

***1999/2000 Annual Report***



Tradition • Innovation • Vision

**GESCO AG & GESCO GROUP**

## The GESCO Group at a glance

Financial year 01.04. - 31.03.	1999/2000		1998/1999		Change
	EUR'000	DM'000	EUR'000	DM'000	
Sales	200,274	391,701	173,521	339,377	15.4%
of which - domestic	167,229	327,071	133,911	261,907	24.9%
- foreign	33,045	64,630	39,610	77,470	-16.6%
EBITDA <sup>1)</sup>	17,514	34,254	14,566	28,489	20.2%
EBIT <sup>2)</sup>	10,587	20,706	9,643	18,861	9.8%
Earnings from ordinary business activity	10,098	19,749	8,902	17,410	13.4%
Taxes on income and earnings	4,286	8,382	2,899	5,669	47.9%
Taxation ratio	42.4%	42.4%	32.6%	32.6%	30.2%
Group net income for the year	5,149	10,070	5,463	10,684	-5.7%
DVFA/fSG cash flow (new method)	11,617	22,720	10,707	20,942	8.5%
DVFA/SG results (new method)	4,666	9,125	4,829	9,444	-3.4%
DVFA/SG earnings per share (new method) in DM and EUR	1.87*	3.65*	1.93*	3.78*	-3.4%
Group net income per share for the year in DM and EUR	2.06*	4.03*	2.18*	4.27*	-5.7%
Working capital <sup>3)</sup>	28,598	55,932	42,961	84,024	-33.4%
Capital employed <sup>4)</sup>	70,273	137,442	71,377	139,602	-1.5%
ROCE <sup>5)</sup>	14.4%	14.4%	12.5%	12.5%	15.2%
Investments	14,472	28,305	11,374	22,246	27.2%
Depreciation <sup>6)</sup>	7,027	13,744	4,948	9,678	42.0%
Shareholders' capital	35,252	68,947	37,079	72,520	-4.9%
Total assets	97,781	191,243	122,946	240,461	-20.5%
Capital ratio	36.1%	36.1%	30.2%	30.2%	19.5%
Number of employees (as of 31.12)		1,816		1,471	23.7%
of which trainees		50		45	11.1%
Year-end share prices as of 31.03 in EUR	14.92		17.10		-12.7%
Dividend (net) in DM and EUR	0.66	1.30	0.56	1.10	18.2%

\* on 2,500,000 shares

### Notes:

- 1) EBITDA: earnings before interest, tax, depreciation and amortisation
- 2) EBIT: earnings before interest and tax
- 3) Working capital: stocks and trade receivables less trade creditors
- 4) Capital employed: average tangible assets, stocks and trade receivables less trade creditors
- 5) ROCE: result of ordinary business activity divided by capital employed
- 6) Including depreciation on financial assets and securities held as current assets

## The GESCO Group: a four-year comparison

Financial year 01.04. - 31.03.	1999/2000 DM'000	1998/1999 DM'000	1997/1998 DM'000	1996/1997 DM'000
Sales	391,701	339,377	252,122	214,563
of which - domestic	327,071	261,907	204,817	180,431
- foreign	64,630	77,470	47,305	34,132
EBITDA <sup>1)</sup>	34,254	28,489	24,556	16,079
EBIT <sup>2)</sup>	20,706	18,861	16,956	9,226
Earnings from ordinary business activity	19,749	17,410	13,461	4,898
Taxation ratio	42.4%	32.6%	26.4%	30.5%
Group net income for the year	10,070	10,684	6,193	3,134
DVFA/SG cash flow (new method)	22,720	20,942	12,922	10,014
DVFA/SG results (new method)	9,125	9,444	6,127	2,484
DVFA/SG earnings per share (new method) in DM	3.65*	3.78*	2.45*	1.55*
Group net income per share for the year in DM	4.03*	4.27*	2.48*	1.25*
Working capital <sup>3)</sup>	55,932	84,024	57,880	57,025
Capital employed <sup>4)</sup>	137,442	139,602	117,170	73,368
ROCE <sup>5)</sup>	14.4%	12.5%	11.5%	6.7%
Investments	28,305	22,246	11,375	17,377
Depreciation <sup>6)</sup>	13,744	9,678	7,701	7,842
Shareholders' capital	68,947	72,520	62,763	22,360
Total assets	191,243	240,461	183,568	146,897
Capital ratio	36.1%	30.2%	34.2%	15.2%
Number of employees (as of 31.12)	1,816	1,471	897	780
of which trainees	50	45	32	26
Year-end share prices as of 31.03 in EUR	14.92	17.10	21.47	-
Dividend (net) in EUR	0.66	0.56	0.38	0.23

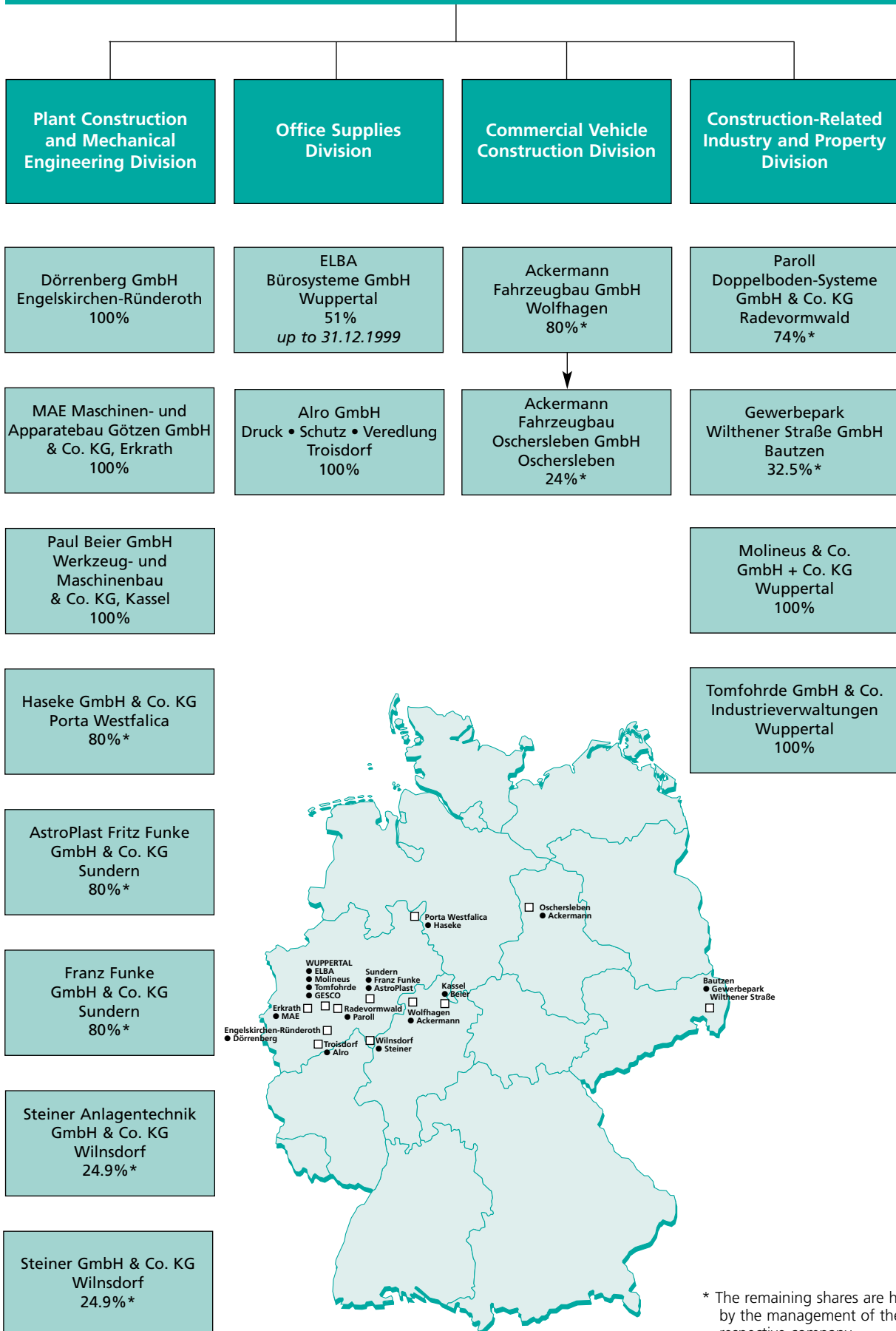
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# GESCO AG, Wuppertal

## Main affiliated companies in financial year 1999/2000



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## GESCO: substance with prospects

- GESCO AG has set itself the objective of **increasing values**: raising profits has priority over increasing sales.
- To this end it acquires 100% holdings in small and medium-sized **niche providers in the metal and plastics processing industry** with a view to holding them for the long term, normally in the context of succession arrangements for the previous proprietors.
- GESCO also takes (minority) stakes in rising companies in the **New Technology** field in order to accelerate their growth and launch them on the stock market when the conditions are right.
- In all its activities GESCO attaches great importance to a balance between **solidity** and **dynamism**, which has led to successful, continuous growth over a period of many years.
- GESCO is a **company of entrepreneurs**: subsidiary companies 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 thus offer the investor sound **substance** and high **value**.
- GESCO shares provide an attractive **dividend yield**: distribution policy is fundamentally shareholder-friendly.
- At the same time GESCO shares offer exciting prospects for the future: the Group's continuing acquisition of established niche providers, combined with its involvement in New Technologies, gives it a first-class outlook.

## Chairman's Statement



*Willi Back, Chairman*

*Dear shareholder,*

GESCO AG is in good shape. In the 1999/2000 financial year we systematically pursued our objective of increasing values and earning high profits. We succeeded in raising sales to DM 391.7 million, a rise of 15.4% over the previous year's figure, achieving an overproportional growth of over 20% in EBITDA to DM 34.3 million: a new record.

*Group net income for the year substantially ahead of target*

Despite an increase of some DM 2.7 million in the tax charge, Group net income for the year was over DM 10 million (previous year: DM 10.7 million) – substantially ahead of target. Owing to the higher taxation ratio, DVFA/SG earnings per share are down to DM 3.65 from the previous year's figure of DM 3.78.

The 1999/2000 financial year has shown that the GESCO strategy of concentrating on high-earning niche providers can also prove its worth in a subdued sector environment. With sales ranging from stagnant to moderately declining, virtually every company in the Group succeeded in achieving substantial increases in earnings.

*Return on capital employed reaches a new record*

This systematic, continuous growth in earnings lies at the core of our philosophy. Our growth yardstick is the return on capital employed (ROCE). The latest figure of 14.4% represents the fourth consecutive new record.

GESCO AG actively promotes this philosophy among SMEs. We combine the virtues of the sector, such as innovative dynamism and flexibility, with contemporary management methods and the tough yet salutary demands of the capital market. We thus enable our subsidiaries to deal with banks, customers and suppliers on first-class terms – a factor that is of particular importance to SMEs at a time when they are finding refinancing increasingly difficult.

The question of succession concerns many entrepreneurs in the SME sector, and it is one on which GESCO acts as a problem-solver and a dependable partner. A typical example is Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG in Kassel, a well-respected company with sales of DM 20 million, which was acquired by the Group in a 100% take-over on 1 April 1999 and rapidly assimilated.

*A typical example of a succession arrangement*

The arrival of this new affiliated company was balanced during the period under review by the departure of an old one. ELBA Bürosysteme GmbH had achieved a turn-around so quickly that our strategic partner and fellow shareholder, Bantex A/S of Denmark, wished to acquire the GESCO shareholding. We agreed to this, selling our stake on 01.01.2000 at a gratifying profit.

The strength of the GESCO Group also comes to the fore when there are problems to be overcome. The Steiner Group found itself in difficulties in 1998/1999 owing to bad debts and a generally negative market situation. Restructuring measures were carried out immediately, and should allow Steiner to return to profitability in future by exploiting its excellent international reputation.

During the financial year just completed, GESCO Group companies have once again invested heavily – a total of DM 28.3 million – in increasing their efficiency and market penetration. Investment focused mainly on information technology and on expanding capacities for innovative products and services.

*Heavy investment ensures future success*

GESCO has started the new 2000/2001 financial year on a high, with Group companies posting substantial increases in new orders. Overall we expect the Group, now without ELBA, to achieve moderate internal sales growth and – yet again – overproportional high growth in profits.

*A dynamic start to the new financial year*

But internal sales growth is not enough: we are determined to expand our portfolio by continuing to acquire attractive SMEs. We shall also continue our strategic expansion on a sound foundation by seeking to acquire shareholdings in selected companies in the new-technology field.

*Strategic expansion on a proven foundation*

Our figures are good, our prospects for the future exciting – and still we failed yet again in 1999/2000 to persuade the capital market to increase its valuation of GESCO shares. In spite of convincing company data and our active, transparent investor-relations work, the share price continues to maintain a level that we consider unsatisfactory. Nonetheless we remain firm in our conviction that the combination of substance and exciting prospects will win through in the long run. We shall continue our shareholder-friendly dividend policy, which ensures that the investment earns a basic return.

*Third successive dividend increase*

At the annual general meeting we will recommend a dividend of DM 1.30 (EUR 0.66) per share, equivalent to DM 1.86 (EUR 0.95) including the tax credit. The dividend will thus have risen substantially for the third successive year.

*GESCO – the company of entrepreneurs*

In the light of all these figures I feel it appropriate to emphasise that our successes are all achieved by people. Since the day it was founded, GESCO has been what politicians are calling for and what other companies would like to be. A company of entrepreneurs through and through, its subsidiaries run by dynamic, performance-oriented sector experts who identify totally with their companies and generally hold stakes in them.

I should like to thank our managers, and indeed all the men and women who work for the GESCO Group, most sincerely for their exemplary commitment. Our thanks are also due to all our customers for the trust they have placed in Group companies.

And naturally I also thank you, the company's shareholders, for your trust and loyalty.

*Yours sincerely*

A handwritten signature in blue ink, appearing to read 'M. Wank'.

PS: Every year, beginning with this annual report, we shall introduce a particular member of the GESCO Group to you. This year we set the ball rolling with MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG, a niche provider par excellence. For more details, please refer to page 12.



## GESCO shares

During the period under review the German stock market went two different ways: while some DAX securities and several shares traded in the Neuer Markt achieved significant rises at the end of 1999 following a year of moderate progress, most shares in the MDAX and SDAX found it difficult to attract much attention.

A new stock market segment, the SMAX, was launched in April 1999 to provide smaller quoted companies with an attractive trading platform offering high standards of quality and publicity, and it was followed by its own index – the SDAX – two months later. GESCO was a founder member of both the SMAX and the SDAX.

We regard membership of both the SMAX and the SDAX as a precondition, though not as a guarantee, of greater market awareness. We shall continue to collaborate with the German Share Institute (DAI) and Deutsche Börse AG to secure a fair market valuation for these shares.

In November 1999 GESCO AG took part in the German Midcap Conference (GMCC) organised by the DVFA in Frankfurt/Main, taking the opportunity to present its philosophy to international investors and analysts. The Executive Board also held numerous roadshows and individual discussions to maintain contact with analysts, institutional investors, banks and opinion-formers. But contact with private investors is also very important to the company: after all, most of our shares are in the hands of private shareholders. It is clear that the internet is rapidly gaining importance as an instant information and communication medium for all target groups. We are committed to transparency and continuity in our reporting, and as members of the German Investor Relations Circle (DIRK) we have undertaken to abide by its fundamental principles.

The return on capital employed (ROCE) – which we consider to be one of the key indicators for assessing both the Group and its individual subsidiaries – rose yet again in 1999/2000, for the fourth consecutive year, to a new record of 14.4%. Our target figure for the next three to five years is 16%. But commercial reality cannot be reduced to a single figure. Other crucial indicators for an assessment of both operational profit-earning capacity and future prospects include EBIT, EBITDA and the depreciation, investment and cash flow amounts. Only the full picture permits a well-founded decision to be made for or against the investment.

*GESCO in the SMAX and SDAX*

*Active communication with the capital market*

*Systematic focus on return on capital employed*

## GESCO shares

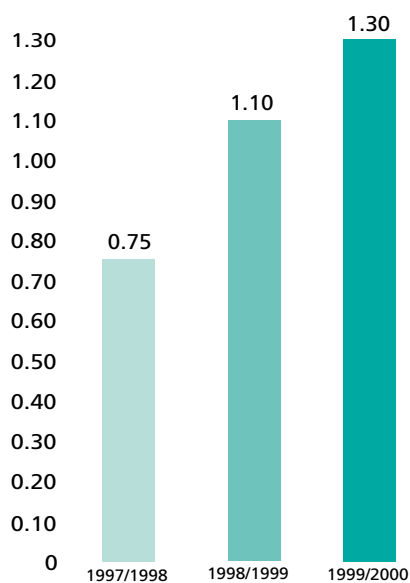
We see it as a central objective of our investor-relations work to give the investor – whether institutional or private – a solid basis for decisions. This openness naturally stops at the point where it would compromise the competitive situation of our individual subsidiaries.

*Record dividend of DM 1.30 (EUR 0.66)*

We are maintaining our attractive, yield-focused dividend policy for the 1999/2000 financial year. At the annual general meeting on 31 August 2000 the Executive and Supervisory Boards will recommend paying GESCO AG shareholders a dividend of DM 1.30 (EUR 0.66) per share. Taking the corporation tax credit into account they will receive a gross dividend of DM 1.86 (EUR 0.95) per share, which represents the third annual increase in succession and a rise of 18% over the previous year. Based on the year-end closing share price of EUR 14.92, this is equivalent to gross interest (or dividend yield) of about 6.4%.

Despite an increase in the taxation ratio from 32.6% to 42.4%, Group net income for the year exceeded DM 10 million – not far off the previous year's record level of DM 10.7 million. This highlights the Group's high operating earning power, which also finds expression in the rise of more than 20% in EBITDA, up from the previous year's DM 28.5 million to 34.3 million. DVFA/SG earnings per share (new calculation method) were DM 3.65 (EUR 1.87) in the year under review. On this basis the price/earnings ratio is approximately 8. When the issue price was determined at the time of the Group's stock market launch a price/earnings ratio of around 14 was seen as reasonable for a company of our structure. On the basis of the current earnings figure, calculated by the new DVFA/SG method, this would imply a share price in the region of EUR 26.

Dividend (net) per share in DM



You will find a list of principal dates in the 2000/2001 financial year in the **financial calendar** at the end of this annual report.

## GESCO shares

### GESCO share data

Securities identification number	587 590
Stock market abbreviation	GSC
Number of unit bearer shares	2,500,000
Stock market launch	24 March 1998
Issue price	DM 42 / EUR 21.47
Year-start price (01.04.1999)	EUR 16.75
Year-end price (31.03.2000)	EUR 14.92
High (15.07.1999)	EUR 19.90
Low (10.12.1999)	EUR 13.40
Price/earnings ratio as of 31.03.2000	8
Market capitalisation as of 31.03.2000	EUR 37,300,000
Free float	approx. 80%
Number of shareholders	approx. 6,000
Shares held by members of the Supervisory Board	2.9%
Shares held by members of the Executive Board	2.3%

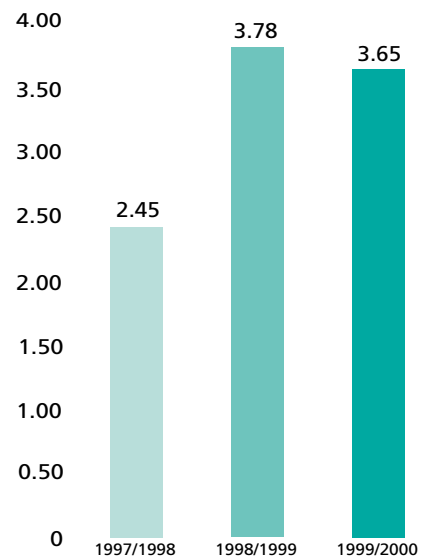
### Key indicators per GESCO share for 1999/2000

Dividend	DM 1.30	EUR 0.66
Dividend inc. tax credit	DM 1.86	EUR 0.95
DVFA/SG earnings per share (new method)	DM 3.65	EUR 1.87
Group net income per share for the year	DM 4.03	EUR 2.06
Cash flow per share	DM 9.09	EUR 4.65

### Stock exchanges

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

### DVFA/SG earnings per share in DM



### GESCO AG share price against the SDAX



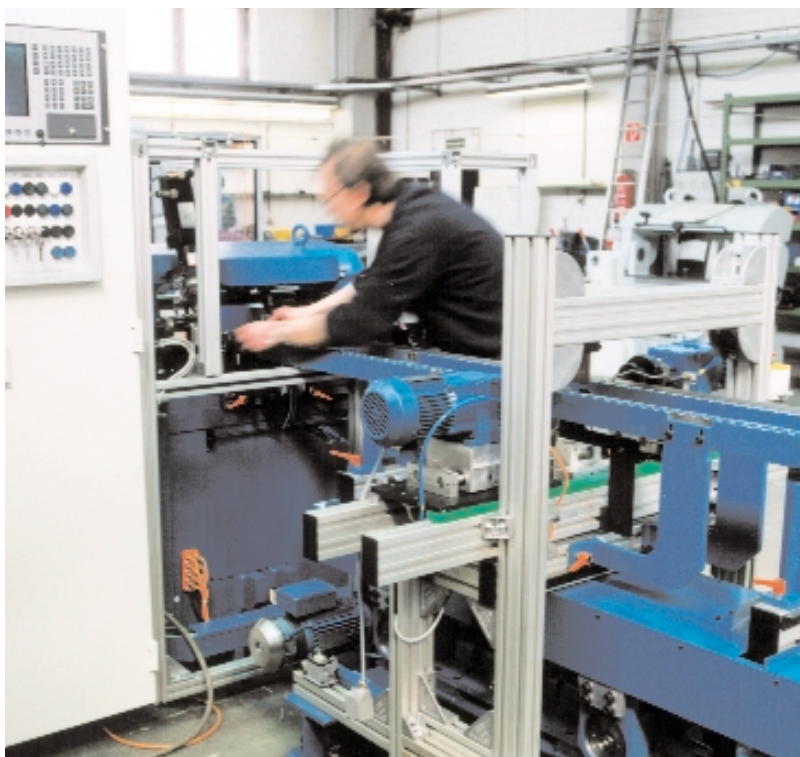
## The niche principle: a success story

### **MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG**

Success breeds success: GESCO acquires healthy niche providers and develops them still further. They are not branded-goods producers, and their names are unknown to the general public – but ask anyone in the trade and you will find that these companies are well known and highly respected as customers, suppliers or competitors. GESCO generally acquires companies like these, where there is no obvious successor to take over, although, of course, it is the exception that proves the rule.

The idea of selling his company first occurred to Rüdiger Götzen in 1996, 10,000 metres above Siberia on his way back from China to Düsseldorf. As managing partner of a successful mechanical engineering company with 85 employees, Rüdiger Götzen was often on his travels all over the world. Twenty years previously this marketing-oriented economics graduate had joined the company founded by his grandfather in 1931, pushing ahead with its

*Innovation as the key to success: the MAE range of fully automatic levelling presses is unique throughout the world.*



internationalisation and bringing numerous technical innovations to the market. The company was in excellent shape. “What if something happens to me?” is a question that occurs to many an entrepreneur. Rüdiger Götzen did not yet have to look for a successor, far from it, but his daughters were of school age, his father had retired, and the danger in the worst case scenario was of an over-hasty sale of the company and perhaps even its break-up. To a family deeply conscious of its responsibilities to the workforce this was simply unthinkable. Rüdiger Götzen set out to look for a new partner.

### **Worldwide market leadership thanks to a consistent niche policy**

From the standpoint of GESCO AG, MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG of Erkrath near Düsseldorf, whose managing partner sat opposite it in the autumn of 1996, was an ideal candidate for acquisition: sound as a bell, well-known and successful in the market, highly profitable and – in contrast to the widespread tendency for mechanical-engineering companies to be carried away by the technology – with a long tradition of being customer and market-oriented. Within its two core products, levelling presses and wheel presses, the company had brought innovation after innovation to the market, step by step turning its position into market leadership. Its customer list read like a Who’s Who of the international motor and rail industry. GESCO AG acquired 100% of the shares in MAE on 1 January 1997.

MAE, a niche provider par excellence, is typical of the GESCO philosophy. At the same time it is the market leader in its field: four out of every five wheel sets in Germany come from Erkrath, and one in every two worldwide. As for automatic levelling machines, MAE also has 80% of the German market, while its share of the world market is about 60%.

### **Success in the automotive industry with innovative levelling presses**

In the 1930s the company merely produced machines for other manufacturers, but after the Second World War it launched its own range of hydraulic levelling presses, paving the way for the success that has lasted to this day. Its principal customer is the automotive industry, which uses levelling presses wherever workpieces become misshapen through processing or when heat-treated to harden them. Levelling is thus required in virtually every production process in which metal is processed and formed.

MAE first ventured into the rest of Europe in the mid-60s, redoubling its expansion in the 1970s – and since the 1980s it has been active in all five continents.

At the beginning of the 1990s MAE achieved a major technical breakthrough: the hydraulic drive that had previously been a standard component of levelling presses was replaced by an electromechanical drive. No customer can afford to ignore the advantages of this development: higher productivity at lower cost, lower noise-emission levels and reduced energy consumption. It also enabled the customer to integrate the machines much better into its operations: they are controlled by a standard PC instead of a dedicated computer, and automatic transporters enable them to be fully integrated into the production line. In conjunction with a comprehensive range of services and intensive after-sales care, MAE is positioning itself as the customer's systems provider, joined-up thinker and problem-solver. MAE's automatic levelling presses are unique in the world.

These innovations, together with a sophisticated modular system, enable the machines to be offered at substantially lower cost than before – which opens up new fields of application in different branches of industry. MAE is thus making sure that it will have a number of different markets to rely on in the long term.



*With market shares of 80% in Germany and 50% worldwide, MAE's wheel presses are the undisputed number one.*

### **Computer-controlled wheel presses make track vehicles safer**

MAE technology is proving its worth not only in car making, not only on the roads – but on the rails as well. Wheel presses made by MAE are used in the railway, tram and underground-railway industries to fit running wheels, brake discs and gearwheels to axles (and remove them) in both production and maintenance.

By systematically automating their machines, the Erkrath company's developers have made major improvements to them. Fitting wheel discs to axles under computer control achieves a high and reproducible degree of precision, regardless of the skill and experience of the operator. Transporters operate automatically, reducing non-productive loading time. All measurement functions are process-integrated, and every fitting process is fully documented – a particularly important factor given that the products are so crucial to safety. Average processing times have been halved, reducing personnel requirements while substantially improving quality and reliability.

Strong demand from rail operators throughout the world vindicates the concept. Besides the need to replace old machines, sales principally benefit from the desire for increased automation. This is the only way to both meet the more stringent quality and process-documentation requirements and, at the same time, cope with the cost pressure.



MAE offers a broad range of wheel presses, from fully automatic applications to simpler machines. A modular basis enables customer-specific requirements to be met – from the technical conception to the design and even the colour scheme. Because of its unique expertise, the company sees this field as offering first-class prospects for continued future growth.

Finally, glass-processing machines are manufactured for outside producers; these technically advanced peripheral products account for some 5% of sales.

In addition to these two product groups – levelling presses and wheel presses, accounting for some 60% and 25% of sales respectively – MAE also offers a standard range of general-purpose machines for installation, manual levelling and pressing (about 10% of sales).

*With all types of track vehicle, fitting wheel discs to axles under computer control guarantees a high degree of precision – and thus of safety.*



## Research and Development: central to the corporate culture

Research and development have always been continuous processes at MAE. Experts from Erkrath are recognised authorities who regularly speak at specialist conferences. What some major companies try to establish with all sorts of schemes and incentive systems is a deep-rooted constituent of the MAE corporate culture: the entire team works day and night to get better and better in the customers' interests. The company's major innovations are patented, and new patents are being added all the time. This year research and development are concentrating on levelling machines for flat materials and so-called coordinate levelling machines for geometrically complex components.

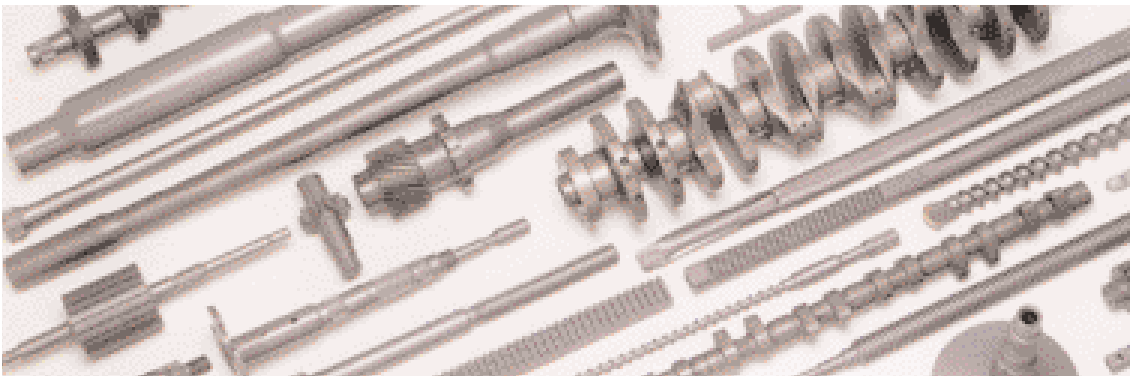
A highly motivated workforce with a balanced age structure, first-class expertise and an extremely high degree of identification with the company has always been crucial to its success, and this remains the case. The organisation is lean: overheads have never been allowed to get out of control, and the management has costs well in hand.

By now the results of the collaboration between GESCO and MAE is positive. "I feel very comfortable with GESCO", Rüdiger Götzen sums up. "I can't deny that at first I was sceptical when they assured me I'd have complete independence in day-to-day operations, but they've kept their word. Having a strong partner

behind you and freedom to manage the business as you see fit is an ideal combination! As the parent company GESCO insists on tight, real-time financial control, and this can sometimes be inconvenient – but ultimately it's for the good of MAE as well." Götzen sees GESCO as far more than just a financial holding company: "With its excellent understanding of commercial problems, the GESCO team makes a highly competent sparring partner. The change of ownership hasn't made much difference to customer relations, but the long-term view taken by GESCO AG means that the future of the company is assured."

The GESCO view is just as positive: the 'chemistry' is right, and so are the figures. Since the acquisition the company has contributed excellent profits: in 1999, in a subdued sector environment, MAE increased sales by 14% to DM 25 million and profitability by even more, raising profits to their highest level ever. The company entered the new financial year with a healthy order book. All aspects of the company, including technology, marketing, management, and the workforce, are geared up for the future.

*Automatic levelling machines are used in a wide range of manufacturing fields. They can handle workpieces ranging from 2 to 300 mm in cross-section and 40 to 7,000 mm in length.*



## Group Directors' Report

### *General conditions*

GESCO's specialist niche providers are all active in one of four strategic business fields.

#### **Plant Construction and Mechanical Engineering**

The environment for GESCO's most important business field, plant construction and mechanical engineering, was subdued in the 1999/2000 financial year: overall this sector of the German economy posted a 2.1% decline in sales in 1999. At the beginning of the year exports remained weak in the wake of the crises in Asia and Russia, and domestic demand was insufficient to make up for this. The last quarter of 1999 saw a moderate export-led recovery.

Companies in the GESCO Group could not entirely escape this trend, but they did succeed in stabilising their market shares and in some cases increasing them.

In 2000 the sector anticipates a distinct turnaround, with sales rising by some 6%. This upturn will be predominantly export-led, but domestic demand is also expected to pick up during the year.

#### **Office Supplies**

As in the previous year, 1999 was a year of stagnation in the office-requisites sector, with very little to stimulate growth. The process of European integration has opened up markets and led to heavy concentration, the providers gearing up for global competition with mergers and alliances. Against this backdrop we sold our 51% holding in ELBA to our strategic fellow shareholder Bantex A/S at the start of the 2000 calendar year. With ELBA under its belt, Bantex then joined forces with the Hamelin group of France, creating a grouping with sales totalling some DM 1 billion. ELBA is thus ideally positioned under the wing of one of the leading European providers.

#### **Commercial Vehicle Construction**

After the record year of 1998, during which some 379,000 commercial vehicles were produced, 1999 – according to the Automobile Industry Association (VDA) – was characterised by continuing development at a high level, enabling production volume to be maintained at the previous year's level.



## Group Directors' Report

### Construction-Related Industry and Property

While stagnant sales meant that the German construction industry was not yet able to overcome its problems in 1999, the Paroll company is largely decoupled from this general sector trend. This niche provider of double-floor systems for office buildings further strengthened its market position in 1999.

GESCO AG's property interests constitute peripheral activities, the most prominent of which is the highly successful industrial park in Bautzen.

### Sales and profits

In the 1999/2000 financial year companies in the GESCO Group performed well in a subdued economic environment, once more significantly increasing their profits. In spite of difficult conditions we were able to meet the profit target announced at the beginning of the financial year.

Sales rose by some 15.4% to DM 391.7 million (previous year: DM 339.4 million). For the first time, the accounts include a full year's figures for ELBA Bürosysteme GmbH, in which we acquired a 51% holding in August 1998. As GESCO sold this holding as of 1 January 2000, it is also the last year in which ELBA will contribute to sales and profits.

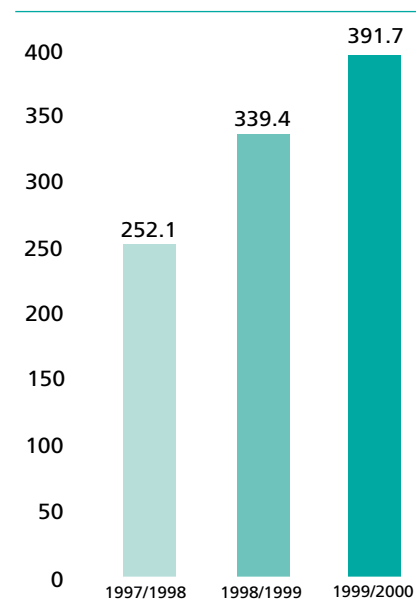
GESCO Group accounts include nine months' figures for Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, which was acquired as of 1 April 1999.

We reduced our holding in Steiner GmbH & Co. KG to 24.9% with effect from 1 July 1999, so only six months' figures for this company appear in the GESCO Group accounts on a consolidated basis.

The taxation ratio rose substantially in the year under review, from 32.6% to 42.4%: in contrast with previous years there were no carried-forward losses to offset against corporation tax, and our total income-tax liability was some DM 2.7 million greater than in the previous year. In view of the planned tax reform the present taxation ratio can be expected to represent a peak, so that future pre-tax and after-tax profits will generally move largely in tandem.

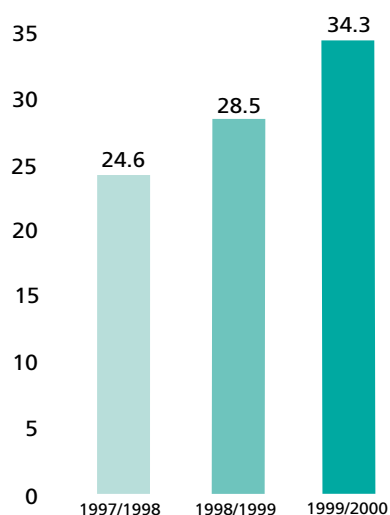
Despite these onerous factors, Group net income for the year exceeded DM 10 million – not far off the previous year's record level of DM 10.7 million. This highlights the Group's high capacity to earn operating profits, which is also reflected by the rise of 20.2% in EBITDA, up from the previous year's DM 28.5 million to DM 34.3 million.

Sales in DM million



## Group Directors' Report

Group EBITDA  
in DM million



At DM 20.7 million, EBIT was 9.5% higher than the previous year's figure of DM 18.9 million.

Earnings from ordinary business activity rose by 13.4%, from DM 17.4 million to DM 19.7 million.

GESCO regards the return on capital employed (ROCE) as a key indicator. This rose once more, for the fourth consecutive year, to a new record of 14.4%.

Material expenditure as a percentage of operating output fell from 50.7% to 47.0%. The increase in personnel expenditure from 27.6% to 32.3% of operating output is primarily attributable to ELBA, which has a personnel structure different from that of other GESCO Group companies and whose full-year figures were included in the 1999/2000 annual report, compared with only five months the previous year.

Other operating expenditure slightly declined to 15.0% of operating output, compared with 15.7% the previous year.

The financial result continued to improve, this time by 22.5% from DM -1.7 million to DM -1.3 million.

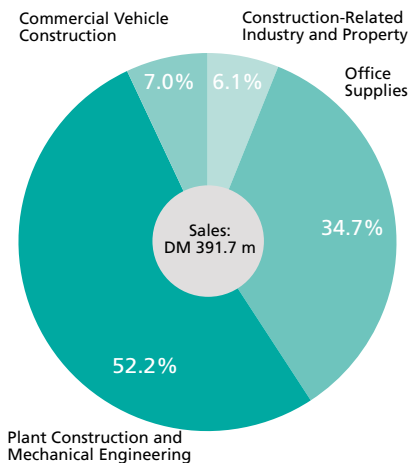
## Group Directors' Report

GESCO Group profit and loss account

	1999/2000 DM'000	1998/1999 DM'000	Change
Sales revenue	391,701	339,377	15.4%
Change in stock of finished and semi-finished products	10,116	5,785	74.9%
Other company produced additions to assets	411	574	-28.4%
<b>Operating output</b>	<b>402,228</b>	<b>345,736</b>	<b>16.3%</b>
Other operating income	11,223	8,304	35.2%
Material expenditure	-188,888	-175,333	7.7%
Personnel expenditure	-129,773	-95,556	35.8%
Depreciation	-13,549	-9,629	40.7%
Other operating expenditure	-60,204	-54,450	10.6%
Financial result	-1,288	-1,662	-22.5%
<b>Earnings from ordinary business activity</b>	<b>19,749</b>	<b>17,410</b>	<b>13.4%</b>
Taxes	-8,714	-5,881	48.2%
<b>Net income for the year</b>	<b>11,035</b>	<b>11,529</b>	<b>-4.3%</b>
Profit/loss attributable to minority shareholders	-965	-845	14.2%
<b>Group net income for the year</b>	<b>10,070</b>	<b>10,684</b>	<b>-5.7%</b>

## Group Directors' Report

### Sales by business divisions 1999/2000



### Sales and profits by business divisions

Sales were highest at the **Plant Construction and Mechanical Engineering** division: DM 204.3 million, equivalent to 52.2% of Group sales. The decline of 10% from the previous year's figure is primarily due to the Steiner Group. Nonetheless EBITDA rose by about 10% to DM 21.4 million, accounting for 60.9% of the total figure for all operating business divisions.

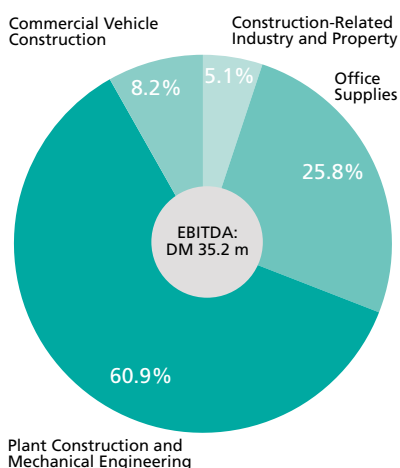
The large increase in sales at the **Office Supplies** division, from DM 57.9 million to DM 136 million, is attributable to the fact that ELBA Bürosysteme GmbH was consolidated for the first time on a full-year basis (only a rump business year of five months was included in the accounts for the 1998/1999 financial year). The division contributed some 34.7% of total sales, while its share of EBITDA, at DM 9.1 million, was 25.8%.

The **Commercial Vehicle Construction** division just succeeded in repeating the previous year's record result. Sales were DM 27.4 million (7% of the total), while EBITDA amounted to DM 2.9 million (8.2%).

The **Construction-Related Industry and Property** division also approximately repeated its high sales of the previous year, at DM 23.9 million. This was equivalent to 6.1% of total sales, while its EBITDA, at DM 1.8 million, was 5.1% of the total.

The largely balanced ratio between sales and earnings demonstrates the consistent earning power of the four operating business divisions.

### EBITDA by business divisions 1999/2000

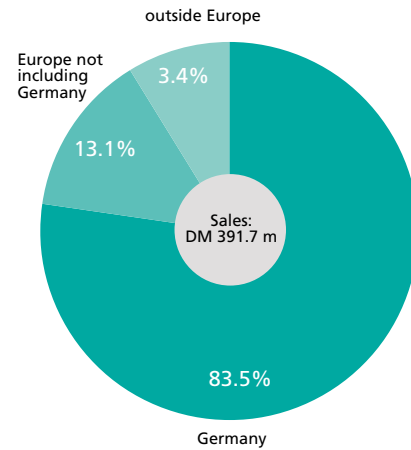


## Group Directors' Report

### Sales breakdown by regions

GESCO Group companies are firmly oriented towards the German and European markets: 83.5% of sales are achieved in Germany, 13.1% elsewhere in Europe and only 3.4% in the rest of the world. However, it should be borne in mind that these figures do not reflect the high degree of indirect export. Our subsidiaries benefit from growing exports via the export activities of their domestic customers, thus reinforcing their independence of German economic cycles.

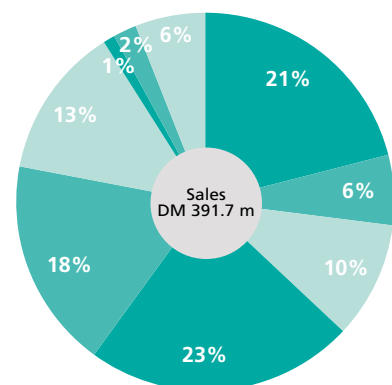
Sales breakdown by regions  
1999/2000



### Sales breakdown by customer sectors

Sales are widely distributed over various customer groups, making the success of the GESCO Group largely independent of individual sectors and their economic cycles. As in the previous year, plant construction and mechanical engineering constituted the most important customer group, followed by car/commercial vehicle construction and metal processing/tool manufacture.

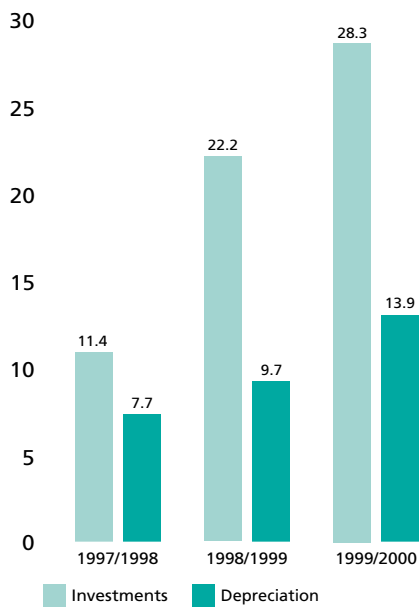
Sales breakdown by customer sectors  
1999/2000



Plant construction and mechanical engineering	23%
Car and commercial vehicle construction	21%
Iron, sheet-metal and metal processing, tool manufacture	18%
Construction, air conditioning, sanitation	10%
Electrical, domestic appliances, medical technology	6%
Foundries, rolling mills	6%
Chemical & petrochemical industries	2%
Mining, quarrying and energy	1%
Other customer groups	13%
<b>Total</b>	<b>100%</b>

## Group Directors' Report

Investment and depreciation  
in DM million



### *Investment and depreciation*

GESCO Group companies continued to strengthen their competitiveness and prepare themselves for further growth during the year under review, investing a total of DM 28.3 million. This represents a substantial 27% rise over the previous year's figure. Investment exceeded depreciation by DM 14.4 million.

Investment focused mainly on rationalisation and increasing efficiency, as well as on expanding production capacities for future growth. Examples of this are investment in machinery and surface technology at Dörrenberg, a new production shop at Ackermann Fahrzeugbau, expanding medical technology at Haseke, updating machinery and optimising materials handling at AstroPlast and Franz Funke. At the beginning of 1999 the ELBA Group took over the goods-distribution centre in Wuppertal and modernised the file-manufacturing facility in Gelsenkirchen. Information technology was a further investment focus for the GESCO Group.

### *Research and development*

GESCO Group companies pursue a policy of active innovation management. Technical innovations as well as developments in customer services contribute to fostering the companies' strong market position and customer loyalty. Specialists at all the companies cooperate on a continuing basis with customers, suppliers and research institutes on new, applicable developments.

This is another field in which our companies stand out for their particular market orientation and customer proximity. Research and development are intimately bound up with day-to-day operations as part of a seamless process; the expertise of all staff – not only of those in the pertinent specialist departments – contributes to the development of new products, processes and services. Manageable organisational units, direct channels of communication and rapid decision-making processes make it possible for products to be brought to market-readiness quickly and systematically.

## Group Directors' Report

Research and development concentrated on surface technology at Dörrenberg in the year under review. The use of innovative surface coatings can increase the durability of tools and working machine components by a factor of up to ten, which represents substantial cost reductions for customers. MAE has cooperated closely with its customers on the further development of its successful wheel presses, thus extending its technical lead. At Haseke the focus was on support systems in medical technology, a field with an especially promising future. Innovation is not restricted to the technical and functional aspects of products – it also extends to their design.

Innovation at ELBA related primarily to product design, which is very important to marketing, and to expansion in the field of information technology accessories. AstroPlast and ELBA collaborated to develop a patented tab for suspended files which is both cheap and astonishingly easy to handle.

### *Procurement*

GESCO Group companies regard their suppliers as partners, involving them in at an early stage in changes and refinements to production processes. Systematic procurement marketing, at international as well as national level, avoids dependence on particular suppliers. No manufacturing bottlenecks occurred during the year under review. Energy and telecommunications costs were reduced significantly by bundling demand within the GESCO Group.

## Group Directors' Report

### *Group balance sheet*

Total assets fell from the previous year's figure of DM 240.5 million to 191.2 million, a decline of DM 49.2 million or 20.5%. This change was primarily due to the deconsolidation of the ELBA Group and Steiner GmbH & Co. KG on the one hand, and the advent of Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG on the other. As ELBA was sold with effect from 01.01.2000, it figures in the profit and loss account but not the balance sheet (reporting date: 31.03).

Goodwill of the fully consolidated and associated companies still available from the initial consolidation was netted against the capital reserve, which had the effect of reducing shareholders' capital.

The reduction in tangible assets from DM 77.0 million to DM 57.9 million breaks down as follows:

	DM million
Changes to scope of consolidation	- 25.5
Net investment	+ 19.5
Depreciation	- 13.1
Reduction	<u>- 19.1</u>

Other lending includes loans advanced in connection with restructuring at Steiner GmbH & Co. KG and a long-term loan.

The reduction of DM 22.7 million in stocks is primarily due to the deconsolidation of the ELBA Group and Steiner GmbH & Co. KG, and to down-payments received – which at DM 6.1 million were more than double the previous year's figure. The decline of DM 13 million in receivables also relates to the reduction in the scope of consolidation.

The principal elements contained in the "other assets" item are tax-refund claims, loans, down-payments and interest deferrals, the last two of which were mainly responsible for the increase of DM 2.5 million.

Liquid assets, consisting of securities (not including own shares) and predominantly cash at banks, improved once more, this time by DM 4.1 million to DM 43.5 million. Within these items there has been a shift towards higher interest bearing securities.

Shareholders' capital, at DM 68.9 million, constituted 36.1% of the balance sheet total. The previous year's figures were DM 72.5 million (30.2%).



## Group Directors' Report

The principal changes in shareholders' capital (which fell by an overall DM 3.6 million) were as follows:

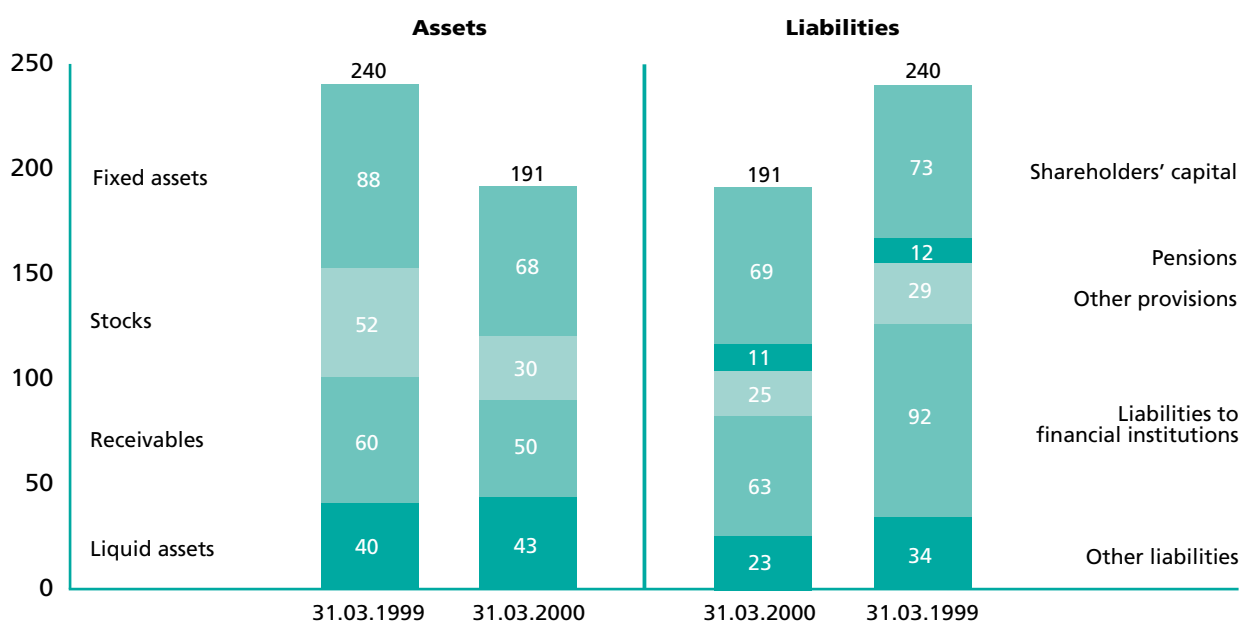
	DM million
Profit distribution to shareholders	- 2.7
Group net income for the year	10.0
Goodwill netted against capital reserves	- 5.8
Deconsolidation of the ELBA Group and Steiner KG	- 5.1
Reduction	- 3.6

Pension and tax provisions were little changed from the previous year. Major items contained in other provisions include provisions for guarantee obligations, various obligations vis-à-vis personnel, bonuses, legal and consultancy costs, a purchase-price annuity obligation and outstanding invoices. Their decline is primarily attributable to the deconsolidation of the ELBA Group and Steiner KG.

These disposals from the scope of consolidation are also the reason for the steep reduction in liabilities to banks, which fell by DM 29.1 million to DM 63.3 million, and for the decline in liabilities in respect of goods and services received from DM 18.3 million to DM 10.7 million.

The reduction in other liabilities is almost exclusively due to the change in the scope of consolidation.

Group balance sheet structure as of 31.03.1999 and 31.03.2000 in DM million



## Group Directors' Report

### *Risk management*

GESCO AG has pursued an active risk-management policy ever since its foundation. We see the main features of our role as lead company as coaching, consulting and (financial) control. Detailed planning and reporting systems, together with monthly personal discussions with each subsidiary company, guarantee a high degree of transparency at all times with regard to business developments within the individual companies. This enables us to recognise potential impending risks at an early stage and to work out countermeasures jointly with the company's management. The directors of individual companies bear full responsibility for their day to day business, and the team at GESCO AG is on hand to provide expertise in all commercial matters.

We comply with the requirements of the law on corporate control and transparency (KonTraG) by formalising and systematising risk management, both within GESCO AG and at the level of our subsidiary companies. This ensures that the approach to potential risk is systematic at all levels, at the same time developing a risk/reward management system – for where there are risks, as a rule there are also rewards.

GESCO's auditors, the Dr. Breidenbach, Dr. Güldenagel and partners KG audit and tax-advisory company of Wuppertal, have confirmed in the course of their audit that the Executive Board has complied with its obligation under § 91 Para. 2 of the Companies Act to put a suitable monitoring system in place, and that this monitoring system is able to carry out its functions.

Meticulous and intensive preparation throughout the Group enabled us to handle the millennium date-change with no problems.

Preparations were also made in good time for the introduction of the Euro; all the necessary information technology and organisational arrangements have been completed.

## Group Directors' Report

### Employees

As at the reporting date, 31.12.1999, the GESCO Group had 1,816 employees, 23.5% more than the previous year. Most of this large increase took place at ELBA in consequence of its takeover of the goods-distribution centre in Wuppertal and the production facility in Tunisia, and of the expansion of production in Gelsenkirchen and Gleichamberg (792 employees as at 31.12.1999 compared with 520 as at 31.12.1998). The number of trainees in the Group rose by 11.1% to 50.

All our SME subsidiaries are characterised by direct communication channels, a high degree of identification with the company, flat hierarchies and a strong performance orientation. Specialist expertise and social skills are carefully nurtured. Information technology was prominent among the areas on which further training focused during the year under review. All Group companies try to achieve a sound age structure, with a mix of expert staff of many years' standing and highly qualified junior employees.

#### Employee shares

During the year under review, as in 1998, GESCO AG once more offered all GESCO Group employees shares in the company on tax-privileged terms. 302 employees – about 17% of the total – took advantage of this opportunity to accumulate private capital. We see this as an important element in retirement provision, which simultaneously increases the extent to which employees identify with the Group.

#### Employees by business divisions

	31.12. 1999	31.12. 1998
Plant Construction and Mechanical Engineering	873	776
Office Supplies	809	537
Commercial Vehicle Construction	91	117
Construction-Related Industry and Property	35	34
GESCO AG	8	7
Total	<u>1,816</u>	<u>1,471</u>

## Group Directors' Report

### *The outlook*

GESCO has made a dynamic start to the new financial year 2000/2001, all our subsidiaries reporting substantial rises in new orders received. The economic institutes expect gross domestic product to grow by some 2.8% in 2000, with exports remaining strong and the long-awaited growth stimuli finally emerging at home as well. All in all we believe the GESCO Group, now without ELBA, has excellent prospects of achieving further growth in both sales and profits. Dörrenberg GmbH, for example, the largest of our affiliated companies with four business divisions, has developed into a comprehensive problem-solver and service-provider for its clients, offering them a full range of services on every aspect of tool steel. In conjunction with the aggressive pursuit of internationalisation, this puts the company in an ideal position to achieve further success.

The roots of GESCO lie in industrial SMEs. We have acquired profit-oriented niche providers, building up and continuing to develop a portfolio of solid, well-capitalised companies. We intend to continue to grow in this core field, not only by means of internal growth but also by further acquisitions. A recent study by Dresdner Bank and the Impulse magazine found that more than a quarter of a million SME entrepreneurs have considered retiring, and that while some 5% of these are already planning the sale of their businesses, around 55% either said they have made no arrangements or said nothing on the subject at all. Opportunities for further acquisitions are thus first-rate.

## Group Directors' Report

As a strategic extension to our portfolio we shall also push ahead with the acquisition of equity holdings in selected companies in the field of New Technologies. This will open up new growth potential without cutting off our successful roots. In this segment we are prepared to consider acquiring minority holdings, and when conditions are right we shall launch the companies concerned on the stock market. We are not venture capitalists seeking a broad spread of high-risk investments; instead we are looking to invest in companies with prospects of long-term success. In both fields, success springs from the same sources: entrepreneurship, innovation and dynamism.

On the whole, GESCO will continue to grow. We expect an increase in sales and an overproportional rise in earnings, based internally on our current portfolio and externally on the acquisition of attractive companies.

### *Corporate Profile*

Detailed information on the companies in the GESCO Group can be found in the "Corporate Profile" supplement at the end of this report.

**GESCO AG**  
**Annual financial statements as at 31.03.2000**



*GESCO AG Head Office  
Dürer House, Wuppertal*

## GESCO AG

### Balance sheet as at 31.03.2000

#### Assets

		31.03.2000 DM	31.03.1999 DM'000
<b>A. Fixed assets</b>			
I.	Intangible assets		
	IT software	13,321.00	10
II.	Tangible assets		
	Other plant, fixtures and fittings (1)	397,697.00	302
III.	Financial assets		
	1. Shares in affiliated companies (2)	47,189,061.04	44,735
	2. Investments (3)	1,809,061.98	1,768
	3. Other loans	1,500,000.00	0
		<u>50,498,123.02</u>	<u>46,503</u>
		<b>50,909,141.02</b>	<b>46,815</b>
<b>B. Current assets</b>			
I.	Receivables and other assets		
	1. Claims on affiliated companies (4)	15,989,337.36	14,792
	of which with a remaining term in excess of one year: DM 3,816,283.92 (DM 1,811,000)		
	2. Claims on companies with which a shareholding relationship exists	79,769.59	143
	3. Other assets (5)	10,225,885.69	6,999
	of which with a remaining term in excess of one year: DM 5,833,902.00 (DM 1,511,000)		
		<u>26,294,992.64</u>	<u>21,934</u>
II.	Securities		
	1. Own shares (6)	639,269.84	327
	2. Other securities (7)	28,473,389.29	9,813
		<u>29,112,659.13</u>	<u>10,140</u>
III.	Cash in hand, credit balances with financial institutions	31,121.08	26,222
		<u><b>55,438,772.85</b></u>	<u><b>58,296</b></u>
<b>C. Pre-paid expenses</b>		<b>54,689.52</b>	<b>18</b>
		<u><b>106,402,603.39</b></u>	<u><b>105,129</b></u>

## Liabilities

		31.03.2000 DM	31.03.1999 DM'000
<b>A. Shareholders' capital</b>			
I.	Subscribed capital	(8) 12,500,000.00	12,500
II.	Capital reserves	41,350,600.00	41,351
III.	Revenue reserves		
	1. Statutory reserves	114,841.00	115
	2. Reserve for own shares	639,269.84	327
	3. Other revenue reserves	(9) 9,084,240.67	4,623
		9,838,351.51	5,065
IV.	Profit brought forward	0.00	17
V.	Net income for the year	6,544,888.82	7,496
		<b>70,233,840.33</b>	<b>66,429</b>
<b>B. Provisions</b>			
1.	Provisions for pensions and similar obligations	(10) 648,077.00	521
2.	Tax provisions	0.00	62
3.	Other provisions	(11) 3,226,045.00	2,282
		<b>3,874,122.00</b>	<b>2,865</b>
<b>C. Liabilities</b>			
		(12)	
1.	Liabilities to financial institutions	31,564,973.15	31,970
	of which with a remaining term of up to one year: DM 7,512,297.90 (DM 0)		
2.	Trade creditors	54,419.52	40
	of which with a remaining term of up to one year: DM 54,419.52 (DM 40,000)		
3.	Liabilities to affiliated companies	153,441.88	290
	of which with a remaining term of up to one year: DM 153,441.88 (DM 290,000)		
4.	Other liabilities	521,806.51	3,535
	of which taxes: DM 351,822.03 (DM 3,294,000)		
	of which social security: DM 18,998.99 (DM 13,000)		
	of which with a remaining term of up to one year: DM 521,806.51 (DM 3,535,000)		
		<b>32,294,641.06</b>	<b>35,835</b>
		<b>106,402,603.39</b>	<b>105,129</b>



## GESCO AG

### Profit and loss account

		01.04.1999 - 31.03.2000 DM	01.04.1998 - 31.03.1999 DM'000
1. Earnings from investments		18,239,401.01	13,666
of which from affiliated companies:			
DM 17,149,401.01 (DM 13,390,000)			
2. Other operating income	(13)	1,131,240.65	956
3. Personnel expenditure			
a) wages and salaries		-1,622,992.16	- 1,462
b) social security contributions and expenditure on pensions and benefits		- 233,117.86	- 233
of which for pensions: DM 133,733.00 (DM 144,000)			
4. Depreciation on tangible and intangible assets		- 139,452.18	- 110
5. Other operating expenditure	(14)	- 3,543,470.93	- 1,757
6. Earnings from securities and from lending the Group's financial assets		16,291.67	0
7. Other interest and similar earnings		2,215,156.56	1,417
of which from affiliated companies:			
DM 394,059.43 (DM 225,000)			
8. Depreciation on financial assets and securities held as current assets	(15)	- 5,945,529.84	- 2,549
9. Interest and similar expenditure		- 767,601.50	- 836
of which to affiliated companies:			
DM 10,214.46 (DM 12,000)			
<b>10. Earnings from ordinary business activity</b>		<b>9,349,925.42</b>	<b>9,092</b>
11. Tax on income and earnings		- 2,803,707.11	- 1,595
12. Other taxes		- 1,329.49	- 1
<b>13. Net income for the year</b>		<b>6,544,888.82</b>	<b>7,496</b>

## GESCO AG

### Notes to the financial statements

#### 1. Accounting and valuation methods

The annual financial statements as at 31 March 2000 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 depreciat-

ed 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.

#### Changes in fixed assets

	Cost of acquisition or manufacture			As at 31.03.2000 DM
	As at 01.04.1999 DM	Transfers (T) Additions DM	Write-ups (W) Disposals DM	
<b>I. Intangible assets</b>				
IT software	16,269.35	7,828.16	0.00	24,097.51
<b>II. Tangible assets</b>				
Other plant, fixtures and fittings	598,575.58	261,884.02	175,524.97	684,934.63
<b>III. Financial assets</b>				
1. Shares in affiliated companies	50,710,656.87	- 7,380,274.14 (T) 8,370,663.37	105,250.00 (W) 205,167.16	51,601,128.94
2. Investments	1,768,229.77	7.380.274,14 (T) 0.00	0.00	9,148,503.91
3. Other loans	0.00	1,500,000.00	0.00	1,500,000.00
	52,478,886.64	9,870,663.37	105,250.00 (W) 205,167.16	62,249,632.85
	53,093,731.57	10,140,375.55	105,250.00 (W) 380,692.13	62,958,664.99

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 cash value of the expectancy at the balance sheet reporting date. The difference resulting from the use of the 1998 guideline tables provided by Dr. Klaus Heubeck was divided equally over three balance sheet reporting dates. The amount

reported under the remaining other provisions equals that of the anticipated liabilities arising thereunder.

## 2. Information on the balance sheet

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

Depreciation				Net book values		
As at 01.04.1999 DM	Transfers (T) Additions DM	Write-ups (W) Disposals DM	As at 31.03.2000 DM	As at 31.03.2000 DM	As at 31.03.1999 DM	
5,951.35	4,825.16	0.00	10,776.51	13,321.00	10,318.00	
296,949.58	134,627.02	144,338.97	287,237.63	397,697.00	301,626.00	
5,976,048.67	- 3,989,441.93 (T) 2,400,000.00	105,250.00 (W) 79,788.84	4,412,067.90	47,189,061.04	44,734,608.20	
0.00	3,989,441.93 (T) 3,350,000.00	0.00	7,339,441.93	1,809,061.98	1,768,229.77	
0.00	0.00	0.00	0.00	1,500,000.00	0.00	
5,976,048.67	5,750,000.00	105,250.00 (W) 79,788.84	11,751,509.83	50,498,123.02	46,502,837.97	
6,278,949.60	5,889,452.18	105,250.00 (W) 224,127.81	12,049,523.97	50,909,141.02	46,814,781.97	

### **Other plant, fixtures and fittings (1)**

The additions relate primarily to cars, office equipment and IT hardware.

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

### **Shares in affiliated companies (2)**

Essentially the additions are attributable to the 100% shareholding in Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG as well as in its general partner company, WM Werkzeug- und Maschinenbau Verwaltungs-GmbH, which were purchased during the year under review. GESCO AG also contributed DM 2 m to the capital reserve at Dörrenberg GmbH to strengthen its equity capital.

Disposals relate to the 10% of both AstroPlast Fritz Funke GmbH & Co. KG and Franz Funke GmbH & Co. KG to the Managing Director of the two companies.

### **Investments (3)**

The shareholdings held in Steiner GmbH & Co. KG and its general partner limited company, Steiner Verwaltungs-GmbH, which in the previous year were reported under shares in affiliated companies, have been reduced to 24.9% and 24.8% respectively and have therefore been reported under investments. The shareholdings in Steiner Anlagentechnik GmbH & Co. KG as well as in its general partner company Steiner Anlagentechnik Beteiligungs GmbH have also been reduced to 24.9% and 24.8% respectively. Unlike its pro rata holding, GESCO AG has a 50% participation in the results of the company. In the event of liquidation, GESCO AG also has a 50% participation in the results. GESCO AG therefore has a 50% economic interest in the Steiner Group.

### **Claims on affiliated companies (4)**

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

### **Other assets (5)**

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

### **Own shares (6)**

In the year under review, 19,200 shares with a total nominal value of DM 96,000 (0.77% of the share capital) were acquired by GESCO AG at a purchase price of DM 577,000 to enable the company to offer them to employees of Group companies as part of an employee share ownership programme. In the year under review, 6,811 shares with a nominal value of DM 34,000 (0.27% of the share capital) were sold for a sale price of DM 137,000, the proceeds were used to repay liabilities. At the balance sheet reporting date, 22,019 own shares with a nominal value of DM 110,000 (=0.88% of the share capital) were reported, some as earmarked for the 2000 employee share ownership programme. Acquisition costs amounted to DM 639,000. A reserve for own shares equal to this amount was created in accordance with § 272 Para. 4 HGB.

### **Other securities (7)**

Essentially, amounts invested in securities are reported here.

### **Subscribed capital (8)**

The company's subscribed capital amounts to DM 12,500,000, divided into 2,500,000 bearer unit shares.

The ordinary General Meeting on 19 August 1999 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 19 February 2001. This authorisation superseded the authorisation to acquire own shares granted by the General Meeting of 27 August 1998, which was limited until 27 February 2000.

At the balance sheet reporting date, the company had authorised capital of DM 250,000 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 (9)**

The Executive Board allocated DM 3,747,843.51 from the 1998/1999 net income in accordance with § 58 Para., 2 AktG (Companies Act). A further DM 1,025,667.00 was allocated to other revenue reserves following a resolution by the Annual General Meeting. An allocation of DM 311,800.78 was made to the reserve for own shares. An allocation of DM 3,323,513.52 is planned from the 1999/2000 net income.

### **Provisions for pensions and similar obligations (10)**

The provisions for pensions and similar obligations are computed according to actuarial principles as per § 6a EstG on the basis of an interest rate of 6%. The difference resulting from the use of the 1998 guideline tables provided by Dr. Klaus Heubeck was divided equally between three balance sheet reporting dates in accordance with the tax regulations.

### **Other provisions (11)**

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

## Liabilities (12)

	As at 31.03.2000 DM'000	Remaining term of up to 1 year DM'000	Remaining term of up to 5 years DM'000	Remaining term > 5 years DM'000
Liabilities to financial institutions	31,565	7,512	13,725	10,328
Trade creditors	54	54	0	0
Liabilities to affiliated companies	153	153	0	0
Other liabilities	522	522	0	0
	<b>32,294</b>	<b>8,241</b>	<b>13,725</b>	<b>10,328</b>

The liabilities to financial institutions are secured by the pledging of investments. In addition, charges on properties owned by Tomfohrde KG 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 short-term loans.

### Contingent liabilities and other financial obligations

Contingent liabilities of DM 2,310,000 are the result of guarantees. DM 635,000 of the guarantees relate to subsidiaries. The remaining amount involves mainly proportional default guarantees. There is also an obligation to enter into a leasing agreement concluded by the subsidiary Molineus & Co. GmbH + Co. KG for a leased and sub-let commercial site if the agreement is terminated without notice. The discounted leasing payments, which relate to the term, of DM 8,720,000 are matched by equal rental income.

There are possible retrospective improvements in the purchase price, limited in the case of one company to DM 6 m, resulting from the acquisition of two companies, depending on their future earnings. During the year under review, there was a payment on account of DM 1 m.

GESCO AG has undertaken to comply with certain capital requirements and balance sheet indicators with regard to two affiliated companies.

### 3. Information on the profit and loss account

Klaus Fütting, Remscheid  
Member of the Executive Board

#### Other operating income (13)

The total remuneration of the members of the Executive Board amounted to DM 1,049,000 including variable elements, additional benefits and allocations to pensions.

Other operating income primarily includes profits from the sale of financial assets and earnings from consultancy services.

#### Supervisory Board

#### Other operating expenditure (14)

Klaus Möllerfriedrich, Wuppertal  
Chairman,  
Chartered Accountant

Other operating expenditure includes expenditure relating to the waiver of a receivable, expenditure on Investor Relations, the enforcement of a guarantee as well as legal and consultancy costs.

#### Chairman of Supervisory Boards:

- Wolk AG, Wuppertal
- Bau und Boden Grundbesitz AG, Wuppertal
- Hoff Industries AG, Munich (until 29.04.1999)

#### Depreciation on financial assets and on securities held as current assets (15)

#### Member of Supervisory Board:

- Asys Holdings AG, Oberhausen

This item contains extraordinary depreciation on financial assets for the purposes of § 253 Para. 2 Clause 3 HGB of DM 5.75 m.

Rolf-Peter Rosenthal, Wuppertal  
Deputy Chairman,  
Member of the management of Deutsche Bank AG, West Region

### 4. Other information

#### Employees

#### Chairman of Supervisory Board:

- Etienne Aigner AG, Munich

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

#### Deputy Chairman of Supervisory Boards:

- Hindrichs-Auffermann AG, Düsseldorf
- Rheinische Textilfabriken AG, Wuppertal

#### Executive bodies

#### Member of Supervisory Boards:

- Johnson Controls Interiors GmbH & Co. KG / JC INSITU Beteiligungsgesellschaft mbH, Wuppertal
- Acordis AG, Wuppertal (until 23.02.2000)

#### Executive Board

Willi Back, Wuppertal  
Chairman of the Executive Board

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

- Member of Supervisory Boards:
- Schmitz Cargobull AG, Altenberge
  - Jost-Werke AG, Frankfurt/Main (until 09.06.1999)

The total remuneration for the members of the Supervisory Board amounted to DM 171,000 in the financial year.

### Proposed appropriation of profits

The retained profit is composed as follows:

	1999/2000 DM'000	1998/1999 DM'000
Net income for the year	6.545	7.496
Profit carried forward	0	17
Allocation to other revenue reserves	-3.273	- 3.748
Retained profit	<u>3.272</u>	<u>3.765</u>

At the date on which the proposal for the appropriation of profits is made, the company holds 22,019 of its own shares.

The Executive Board will propose to the Annual General Meeting that the retained profit for the 1999/2000 financial year be appropriated as follows:

- a) Payment of a dividend of DM 1.30 per unit share on the share capital currently entitled to receive dividends (2,500,000 shares less 22,019 own shares)

DM 3,221,375.30

- b) Allocation to other revenue reserves

DM 51,069.11

DM 3,272,444.41

Wuppertal, 25 April 2000

The Executive Board

W. Back

K. Fütting



## **Auditors' report**

We have audited the annual financial statements, including the books and Management Report of GESCO AG for the year ended 31 March 2000. 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 the books, annual financial statements and Directors' Report are free from material inaccuracies. As part of the audit, the evidence provided for the details in the books, annual financial statements and Directors' Report was assessed 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 associations on the annual financial statements have been complied with.

Wuppertal-Elberfeld, 17 May 2000

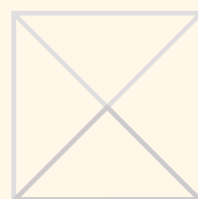
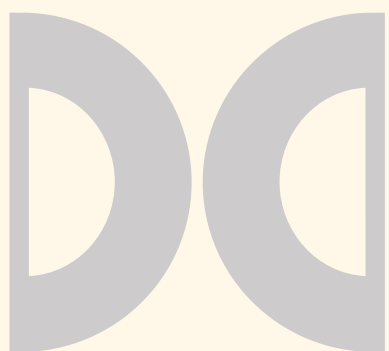
Dr. Breidenbach, Dr. Güldenagel und Partner KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

through:

(Dr. Breidenbach)  
Auditor

(Dr. Niemeyer)  
Auditor

**GESCO Group**  
**Annual financial statements as at 31.03.2000**



GEWERBEPARK  
WILTHENER STRASSE



## GESCO Group

### Balance sheet as at 31.03.2000

#### Assets

	31.03.2000 DM	31.03.1999 DM'000
<b>A. Fixed assets</b>		
I. Intangible assets		
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets	4,113,992	3,998
2. Goodwill (1)	0	4,619
	<b>4,113,992</b>	<b>8,617</b>
II. Tangible assets		
1. Land and buildings	31,944,788	42,978
2. Technical plant and machinery	9,346,610	16,047
3. Other plant, fixtures and fittings	14,730,678	15,964
4. Prepayments made and plant under construction	1,891,371	2,027
	<b>57,913,447</b>	<b>77,016</b>
III. Financial assets		
1. Shares in affiliated companies	90,000	0
2. Investments in associated companies (2)	1,685,700	1,908
3. Investments	327,722	367
4. Loans to companies with which a shareholding relationship exists	414,390	521
5. Other loans (3)	3,100,000	0
	<b>5,617,812</b>	<b>2,796</b>
	<b>67,645,251</b>	<b>88,429</b>
<b>B. Current assets</b>		
I. Stocks		
1. Raw materials and supplies	10,546,197	17,089
2. Unfinished goods, unfinished services	8,157,343	12,690
3. Finished products and goods	16,396,569	25,545
4. Prepayments made	695,991	72
5. Prepayments received	-6,126,470	-3,026
	<b>29,669,630</b>	<b>52,370</b>
II. Receivables and other assets		
1. Trade receivables	37,005,462	49,956
2. Claims on companies with which a shareholding relationship exists	876,358	497
3. Other assets (4) of which with a remaining term in excess of one year: DM 5,951,213 (DM 1,641,000)	11,648,209	9,084
	<b>49,530,029</b>	<b>59,536</b>
III. Securities		
1. Own shares (5)	639,270	327
2. Other securities (6)	28,524,512	9,864
	<b>29,163,782</b>	<b>10,192</b>
IV. Cheques, cash in hand, credit balances with the Bundesbank and the post bank, credit balances with financial institutions (7)	14,950,882	29,563
	<b>123,314,323</b>	<b>151,661</b>
<b>C. Pre-paid expenses (8)</b>	<b>283,316</b>	<b>371</b>
	<b>191,242,890</b>	<b>240,461</b>

## Liabilities

		31.03.2000 DM	31.03.1999 DM'000
<b>A. Shareholders' capital</b>			
I. Subscribed capital	(9)	12,500,000	12,500
II. Capital reserves	(10)	28,636,169	34,475
III. Revenue reserves	(11)		
1. Statutory reserves		114,841	115
2. Reserve for own shares		639,270	328
3. Other revenue reserves		8,850,731	4,389
IV. Profit brought forward		6,072,556	2,901
V. Net income for the year		10,069,745	10,684
VI. Difference resulting from capital consolidation	(12)	0	500
VII. Minority interests	(13)	2,063,696	6,628
		<b>68,947,008</b>	<b>72,520</b>
<b>B. Provisions</b>	(14)		
1. Provisions for pensions		11,237,733	12,184
2. Tax provisions		4,284,078	3,227
3. Other provisions		20,917,141	25,924
		<b>36,438,952</b>	<b>41,335</b>
<b>C. Liabilities</b>	(15)		
1. Liabilities to financial institutions		63,349,694	92,471
of which with a remaining term of up to one year:			
DM 19,097,226 (DM 17,959,000)			
2. Trade creditors		10,743,553	18,302
of which with a remaining term of up to one year:			
DM 10,743,553 (DM 18,302,000)			
3. Liabilities from accepting bills drawn		1,492,370	2,252
of which with a remaining term of up to one year:			
DM 1,492,370 (DM 2,252,000)			
4. Liabilities to affiliated companies		100,461	0
of which with a remaining term of up to one year:			
DM 100,461 (DM 0)			
5. Liabilities to companies with which a shareholding relationship exists		121,256	73
of which with a remaining term of up to one year:			
DM 121,256 (DM 73,000)			
6. Other liabilities		10,046,296	13,506
of which taxes: DM 3,107,396 (DM 4,836,000)			
of which social security:			
DM 1,975,181 (DM 2,923,000)			
of which with a remaining term of up to one year:			
DM 10,046,296 (DM 13,471,000)			
		<b>85,853,630</b>	<b>126,604</b>
<b>D. Prepaid income</b>		<b>3,300</b>	<b>2</b>
		<b>191,242,890</b>	<b>240,461</b>

## GESCO Group

### Profit and loss account

		01.04.1999 - 31.03.2000 DM	01.04.1998 - 31.03.1999 DM'000
1. Sales revenue	(16)	391,701,424	339,377
2. Change in stocks of finished and unfinished products		10,115,389	5,785
3. Other company produced additions to assets		410,959	574
4. Other operating income	(17)	11,223,281	8,304
of which income from writing back special reserve items: DM 482,520.00 (DM 196,000)			
5. Expenditure on materials			
a) expenditure on raw materials and supplies and goods purchased		-169,420,409	-159,150
b) expenditure on services purchased		-19,467,725	-16,183
6. Personnel expenditure			
a) wages and salaries		-107,458,464	-77,666
b) social security contributions and expenditure on pensions and benefits		-22,314,265	-17,890
of which for pensions: DM 883,727.00 (DM 2,516,000)			
7. Depreciation on tangible and intangible assets		-13,548,599	-9,629
8. Other operating expenditure	(18)	-60,204,420	-54,450
9. Earnings from investments		0	57
10. Earnings from investments in associated companies		-43,774	100
11. Earnings from lending the Group's financial assets		33,305	19
12. Other interest and similar earnings		2,226,298	1,558
13. Depreciation on financial assets and on securities held as current assets		-195,530	-49
14. Interest and similar expenditure		-3,308,546	-3,347
<b>15. Earnings from ordinary business activity</b>		<b>19,748,924</b>	<b>17,410</b>
16. Tax on income and earnings	(19)	-8,381,979	-5,669
17. Other taxes		-331,480	-212
<b>18. Net income for the year</b>		<b>11,035,465</b>	<b>11,529</b>
19. Share of the profit attributable to minority interests		-1,941,188	-1,549
20. Share of the loss attributable to minority interests		975,468	704
<b>21. Group net income for the year</b>		<b>10,069,745</b>	<b>10,684</b>

# GESCO Group

## Notes to the financial statements

### 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 (31.03.2000). The financial year of all subsidiaries is the same as the calendar year. It was decided to dispense with compiling intermediate accounts as at 31.03.2000.

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

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

Additions in the financial year were Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG (Beier KG) in Kassel as well as its general partner limited company WM Werkzeug- und Maschinenbau Verwaltungs-GmbH. They were consolidated for the first time as of the date of acquisition, 1 April 1999, and their income and expenditure are included in the profit and loss account for the period 1 April to 31 December 1999.

Group fixed assets rose by DM 6,799,000 due to the addition of Beier KG (including consolidation surplus value). Group liabilities rose by DM 2,432,000.

At the beginning of 2000, the shares in the ELBA Group were sold with effect from 01.01.2000. This sale procedure was taken into consideration in the present Group accounts in accordance with § 299 Para. 3 HGB. As a result of the deconsolidation as at 01.01.2000, the

Group balance sheet as at 31.03.2000 no longer includes the assets and liabilities of the ELBA Group for their 1999 financial year. The Group profit and loss account for the period 01.04.1999 to 31.03.2000 still includes the income and expenditure of the ELBA Group. The deconsolidation of the ELBA Group has led to a reduction in fixed assets of DM 19 m and in current assets of DM 33 m. The long and short term liabilities have reduced by DM 22 m each.

Of the investments in AstroPlast Fritz Funke GmbH & Co. KG and Franz Funke GmbH & Co. KG, 10% of each has been sold to the Managing Director as of 1 January 2000.

The holding in Steiner GmbH & Co. KG was reduced to 24.9% as of 30.06.1999. As of this date, the company has been consolidated using the equity method rather than fully consolidated. The Group profit and loss account therefore still includes the income and expenditure items of Steiner GmbH & Co. KG for the period 01.01.1999 to 30.06.1999. As part of the consolidation using the equity method, there was a difference between the book value of the investment and the pro rata equity capital of DM 1,567,000.

As of 01.01.2000, the holding in Steiner Verwaltungs-GmbH was reduced to 24.8%. The two Steiner companies are therefore reported under investments in associated companies in the present financial statements.

The holdings in associated companies comprise five companies, which are recorded in the Group accounts using the equity method (§ 312 HGB). Shares in the associated companies Steiner Anlagentechnik GmbH & Co. KG as well as its general partner, Steiner Anlagentechnik Beteiligungs GmbH were reduced to 24.9% and 24.8% respectively. GESCO AG has a 50% participation in the results and hidden reserves of the Steiner companies.

Five companies were either not included in the consolidated financial statements and/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 Country Court.

## **2. Accounting, valuation and consolidation methods**

The consolidated financial statements as at 31 March 2000 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, trade receivables and trade creditors 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 when the item was booked. 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 booked.

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

The tax provisions include potential taxes. There has been no change to the way in which they are calculated, that is taking account of any tax on earnings incurred on the basis of a uniform Group-wide estimated disbursement with a tax rate of 45% (previous year 50%).

### **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. Subsidiaries acquired in the current financial year were consolidated at the time the companies were acquired. Initial consolidation led to differences on the assets side of DM 3,570,000 and differences on the liabilities side of DM 660,000. The date of disposal of the shareholding is used for the deconsolidation or switch from full consolidation to the equity method.

### Equity method

The book value method was used in applying the equity method to the capital consolidation.

### Currency conversion

Foreign currency items relating to foreign subsidiaries were converted into DM according to the reporting date method.

### 3. Information on the Group 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 31.03.2000 DM
	As at 01.04.1999 DM	Additions to the scope of consolidation DM	Additions DM	Transfers DM	Disposals from the scope of consolidation DM	Disposals DM	
<b>I. Intangible assets</b>							
1. Industrial property rights and similar rights and assets, as well as licences to such rights and assets	5,657,971	107,029	1,379,999	9,516	1,179,686	222,845	5,751,984
2. Goodwill arising on capital consolidation	5,770,155	0	0	0	0	5,770,155	0
	<b>11,428,126</b>	<b>107,029</b>	<b>1,379,999</b>	<b>9,516</b>	<b>1,179,686</b>	<b>5,993,000</b>	<b>5,751,984</b>
<b>II. Tangible assets</b>							
1. Land and buildings including buildings on third party land	56,517,665	10,704,532	6,855,638	425,246	25,909,178	4,001,380	44,592,523
2. Technical plant and machinery	52,033,286	9,517,444	6,722,508	1,313,386	25,548,316	1,606,418	42,431,890
3. Other plant, fixtures and fittings	57,144,706	2,837,889	5,233,612	242,747	6,313,705	2,115,235	57,030,014
4. Prepayments made and plant under construction	2,026,814	0	3,421,314	-1,990,895	1,565,862	0	1,891,371
	<b>167,722,471</b>	<b>23,059,865</b>	<b>22,233,072</b>	<b>-9,516</b>	<b>59,337,061</b>	<b>7,723,033</b>	<b>145,945,798</b>
<b>III. Financial assets</b>							
1. Shares in affiliated companies	0	0	25,000	65,000	0	0	90,000
2. Investments in associated companies	2,002,292	0	1,500,451	0	0	1,456,744	2,045,999
3. Other investments	486,611	0	66,109	-65,000	159,998	0	327,722
4. Loans to companies with which a shareholding relationship exists	521,203	0	0	0	84,800	22,013	414,390
5. Other loans	100,000	0	3,100,000	0	100,000	0	3,100,000
	<b>3,110,106</b>	<b>0</b>	<b>4,691,560</b>	<b>0</b>	<b>344,798</b>	<b>1,478,757</b>	<b>5,978,111</b>
	<b>182,260,703</b>	<b>23,166,894</b>	<b>28,304,631</b>	<b>0</b>	<b>60,861,545</b>	<b>15,194,790</b>	<b>157,675,893</b>



## Goodwill (1)

The goodwill reported in the previous year resulted solely from capital consolidation. In the year under review, the goodwill was netted off against capital reserves as at 01.04.1999.

## Investments in associated companies (2)

The additions refer mainly to Steiner GmbH & Co. KG and Steiner Verwaltungs-GmbH.

Of the disposal, DM 1,220,000 resulted from offsetting the goodwill arising on the initial consolidation against reserves.

Depreciation						Net book values	
As at 01.04.1999 DM	Additions to the scope of consolidation DM	Additions DM	Disposals from the scope of consolidation DM	Disposals DM	As at 31.03.2000 DM	As at 31.03.2000 DM	As at 31.03.1999 DM
1,660,386	102,414	445,247	348,210	221,845	1,637,992	4,113,992	3,997,585
1,151,068	0	0	0	1,151,068	0	0	4,619,087
<b>2,811,454</b>	<b>102,414</b>	<b>445,247</b>	<b>348,210</b>	<b>1,372,913</b>	<b>1,637,992</b>	<b>4,113,992</b>	<b>8,616,672</b>
13,539,911	5,331,073	2,578,537	7,204,443	1,597,343	12,647,734	31,944,788	42,977,754
35,986,537	8,484,971	5,419,003	15,317,214	1,488,017	33,085,280	9,346,610	16,046,749
41,180,214	2,378,909	5,105,812	4,388,744	1,976,855	42,299,336	14,730,678	15,964,492
0	0	0	0	0	0	1,891,371	2,026,814
<b>90,706,662</b>	<b>16,194,953</b>	<b>13,103,352</b>	<b>26,910,401</b>	<b>5,062,215</b>	<b>88,032,351</b>	<b>57,913,447</b>	<b>77,015,809</b>
0	0	0	0	0	0	90,000	0
94,056	0	353,393	0	87,150	360,299	1,685,700	1,908,236
119,998	0	0	119,998	0	0	327,722	366,613
0	0	0	0	0	0	414,390	521,203
100,000	0	0	100,000	0	0	3,100,000	0
<b>314,054</b>	<b>0</b>	<b>353,393</b>	<b>219,998</b>	<b>87,150</b>	<b>360,299</b>	<b>5,617,812</b>	<b>2,796,052</b>
<b>93,832,170</b>	<b>16,297,367</b>	<b>13,901,992</b>	<b>27,478,609</b>	<b>6,522,278</b>	<b>90,030,642</b>	<b>67,645,251</b>	<b>88,428,533</b>

Depreciation during the year under review includes DM 27,000 depreciation charged on the surplus value capitalised on consolidation as well as DM 237,000 depreciation in accordance with § 253 Para. 2 Clause 3 HGB.

### **Other loans (3)**

This item refers to long term loans.

### **Other assets (4)**

Items reported under other assets relate mainly to claims for tax refunds, loan entitlements, payments on account and deferred interest.

### **Own shares (5)**

In the year under review, 19,200 shares with a total nominal value of DM 96,000 (0.77% of the share capital) were acquired by GESCO AG at a purchase price of DM 577,000 to enable the company to offer them to employees of Group companies as part of an employee share ownership programme. In the year under review, 6,811 shares with a nominal value of DM 34,000 (0.27% of the share capital) were offered to employees at a sale price of DM 137,000. The proceeds were used to repay liabilities. At the balance sheet reporting date, 22,019 own shares with a nominal value of DM 110,000 (0.88% of the share capital) were reported, some as earmarked for the 2000 employee share ownership programme. The acquisition costs amounted to DM 639,000. A reserve for own shares equal to this amount was created in accordance with § 272 Para. 4 HGB.

### **Other securities (6)**

Essentially, amounts invested in securities are reported here.

### **Credit balances with financial institutions (7)**

In essence, this item contains a fixed deposit and current account credit balance.

### **Prepaid expenses (8)**

The item for prepaid expenses contains discounts of DM 34,000.

### **Subscribed capital (9)**

The Group's subscribed capital corresponds to the subscribed capital of GESCO AG and amounts to DM 12,500,000, divided into 2,500,000 bearer unit shares.

The ordinary General Meeting on 19 August 1999 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 19 February 2001. This authorisation superseded the authorisation to acquire own shares granted by the General Meeting of 27 August 1998, which was limited until 27 February 2000.

At the balance sheet reporting date, the company had authorised capital of DM 250,000 limited to 26 August 2003 earmarked for the issue of employee shares. To this extent, the subscription right of shareholders is excluded.

### **Capital reserves (10)**

Goodwill of DM 5,839,000 arising from initial consolidation (including goodwill for associated companies) was netted off against the capital reserves.

### **Revenue reserves (11)**

The Executive Board allocated DM 3,747,843.51 from GESCO AG's 1998/1999 net income in accordance with § 58 Para. 2 AktG (Companies Act). A further DM 1,025,667.00 was allocated to other revenue reserves following a resolution by the Annual General Meeting. An allocation of DM 3,323,513.52 is planned from the 1999/2000 net income.

### Difference arising from the capital consolidation (12)

Of the difference reported in the previous year resulting from the initial consolidation of the ELBA Group, DM 264,000 was written back to earnings in the 1999/2000 financial year. The remaining amount, including the addition of DM 660,000, was netted out as part of the deconsolidation of the ELBA Group.

### Minority interests (13)

This item shows the share of the Group's shareholders' capital held by other shareholders. The reduction in this item is particularly due to the deconsolidation of the ELBA Group.

### Liabilities (15)

	As at 31.03.2000 DM'000	Remaining term of up to 1 year DM'000	Remaining term of up to 5 year DM'000	Remaining term > 5 years DM'000
Liabilities to financial institutions	63,350	19,097	32,723	11,530
Trade creditors	10,744	10,744	0	0
Liabilities on bills	1,492	1,492	0	0
Liabilities toward affiliated companies	100	100	0	0
Liabilities towards companies with which a shareholding relationship exists	121	121	0	0
Other liabilities	10,046	10,046	0	0
	<u>85,853</u>	<u>41,600</u>	<u>32,723</u>	<u>11,530</u>

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.

### Contingent liabilities

Liabilities from the issue and assignment of bills	DM	77,000
Liabilities under guarantees	DM	2,275,000
Liabilities under warranty agreements	DM	5,776,000
Security for third party liabilities	DM	75,000

### Provisions (14)

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 potential taxes of DM 1,105,000.

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

### 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 DM 10,698,000 up to the end of the relevant term, of which DM 1,506,000 will be due in the following year. This includes obligations under a long-term tenancy agreement. The discounted obligations up to the end of the term of the agreement of DM 8,720,000 are matched by corresponding rental income.

There are possible retrospective improvements in the purchase price for two companies, whereby the amount for one of the companies is limited to DM 6 m, depending on its future earnings. A payment on account of DM 1 million was made during the year under review.

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

## 4. Information on the profit and loss account

### Sales revenue (16)

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

	DM'000	%
Germany	327,070	84
Europe (without Germany)	51,313	13
Asia	12,143	3
Africa	392	0
America and Australia	783	0
	<u>391,701</u>	<u>100</u>

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

### Other operating income (17)

Other operating income contains income from outside the period under review of DM 1,250,000.

Other operating income rose by DM 2,919,000 compared to the previous year. Other operating income includes earnings on deconsolidation of subsidiaries of DM 5,388,000 as well as income from writing back provisions of DM 2,910,000.

### Other operating expenditure (18)

Other operating expenditure is broken down as follows:

	1999/2000 DM'000
Operating costs	20,137
Administrative costs	8,001
Sales costs	21,039
Other	11,027
	<u>60,204</u>

The allocation of costs, particularly operating costs, was further standardised in 1999/2000.

Expenditure outside the period under review amounts to DM 1,011,000. This includes losses on the disposal of assets of DM 876,000.

### Taxes on income and earnings (19)

The taxes on income and earnings contain potential taxes (earnings) of DM 105,000. Tax refunded for the previous year amounted to DM 235,000.

## 5. Segment reporting

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

	Plant Construction and Mechanical Engineering DM'000	Office Supplies DM'000	Commer- cial Vehicle Construction DM'000	Construc- tion- Related Industry DM'000	GESCO AG / consolidation effects DM'000	Group DM'000
Sales	204,346	136,000	27,437	23,918	0	391,701
Financial result	-1,166	-1,215	-105	6	1,192	-1,288
EBITDA	21,419	9,071	2,896	1,808	-940	34,254
Investments	9,690	13,191	296	1,968	3,160	28,305
Depreciation	7,717	3,908	341	233	1,350	13,549
Total assets	114,466	6,326	11,462	13,695	45,294	191,243
Outside capital	77,634	4,765	7,069	9,230	23,598	122,296
Average number of employees in 1999	812	772	105	31	6	1,726

## 6. Cash flow statement

	1999/2000 DM'000	1998/1999 DM'000
<b>Group net income for the year</b>	10,069	10,684
Depreciation on fixed assets	13,744	9,678
Increase in provisions	6,818	12,341
Other income/expenditure not affecting payments	- 80	- 954
<b>Cash flow for the year</b>	<b>30,551</b>	<b>31,749</b>
Profits from the disposal of fixed assets	723	- 127
Profits from changes in the scope of consolidation	- 5,388	- 639
Increase in stocks, trade receivables and other assets	- 19,027	- 24,836
Increase in trade creditors and other liabilities	4,282	4,981
<b>Inflow of funds from ongoing business activity</b>	<b>11,141</b>	<b>11,128</b>
Incoming payments from the disposal of fixed assets	2,158	517
Disbursements for investment in fixed assets	- 27,350	- 11,628
Incoming payments from public subsidies	2,487	0
First endowment of the ELBA Group	0	- 20,312
Incoming payments from changes in the scope of consolidation	8,973	1,945
Disbursements for changes in/subsequent improvements in the purchase price relating to the scope of consolidation	- 6,913	- 2,985
<b>Outflow of funds relating to investment activity</b>	<b>- 20,645</b>	<b>- 32,463</b>
Incoming payments from capital increases (after deducting any one-off financing costs/flotation costs)	0	4,200
Disbursements to shareholders (dividends)	- 2,739	- 1,873
Incoming payments from the taking up of financial loans (incl. ELBA)	16,291	23,281
<b>Inflow of funds from funding activity</b>	<b>13,552</b>	<b>25,608</b>
<b>Real increase in financial means</b>	<b>4,048</b>	<b>4,273</b>
Financial means as at 01.04	39,427	35,154
Financial means as at 31.03	43,475	39,427
<b>Change in financial means (see above)</b>	<b>4,048</b>	<b>4,273</b>

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

Interest payments of DM 3,369,000 were made in financial year 1999/2000

Tax on income and earnings paid in financial year 1999/2000 amounted to DM 10,921,000.

## 7. Other information

### Employees

On average, the following number of employees were employed in the financial year:

Factory staff	1,173
Office staff	511
Trainees	42
	<hr/>
	1,726

The average number of employees includes 755 from the ELBA Group and 108 employees at Beier KG, which was acquired on 01.04.1999.

### Executive bodies

The members of the Supervisory Board and the Executive Board are shown on page 39 of the Annual Report.

Wuppertal, 12 May 2000

The Executive Board

W. Back            K. Fütting

## **Auditors' report**

We have audited the consolidated financial statements and Group Directors' Report for the year ended 31 March 2000 compiled by GESCO AG. The legal representatives of the company are responsible for the preparation of the consolidated financial statements and 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 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 business activity and economic and legal framework as well as the anticipated margin or error. Our audit has also assessed the effectiveness of the internal controlling system and assessed

the details provided in the consolidated financial statements and 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, 17 May 2000

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

through:

(Dr. Breidenbach)  
Auditor

(Dr. Niemeyer)  
Auditor



## **GESCO AG**

### **List of shareholdings (§ 313 Para. 2 HGB)**

#### **1. Companies included in the consolidated financial statements as at 31.03.2000**

% share of  
capital held <sup>1)</sup>

#### **Plant Construction and Mechanical Engineering**

Dörrenberg Edelstahl GmbH, Engelskirchen-Ründeroth	100.00
Steiner GmbH & Co. KG, Wilnsdorf <sup>3)</sup>	24.90
Steiner Verwaltungs-GmbH, Wilnsdorf <sup>2) 3)</sup>	24.80
Steiner Anlagentechnik GmbH & Co. KG, Wilnsdorf <sup>3)</sup>	24.90
Steiner Anlagentechnik Beteiligungs GmbH, Wilnsdorf <sup>2) 3)</sup>	24.80
MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG, Erkrath	100.00
Maschinen- und Apparatebau Götzen GmbH, Erkrath <sup>2)</sup>	100.00
Haseke GmbH & Co. KG, Porta Westfalica	80.00
Haseke Beteiligungs-GmbH, Porta Westfalica <sup>2)</sup>	100.00
AstroPlast Fritz Funke GmbH & Co. KG, Sundern	80.00
Fritz Funke jun. Verwaltungsgesellschaft mbH, Sundern <sup>2)</sup>	100.00
Franz Funke GmbH & Co. KG, Sundern	80.00
Funke Verwaltungsgesellschaft mbH, Sundern <sup>2)</sup>	100.00
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel	100.00
WM Werkzeug- und Maschinenbau Verwaltungs-GmbH, Kassel <sup>2)</sup>	100.00

#### **Office Supplies**

GESCO Beteiligungs GmbH, Wuppertal	100.00
ELBA Bürosysteme GmbH, Wuppertal <sup>4)</sup>	0
ELBA-Organisationsmittel GmbH, Gleichamberg <sup>4)</sup>	0
Orga Register GmbH i. L., Wuppertal <sup>4)</sup>	0
VariData Ex- und Importgesellschaft für Kommunikationsmittel mbH, Dresden <sup>4)</sup>	0
ELBA-MEGA Consulting GmbH, Wuppertal <sup>4)</sup>	0
ELBA Ordner Fabrieken B.V., Tegelen, Holland <sup>4)</sup>	0
ELBA Rado S.A.R.L. France <sup>4)</sup>	0
ELBA Tunisie S.A.R.L., Tunisia <sup>4)</sup>	0
Alro GmbH Druck Schutz Veredlung, Troisdorf	100.00

#### **Commercial Vehicle Construction**

Ackermann Fahrzeugbau GmbH, Wolfhagen	80.00
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#### **Construction-Related Industry and Property**

Paroll Doppelboden-Systeme GmbH & Co. KG, Radevormwald	74.00
Paroll Doppelboden-Systeme Beteiligungsgesellschaft mbH, Radevormwald <sup>2)</sup>	74.00
Gewerbepark Wilthener Straße GmbH, Bautzen <sup>3)</sup>	32.50
Molineus & Co. GmbH + Co. KG, Wuppertal	100.00
Grafic Beteiligungs-GmbH, Wuppertal <sup>2)</sup>	100.00
Tomfohrde GmbH & Co. Industrieverwaltungen, Wuppertal	100.00
Tomfohrde GmbH, Wuppertal <sup>2)</sup>	100.00

<b>2. Companies not included in the consolidated financial statements as at 31.03.2000</b>	<b>% share of capital held <sup>1)</sup></b>
Degedenar Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG, Eschborn	100.00
BEO Bodensysteme GmbH, Radevormwald	100.00
GIS Gewerbe- + Immobilien-Service GmbH, Bautzen	33.00
Ackermann Fahrzeugbau Oschersleben GmbH, Oschersleben	24.00
GEM Gesellschaft für Entwicklung und Management von Immobilien mbH, Bautzen	32.50

The companies which are not included are companies which have not been consolidated because of a lack of influence or as a result of their minor economic significance (§§ 296 Para. 1, 296 Para. 2, 311 Para. 2 HGB).

<sup>1)</sup> Shares in the capital held directly or via a majority holding

<sup>2)</sup> General partner

<sup>3)</sup> Associated company

<sup>4)</sup> Elba Bürosysteme GmbH and its subsidiaries were sold with effect from 01.01.2000

## Report of the Supervisory Board

During the 1999/2000 financial year, the Supervisory Board concerned itself constantly with the company's position and development, in accordance with the duties and powers imposed on 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 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 affiliates. The Supervisory Board also receives the monthly reports from the affiliates.

All business requiring the consent of the Supervisory Board under the articles of association was referred to and approved by it.

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

The auditors audited the annual financial statements to 31 March 2000 and the Directors' Report and accepted them without qualification.

As part of the audit, the auditors also had to assess whether the Executive Board had taken the measures required by law, and in particular whether it had set up an early warning system to detect developments which could jeopardise the continued existence of the company. In their unqualified report, the auditors have confirmed that the risks inherent in future developments are accurately portrayed in the Directors' Report and Group Directors' Report. With regard to the early warning system, the auditors declared that the Executive Board had taken the measures stipulated in § 91 Para. 2 AktG, in particular those pertaining to the establishment of an early warning system and that these are appropriate for identifying at any early stage any developments which jeopardise the continued existence of the company.

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

The Supervisory Board 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 a meeting with the auditors on 25 May 2000. In the light of the conclusive examination, the Supervisory Board has no objections



*Members of the Executive and Supervisory Boards*

*From the right :*

*Willi Back  
(Chairman, Executive Board)*

*Klaus Möllerfriedrich  
(Chairman, Supervisory Board)*

*Klaus Fütting  
(Member of the Executive Board)*

*Dr. Hans Bernhard von Berg  
(Member of Supervisory Board)*

*Rolf-Peter Rosenthal  
(Deputy Chairman, Supervisory Board)*

to the annual financial statements or Directors' Report. The Supervisory Board has approved the annual financial statements, which are thus adopted for the purposes of § 172 AktG. The Supervisory Board supports the Executive Board's proposals on the application of the profits.

The Executive Board produced the consolidated financial statements of the GESCO Group to 31 March 2000, which were also examined and passed unqualified by the auditors. At its meeting on 25 May 2000, the Supervisory Board also discussed the consolidated financial statements with the auditors and approved them.

The Supervisory Board would like to thank the members of the Executive Board, the managing directors of the subsidiaries and all the staff of the GESCO Group for their outstanding work in the past financial year.

Wuppertal, 25 May 2000

The Supervisory Board

Klaus Möllerfriedrich  
Chairman

## Financial calendar

- 20 June 2000 at 9:30  
Annual Accounts Press Conference to announce the annual financial statements for 1999/2000 at the Steigenberger Parkhotel, Düsseldorf
- 20 June 2000 at 14:30  
DVFA Analysts' Meeting at the Steigenberger Frankfurter Hof, Frankfurt/Main
- 20 June 2000 at 16:30  
Telephone conference for institutional investors and analysts
- August 2000  
Announcement of figures for the first quarter (01.04 – 30.06.2000)
- 31 August 2000 at 10:30  
Annual General Meeting in the Stadthalle, Wuppertal
- November 2000  
Announcement of figures for the first half year (01.04 – 30.09.2000) and despatch of interim report
- February 2001  
Announcement of figures for the first nine months (01.04 – 31.12.2000)
- 26 June 2001  
Annual Accounts Press Conference
- 30 August 2001  
Annual General Meeting in the Stadthalle, Wuppertal

## 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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