- 909.93	- 1
14.	**Net income for the year**		**2,604,521.58**	**3,077**

1. Accounting and valuation methods

The annual financial statements as at 31 March 2002 have been compiled in accordance with the provisions on classification for major companies contained in the Commercial Code and take account of the legal principles of accounting and valuation as well as the terms of the articles of association.

The annual financial statements were compiled before appropriation of profits.

Fixed assets are reported at the cost of acquisition. Movable tangible assets are depreciated on a straight-line basis over their normal useful life. Minor value assets are written off immediately according to the discretionary valuation permitted by § 6 Para. 2 EStG (Income Tax Act). In accordance with the regulations simplifying tax matters, the full annual amount of depreciation is applied to goods acquired during the first half of the year, while half the annual amount of depreciation is applied to goods acquired in the second half of the year.

2. Information on the balance sheet

The table below shows the breakdown of and movement in fixed assets

Changes in fixed assets

	Cost of acquisition or manufacture			
	As at 01.04.2001 EUR	**Transfers (T) Additions EUR**	**Disposals Amortisation (A) EUR**	**As at 31.03.2002 EUR**
I. Intangible assets				
1. IT software	108,731.88	4,162.53	0.00	112,894.41
II. Tangible assets				
1. Other plant, fixtures and fittings	393,287.53	50,700.97	262.72	443,725.78
III. Financial assets				
1. Shares in affiliated companies	28,292,721.24	-155,610.02 (T) 9,193,252.74	132,268.51	37,198,095.45
2. Investments	4,677,555.77	155,610.02 (T)	0.00	4,833,165.79
3. Other loans	766,937.82	0.00	766,937.82 (A)	0.00
	33,737,214.83	9,193,252.74	766,937.82 (A) 132,268.51	42,031,261.24
	34,239,234.24	**9,248,116.24**	**766,937.82 (A)** **132,531.23**	**42,587,881.43**

Financial assets are reported at the cost of acquisition taking account of unscheduled depreciation undertaken in previous years to adjust to a lower carrying value.

In principle, receivables and liabilities are reported at their nominal value. Foreign currency liabilities were converted at the rate prevailing on the balance sheet reporting date if the exchange rate had risen since the item was posted.

The pension obligation is reported under liabilities at its fiscal part value (6 % interest rate). The purchase price annuity obligation was reported at the actuarial cash value at the balance sheet reporting date. Other provisions are created equal to the anticipated liabilities arising thereunder.

Depreciation				**Net book values**	
As at 01.04.2001 EUR	**Additions EUR**	**Disposals EUR**	**As at 31.03.2002 EUR**	**As at 31.03.2002 EUR**	**As at 31.03.2001 EUR**
18,436.20	26,894.21	0.00	45,330.41	67,564.00	90,295.68
150,118.65	79,208.23	262.72	229,064.16	214,661.62	243,168.88
2,255,854.50	233,972.79	0.00	2,489,827.29	34,708,268.16	26,036,866.74
3,752,597.07	0.00	0.00	3,752,597.07	1,080,568.72	924,958.70
0.00	0.00	0.00	0.00	0.00	766,937.82
6,008,451.57	**233,972.79**	**0.00**	**6,242,424.36**	**35,788,836.88**	**27,728,763.26**
6,177,006.42	**340,075.23**	**262.72**	**6,516,818.93**	**36,071,062.50**	**28,062,227.82**

Other plant, fixtures and fittings (1)

The additions relate primarily to a car and IT hardware.

Shares in affiliated companies (2)

EUR 2.6 million was allocated to the capital reserve at Dörrenberg Edelstahl GmbH, Engelskirchen and a further EUR 0.9 million was allocated to the capital reserve at Ackermann Fahrzeugbau GmbH, Wolfhagen to strengthen its equity base. In addition, the investments in the newly established SV Beteiligungsgesellschaft mbH, whose name has now been changed to SVT GmbH and whose registered office has been moved to Schwelm, as well as supplementary acquisition costs for a subsidiary acquired in previous years are shown as additions.

Disposals relate to the sale of 34 % of Paroll GmbH & Co. KG, Radevormwald, and its general partner to the Managing Director of the company. Following the sale, GESCO AG still has a 40 % holding in the two companies so that it is now reported under investments.

The value of the shares in Tomfohrde GmbH & Co. Industrieverwaltungen, Wuppertal was written down by EUR 0.2 million.

The list of shareholdings as per § 285 No. 11 HGB is deposited at the Commercial Register of the Wuppertal County Court (HRB 7847).

Claims on affiliated companies (3)

Amongst other things, this item includes pro rata distributions of profits, which have not yet been paid out, and claims relating to VAT and the trade tax transfer agreement with affiliated companies.

Other assets (4)

Items reported as other assets relate mainly to claims for tax refunds and loan entitlements.

Own shares (5)

In the financial year, use was made of the General Meeting's authorisation of 30 August 2001 to acquire own shares. In the financial year, 84,565 shares with a total nominal value of EUR 220 thousand (3.38 % of the share capital) were acquired by GESCO AG at a purchase price of EUR 1,102 thousand in order to sell them again within the framework of the General Meeting's authorisation or to offer them to employees of GESCO Group companies as part of an employee share ownership programme. In the year under review, a total of 50,500 shares with a total nominal value of EUR 131 thousand (2.02 % of the share capital) were sold to institutional investors at a sale price of EUR 619 thousand. In the year under review, 7,537 shares with a total nominal value of EUR 20 thousand (0.30 % of the share capital) were sold to employees at a sale price of EUR 51 thousand. The proceeds were used to repay liabilities. At the balance sheet reporting date, 26,928 own shares with a total nominal value of EUR 70 thousand (= 1.08 % of the share capital) are reported, of which some are earmarked for the 2002 employee share ownership programme. The cost of acquisition amounted to EUR 324 thousand. A reserve for own shares equal to this amount was created in accordance with § 272 Para. 4 HGB.

Other securities (6)

Amounts invested in money market funds are reported here.

Subscribed capital (7)

The ordinary General Meeting on 30 August 2001 resolved to convert the share capital and the authorised capital from DM to EURO and to increase the share capital by EUR 108,851.49 to EUR 6,500,000 by converting revenue reserves without issuing new shares.

Following the capital increase, the company's subscribed capital amounts to EUR 6,500.000, divided into 2,500,000 bearer unit shares.

The ordinary General Meeting on 30 August 2001 authorised the company to acquire its own shares up to 10 per cent of the current share capital, including the shares already held, up until 28 February 2003. This authorisation superseded the authorisation to acquire own shares granted by the General Meeting of 31 August 2000, which was limited until 28 February 2002.

At the balance sheet reporting date, the company had authorised capital of up to EUR 127,822.97 limited to 26 August 2003 earmarked for the issue of employee shares. To this extent, the subscription right of shareholders is excluded.

Other revenue reserves (8)

The Executive Board allocated EUR 1,286,846.04 from the 2000/2001 net income in accordance with § 58 Para. 2 AktG. An allocation of EUR 747,082.42 is planned from the 2001/2002 net income.

Provisions for pensions and similar obligations (9)

The provisions for pensions and similar obligations are computed according to actuarial principles as per § 6 a EStG on the basis of an interest rate of 6 %.

Other provisions (10)

Essentially other provisions cover a purchase price annuity obligation, obligations to employees, the costs of the annual financial statements as well as the possible enforcement of a guarantee.

Liabilities (11)

	As at 31.03.2002 EUR ’000	Remaining term of up to 1 year EUR ’000	Remaining term of up to 5 years EUR ’000	Remaining term > 5 years EUR ’000
Liabilities to financial institutions	16,011	150	9,588	6,273
Trade creditors	31	31	0	0
Liabilities to affiliated companies	113	113	0	0
Other liabilities	3,376	3,376	0	0
	19,531	3,670	9,588	6,273

The liabilities to financial institutions are secured by the pledging of investments. In addition, charges on properties owned by Tomfohrde GmbH & Co. Industrieverwaltungen and the assignment of the claim resulting from the sale of shares in Haseke GmbH & Co. KG serve as security.

The liabilities to affiliated companies are the result of the VAT and trade tax transfer agreement.

Essentially, other liabilities comprise subsequent acquisition costs for a subsidiary which are not yet due.

Contingent liabilities and other financial obligations

Contingent liabilities of EUR 8,111 thousand are the result of guarantees. EUR 7,280 thousand of the guarantees relate to affiliated companies. The remaining amount involves mainly proportional default guarantees. There is also an obligation to enter into a leasing agreement concluded by the affiliated company Molineus & Co. GmbH + Co. KG for a leased and sub-let commercial site if the leasing agreement is terminated without notice. The discounted leasing payments, which relate to the term, of EUR 3,544 thousand are matched by equal rental income.

There is a possible retrospective improvement in the purchase price resulting from the acquisition of a company depending on its future earnings.

GESCO AG has undertaken to comply with certain capital ratios and balance sheet indicators with regard to two affiliated companies. A bank deposit of up to EUR 256 thousand was pledged as security for another company's liabilities.

3. Information on the profit and loss account

Other operating income (12)

Other operating income primarily includes income from the sale of financial assets, writing back provisions and earnings from consultancy services.

Other operating expenditure (13)

Amongst other things other operating expenditure includes losses on the sale of securities, expenditure on Investor Relations, expenditure resulting from exchange differences and legal and consultancy costs.

Expenditure on the assumption of losses (14)

The expenditure on the assumption of losses results from settling the loss for the year to 31 December 2001 by GESCO Technology AG in accordance with the profit transfer agreement concluded between the companies on 12 July 2001.

4. Other information

Employees

An average of eight employees were employed during the financial year.

Executive bodies

Executive Board
Willi Back, Wuppertal
Chairman of the Executive Board

- Member of the Supervisory Board:
  Schmitz Cargobull AG, Altenberge (until 31.12.2001)

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

Robert Spartmann, Gevelsberg
Member of the Executive Board

- Member of the Advisory Board:
  Heinrich Nolte GmbH, Geseke (until 11.07.2001)

Dr.-Ing. Hans-Gert Mayrose, Mettmann,
Member of the Executive Board (from 01.01.2002)

- Chairman of the Supervisory Board:
  Silicon Vision AG, Moritzburg (until 03.07.2001)
  OPS Automation AG, Troisdorf (from 06.12.2001)

- Deputy Chairman of the Supervisory Board:
  Ehrfeld Mikrotechnik GmbH, Wendelsheim (from 26.09.2001)

- Member of the Supervisory Board:
  CSP Camsoft AG, Villingen-Schwenningen
  Silicon Vision AG, Moritzburg (from 03.07.2001)
  OPS Automation AG, Troisdorf (16.08.2001 to 06.12.2001)

In the financial year, the total remuneration of the Executive Board, which was increased from two members to three members in the financial year, amounted to EUR 668 thousand (previous year: EUR 556 thousand). Of the total emoluments, EUR 373 thousand (previous year: EUR 320 thousand) relates to fixed elements, EUR 171 thousand (previous year: EUR 181 thousand) to variable elements and EUR 124 thousand (previous year: EUR 55 thousand) to pension allocations.

Supervisory Board
Klaus Möllerfriedrich, Wuppertal
Chairman,
Chartered Accountant

- Chairman of the Supervisory Board:
  Wolk AG, Wuppertal
  GESCO Technology AG, Wuppertal
  Regeneratio Pharma AG, Wuppertal (until 03.07.2001)

- Member of the Supervisory Board:
  Asys Holdings AG, Oberhausen
  Regeneratio Pharma AG, Wuppertal (from 03.07.2001)
  Identco AG, Hürth (from 05.09.2001)
  Bau und Boden Grundbesitz AG, Wuppertal

- Member of the Advisory Board:
  Transport- u. Logistikzentrum Mochau GmbH & Co. KG, Ludwigsfelde (until 10/2001)
  TTB Logistikzentrum GmbH & Co. KG, Ludwigsfelde

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

- Chairman of the Supervisory Board:
  Etienne Aigner AG, Munich

- Deputy Chairman of the Supervisory Board:
  Hindrichs-Auffermann AG, Düsseldorf
  Rheinische Textilfabriken AG, Wuppertal
  GESCO Technology AG, Wuppertal (from 20.08.2001)

- Member of the Supervisory Board:
  Johnson Controls Interiors GmbH & Co. KG /
  JC INSITU Beteiligungsgesellschaft mbH, Wuppertal

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

- Deputy Chairman of the Supervisory Board:
  GESCO Technology AG, Wuppertal (until 20.08.2001)

- Member of the Supervisory Board:
  GESCO Technology AG, Wuppertal (from 20.08.2001)

The total remuneration for the members of the Supervisory Board amounted to EUR 67 thousand (previous year: EUR 80 thousand) in the financial year. Of this figure, EUR 38 thousand (previous year: EUR 48 thousand) relates to variable elements.

Proposed appropriation of profits

The retained profit is composed as follows:

	2001/2002 EUR	2000/2001 EUR
Net income for the year	2,604,521.58	3,076,774.11
Profit carried forward	17,560.84	0.00
Allocation to other revenue reserves	-747,082.42	- 1,286,846.04
Retained profit	**1,875,000.00**	**1,789,928.07**

At the date on which the proposal for the appropriation of profits is made, the company holds 38,583 of its own shares.

The Executive Board will propose to the Annual General Meeting that the retained profit for the 2001/2002 financial year be appropriated as follows:

a) Payment of a dividend of EUR 0.75 per unit share on the share capital currently entitled to receive dividends (2,500,000 shares less 38,583 own shares)

EUR 1,846,062.75

b) Allocation to other revenue reserves

EUR 28,937.25

EUR 1,875,000.00

Wuppertal, 27 May 2002

The Executive Board

W. Back R. Spartmann Dr.-Ing. H.-G. Mayrose

Auditors’ report

We have audited the annual financial statements including the books and the Directors’ Report of GESCO AG for the financial year from 1 April 2001 to 31 March 2002. The management of the company is responsible for the books and the preparation of the annual financial statements in accordance with the provisions of German commercial law and the supplementary provisions of the articles of association. It is our task to provide an assessment of the annual financial statements and the Directors’ Report based on the audit conducted by us.

We have audited the annual financial statements in accordance with § 317 of the German Commercial Code and in compliance with the principles of proper and correct auditing laid down by the IDW (German Institute of Auditors). In accordance with these principles, our audit must be planned and carried out in such a way that there is sufficient certainty that inaccuracies and infringements, which materially affect the true and fair view of the assets, liabilities, financial position and profit or loss presented by the annual financial statements, with due regard to the generally accepted accounting principles, and the Directors’ Report, will be recognised. Audit activities are planned in accordance with our knowledge of the company‘s business activity and its economic and legal framework as well as the anticipated margin of error. Our audit has also assessed the effectiveness of the internal controlling system and the evidence for the details provided in the books, annual financial statements and Directors’ Report were assessed primarily on the basis of random checks. The audit includes an assessment of the accounting principles used and of the material estimates made by the management as well as an assessment of the overall presentation of the annual financial statements and the Directors’ Report. We believe that our audit forms a sufficiently reliable basis for our opinion.

Our auditors’ report is unqualified.

With due regard to the generally accepted accounting principles, we are of the opinion that the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company. The Directors’ Report as a whole provides a true and fair view of the position of the company and accurately portrays the risks inherent in future developments. The additional provisions in the articles of association on the annual financial statements have been complied with.

Wuppertal, 28 May 2002

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

signed:

ppa

(Dr. Breidenbach) (Eisenberg)

THE GESCO GROUP

Annual financial statements as at 31 March 2002

GESCO Group – Balance sheet as at 31 March 2002

Assets

		31.03.2002 EUR	31.03.2001 EUR '000
A. FIXED ASSETS			
I. Intangible assets			
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets		2,199.136	2,161
2. Goodwill	(1)	7,557,821	0
3. Prepayments made		22,946	0
		9,779,903	2,161
II. Tangible assets			
1. Land and buildings		22,370,365	19,465
2. Technical plant and machinery		4,263,972	4,154
3. Other plant, fixtures and fittings		8,358,871	8,627
4. Prepayments made and plant under construction		2,735,182	435
		37,728,390	32,681
III. Financial assets			
1. Shares in affiliated companies		1	0
2. Investments in associated companies	(2)	1,077,673	2,403
3. Investments	(3)	5,542,208	4,207
4. Loans to companies with which a shareholding relationship exists		192,569	202
5. Securities held as fixed assets	(4)	5,808,545	0
6. Other loans		0	767
		12,620,996	7,579
		60,129,289	**42,421**
B. CURRENT ASSETS			
I. Stocks			
1. Raw materials and supplies		6,355,665	6,720
2. Unfinished goods, unfinished services		6,838,780	5,368
3. Finished products and goods		13,936,755	10,632
4. Prepayments made		141,664	24
5. Prepayments received		-2,580,639	-2,335
		24,692,225	20,409
II. Receivables and other assets			
1. Trade receivables		20,604,188	22,215
2. Claims on affiliated companies		989,630	0
3. Claims on companies with which a shareholding relationship exists		942,863	589
of which with a remaining term in excess of one year: EUR 498,674 (EUR 0 thousand)			
4. Other assets	(5)	8,238,710	4,073
of which with a remaining term in excess of one year: EUR 1,707,710 (EUR 1,675 thousand)		30,775,391	26,877
III. Securities			
1. Own shares	(6)	323,752	6
2. Other securities	(7)	2,973,805	4,411
		3,297,557	4,417
IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques	(8)	4,027,185	10,676
		62,792,358	**62,379**
C. PREPAID EXPENSES	(9)	**110,727**	**112**
		123,032,374	**104,912**

BALANCE SHEET

Liabilities

		31.03.2002 EUR	31.03.2001 EUR '000
A. SHAREHOLDERS' CAPITAL			
I. Subscribed capital	(10)	6,500,000	6,391
II. Capital reserves		14,641,440	14,641
III. Revenue reserves	(11)		
1. Statutory reserves		58,717	59
2. Reserve for own shares		323,752	6
3. Other revenue reserves		7,413,000	6,553
IV. Profit carried forward		5,950,053	4,907
V. Net income for the year		2,789,100	4,102
VI. Minority interests	(12)	1,489,583	1,617
		39,165,645	**38,276**
B. PROVISIONS	(13)		
1. Provisions for pensions		6,344,413	6,041
2. Tax provisions		2,558,408	1,216
3. Other provisions		10,880,041	11,076
		19,782,862	**18,333**
C. LIABILITIES	(14)		
1. Liabilities to financial institutions of which with a remaining term of up to one year: EUR 13,982,619 (EUR 9,254 thousand)		47,122,243	35,479
2. Trade creditors of which with a remaining term of up to one year: EUR 5,194,107 (EUR 6,626 thousand)		5,194,107	6,626
3. Liabilities from accepting bills drawn of which with a remaining term of up to one year: EUR 955,625 (EUR 1,472 thousand)		955,625	1,472
4. Liabilities to affiliated companies of which with a remaining term of up to one year: EUR 0 thousand (EUR 50 thousand)		0	50
5. Liabilities to companies, with which a shareholding relationship exists of which with a remaining term of up to one year: EUR 71,683 (EUR 34 thousand)		71,683	34
6. Other liabilities of which taxes: EUR 2,991,868 (EUR 1,226 thousand) of which social security: EUR 1,210,424 (EUR 1,028 thousand) of which with a remaining term of up to one year: EUR 10,452,378 (EUR 4,537 thousand)		10,739,493	4,641
		64,083,151	**48,302**
D. PREPAID INCOME		**716**	**1**
		123,032,374	**104,912**

GESCO Group – Group profit and Loss account

P+L

		Note	01.04.2001 -31.03.2002 EUR	01.04.2000 -31.03.2001 EUR '000
1.	Sales revenue	(15)	156,431,168	146,481
2.	Change in stocks of finished and unfinished products		-1,972,907	1,848
3.	Other company produced additions to assets		345,451	216
			154,803,712	148,545
4.	Other operating income	(16)	4,109,666	2,857
			158,913,378	151,402
5.	Expenditure on materials			
	a) Expenditure on raw materials and supplies and goods purchased		-69,498,230	-67,035
	b) Expenditure on services purchased		-8,480,781	-8,132
6.	Personnel expenditure			
	a) Wages and salaries		-38,476,889	-36,527
	b) Social security contributions and expenditure on pensions and benefits		-7,952,336	-7,705
	of which on pensions: EUR 662,238 (EUR 689 thousand)			
7.	Depreciation on tangible and intangible assets		-5,168,218	-4,936
8.	Other operating expenditure	(17)	-18,993,281	-17,218
9.	Earnings from investments		153,978	260
10.	Earnings from investments in associated companies		-1,541,396	-234
11.	Earnings from lending the Group's financial assets		19,466	41
12.	Other interest and similar earnings		574,601	1,100
13.	Depreciation on financial assets and on securities held as current assets	(18)	-3,320,000	-860
14.	Interest and similar expenditure		-1,927,502	-1,624
15.	**Earnings from ordinary business activity**		**4,302,790**	**8,532**
16.	Taxes on income and earnings	(19)	-586,378	-3,567
17.	Other taxes		-93,211	-76
18.	**Net income for the year**		**3,623,201**	**4,889**
19.	Share of the profit attributable to minority interests		-834,101	-787
20.	**Group net income for the year**		**2,789,100**	**4,102**

NOTES

1. General information

Group accounting

The consolidated financial statements of GESCO AG have been compiled in accordance with §§ 290 ff. HGB.

Consolidated financial statements – reporting date

The reporting date for the consolidated financial statements is the same as that for the parent company (31 March 2002). The financial years of the subsidiaries included in the consolidated financial statements are mainly the same as the calendar year. SVT GmbH, Schwelm, which has been included in the scope of consolidation for the first time, was included in the consolidated financial statements with its rump financial year, which ended on 31 March 2002. As in the previous year, it was decided to dispense with compiling intermediate accounts as at 31.03.2002 as permitted by § 299 Para. 2 HGB.

Where events of particular significance at the subsidiaries have taken place up until the Group reporting date, these have been taken into consideration in the Group accounts in accordance with § 299 Para. 3 HGB.

Scope of consolidation

In addition to GESCO AG, all subsidiaries as defined in § 290 Para. 2 HGB are included in the consolidated financial statements.

One addition to the affiliated companies in the financial year was the 90 % holding in SVT GmbH, Schwelm. Connex SVT Inc., Houston, USA, which was acquired by SVT GmbH, was not included in the consolidated financial statements in accordance with § 296 Para.1 No. 2 HGB.

In the year under review, the investment in Paroll Doppelboden-Systeme GmbH & Co. KG and its general partner Paroll Doppelboden-Systeme Beteiligungsgesellschaft mbH was reduced to 40 % through the sale of shares. These companies are now reported under investments in associated companies.

As Paroll Doppelboden-Systeme GmbH & Co. KG and its general partner were deconsolidated on 31 March 2002, these companies are no longer included with their individual assets and liabilities in the consolidated balance sheet for financial year 2001/2002. The Group profit and loss account still contains, however, individual items of income and expenditure. In future, these companies will be included in the consolidated financial statements using the equity method.

Additions to the associated companies in the financial year were 40 % in Kühlmann Kunststoff Technik GmbH, Geseke via our 80 % subsidiary AstroPlast Fritz Funke GmbH & Co. KG. AstroPlast Fritz Funke GmbH & Co. KG will have 80 % of the voting rights for a brief transitional period until 30 April 2004.

Accordingly the holdings in associated companies comprise eight companies, which are recorded in the consolidated financial statements using the equity method (§ 312 HGB).

The other affiliated companies were either not included in the consolidated financial statements or not included using the equity method because of a lack of influence or because they are of minor economic importance.

The list of holdings has been deposited at the Commercial Register of the Wuppertal County Court (HRB 7847).

2. Accounting, valuation and consolidation methods

The consolidated financial statements as at 31 March 2002 have been compiled in accordance with the provisions on classification for major companies contained in the Commercial Code, and take account of the legal principles of accounting and valuation, as well as the terms of the Group directive.

Uniform reporting and valuation methods were applied to the Group. Any differing approach evident in the individual financial statements was adjusted.

Intangible assets are reported at the cost of acquisition less scheduled depreciation.

Tangible assets are valued at the cost of acquisition or manufacture. Movable tangible assets are depreciated on a straight-line basis over their normal useful life. Minor value assets are written off immediately according to the discretionary valuation permitted by § 6 Para. 2 EStG (Income Tax Act). In accordance with the regulations simplifying tax matters, the full annual amount of depreciation is applied to goods acquired during the first half of the year, while half the annual amount of depreciation is applied to goods acquired in the second half of the year.

Financial assets are reported at the cost of acquisition or, if depreciated, at the lower figure.

Raw materials and supplies as well as merchandise are valued at the average cost of acquisition, unfinished and finished products are valued at the cost of manufacture including appropriate parts of the overhead costs of materials and production. Appropriate amounts were deducted to cover sales risks.

In principle, receivables and liabilities are reported at their nominal values. Provisions were created to take account of possible bad and doubtful debts. Receivables denominated in foreign currencies were reported at the exchange rate prevailing on the balance sheet reporting date if the exchange rate was below that prevailing on the date the item was posted in the accounts. Foreign currency liabilities were converted at the rate prevailing on the balance sheet reporting date if the exchange rate had risen since the date on which the item was posted.

Pension obligations have been recorded under liabilities at their fiscal partial value (6% interest rate) using the 1998 guideline tables. The purchase price annuity obligation was reported at the cash value on the balance sheet reporting date. Tax provisions and other provisions have been created to match any anticipated liabilities.

The tax provisions include deferred taxes. As in the previous year, they are calculated on the basis of a uniform Group-wide estimated disbursement, taking account of any tax on earnings incurred as well as changes resulting from the tax reform using a tax rate of 38 %.

Capital consolidation

The capital was consolidated according to the book value method. The date at which a subsidiary was first included in the consolidated financial statements was taken as the date of initial consolidation.

Equity method

The book value method was used in applying the equity method to the capital consolidation. Investments in associated companies acquired in financial year 2001/2002 have been included in the consolidated financial statements at the time of acquisition. The date on which the share was sold was taken as a basis for the transition from full consolidation to the equity method.

Initial application of the equity method led to differences on the assets side of EUR 110 thousand.

3. Information on the Group balance sheet

The table below shows the breakdown of and movement in fixed assets:

Changes in Group fixed assets as at 31.03.2002

Cost of acquisition or manufacture

	As at 01.04.2001 EUR	Additions Scope of consolidation EUR	Additions EUR	Transfers EUR	Disposals Scope of consolidation EUR	Disposals EUR
I. Intangible assets						
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets	3,181,483	0	337,178	0	7,348	11,062
2. Goodwill	0	0	7,685,920	0	0	0
3. Prepayments made	0	0	22,946	0	0	0
	3,181,483	**0**	**8,046,044**	**0**	**7,348**	**11,062**
II. Tangible assets						
1. Land and buildings	26,521,631	0	3,507,287	152,669	0	0
2. Technical plant and machinery	21,455,531	0	1,669,017	0	361,154	461,569
3. Other plant, fixtures and fittings	31,452,018	0	2,455,229 [1]	256,269	315,594	1,335,478
4. Prepayments made and plant under construction	434,718	0	2,716,256	-408,938	0	6,854
	79,863,898	**0**	**10,347,789**	**0**	**676,748**	**1,803,901**
III. Financial assets						
1. Shares in affiliated companies	0	0	1	0	0	0
2. Investments in associated companies	2,821,128	216,157	72,850	0	0	0
3. Other investments	4,206,649	0	1,689,364	0	2	33,803
4. Loans to companies with which a shareholding relationship exists	202,414	0	0	0	0	9,845
5. Securities held as fixed assets	0	0	8,808,545	0	0	0
6. Other loans	766,938	0	0	0	0	766,938 [3]
	7,997,129	**216,157**	**10,570,760**	**0**	**2**	**810,586**
	91,042,510	**216,157**	**28,964,593**	**0**	**684,098**	**2,625,549**

1) of which additions from the adjustment to the tax audit EUR 32,058
2) of which additions from the adjustment to the tax audit EUR 6,010
3) Amortisation

	Depreciation					Net book values	
As at 31.03.2002 EUR	As at 01.04.2001 EUR	Additions EUR	Disposals Scope of consolidation EUR	Disposals EUR	As at 31.03.2002 EUR	As at 31.03.2002 EUR	As at 31.03.2001 EUR
3,500,251	1,020,189	292,047	1,550	9,571	1,301,115	2,199,136	2,161,294
7,685,920	0	128,099	0	0	128,099	7,557,821	0
22,946	0	0	0	0	0	22,946	0
11,209,117	**1,020,189**	**420,146**	**1,550**	**9,571**	**1,429,214**	**9,779,903**	**2,161,294**
30,181,587	7,056,804	754,418	0	0	7,811,222	22,370,365	19,464,827
22,301,825	17,301,172	1,391,744	194,727	460,336	18,037,853	4,263,972	4,154,359
32,512,444	22,825,294	2,607,920 [2)]	149,186	1,130,455	24,153,573	8,358,871	8,626,724
2,735,182	0	0	0	0	0	2,735,182	434,718
87,731,038	**47,183,270**	**4,754,082**	**343,913**	**1,590,791**	**50,002,648**	**37,728,390**	**32,680,628**
1	0	0	0	0	0	1	0
3,110,135	418,216	1,614,246	0	0	2,032,462	1,077,673	2,402,912
5,862,208	0	320,000	0	0	320,000	5,542,208	4,206,649
192,569	0	0	0	0	0	192,569	202,414
8,808,545	0	3,000,000	0	0	3,000,000	5,808,545	0
0	0	0	0	0	0	0	766,938
17,973,458	**418,216**	**4,934,246**	**0**	**0**	**5,352,462**	**12,620,996**	**7,578,913**
116,913,613	**48,621,675**	**10,108,474**	**345,463**	**1,600,362**	**56,784,324**	**60,129,289**	**42,420,835**

Goodwill (1)

The increase in goodwill of EUR 7,686 thousand results from the acquisition of SVT GmbH, Schwelm and from the retrospective cost of acquisition for a subsidiary acquired in previous years. The goodwill will be written down over 15 years.

Investments in associated companies (2)

The additions refer to the transition from full-consolidation to the equity method in the case of the Paroll companies and the initial consolidation of the 40 % acquisition of Kühlmann Kunststoff-Technik GmbH, Geseke.

In the case of the additions, the differences on the assets side resulting from the use of the equity method relate solely to goodwill. These are being written down on a scheduled basis over their anticipated life of 15 years in accordance with § 309 Para. 1 Clause 2 HGB. Depreciation charged on the differences on the asset side (surplus value capitalised on consolidation) amounts to EUR 1,184 thousand (previous year EUR 33 thousand).

Associated companies' net income for the year is shown as an addition in the Group statement of fixed assets while dividend payments are shown as disposals. Associated companies' net losses for the year and depreciation on surplus value capitalised on consolidation are shown in the column for depreciation.

The investment in an associated company was written off in its entirety (EUR 1,564) in accordance with § 253 Para. 2 Clause 3 HGB.

Investments (3)

The investments involve acquisitions by GESCO Technology AG. 13 % of Ehrfeld Mikrotechnik GmbH, Wendelsheim and 19 % of OPS Automation AG, Troisdorf was acquired as part of a capital increase in both cases. In addition, the company made a further payment on the outstanding contribution to EquiNet EarlyStage Capital Fonds Nr. 1 GmbH & Co. KG. An investment was written down by EUR 320 thousand in accordance with § 253 Para. 2 Clause 3 HGB.

Securities held as fixed assets (4)

Essentially, shares resulting from a partial repurchase agreement dating from the previous year are shown here. Taking account of the less strict principle of lower of cost or market, this item was written down by EUR 3,000 thousand as permitted by § 253 Para. 2 Clause 3 2nd Sub-clause HGB. No use was made of the option of charging further depreciation.

Other assets (5)

Items reported under other assets relate primarily to claims for tax refunds and loan entitlements.

Own shares (6)

In the financial year, use was made of the General Meeting's authorisation of 30 August 2001 to acquire own shares. In the financial year, 84,565 shares with a total nominal value of EUR 220 thousand (3.38 % of the share capital) were acquired by GESCO AG at a purchase price of EUR 1,102 thousand in order to sell them again within the framework of the General Meeting's authorisation or to offer them to employees of GESCO Group companies as part of an employee share ownership programme. In the year under review, a total of 50,500 shares with a total nominal value of EUR 131 thousand (2.02 % of the share capital) were sold to institutional investors at a sale price of EUR 619 thousand. In the year under review, 7,537 shares with a total nominal value of EUR 20 thousand (0.3 % of the share capital) were sold to employees at a sale price of EUR 51 thousand. The proceeds were used to repay liabilities. At the balance sheet reporting date, 26,928 own shares with a total nominal value of EUR 70 thousand (=1.08 % of the share capital) were reported, some as earmarked for the 2002 employee share ownership programme. The acquisition costs amounted to EUR 324 thousand. A reserve for own shares equal to this amount was created in accordance with § 272 Para. 4 HGB.

Other securities (7)

Amounts invested in money market funds are shown here.

Credit balances with financial institutions (8)

Essentially, this item contains fixed deposit and current account credit balances.

Prepaid expenses (9)

The item for prepaid expenses contains discounts of EUR 14 thousand (previous year EUR 26 thousand).

Subscribed capital (10)

The ordinary General Meeting of 30 August 2001 resolved to convert the share capital and the authorised capital from DM to EURO and to increase the share capital by EUR 108,851.49 to EUR 6,500,000 by converting revenue reserves without issuing new shares.

The Group's subscribed capital corresponds to the subscribed capital of GESCO AG and amounts to EUR 6,500,000, divided into 2,500,000 unit bearer shares following the capital increase.

The ordinary General Meeting of 30 August 2001 authorised the company to acquire its own shares up to 10 per cent of the current share capital, including the shares already held, up until 28 February 2003. This authorisation superseded the authorisation to acquire own shares granted by the General Meeting of 31 August 2000, which was limited until 28 February 2002.

At the balance sheet reporting date, the company had authorised capital of up to EUR 127,822.97 limited to 26 August 2003 earmarked for the issue of employee shares. To this extent, the subscription right of shareholders is excluded.

Revenue reserves (11)

The Executive Board allocated EUR 1,286,846.04 from GESCO AG's 2000/2001 net income in accordance with § 58 Para. 2 AktG. An allocation of EUR 747,082.42 is planned from the 2001/2002 net income. Revenue reserves were reduced by EUR 108,851.49 to carry out the capital increase from corporate funds. In addition, the increase in the reserve for own shares of EUR 317,531.42 was taken from here.

Minority interests (12)

This item shows the share of the Group's capital and results attributable to other shareholders.

Provisions (13)

The provisions for pensions and similar obligations are computed according to actuarial principles as per § 6 a EStG on the basis of an interest rate of 6 %.

The tax provisions contain provisions for deferred taxes of EUR 1,226 thousand (previous year EUR 624 thousand).

Essentially, other provisions cover obligations towards staff, deferred maintenance, the provisions of guarantees, legal disputes, a purchase price annuity obligation as well as the possible enforcement of a guarantee.

Liabilities (14)

	As at 31.03.2002 (31.03.2001) EUR '000	Remaining term of up to 1 year EUR '000	Remaining term of up to 5 years EUR '000	Remaining term of > 5 years EUR '000
Liabilities to financial institutions	47,122 (35,479)	13,983 (9,254)	21,657 (20,943)	11,482 (5,282)
Trade creditors	5,194 (6,626)	5,194 (6,626)	0 (0)	0 (0)
Liabilities on bills	956 (1,472)	956 (1,472)	0 (0)	0 (0)
Liabilities to affiliated companies	0 (50)	0 (50)	0 (0)	0 (0)
Liabilities to companies with which a shareholding relationship exists	72 (34)	72 (34)	0 (0)	0 (0)
Other liabilities	10,739 (4,641)	10,452 (4,537)	0 (0)	287 (104)
	64,083 (48,302)	**30,657** (21,973)	**21,657** (20,943)	**11,769** (5,386)

The majority of the liabilities are secured by charges on land, the pledging of investments, the assignment of fixed assets and stocks as security as well as the assignment of receivables and the assignment of claims under loans and credit balances with financial institutions.

Contingent liabilities

	2001/2002 EUR '000	2000/2001 EUR '000
Liabilities from the issue and assignment of bills	118	267
Liabilities under guarantees	2,094	2,177
Liabilities under warranty agreements	4,459	3,902
Security for third party liabilities	294	38

Other financial obligations

At the balance sheet reporting date, the Group had payment obligations resulting from rental and leasing agreements relating to property, IT equipment, telephone equipment, photocopiers and vehicles of EUR 6,228 thousand up to the end of the relevant term (previous year EUR 4,802 thousand), of which EUR 1,324 thousand (previous year EUR 814 thousand) will be due the following year. This figure includes obligations arising under a long term property leasing agreement. The discounted obligations up to the end of the term of the agreement of EUR 3,544 thousand (previous year EUR 3,842 thousand) are matched by corresponding rental income.

At the balance sheet reporting date, the Group has payment obligations in connection with investments in tangible and financial assets of EUR 1.3 million (previous year EUR 1.3 million). The obligations are partly offset by entitlements to subsidies.

There are possible retrospective improvements in the purchase price, resulting from the acquisition of two companies, depending on their future earnings.

GESCO AG has undertaken to maintain certain equity ratios and balance sheet indicators with regard to two affiliated companies. A bank deposit of up to EUR 256 thousand was pledged as security for another company's liabilities.

GESCO Technology AG has undertaken to contribute EUR 1,161 thousand to the capital reserve of Ehrfeld Mikrotechnik GmbH. Of this figure, EUR 108 thousand had already been paid by 31 December 2001. Under the investment agreement with Ehrfeld Mikrotechnik GmbH, GESCO Technology AG will assume all obligations relating to interest payments, processing fees, profit sharing, a one-off fee at the end of the 10 year term (final remuneration) and the retransfer of assets (EUR 1,278 thousand) under a silent investment agreement. The interest rate amounts to 8.5 % of the assets, profit sharing max. 3.0 % of the assets and the final remuneration max. 20.0 % of the assets. The processing fee has already been paid. The obligations will end with the application to initiate insolvency proceedings against Ehrfeld Mikrotechnik GmbH's assets.

GESCO Technology AG has undertaken to increase the capital of OPS Automation AG by EUR 520 thousand if the company achieves certain sales targets by 31 December 2002. Furthermore, GESCO Technology AG has undertaken to grant OPS Automation AG a loan of max. EUR 260 thousand to cover a short term financial requirement that may occur, which will count towards the possible capital increase.

EUR 225 thousand of the outstanding contribution to EquiNet EarlyStage Capital Fonds Nr. 1 GmbH & Co. KG has not yet been called in and paid up.

4. Information on the Group profit and loss account

Sales revenue (15)

Sales revenue can be broken down according to regions as follows:

	2001/2002 EUR '000	2001/2002 %	2000/2001 EUR '000	2000/2001 %
Germany	122,215	78	118,207	81
Europe (without Germany)	20,166	13	21,442	15
Asia	5,713	4	6,342	4
Africa	43	0	55	0
America and Australia	8,294	5	435	0
	156,431	**100**	**146,481**	**100**

The breakdown of sales revenue according to areas of activity is given in the segment reporting under section 5.

Other operating income (16)

Other operating income contains income from writing back provisions (EUR 1,838 thousand, previous year EUR 757 thousand), in particular, income from composition payments (EUR 511 thousand, previous year EUR 0 thousand) and income from consolidating companies for the first time (EUR 319 thousand, previous year EUR 0 thousand).

Other operating income contains income from outside the period under review of EUR 2,121 thousand (previous year EUR 953 thousand).

Other operating expenditure (17)

Other operating expenditure is broken down as follows:

	2001/2002 EUR '000	2000/2001 EUR '000
Operating costs	6,391	5,732
Administrative costs	2,242	2,212
Sales costs	6,720	5,855
Other	3,640	3,419
	18,993	**17,218**

Expenditure outside the period under review amounts to EUR 508 thousand (previous year EUR 128 thousand).

Depreciation on financial assets and securities held as current assets (18)

The item contains depreciation on investments of EUR 320 thousand as well as depreciation on securities held as fixed assets of EUR 3,000 thousand. The figure for the previous year only contains depreciation on securities held as current assets of EUR 860 thousand.

Taxes on income and earnings (19)

The taxes on income and earnings contain deferred taxes (expenses) of EUR 602 thousand (previous year EUR 59 thousand). Tax refunded for previous years amounted to EUR 440 thousand (previous year EUR 127 thousand).

5. Segment reporting financial year 2001/2002

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

		Tool manufacture and mechanical engineering		Plastics technology	
		2001/2002	2000/2001	2001/2002	2000/2001
Sales	(EUR '000)	122,405	108,673	33,306	37,331
Financial result	(EUR '000)	-917	-569	-234 2)	-35 3)
EBITDA	(EUR '000)	13,679	12,012	4,310	5,595
Investment	(EUR '000)	4,442	4,543	5,303	1,676
Depreciation	(EUR '000)	3,436	3,420	1,278	1,290
Total assets	(EUR '000)	66,005	55,711	16,084	18,579
Outside capital	(EUR '000)	41,266	36,078	12,643	12,249
Average number of employees	(No.)	816	758	187	216

1) The New Technologies division was created in the 2nd quarter of GESCO Technology AG's financial year 2000.

2) Includes income from investments of EUR 153 thousand.

3) Includes income from investments of EUR 251 thousand.

4) Includes result from investments in associated companies of EUR - 1,593 thousand.

5) Includes result from investments in associated companies of EUR - 37 thousand.

6) Includes income from investments in associated companies of EUR 52 thousand.

7) Includes result from investments in associated companies of EUR - 198 thousand and income from investments of EUR 9 thousand.

New Technologies		GESCO AG/other/consolidation		Group	
2001/2002	2000/2001 [1]	2001/2002	2000/2001	2001/2002	2000/2001
0	0	720	477	156,431	146,481
-2,209 [4]	-9 [5]	-2,681 [6]	-704 [7]	-6,041	-1,317
-277	-79	-2,293	-2,819	15,419	14,709
1,601	5,849	17,514	2,451	28,860	14,519
0	0	454	226	5,168	4,936
6,201	5,895	34,742	24,727	123,032	104,912
5,563	3,782	24,394	14,527	83,866	66,636
0	0	10	8	1,013	982

In the **tool manufacture and mechanical engineering segment** and in the **plastics technology segment**, GESCO AG's investment portfolio covers the fully consolidated subsidiaries of GESCO AG in the field of Base Technologies. The companies are allocated to the segments according to their respective field of activity.

In the **New Technologies segment**, GESCO Technology AG becomes involved as a parent company in new technology companies by purchasing minority holdings. Where the investment in the relevant subsidiary amounts to at least 20 %, its results are included on a pro rata basis using the equity method. No sales are reported for these as they are minority shareholdings.

The category **GESCO AG/other/consolidation** covers GESCO AG, those companies that are not allocated to the other segments and the effects of consolidation.

EBITDA contains the balance of items 1 to 6, 8 and 17 in the Group profit and loss account.

The **financial result** contains the balance of items 9 to 14 in the Group profit and loss account.

The figure for **depreciation** equates to item 7 in the Group profit and loss account.

The item **outside capital** contains the sum of provisions and liabilities.

6. Cash flow statement

	2001/2002 EUR '000	2000/2001 EUR '000
Group net income for the year (including share of income attributable to minority interests)	**3,623**	**4,889**
Depreciation on fixed assets	8,488	4,936
Losses on investments in associated companies	1,541	234
Increase in long term provisions	203	295
Other non-cash expenditure/income	364	2,320
Cash flow for the year	**14,219**	**12,674**
Profit/loss from the disposal of fixed assets	39	-426
Profits from changes in the scope of consolidation	-319	-7
Increase in stocks, trade receivables and other assets	-10,256	-6,438
Increase in trade creditors and other liabilities	745	605
Cash flow from ongoing business activity	**4,428**	**6,408**
Incoming payments from the disposal of fixed assets/intangible assets	176	858
Disbursements for investments in fixed assets	-9,984	-8,360
Disbursements for investments in intangible assets	-254	-310
Incoming payments from the disposal of financial assets	811	909
Disbursements for investments in financial assets	-10,498	-5,849
Incoming payments from the sale of consolidated companies	0	310
Cash flow from investment activities	**-19,749**	**-12,442**
Disbursements to shareholders (dividends)	-1,772	-1,641
Disbursements to minority shareholders	-521	-236
Incoming payments from raising loans	9,528	1,629
Cash flow from funding activity	**7,235**	**-248**
Real change in financial means	**-8,086**	**-6,282**
Real change in financial means	-8,086	-6,282
Valuation related changes in financial means	0	-860
Financial means on 01.04.	15,087	22,229
Financial means on 31.03.	**7,001**	**15,087**

The financial means portfolio continues to contain other securities as well as the item cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques.

Interest payments of EUR 1,923 thousand (previous year EUR 1,590 thousand) were made in financial year 2001/2002. Tax on income and earnings paid in financial year 2001/2002 amounted to EUR 3,397 thousand (previous year EUR 4,684 thousand).

7. Other information

Employees

On average the following number of employees were employed:

	2001/2002	2000/2001
Factory staff	627	621
Office staff	341	316
Trainees	45	45
	1,013	**982**

Part time positions were aggregated to full time positions.

Executive bodies

The members of the Supervisory Board and the Executive Board are shown in the notes to the financial statements of GESCO AG.

Wuppertal, 28 May 2002

The Executive Board

W. Back R. Spartmann Dr.-Ing. H.-G. Mayrose

Auditors’ report

We have audited the consolidated financial statements and the Group Directors’ Report for the year ended 31 March 2002 compiled by GESCO AG. The legal representatives of the company are responsible for the preparation of the consolidated financial statements and the Group Directors’ Report in accordance with the provisions of German commercial law and the supplementary provisions of the articles of association. It is our task to provide an assessment of the consolidated financial statements and the Group Directors’ Report based on the audit conducted by us.

We have audited the consolidated financial statements in accordance with § 317 of the German Commercial Code and in compliance with the principles of proper and correct auditing laid down by the IDW (German Institute of Auditors). In accordance with these principles, our audit must be planned and carried out in such a way that there is sufficient certainty that inaccuracies and infringements which materially affect the true and fair view of the assets, liabilities, financial position and profit or loss presented by the consolidated financial statements, with due regard to the generally accepted accounting principles, and the Group Directors’ Report, will be recognised. Audit activities are planned in accordance with our knowledge of the Group’s business activity and economic and legal framework as well as the anticipated margin of error. Our audit has also assessed the effectiveness of the internal controlling system and the evidence for the details provided in the consolidated financial statements and the Group Directors’ Report mainly on the basis of random checks. The audit includes an assessment of the annual financial statements of the companies included in the consolidated financial statements, the delineation of the scope of consolidation, the accounting and consolidation principles used and of the material estimates made by the legal representatives, as well as an assessment of the overall presentation of the consolidated financial statements and the Group Directors’ Report. We believe that our audit forms a sufficiently reliable basis for our opinion.

Our auditors’ report is unqualified.

With due regard to the generally accepted accounting principles, we are of the opinion that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Group Directors’ Report as a whole provides a true and fair view of the position of the Group and accurately portrays the risks inherent in future developments.

Wuppertal, 29 May 2002

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

signed:

	ppa
(Dr. Breidenbach)	(Eisenberg)

GESCO AG
List of shareholdings as at 31 March 2002 (§ 313 Para. 2 HGB)

1. Companies included in the consolidated financial statements	% share of capital held [1]
Ackermann Fahrzeugbau GmbH, Wolfhagen	80.00
Alro GmbH, Wuppertal	100.00
AstroPlast Fritz Funke GmbH & Co. KG, Sundern	80.00
Fritz Funke jun. Verwaltungsgesellschaft mbH, Sundern [2]	100.00
Dörrenberg Edelstahl GmbH, Engelskirchen-Ründeroth	100.00
Franz Funke GmbH & Co. KG, Sundern	80.00
Funke Verwaltungsgesellschaft mbH, Sundern [2]	100.00
GESCO Technology AG, Wuppertal	100.00
Haseke GmbH & Co. KG, Porta Westfalica	80.00
Haseke Beteiligungs-GmbH, Porta Westfalica [2]	100.00
MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG, Erkrath	100.00
Maschinen- und Apparatebau Götzen GmbH, Erkrath [2]	100.00
Molineus & Co. GmbH + Co. KG, Wuppertal	100.00
Grafic Beteiligungs-GmbH, Wuppertal [2]	100.00
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel	90.00
WM Werkzeug- und Maschinenbau Verwaltungs-GmbH, Kassel [2]	100.00
Tomfohrde GmbH & Co. Industrieverwaltungen, Wuppertal	100.00
Tomfohrde GmbH, Wuppertal [2]	100.00
SVT GmbH, Schwelm	90.00

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

2) General partner

2. Associated companies

	% share of capital held [1]
CSP Camsoft AG, Villingen-Schwennigen	25.20
Gewerbepark Wilthener Straße GmbH, Bautzen	32.50
Kühlmann Kunststoff-Technik GmbH, Geseke	40.00
Paroll Doppelboden-Systeme GmbH & Co. KG, Radevormwald	40.00
Paroll Doppelboden-Systeme Beteiligungsgesellschaft mbH, Radevormwald [2]	40.00
Planet ID GmbH, Essen	40.00
Steiner GmbH & Co. KG, Wilnsdorf	24.90
Steiner Verwaltungs-GmbH, Wilnsdorf [2]	24.80

3. Companies not included in the consolidated financial statements

Ackermann Fahrzeugbau Oschersleben GmbH, Oschersleben	24.00
Degedenar Grundstückverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG, Eschborn	100.00
GIS Gewerbe- + Immobilien-Service GmbH, Bautzen	33.00
Connex SVT Inc., Houston, USA	100.00

The companies which are not included are companies that have not been consolidated in accordance with § 296 Para. 1 and § 311 Para. 2 HGB.

1) Shares in the capital held directly or via a majority holding
2) General partner

Report of the Supervisory Board of GESCO AG for financial year 2001/2002

During financial year 2001/2002, the Supervisory Board concerned itself constantly with the company's position and development, in accordance with the duties and powers imposed upon it by law and under the articles of association.

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

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

All business requiring the consent of the Supervisory Board under the articles of association was referred to and approved by it. In financial year 2001/2002, apart from consent for the acquisition of investments, this related primarily to the approval of the profit transfer agreement with GESCO Technology AG.

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

The auditors audited the annual financial statements to 31 March 2002 and the Directors' Report drawn up by the Executive Board and accepted them without qualification. The auditors have also examined the risk management system and confirmed its functionality.

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

The Supervisory Board has examined the annual financial statements, Directors' Report and the proposed application of profits as drawn up by the Executive Board and discussed them in detail at meetings with the auditors on 27 May 2002 and 31 May 2002. All questions by the Supervisory Board were answered comprehensively by the auditors. In the light of the conclusive examination, the Supervisory Board has no objections to the annual financial statements or Directors' Report. The Supervisory Board approved the annual financial statements on 31 May 2002, which are thus adopted for the purposes of § 172 AktG. The Supervisory Board supports the Executive Board's proposals for the application of profits.

As in the previous year, the Executive Board produced the consolidated financial statements of the GESCO Group to 31 March 2002, which were also examined and passed unqualified by the auditors. At its meetings on 27 May 2002 and 31 May 2002, the Supervisory Board also discussed the consolidated financial statements with the auditors and approved them.

In its meeting of 3 December 2001, the Supervisory Board appointed Dr. Hans-Gert Mayrose as an additional member of the Executive Board.

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

Wuppertal, 31 May 2002

The Supervisory Board

Klaus Möllerfriedrich
Chairman

Financial calendar/Shareholder contact

Financial calendar

27 June 2002 at 09:30 hrs
Annual Accounts Press Conference to announce the annual financial statements for 2001/2002 at the Steigenberger Parkhotel, Düsseldorf

27 June 2002 at 15:00 hrs
DVFA Analysts' Meeting at the Steigenberger Frankfurter Hof, Frankfurt/Main

27 June 2002 at 17:00 hrs
Teleconference for institutional investors and analysts

August 2002
Announcement of figures for the first quarter (01.04.-30.06.2002)

5 September 2002 at 10.30 hrs
Annual General Meeting in the Stadthalle, Wuppertal

November 2002
Announcement of figures for the first half year (01.04.-30.09.2002) and despatch of the interim report

February 2003
Announcement of figures for the first nine months (01.04.-31.12. 2002)

26 June 2003
Annual Accounts Press Conference and Analysts' Meeting

30 July 2003
Annual General Meeting in the Stadthalle, Wuppertal

November 2003
Announcement of figures for the first half year (01.04.-30.09.2003) and despatch of interim report

Shareholder contact

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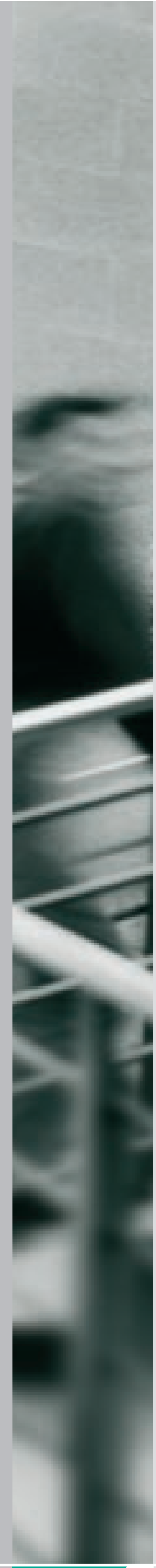
If you would like to be kept regularly informed, please let us know and ask to be included on our permanent mailing list.



Tradition
Innovation
Vision

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