Annual Report 2000/2001

GESCO
Tradition · Innovation · Vision

GESCO AG & GESCO Group

The GESCO Group at a glance

Financial year 01.04. - 31.03.	2000/2001 EUR '000	2000/2001 DM '000	pro forma[1] 1999/2000 EUR '000	pro forma[1] 1999/2000 DM '000	Change
Sales	146,482	286,493	131,753	257,686	11.2%
of which - domestic	118,207	231,192	110,145	215,425	7.3%
- foreign	28,275	55,301	21,608	42,261	30.9%
EBITDA [2]	14,710	28,770	10,738	21,002	37.0%
EBIT [3]	9,774	19,116	5,728	11,203	70.6%
Earnings from ordinary business activity	8,532	16,688	5,710	11,168	49.4%
Taxes on income and earnings	-3,567	-6,977	-2,030	-3,971	75.7%
Taxation ratio	41.8%	41.8%	35.6%	35.6%	–
Group net income for the year	4,102	8,023	3,682	7,202	11.4%
DVFA/SG cash flow	10,090	19,734	8,435	16,498	19.6%
DVFA/SG results [4]	4,012	7,846	3,231	6,320	24.1%
DVFA/SG earnings per share in EUR and DM [4, 5]	1.60	3.14	1.29	2.53	24.1%
Group net income per share for the year in EUR and DM [5]	1.64	3.21	1.47	2.88	11.4%
Working capital [6]	35,998	70,405	28,598	55,932	25.9%
Capital employed [7]	63,443	124,084	60,118	117,580	5.5%
ROCE [8]	15.4%	15.4%	9.5%	9.5%	–
Investments	14,519	28,397	7,882	15,415	84.2%
Depreciation [9]	5,796	11,336	5,110	9,994	13.4%
Shareholders' capital	38,276	74,861	35,253	68,948	8.6%
Total assets	104,912	205,190	97,781	191,243	7.3%
Capital ratio	36.5%	36.5%	36.1%	36.1%	–
Number of employees (as at 31.12.)		1,015		952	6.6%
of which trainees		52		41	26.8%
Year-end share prices as at 31.03. in EUR	16.00		14.92		7.2%
Dividend (net) in EUR and DM	0.72	1.40	0.66	1.30	7.7%

Explanatory notes:

1) Previous year's figures are given on the basis of the current portfolio to improve comparability, that is without the 51% holding in the ELBA Group sold as at 01.01.2000. See also the comment on the five-year overview overleaf.
2) EBITDA: earnings before interest, tax, depreciation and amortisation
3) EBIT: earnings before interest and tax
4) Without depreciation on goodwill; in financial year 1999/2000, goodwill was netted off against reserves.
5) With 2,500,000 shares.
6) Working capital: stocks and trade receivables less trade creditors.
7) Capital employed: average fixed assets, stocks and trade receivables less average trade creditors.
8) ROCE: EBIT divided by capital employed; in previous years' annual reports, earnings from ordinary business activity was used to determine the ROCE.
9) Including depreciation on financial assets and securities held as current assets.

The GESCO Group: a five-year comparison

Financial year 01.04. - 31.03.		2000/2001	1999/2000	1998/1999	1997/1998	1996/1997
Sales	DM '000	286,493	391,701	339,377	252,122	214,563
of which - domestic	DM '000	231,192	327,071	261,907	204,817	180,431
- foreign	DM '000	55,301	64,630	77,470	47,305	34,132
EBITDA 1)	DM '000	28,770	34,254	28,489	24,556	16,079
EBIT 2)	DM '000	19,116	20,706	18,861	16,956	9,226
Earnings from ordinary business activity	DM '000	16,688	19,749	17,410	13,461	4,898
Taxes on income and earnings	DM '000	-6,977	-8,382	-5,669	-2,603	-1,496
Taxation ratio	%	41.8%	42.4%	32.6%	26.4%	30.5%
Group net income for the year	DM '000	8,023	10,070	10,684	6,193	3,134
DVFA/SG cash flow	DM '000	19,734	22,720	20,942	12,922	10,014
DVFA/SG results 3)	DM '000	7,846	9,125	9,444	6,127	2,484
DVFA/SG earnings per share 3), 4)	DM	3.14	3.65	3.78	2.45	1.55
Group net income per share for the year 4)	DM	3.21	4.03	4.27	2.48	1.25
Working capital 5)	DM '000	70,405	55,932	84,024	57,880	57,025
Capital employed 6)	DM '000	124,084	137,442	139,602	117,170	73,368
ROCE 7)	%	15.4%	15.1%	13.5%	14.5%	12.6%
Investment	DM '000	28,397	28,305	22,246	11,375	17,377
Depreciation 8)	DM '000	11,336	13,744	9,678	7,701	7,842
Shareholders' capital	DM '000	74,861	68,947	72,520	62,763	22,360
Total assets	DM '000	205,190	191,243	240,461	183,568	146,897
Capital ratio	%	36.5%	36.1%	30.2%	34.2%	15.2%
Employees	Number	1,015	1,816	1,471	897	780
of which trainees	Number	52	50	45	32	26
Year-end share prices as at 31.03.	EUR	16.00	14.92	17.10	21.47	–
Dividend (net)	EUR	0.72	0.66	0.56	0.38	0.23
Dividend (net)	DM	1.40	1.30	1.10	0.75	0.45

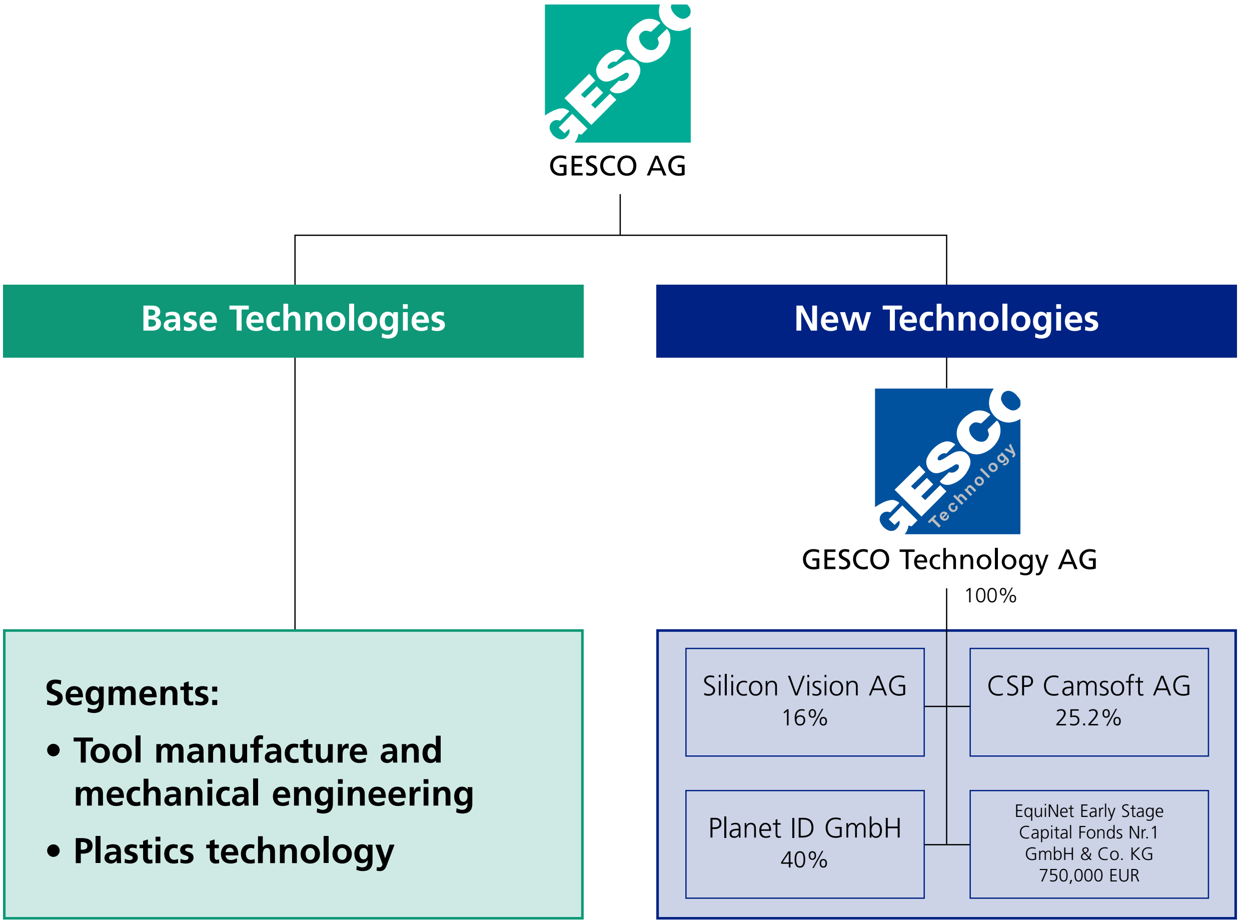
Remarks:
From 01.08.1998 to 01.01.2000, GESCO had a 51% holding in the ELBA Group, Wuppertal. In the "GESCO Group at a glance" overview overleaf, in the Chairman's statement and in the Group Directors' Report, previous years' figures, as is already the case in reporting for periods of under 12 months, were given on the basis of the current portfolio to improve comparability, that is without the ELBA holding. By contrast, in the five-year comparison, the annual financial statements and consolidated financial statements, the certified figures for the previous year including the ELBA holding are shown. In the financial year 1998/99, the ELBA Group was included with a five month rump financial year. In financial year 1999/2000, the ELBA Group was included in the profit and loss account with its full financial 1999 but not in the balance sheet as at 31.03.2000 as it was deconsolidated due to the sale as at 01.01.2000.

Explanatory notes :

1) EBITDA: earnings before interest, tax, depreciation and amortisation
2) EBIT: earnings before interest and tax
3) In financial year 1999/2000, residual goodwill was netted off with reserves. From financial year 1999/2000, therefore, the DVFA/SG result is given without depreciation on goodwill.
4) With 2,500,000 shares.
5) Working capital: stocks and trade receivables less trade creditors.
6) Capital employed: average fixed assets, stocks and trade receivables less average trade creditors.
7) ROCE: EBIT divided by capital employed; in previous years' annual reports, the earnings from ordinary business activity was used to determine the ROCE.
8) Including depreciation on financial assets and on securities held as current assets.

GESCO Group portfolio structure

as at 31 May 2001



Our acquisition criteria

Base Technologies division:

- sound SMEs
- successful niche providers
- high earnings potential
- companies with open succession arrangements
- sales of DM 20 million upwards
- adequate equity base
- no instance of rescue packages
- take-over long term, as a rule 100%
- focus on North Rhine-Westphalia and neighbouring regions

New Technologies division:

- young companies with above-average growth potential
- production-related or production-oriented sectors
- companies with a unique selling point
- start-ups with a sound business plan or established companies with proven success
- first-rate management
- individual investment up to approx. DM 6 million
- generally minority stake, happy to invest with strategic co-investors
- realistic prospects of lucrative exit
- no regional restrictions

Contents

GESCO – substance with vision

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- As a holding company, GESCO AG has set itself the objective of **increasing values**: raising profits has priority over increasing sales.

- GESCO aims for an **optimum risk/return profile** in its portfolio.

- To this end it acquires 100% holdings in small and medium-sized **niche providers in the tool manufacture and mechanical engineering as well as plastics technology industries** with a view to holding them for the long term, normally in the context of succession arrangements.

- In addition, via its wholly-owned subsidiary GESCO Technology AG, GESCO acquires minority stakes in rising companies in the **New Technologies** field in order to accelerate their growth and generate an above-average profit when subsequently selling off the holding.

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

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

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

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

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

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

- At the same time GESCO shares inspire **vision** as, in the future too, the acquisition of established niche providers combined with its involvement in New Technologies give the Group first-rate growth opportunities.

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

Willi Back, Chairman

Chairman's Statement

Dear shareholder,

For GESCO, financial year 2000/2001 was one of both continuity and change, which saw the dynamic development of our existing business and the tapping of sources for future growth.

- Our subsidiaries took advantage of the lively economy to achieve strong growth in their operating business.
- We strategically restructured and expanded our portfolio, and thereby won over the capital market.
- GESCO shares stood firm in a turbulent stock market environment.

Lively operating business

The development of our subsidiaries' business was extremely brisk. We exceeded our budget for all key indicators. At DM 286.5 million, Group sales outstripped the comparable figure for the previous year, in other words, excluding the ELBA holding* disposed of as at 1 January 2000, by 11.2% (previous year: DM 257.7 million). As a result, the figure was 4.9% higher than the budget of DM 273 million.

Proof of the GESCO Group's sustained operating earning power is provided by the 37.0% rise in EBITDA to DM 28.8 million (DM 21.0 million). There was also a sharp increase in EBIT: at DM 19.1 million, this was up 70.6% compared with the previous year's figure of DM 11.2 million. Earnings from ordinary business activity jumped 49.4% to DM 16.7 million (DM 11.2 million).

The financial result was shaped by the general rise in interest rates and investments in our New Technologies business division. Despite these influences, which were not taken into account in the budget published at the start of financial year 2000/2001, we raised Group net income for the year by 11.4% to DM 8.0 million (DM 7.2 million) and thereby also clearly improved upon the budget figure of DM 7.8 million. This alone is evidence that 2000/2001 was an exceptionally successful year in terms of earnings.

We increased the DVFA/SG earnings before goodwill depreciation by 24.1% from DM 2.53 per share to DM 3.14. This was 3.6% above our forecast of DM 3.03.

There was a sharp rise in investments, from DM 15.4 million to DM 28.4 million, primarily attributable to the investments in holdings in the new "New Technologies" business division which totalled DM 11.4 million.

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* *To facilitate comparison, the previous year's figures in this Statement and in the Directors' Report are given based on the current portfolio, i.e. not including the 51% holding in the ELBA Group, which was sold as at 1 January 2000.*

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ROCE – return on capital employed - reached 15.4%, a new record. In consultation with the capital market, we changed the way in which ROCE is calculated in the year under review, and took EBIT as the basis instead of the earnings from ordinary business activity.

Successful strategic expansion of the portfolio

We revamped our portfolio in June 2000 and opened our "New Technologies" division. At the same time, we reorganised our existing group of established SMEs in the "Base Technologies" division, splitting them into two segments: tool manufacture and mechanical engineering, and plastics technology. Each division represents different investment approaches and is separate in organisational terms. In the Base Technologies division, we continue to acquire 100% holdings in producing companies within the framework of succession arrangements, taking a long term view. In the "New Technologies" division, on the other hand, we acquire stakes via our wholly-owned subsidiary GESCO Technology AG in young, up and coming companies, generally in the form of minority stakes, and we are happy to invest with strategic co-investors. In this division, the chief source of earnings is the exit, i.e. the subsequent sale of the holding. The portfolio of GESCO Technology AG currently comprises shares in three operating companies as well as a fund investment as part of a strategic partnership with the Frankfurt-based Equinet Group.

In Dr.-Ing. Hans-Gert Mayrose, GESCO Technology AG has a Management Board member who has many years of experience in new technologies. Dr. Mayrose is also involved in GESCO AG's acquisition of companies in the field of Base Technologies.

This extension of our strategy under the motto "substance with vision" met with an extremely positive response. On the one hand, we are thereby opening up creative, entrepreneurial potential for future growth, and on the other we are offering investors an optimised risk/return profile. The capital market rewards the fact that we also remain faithful in our investments in New Technologies to our substance-oriented and sound business principles. Increased research is just one consequence of this strategic expansion and clearly defined portfolio structure.

In the field of Base Technologies, the market for companies and corporate holdings that meet our high demands was shaped by a "wait-and-see attitude" during the financial year just completed, with a view to the tax reform as at 1 January 2001 and 1 January 2002. Given the privileged treatment of capital gains for tax purposes, we believe the future will bring a revival of M&A business.

GESCO shares and the capital market

In 2000, our stock market segment, the SMAX Small Cap Exchange, was more successful than the DAX and the NEMAX. Around the end of 2000 we saw increased interest amongst institutional investors as well as the media in this quality segment for small caps. High-substance stocks were once again in demand. Compared with the closing price of the previous year the price of GESCO shares rose by 7.2% in the period under review, and therefore clearly outperformed the SMAX.

Yet price performance is just one aspect of an investment in shares. In particular, private investors with a medium and long term investment horizon attach great importance to an attractive dividend yield. GESCO shareholders will also benefit from the healthy development of business: for the fourth time in succession we are recommending a dividend increase to the Annual General Meeting, to DM 1.40 per share, a rise of 7.7% compared with last year (DM 1.30). The gross dividend including tax credit stands at DM 2.00 (DM 1.86).

After announcing the share buy-back programme on 14 July 2000 we bought back 3.3% of the total volume of shares. Following this we were able to win new institutional investors for our company, to whom we sold our own shares under the authority conferred by the AGM. At present, almost half a per cent of GESCO's shares are in our own portfolio.

Outlook for the new financial year

It is difficult to make predictions for the new financial year 2001/2002 at present. With healthy order books, the year got off to a dynamic start for our subsidiaries, but now there are signs of the forecast widespread economic slowdown. Nevertheless, overall we expect sales to reach a volume in line with financial year 2000/2001. After the end of the reporting period, on 3 May 2001 our largest company, Dörrenberg GmbH in Ründeroth, was hit by a devastating centennial storm. According to current estimates, the cost of the damage inflicted by the storm, an extremely unusual phenomenon in that region, will run to DM 1 to 2 million.

From 2002, we expect M&A activity to pick up amongst companies in the Base Technologies segment due to the benefits of the tax reform. Furthermore, we will continue to selectively exploit investment opportunities in high-powered companies in the field of New Technologies.

SMEs: the secret of success

I pay a visit to each of our companies several times a year. Together with managers and senior employees I discuss strategic and operating issues, agree investments, consider risks, look at products and talk to customers, suppliers, bank representatives and other business partners. This close relationship with the companies reaffirms my conviction that active entrepreneurship in the SME segment has an enormous number of opportunities. Short communication channels, very little bureaucracy, employees who are passionate about their work, uncompromising customer focus - our

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companies translate these strengths into market shares and earning power. The same is true of our holdings in New Technologies: the products may be different, but the entrepreneurial spirit, the commitment and the pleasure taken in playing an active role are the same. For me, these are the motivating forces behind our success. We have made promoting them our cause. The aim of GESCO shares is to make this potential accessible to you as investors.

I should like to thank the managers of our subsidiaries and all the men and women who work for the GESCO Group for their exemplary commitment over the last year. My thanks also to our customers and suppliers for their cooperation in a spirit of partnership.

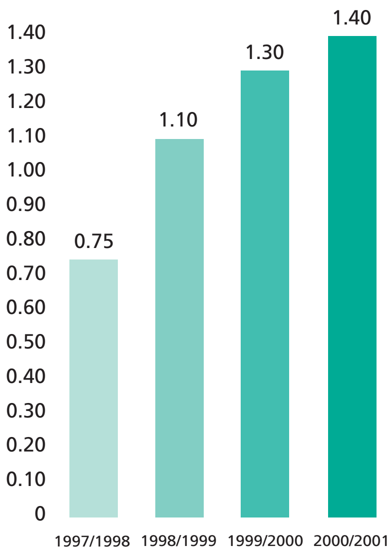
I also thank you, our shareholders, for your trust in GESCO shares and in the entrepreneurial concept they represent.

Yours sincerely

GESCO shares

At the end of financial year 2000/2001, the price of our shares was 7.2% above the reporting date for the previous year. This means that our shares clearly outperformed the SMAX. Based on this year's earnings per share of DM 3.14 or EUR 1.60 and the year-end closing price of EUR 16.00, this gives a price/earnings ratio of 10. Since in financial year 1999/2000 we netted all residual goodwill amounts against the reserves, thereby reducing shareholders' capital, we have not included goodwill depreciation in the above-mentioned DVFA/SG earnings. Including goodwill depreciation, the earnings per share for the period under review amount to DM 2.94 or EUR 1.50 (previous year DM 2.25 or EUR 1.15).

Dividend per share in DM



Fourth successive dividend hike

In continuation of our shareholder-friendly dividend policy, the Executive Board and Supervisory Board will recommend an increase of 7.7% in the dividend to the Annual General Meeting on 30 August 2001, bringing it to DM 1.40. This will be the fourth time in succession that we have increased the dividend. Including corporation tax credit, the dividend is DM 2.00. Based on the closing price for the financial year, our share therefore offers gross interest of 6.4%.

Positive feedback from the capital market

The strategic expansion of our portfolio met with an extremely positive reception on the capital market. Last year, we managed to win additional analysts: Bankhaus Lampe and Equinet Institutional Services began their research in the summer of 2000. Together with Deutsche Bank, WGZ-Bank and Independent Research, there are now five firms reporting on GESCO shares. Furthermore, we hold regular discussions with a number of other analysts, even though this is not reflected in ongoing research. In the year under review, we also expanded our contacts with institutional investors. The end of 2000 brought increased interest from institutional investors as well as the media in the SMAX and SDAX. Our investments in the new technologies were very important in raising our profile among both target groups.

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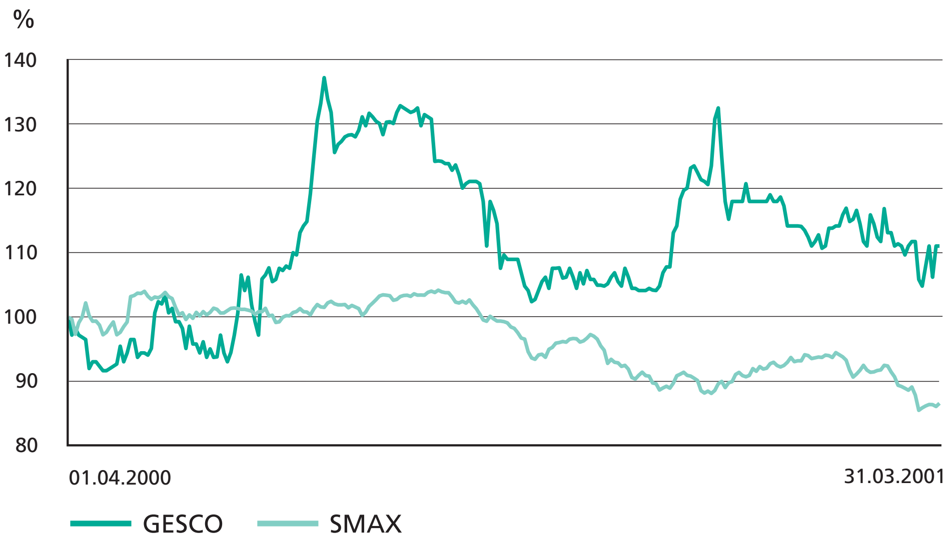
Our 2.5 million shares still have a theoretical free float of 100%. There is not a single shareholder or shareholder group that has reported a holding of 5% or more in our shares, nor are any parts of the share stock subject to any lot sizes or pools. The Executive and Supervisory Boards of GESCO AG jointly hold 5% of the shares and view this as a permanent investment. As, in addition, managers of our subsidiaries as well as pre-IPO shareholders hold GESCO shares as a long term investment, we set the effective free float at around 80%.

Moderate share buy-back programme

On 14 July 2000 the GESCO Executive Board announced the start of a share buy-back programme and the Annual General Meeting of 31 August 2000 renewed the corresponding authorisation. Since then we have acquired 3.3% of the total stock of GESCO shares. During the course of the year under review we were able to win new institutional investors for our shares, to whom we sold our own shares in accordance with the guidelines set out in the resolution of the Annual General Meeting. At present, 11,575 own shares are in the hands of GESCO AG, which corresponds to around half a per cent of the total volume.

GESCO AG share price against the SMAX



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GESCO share data [1]

Securities identification number	587 590
Stock market abbreviation	GSC
Share capital	DM 12,500,000
Number of unit bearer shares	2,500,000
Stock market launch	24 March 1998
Issue price	DM 42 / EUR 21.47
Year-end price prev. year (31.03.2000)	EUR 14.92
Year-end price (30.03.2001)	EUR 16.00
High (19.07.2000)	EUR 19.78
Low (17.04.2000)	EUR 13.20
Price/earnings ratio as at 30.03.2001	10
Market capitalisation as at 30.03.2001	EUR 40,000,000
Free float	approx. 80%
Shares held by members of the Supervisory Board	2.6%
Shares held by members of the Executive Board	2.4%

Key indicators per GESCO share for 2000/2001

Dividend	DM 1.40 EUR 0.72
Dividend incl. tax credit	DM 2.00 EUR 1.02
Group net income per share for the year	DM 3.21 EUR 1.64
DVFA/SG earnings per share [2]	DM 3.14 EUR 1.60
DVFA/SG cash flow per share	DM 7.89 EUR 4.03

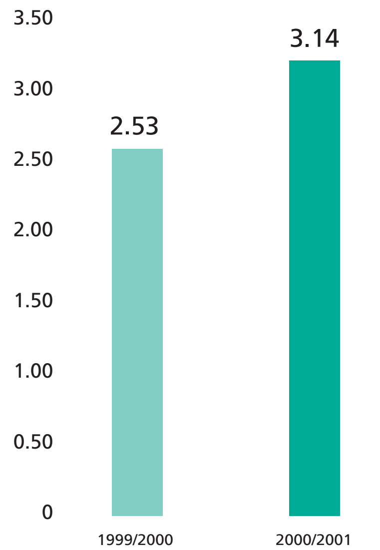
Stock exchanges

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

[1] all price information relates to the closing price of the Frankfurt Stock Exchange
[2] not taking into account goodwill depreciation

You will find a list of principal dates in the financial year to the end of 2002 in the **financial calendar** at the end of this annual report.

DVFA/SG earnings per share in DM



Convinced by the Dörrenberg concept: Obering. Helmut Laczkovich, Technical Managing Director of Dörrenberg; GESCO Executive Board members Robert Spartmann and Willi Back; Eckhard Müller, Managing Director of Dörrenberg (from left).

Full range of services for tool manufacture

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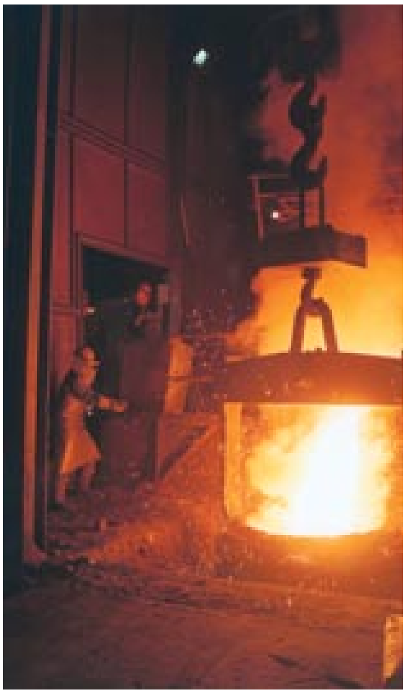
Dörrenberg Edelstahl GmbH

For several hundred years, iron and steel have been produced and processed in Aggertal in the Bergisches Land region. The roots of the Ründeroth-based family company Dörrenberg also go back 300 years. Dörrenberg was established in its present form in 1860, when it was entered in the commercial register.

At the end of the 19th century and start of the 20th century, the company was spoken of in the same breath as Krupp and Thyssen. While the sector heavyweights covered the mass market business, Dörrenberg concentrated on the profitable niche of tool steel and quickly became synonymous with innovative tool steel technology. In 1883, under the name "Hidalgo", the company introduced to the market what was amongst specialist circles a legendary resistant steel for high-quality tools, used among other things for tools to build the Swiss Simplon tunnel. Another innovative milestone came in 1928, with the introduction of the first AEG electric induction furnace in Ründeroth. This provided the pre-condition for casting, which opened the door to a wealth of new construction possibilities. At the start of the 1960s, the stability of tools in the industrial process came up against its limits. Again, Dörrenberg adopted the right course, establishing the surface technology division and paving the way for surface treatment in Germany. In 1980, the Management recognised that tighter tolerance and better surfaces were required in casting - and once again opened up a new area of activity, precision castings.

Metallurgy: the development of new materials and fine-tuning of existing ones constitutes the focus of Dörrenberg's expertise.



For a long time, the family owners who gave the company its name successfully managed the company's fortunes and developed what was originally a forge into a diversified group of companies. In the mid 80s, however, the Group got into difficulties because of investments outside the sector, even though the core of the Group, Dörrenberg Edelstahl GmbH, was operating successfully and at a profit; the banking consortium appointed an Advisory Board.

A committed team and a solid investor

The Managing Directors of many years' standing, Helmut Laczkovich and Eckhard Müller, have remained loyal to the company even in these troubled times, securing its leading position and expanding the business. When GESCO AG acquired a 100% holding in Dörrenberg as at 1 January 1996, this signalled the joining of forces of a committed management rooted in the company, a highly motivated workforce and a solid investor with a long term view. The advent of GESCO AG offered planning certainty for the operating business and made it possible to begin extensive investments. The course was set for growth.

The niche concept won GESCO over right away. Dörrenberg is the leading German specialist in stainless steel for tool manufacture and offers its customers a full range of services that is unique throughout

"Steel in bags": the stainless steel division also supplies small quantities and unit weights.

Europe. The company has consistently opened up niches that are not under threat in the long term from either German mass producers or from imports, for example from Eastern Europe or the Far East. In-depth expertise created high barriers to market penetration and continuous research and development ensured the company of a unique position - and therefore gratifying profits.

Today, with sales in the region of DM 140 million Dörrenberg Edelstahl GmbH is the largest company in the GESCO portfolio. The basis of Dörrenberg's success remains its unique expertise in the field of metallurgy, the alloys of stainless tool steel and its behaviour in the most diverse applications. No other manufacturer in Germany is as active as the Ründeroth-based company in the development of new and the further development of refined stainless steel materials for tool manufacture.

Unswerving customer focus

Dörrenberg owes its success and earning power to the fact that its technological leadership is backed by an unswerving customer focus. "Our customers are not interested in steel", says commercial director Eckhard Müller, "they want solutions to problems." And his colleague Helmut Laczkovich adds: "From our customers' point of view, we are not so much a supplier of steel as a guarantor of their smooth production." With a combination of physical products and complementary services, Dörrenberg keeps its customers' production flows in motion, prevents stoppages and, above all, by continuously increasing the durability of tools, increases profitability. Laczkovich, an engineer, talks about the "software" which first turns steel into a customised problem solution, "via heat treatment and coating, right through to the welding instructions for the respective material."

As early as the construction phase, customers call on the expertise of the Ründeroth specialists in research and development as well as construction. "Developing new materials for specified longer tool lives," says Eckhard Müller, "is our stock in trade." The earlier the involvement, the smoother the process – with obvious benefits in terms of quality, costs and planning certainty. The focus of this consultancy service is the automotive industry.

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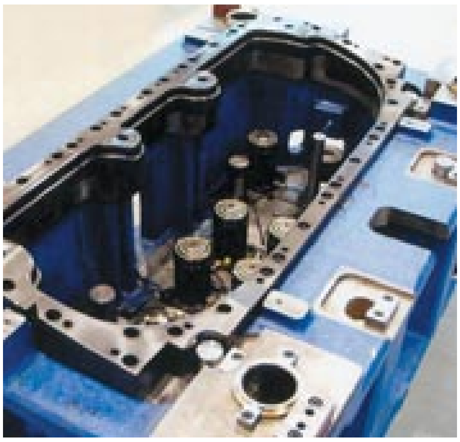
A shelved warehouse: sophisticated logistics guarantee flexibility in stainless steel trading.



A full service from the correct alloy selection to surface finishing: a segmented remodelling tool.

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Dörrenberg's four divisions, run as profit centres, are separate in terms of personnel and premises and structured in such a way that, being profitable, they can also function as autonomous companies. At the same time, they are part of an ideal network under the umbrella of Dörrenberg Edelstahl and offer customers a full range of problem-solving services.

Stainless steel

Production and trade in tool steel is the domain of this business division, which accounts for around 47% of sales. Its principal customers are the automotive industry and tool manufacturing companies. Polished logistics enable swift delivery of even small quantities and unit weights - in Ründeroth this is known as "steel in bags". Different dimensions, a variety of materials, sheets, rings and forgings in any form: its wide range is one of this division's chief strengths.

The automotive industry: an important target group for products and services from Ründeroth.

Surface technology

Often, the high demands of large-scale production require surface treatment of the die-cutting and pressing tools. Almost all common steels can be heat-treated and coated and their surface characteristics adjusted with such precision that a material defined especially for the tool concerned is created. In some cases, this has enabled the experts at Dörrenberg to increase the durability of tools by a factor of ten.

Depending on the material to be coated and the required characteristics, Dörrenberg uses both the PVD process with temperatures between 200 and 500 °C and the sophisticated CVD process with temperatures of around 1,000° C, which only a few suppliers have mastered. In the last four years, Dörrenberg has invested a total of around DM 10 million in this promising area, which in 2000 accounted for roughly 8% of sales and made an overproportional contribution to the result. In heat treatment in particular, Dörrenberg is benefiting from the trend towards outsourcing.

Stainless steel casting

Producing castings and forging blocks, this division contributes 34% of sales. In one of Germany's largest stainless steel casting plants Dörrenberg casts parts with a unit

Stainless steel casting division: special alloys ensure resistance to rust and acid.

weight of up to six tonnes and supplies them in any processing state required by the customer. Castings are manufactured in stainless, heat-resistant and wear-resistant steel and cast tools dominate production.

The principal customers for this division's products are the automotive industry and the respective tool manufacturers and mould makers who use large tools produced by the division, for example for moulding car body parts. Here too, the trend for outsourcing is having an impact - groups are seeking systems suppliers of complete tools with a corresponding service package.

Precision casting

Around 11% of sales are attributable to the castings produced by this division. With unit weights of 5 g to 100 kg, its strengths lie in high dimensional accuracy in flexible moulding. This process therefore offers the designer exceptional design freedom. Even complex parts can be made without any difficulty. As the manufacturing costs are much lower than with other production processes, the use of high-class, durable steel tools is economically feasible - with all the associated benefits in terms of durability and reliability of the tool. As Germany's sole manufacturer, Dörrenberg is also in a position to offer flexible small and medium-scale production.

Full range of services under one roof

These four divisions combine to provide a full range of services for tool manufacture. Besides the wide range of complementary products, Dörrenberg is continually developing its services. To quote Helmut Laczkovich: "We go so far as to remove entire tools from the customer's premises, dismantling them here and subjecting the tool steel components to heat treatment and then surface hardening. We then reassemble the complete tool in the customer's production line - and all this for tools that can weigh up to twenty tonnes. This service is unique in Europe."

Yet it is not just the technical expertise which is very well co-ordinated, but also its marketing activities. In the crossover automotive area the company operates a rigorous key account management system

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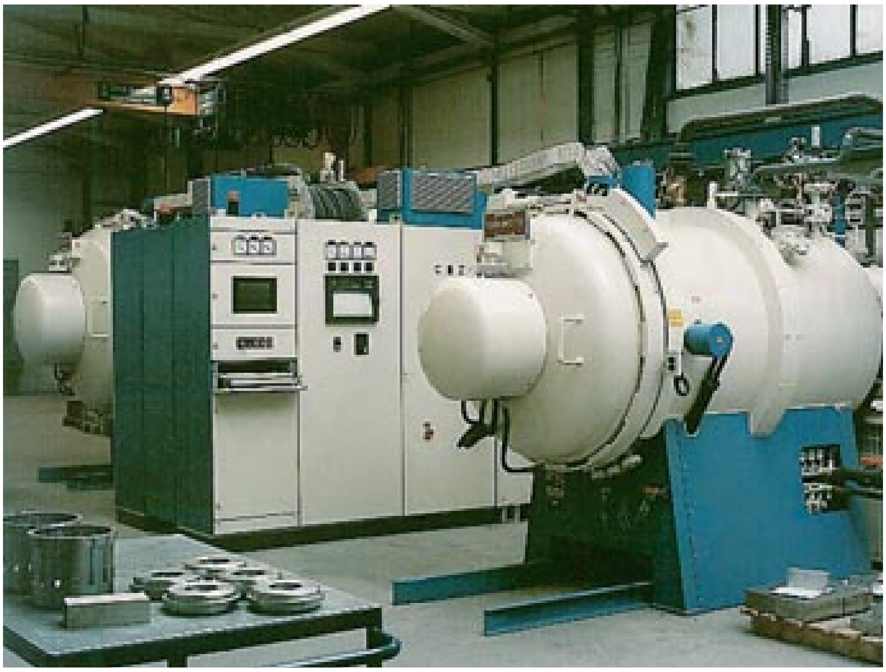
Surface technology: Dörrenberg has invested around DM 10 million in this division in the past four years.



Flexibility counts: Dörrenberg can also produce small and medium sized series in precision casting.

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for the automotive industry. With experts accounting for a growing percentage of business, currently 23%, Dörrenberg is also well-positioned on an international level; its focal points are Italy, France, Austria, Spain and the UK, with increasing efforts being made to open up the Middle and Far East. Eckhard Müller: "We are where our customers are. Our consultancy services are in demand on an international scale."

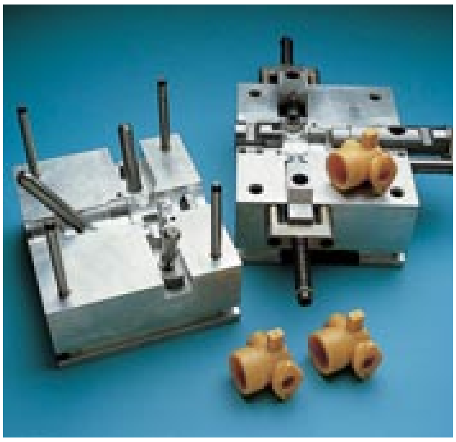
A high degree of precision: open traversing wheels moulded and cast in accordance with the Dörrenberg patent.

Active research and development

Active, continuous research and development is an inherent part of daily life at Dörrenberg. Innovations, many protected by patents, are created in close consultation with the customer and in cooperation with universities, technical colleges and research institutes on an international scale. New materials and coatings are as much a part of this as the introduction of new processes in metallurgy and welding technology. In October 2000, Dörrenberg held its first symposium for the large tool manufacturing industry, which was very well received among experts.

R&D, quality management and technical sales support are combined within the central quality office, staffed by a dozen highly-qualified employees. Helmut Laczkovich refers to this as a "think tank", an "interface between research and concrete application within the customer's business". In addition, the central quality office audits the suppliers of the Ründeroth company. Quality specifications and lively interchange of ideas and suggestions are daily practice.

The very latest IT equipment is something else that Dörrenberg takes for granted. This also includes exchanging data with customers, as part of what is known as workflow management. Moreover, Dörrenberg is venturing into the field of e-commerce; customers can now submit and order their tool steel requirements online.



High measuring accuracy combined with flexible moulding: the strengths of the precision casting division.

In addition to specialist qualifications and social skills, information technology is also a prominent feature of training.

Success due to teamwork

The management sets great store by active internal communication and trusting cooperation with the Works Council. A highly committed and competent workforce of around 470 staff at present is crucial to building success. A low staff turnover rate is the result of this employee orientation, and contributes greatly to the high quality of production, services and advice. The executive management attaches great importance to maintaining a healthy age structure and ensuring early on that there are internal successors to take over from the company's experts.

Not least thanks to its scenic location, environmental protection is a special commitment for Dörrenberg. Dust removal, noise prevention and monitoring of its own drainage network are examples of its commitment to protecting the environment. Principles, targets and measures are set out in an environmental declaration. The company was the first manufacturer of stainless steel in Germany to have a system of environmental management verified by the Technical Inspection Authority and is certified according to the corresponding EEC decree 1836/93 and DIN EN ISO 14001.

They are proud of their tradition in Ründeroth, but there is very little time to look back. Dörrenberg is successful because it moves with the times. Its management makes selective use of external expert knowledge without following every passing trend unquestioningly. It knows how to shape changes together with its employees, and continuously modernises the company whilst retaining its identity. In this way, Dörrenberg offers reliability – for employees, customers, suppliers and other business partners. Its profits, which again reached a record high in 2000, are proof that these old virtues are also honoured in these times of outsourcing, perhaps more than ever.

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The central quality office: the interface between research and practice.

Group Directors' Report

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General conditions

With growth of 3% in gross domestic product, the development of the German economy was dynamic across the board in the year under review. When looking at the general conditions, a distinction should be made between the activities of GESCO AG as a holding company and the segments in which our operating subsidiaries are active.

The environment for holding companies varied greatly in 2000. In 1999 and 2000, the market for equity capital experienced a sharp upturn in Germany. A number of holding companies in GESCO AG's narrower environment attempted to move over entirely to New Technologies, some sought to attract renewed focus by changing their name. In the venture capital segment, groups established venture capital subsidiaries and banks also became involved in this area.

With the combination of long term investments on the one hand and time-limited minority stakes on the other, creating a clear two-way split in its portfolio, GESCO AG occupies a special position amongst holding companies. On the basis of this portfolio structure, we offer our shareholders a balanced risk/return profile, which combines above-average opportunities with a high degree of security.

As most of our operating companies are niche providers, national economic and even sector-specific framework conditions can only say a certain amount about their position. Nevertheless, the positive macroeconomic situation stimulated both operating segments of the Base Technologies division.

Base Technologies division

Tool manufacture and mechanical engineering segment

The Verband deutscher Maschinen- und Anlagenbau e.V. (German Machinery and Plant Manufacturers Association) revised its growth forecasts upwards on several occasions during 2000. With sales growth of 8.4% to a total of DM 255 billion, 2000 was the best year for the German mechanical engineering industry since 1990. Both domestic demand and exports stimulated growth. VDMA businesses started 2001 with healthy order books; the Association estimates growth for 2001 at a maximum of 5%. The operating companies in the GESCO Group participated in the lively economy in 2000, recording above-average growth.

Plastics technology segment

The Gesamtverband kunststoffverarbeitende Industrie e.V. (Association of Plastic Goods Producers) reported sales growth of 7.6% in 2000; in the previous year, the figure was just 2.3%. For 2001, the Association forecasts maximum growth of 5%. In this segment, too, GESCO AG’s subsidiaries grew at a significantly higher rate than the market as a whole.

New Technologies division

The main focus of our portfolio in the area of New Technologies is semiconductor technology, in particular optical chips and transponder technology. Our holdings either supply specialised systems solutions for niches or have technological innovations that will only come onto the market in one to two years’ time and will replace existing technologies. For this reason, general economic conditions say little about future prospects.

Sales and profits

A positive economic environment favoured the development of our operating companies in financial year 2000/2001. Having continually optimised their ranges of products and services, their market position and organisational and cost structures in recent years, they were able to reap above-average benefits from this and translate the positive general conditions into dynamic growth.

At DM 286.5 million, Group sales were up 11.2% on the comparable figure for the previous year * (DM 257.7 million) and exceeded target sales of DM 273 million by 4.9%.

The Group’s high operating earning power is reflected in an improvement of 37.0% in EBITDA, or DM 28.8 million (previous year DM 21.0 million).

EBIT increased by 70.6% to DM 19.1 million (DM 11.2 million).

A general rise in interest rates and the acquisition of equity holdings took a marked toll on the financial result, which stood at DM -2,577 thousand (DM -174 thousand).

The result was affected by special factors in the year under review. On the one hand, as

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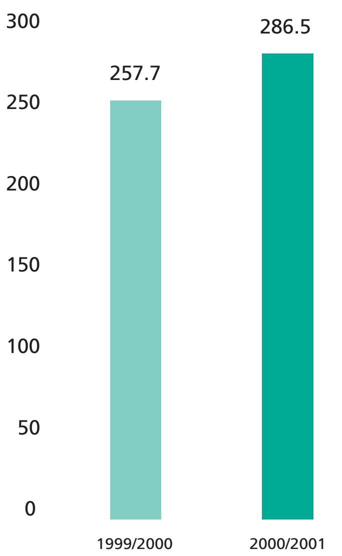
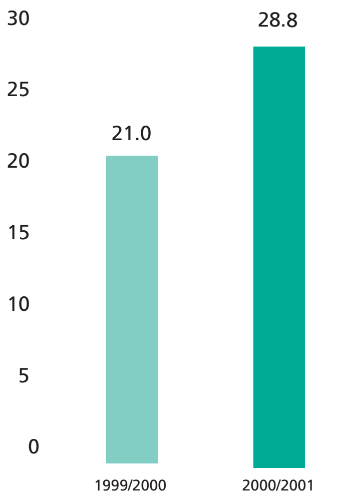
Sales in DM million

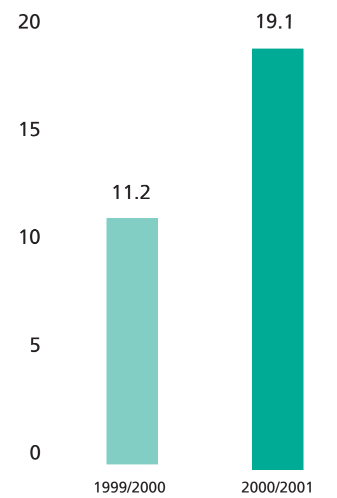


* *To facilitate comparison, the previous year’s figures in this Directors’ Report are given based on the current portfolio, i.e. not including the 51% holding in the ELBA Group, which was sold as at 01.01.2000.*

Group EBITDA in DM million



Group EBIT in DM million



at the reporting date the rate of the Swiss franc had shifted against the Euro and DM. As both GESCO AG and numerous subsidiaries have been financed in Swiss francs for many years due to the much lower level of interest rates, this shift resulted in accounting exchange rate losses. On the other hand, the strict principle of the lower applicable value necessitated depreciation on securities held as current assets as at the reporting date. Neither influence had an impact on liquid assets. These onerous factors were countered by special influences, such as profits on the sale of the operating business of Alro GmbH Druck Schutz Veredlung as at 1 January 2001 as well as exchange gains on the sale of securities. In total, group net income for the year of DM 8.0 million exceeded the budgeted figure (DM 7.8 million) and the previous year's figure (DM 7.2 million) by 11.4%.

The key indicator of return on capital employed (ROCE), an important control figure for us, reached a new record of 15.4%, although it must be taken into account that this year we took EBIT as a basis, and not earnings from ordinary business activity as in previous years.

GESCO Group profit and loss account

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	2000/2001 DM'000	pro forma* 1999/2000 DM'000	Change
Sales revenue	**286,493**	**257,686**	**11.2%**
Change in stocks of finished and semi-finished products	3,615	3,465	4.3%
Other company produced additions to assets	422	346	22.0%
Operating output	**290,530**	**261,497**	**11.1%**
Other operating income	5,588	3,664	52.5%
Expenditure on materials	-147,013	-129,437	13.6%
Personnel expenditure	-86,510	-82,890	4.4%
Depreciation	-9,654	-9,799	-1.5%
Other operating expenditure	-33,676	-31,693	6.3%
Financial result	-2,577	-174	–
Earnings from ordinary business activity	**16,688**	**11,168**	**49.4%**
Taxes	-7,126	-4,110	73.4%
Net income for the year	**9,562**	**7,058**	**35.5%**
Profit/loss attributable to minority shareholders	-1,539	144	–
Group net income for the year	**8,023**	**7,202**	**11.4%**

* *Previous year's figures are given as pro forma figures on the basis of the current portfolio to improve comparability, that is without the 51% holding in the Elba Group sold as at 01.01.2000.*

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Sales and profits by segment

Detailed tables containing the segment reports can be found in the Notes to the Group financial statements.

The segment reports are subdivided into the segments tool manufacture and mechanical engineering and plastics technology, in the Base Technologies area, and into New Technologies, which comprises GESCO Technology AG and its minority stakes.

Tool manufacture and mechanical engineering remains the largest segment within the GESCO Group, accounting for 74% of sales and 68% of operating EBITDA. Sales grew by 11.3% in the period under review, while EBITDA increased by 28.9%. The financial result fell to DM -1,113 thousand (DM -990 thousand). While investments increased by 14.0%, depreciation rose by 4.1%.

Tool manufacture and mechanical engineering

		2000/2001	1999/2000	Change
Sales	DM '000	212,548	191,011	11.3%
Share in Group sales		74%	74%	–
EBITDA	DM '000	23,494	18,233	28.9%
Share in total operating EBITDA		68%	71%	–

The **plastics technology** segment therefore represents 26% of sales and 32% of operating EBITDA. Growth rates were 11.7% for sales and 47.5% for EBITDA. There was a marked improvement in the financial result, which stood at DM -69 thousand in the year under review (DM -421 thousand). Investments in this segment were up 22.0% on the previous year; depreciation increased by 31.0%.

Plastics technology

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		2000/2001	1999/2000	Change
Sales	DM '000	73,013	65,386	11.7%
Share in Group sales		26%	26%	–
EBITDA	DM '000	10,943	7,418	47.5%
Share in total operating EBITDA		32%	29%	–

Growth in both segments was much stronger than their respective markets. The plastics technology segment traditionally has a certain lead in terms of profitability, but both segments have high earning power and develop largely in tandem.

Our investments in the **New Technologies** area are minority stakes which do not figure in the consolidated Group sales. The segment reports include the holding company, GESCO Technology AG, which holds these stakes. If the shareholding is at least 20%, the result of the subsidiary concerned is included at equity. These holdings primarily have an impact on results when they are sold as part of a stock market launch or otherwise.

The three operating companies in which GESCO Technology AG has to date held stakes developed in line with their medium term corporate planning in the period under review. The first minor payout from our strategic fund investment was made at the time of the stock market launch of BioTissue Technologies AG, in which the fund had acquired shares in pre-IPO trading.

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

Sales by region

Our companies generated most of their sales, 80.7% in fact, in Germany. 14.6% was attributable to other European countries and 4.7% to the rest of the world. The export ratio throughout the Group has therefore increased significantly, from 16.4% to 19.3%. Many German customers of our subsidiaries are in turn heavily export-oriented, which means that our companies are involved in exporting without being directly affected by foreign exchange risks. These indirect export activities are not reflected in the figures. Those companies which directly export their products, such as Ackermann, AstroPlast, Dörrenberg and MAE, expanded their export activities in the year under review.

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Sales by region

	2000/2001	1999/2000
Germany	80.7%	83.6%
Europe	14.6%	13.1%
Outside Europe	4.7%	3.3%
Total	100.0%	100.0%

Sales by customer sector

Group sales remain widely distributed over various customer groups. Plant construction and mechanical engineering continued to grow in significance (28%). Together with vehicle construction (23%), it forms the most important customer group. There is no reliance on specific sectors or customers, applying either to macroeconomic or individual economic units.

Sales by customer sector

	2000/2001	1999/2000
Plant construction and mechanical engineering	28%	23%
Car and commercial vehicle construction	23%	21%
Iron, sheet metal and metal processing, tool manufacture	13%	18%
Construction, air conditioning, sanitation	12%	10%
Foundries, rolling mills	8%	6%
Electrical, domestic appliances, medical technology	8%	6%
Chemical & petrochemical industries	2%	2%
Other customer groups	6%	14%
Total	100%	100%

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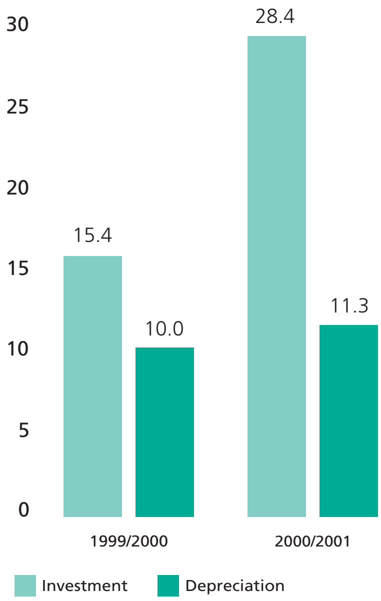
Investment and depreciation

Investments secure future growth. The marked rise in total investments, from DM 15.4 million to DM 28.4 million, is primarily attributable to the acquisition of holdings in the field of New Technologies by GESCO Technology AG, which totalled DM 11.4 million.

The operating companies invested predominantly in product innovations and expanding production. Our subsidiary Dörrenberg largely completed its comprehensive reorganisation of the surface technology business division in 2000. Overall, the company has invested around DM 10 million in this over recent years, in order to further consolidate its unique position as a solutions provider in tool manufacture by building up technological and materials expertise.

The current financial year will see more substantial investments to secure internal growth from within the Group. The focus in the current year is on a production shop with a new foaming plant at Ackermann, the expansion of production at Haseke and new buildings for design and production at MAE.

Investment and depreciation in DM million



Research and development

At our companies research and development are those of small and medium-sized enterprises in the most positive sense, in that they have practical relevance and are customer-focused. For many of our niche providers, continuous R&D work has been the key to success for many years – and in particular to high profitability, as R&D ensures technological leadership and thus takes the edge off competition on price. In close contact with customers, but also with suppliers and research establishments, new

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developments are created which can very quickly be translated into market successes.

The capital goods producers in our portfolio look at their customers’ process chains in depth and their high level of competence means that they are regularly involved as early as the development phase. Many of our companies benefit from the trend for outsourcing in large-scale industry. By building up extensive expertise in their respective specialist fields, for their customers they are much more than an "extended workbench": they also become an external specialist R&D department.

One of the cornerstones of their success is the high level of identification of their workforces with their company and products, combined with low staff turnover rates. Active contribution above and beyond departmental boundaries and hierarchies ensures that ideas are quickly translated into market maturity. At the majority of our companies, a company suggestion scheme offers incentives for continuous development.

In the year under review, developments at Dörrenberg included new materials and processes for the surface hardening of stainless steel; other priorities were smelting metallurgy and welding technology. MAE, the German and world market leader in automatic levelling machines, developed a levelling machine to level parts up to 8m in length and also a machine for levelling small parts such as drill bits. As there are no such machines available as yet on the market, response has been extremely positive. Ackermann Fahrzeugbau developed so-called Quick-Kit building kits for HGV and trailer superstructures, which enable bodywork manufacturers to assemble vehicle bodies much faster and also reduce the weight of the bodies.

Procurement

Just as our companies are called upon by their customers to act as partners, so too do our subsidiaries work in a close spirit of partnership with their suppliers. Supplier audits ensure that the stipulated quality is reliably maintained.

In order to avoid dependence on individual supplies, the companies attach great importance to a wide circle of suppliers.

In common with the entire mechanical engineering sector, a number of GESCO AG’s subsidiaries were affected by supply bottlenecks amongst components suppliers. As this was a problem that affected the entire industry, no market shares were lost to competitors as a result.

There were no other supply bottlenecks in the year under review.

Group balance sheet

Total assets increased compared with the previous year by around DM 14.0 million or 7.3%, to DM 205.2 million (previous year DM 191.2 million).

This change is chiefly attributable on the assets side of the balance sheet to the increase in fixed assets, stocks and receivables, combined with a simultaneous decline in liquid assets (total of securities not including own shares and cash at banks).

Total fixed assets rose by DM 15.4 million to DM 83.0 million (previous year DM 67.6 million). This amount contains, in particular, an increase of around DM 6.2 million in real estate, to DM 38.1 million (previous year DM 31.9 million) and an increase in financial assets of DM 9.2 million, to DM 14.8 million (previous year DM 5.6 million). This rise is due primarily to investments in the New Technologies field (DM 11.4 million) and the drop in other loans (DM -1.6 million). Investments in the New Technologies segment are spread depending on the amount of the holding over the balance sheet item "investments in associated companies" (DM 3.5 million) for a holding of 20% or more or over the item "investments" (DM 7.9 million) if the holding is below 20%.

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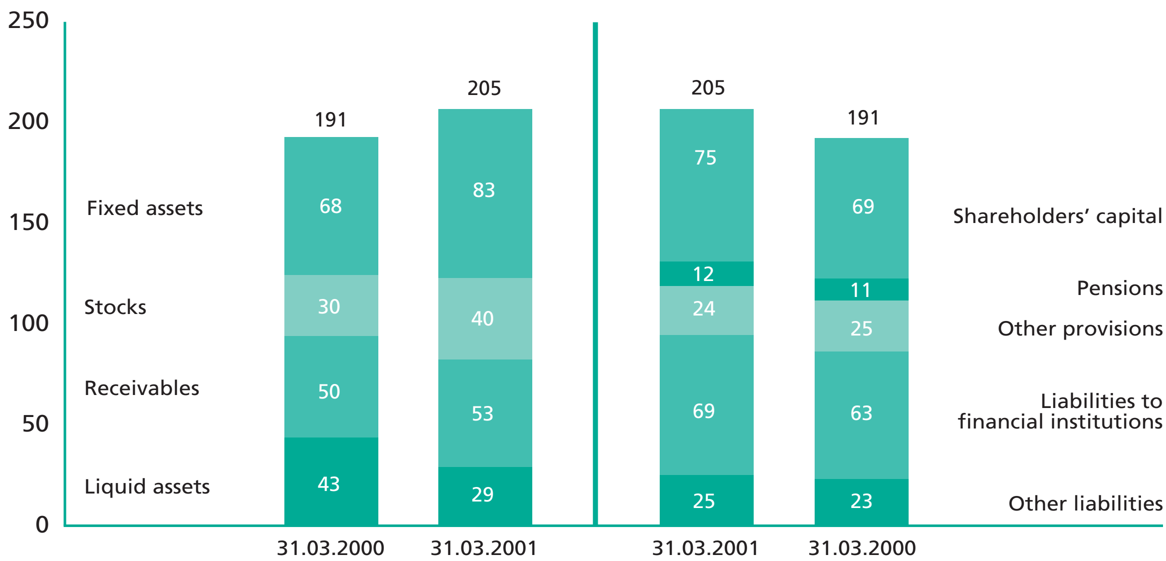
Group balance sheet as at 31.03.2000 and 31.03.2001 in DM million



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Stocks increased as at the reporting date by DM 10.2 million, due in particular to an order-related replenishment of inventories. Receivables and other assets posted an increase of DM 3.1 million. Reflecting the increased sales volume, trade debtors rose by DM 6.4 million. The increase in receivables from non-consolidated affiliated companies (+ DM 0.3 million) is the result of profit distributions decided on but not yet carried out for financial year 2000. Other assets declined by DM 3.6 million, due most notably to the repayment of short term loan receivables and the payment of tax refund claims.

Liquid assets, consisting of securities (not including own shares) and cash at banks, fell by approx. DM 14 million. This decline is mainly due to increased investment activity; around DM 1.6 million is attributable to depreciation of securities to the lower applicable price at the balance sheet date.

On the liabilities side of the balance sheet, the changes relate largely to shareholders' capital and liabilities.

As at 31 March 2001 shareholders' capital had increased by DM 5.9 million. Despite the rise of 7.3% in total assets, the equity base was further improved and the capital ratio rose from 36.1% to 36.5%. The increase in shareholders' capital can be broken down as follows:

	DM million
Profit distribution to shareholders	-3.2
Payments to minority shareholders	-0.4
Group net income for the year	8.0
Share of the profit/loss attributable to minority shareholders	1.5
Increase in shareholders' capital	5.9

There was only a slight change in the provisions compared with the previous year.

Liabilities were up by around DM 8.6 million as at the reporting date. Of this rise, around DM 6 million were attributable to liabilities to banks, which increased as a result of investment activity and the higher rate of the Swiss franc against the Euro.

The reduction in stocks and in trade debtors as at the reporting date resulted at the same time in an increase in trade creditors of DM 2.3 million and of DM 1.4 million in bills payable.

As regards other liabilities, the fall in tax liabilities has a determining impact, accounting for DM 0.9 million of the reduction.

Starting with the annual financial statements for financial year 2002/2003, GESCO will produce accounts in accordance with the International Accounting Standards (IAS).

Risk report and risk management

As a holding company we attach great importance to real-time monitoring of developments in the operating business of our subsidiaries. Under a detailed, uniform planning and reporting system the subsidiaries provide data that is checked by GESCO AG for plausibility, subjected to an "early warning" system and is then compressed into a management information system, which is analysed and the findings then made available to managers at the subsidiaries. The purpose of detailed monthly meetings at the companies on site is twofold: firstly to flesh out the bare bones of the figures and analyse them, and secondly to provide an opportunity for an in-depth discussion of operational, strategic, personnel and other topical issues. These monthly meetings are attended by a GESCO management consultant and alternately by one of our Board members. We therefore have a multi-faceted picture at all times, in both quantitative and qualitative terms, of the situation at each company. The aim is not only to identify risks in good time and introduce appropriate countermeasures, but also to recognise opportunities and proactively translate them into operating business.

In addition, a standardised, systematic risk management system at GESCO AG and the subsidiaries takes account of the requirements of the law on corporate control and transparency (KonTraG). The findings of this standardised risk management are also incorporated into the monthly meetings, as a result of which awareness of risks has again been significantly heightened throughout the Group.

In the area of risk management we pay particular attention to our companies in the New Technologies business, most of whom are young companies whose business structures are still in the start-up phase. We apply strict criteria as early as the selection stage for potential investments, relating in particular to sector affiliation, market situation, management quality, profit orientation, unique position characteristics and the creation of barriers to market penetration, technological leadership, marketing strength, production and personnel strategy. Our minority stakes must be able to reach break-even with the funds made available by GESCO Technology AG (and any co-investors). Strategic partnerships with potential co-investors enable us to bring in expertise in fields in which we do not have the necessary expertise internally.

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Just as when they are acquired, the New Technologies holdings are also exposed to risks at the time of sale. The state of the capital markets in particular has a great influence of the timing and yield potential of possible stock market launches. As GESCO Technology AG's holdings are innovative, technology-based companies, stock market launch is, however, only one of several possible exit variants.

Even though economic forecasts are currently surrounded by uncertainties we do not think that there are any economic risks over and above the normal economic cycles, either in the market of GESCO AG as a holding company or in our subsidiaries' markets.

As the share of direct exports is still at a manageable level the GESCO Group is hardly affected by exchange risks from operating business.

Since both GESCO AG and numerous subsidiaries are financed in Swiss francs, because of the attractive level of interest rates, there is a risk as regards the rate of the Swiss franc against the Euro. Beyond this, we do not think that there are any other particular financing risks for financial year 2001/2002. We expect interest rates to remain largely stable.

All of our subsidiaries are in a position to introduce the Euro as a second transaction currency. GESCO AG switched over to the Euro as its accounting currency on 1 April 2001.

Overall, we do not detect any risks at present that could jeopardise or significantly impede the continued existence of GESCO AG and of the Group.

Environmental protection

Environmental protection is a natural part of entrepreneurial activity for all our companies. Here are a few examples:

Our largest company, Dörrenberg, was the first German manufacturer of stainless steel to have a system of environmental management verified by the Technical Inspection Authority and is certified according to the corresponding EEC decree and DIN EN ISO 14001. Accordingly, Dörrenberg has a written environmental policy, an environmental management system and an environmental audit procedure. The principles, objectives and measures are set out in an environmental declaration, the implementation of which encompasses a wide range of measures including dust removal, noise prevention and in-house monitoring of the company's own drainage network.

MAE devotes a great deal of attention to ecofriendliness in its product development. As a result, for some parts of the levelling machines the oil-powered hydraulic drive was replaced by an electromechanical drive, significantly reducing the amount of oil used and cutting energy consumption by around 80%.

Ackermann is currently investing around DM 12 million in a production shop with a new foaming plant with CFC-free foams.

AstroPlast is using more recycled plastics as raw material in its production.

Employees

Extremely low staff turnover, a high level of identification with the company and a positive relationship between management and workforce as well as management and the Works Council characterise the SME environment of our subsidiaries. The specialist skills of our companies' workforces are crucial success factors.

In addition to continuous development of specialist knowledge, training focuses on IT and communication skills. For example, at Dörrenberg internal training of commercial staff in technical areas such as materials and process technology by in-house engineers occupies an important place. In this way, employees expand their understanding of products and continually strengthen their skills as contact partners for their customers.

The remuneration of our subsidiary managers comprises a fixed and a variable, performance-related component. In addition, those managers who hold shares in the companies they manage have a share in the results as shareholders. Furthermore, most managers are also shareholders of GESCO AG. This arrangement markedly strengthens identification within the GESCO Group and gives it great stability. The fact that our managers have stakes in the respective companies sets us apart from most comparable holding companies.

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For the third time in succession, in 2000 GESCO AG offered all Group employees the opportunity to buy GESCO shares within the bounds of tax possibilities under an employee share scheme. Group-wide, 27.1% of all employees took up this offer to accumulate private capital.

Employees by business division	31.12. 2000	31.12. 1999
Tool manufacture and mechanical engineering	779	741
Plastics technology	226	203
GESCO AG	10	8
Total	1,015	952

Outlook

In the early months of 2001, economic projections for the entire year were downgraded to a maximum of 2% growth in GDP. At the start of 2001, the majority of the GESCO subsidiaries were unaffected by an economic slowdown; most of them had a healthy order book. In recent weeks, however, there have been signs of a slowdown in growth. If macroeconomic growth declines across the board in the second half of 2001, this is likely to have a knock-on effect for our companies. Nevertheless, we are aiming to match the high level achieved in financial year 2000/2001.

As regards growth via acquisitions, owing to the changes in the general fiscal conditions covering the sale of corporations, we expect M&A business to pick up from 2002 in the area of Base Technologies. In recent years, good SMEs with high earning power have been virtually impossible to acquire due to the impending tax reform, so we are now using this opportunity to build up our portfolio in the area of New Technologies. Over the next one to two years, however, Base Technologies will form the focus of our acquisition activity in order to achieve external growth via fully-consolidated majority stakes. In addition, we will continue to acquire selective stakes in production-oriented young companies at the technological forefront for our New Technologies segment. From financial years 2003/2004 and 2004/2005 onwards, we anticipate that earnings in this segment from the sale of holdings will generate an above-average return on services rendered.

In general, we will continue to follow the motto "quality before haste" in our acquisition strategy. Even if this strategy is unpopular from time to time, we are convinced of its medium to long term success, both on an entrepreneurial basis and on the capital market. We want to grow, and we want to grow rapidly. Yet for us, sales growth will never become an end in itself. In the interests of our investors, we will continue to act responsibly and pursue a solid growth course in order to increase corporate values in a sustainable way, on the basis of successful, fundamental data.

GESCO AG
Annual financial statements as at 31.03.2001 >>>

GESCO AG
Balance sheet as at 31 March 2001

Assets

		31.03.2001 DM	31.03.2000 DM'000
A. FIXED ASSETS			
I. Intangible assets			
IT software	(1)	176,603.00	13
II. Tangible assets			
Other plant, fixtures and fittings	(2)	475,597.00	398
III. Financial assets			
1. Shares in affiliated companies	(3)	50,923,685.09	47,189
2. Investments	(4)	1,809,061.98	1,809
3. Other loans		1,500,000.00	1,500
		54,232,747.07	50,498
		54,884,947.07	**50,909**
B. CURRENT ASSETS			
I. Receivables and other assets			
1. Claims on affiliated companies	(5)	22,089,338.02	15,989
of which with a remaining term in excess of one year: DM 6,882,937.79 (DM 3,816 thousand)			
2. Claims on companies with which a shareholding relationship exists		33,385.84	80
3. Other assets	(6)	5,192,024.14	10,226
of which with a remaining term in excess of one year: DM 3,152,965.32 (DM 5,834 thousand)			
		27,314,748.00	26,295
II. Securities			
1. Own shares	(7)	12,165.26	639
2. Other securities	(8)	8,577,434.71	28,473
		8,589,599.97	29,112
III. Cash in hand, credit balances with financial institutions		17,763,933.54	31
		53,668,281.51	**55,438**
C. PRE-PAID EXPENSES		**61,209.06**	**55**
		108,614,437.64	**106,402**

Liabilities

		31.03.2001 DM	31.03.2000 DM '000
A. SHAREHOLDERS' CAPITAL			
I. Subscribed capital	(9)	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		12,165.26	639
3. Other revenue reserves	(10)	13,049,158.60	9,084
		13,176,164.86	9,838
IV. Net income for the year		6,017,647.10	6,545
		73,044,411.96	**70,234**
B. PROVISIONS			
1. Provisions for pensions and similar obligations	(11)	755,529.00	648
2. Tax provisions		268,707.00	0
3. Other provisions	(12)	2.940,079.00	3,226
		3,964,315.00	**3,874**
C. LIABILITIES	(13)		
1. Liabilities to financial institutions of which with a remaining term of up to one year: DM 0.00 (DM 7,512 thousand)		31,080,521.75	31,565
2. Trade creditors of which with a remaining term of up to one year: DM 34,554.85 (DM 54 thousand)		34,554.85	54
3. Liabilities to affiliated companies of which with a remaining term of up to one year: DM 50,668.84 (DM 153 thousand)		50,668.84	153
4. Other liabilities of which taxes: DM 326,813.86 (DM 352 thousand) of which social security: DM 21,401.54 (DM 19 thousand) of which with a remaining term of up to one year: DM 439,965.24 (DM 522 thousand)		439,965.24	522
		31,605,710.68	**32,294**
		108,614,437.64	**106,402**

GESCO AG
Profit and loss account

			01.04.2000 - 31.03.2001 DM	01.04.1999 - 31.03.2000 DM'000
1.	Earnings from investments of which from affiliated companies: DM 14,525,829.83 (DM 17,149 thousand)		14,533,329.83	18,239
2.	Other operating income	(14)	3,493,200.78	1,131
3.	Personnel expenditure			
	a) wages and salaries		-2,090,125.59	-1,623
	b) social security contributions and expenditure on pensions and benefits of which for pensions: DM 118,562.60 DM (DM 134 thousand)		-253,119.95	-233
4.	Depreciation on tangible and intangible assets		-186,877.54	-139
5.	Other operating expenditure	(15)	-4,069,433.63	-3,542
6.	Earnings from securities and from lending financial assets		63,750.00	16
7.	Other interest and similar earnings of which from affiliated companies: DM 332,938.78 (DM 394 thousand)		2,047,645.34	2,215
8.	Depreciation on financial assets and securities held as current assets	(16)	-1,682,015.71	-5,946
9.	Interest and similar expenditure of which to affiliated companies: DM 1,933.32 (DM 10 thousand)		-1,354,986.17	-768
10.	**Earnings from ordinary business activity**		**10,501,367.36**	**9,350**
11.	Taxes on income and earnings	(17)	-4,482,727.62	-2,804
12.	Other taxes		-992.64	-1
13.	**Net income for the year**		**6,017,647.10**	**6,545**

1. Accounting and valuation methods

The annual financial statements as at 31 March 2001 have been compiled in accordance with the provisions on classification for major companies contained in the Commercial Code and take account of the legal principles of accounting and valuation as well as the terms of the articles of association.

The annual financial statements were compiled before appropriation of profits.

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

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

In principle, receivables and liabilities are reported at their nominal value. Foreign

Changes in fixed assets

	Cost of acquisition or manufacture			
	As at 01.04.2000 DM	Additions DM	Disposals DM	As at 31.03.2001 DM
I. Intangible assets				
IT software	24,097.51	188,563.54	0.00	212,661.05
II. Tangible assets				
Other plant, fixtures and fittings	684,934.63	279,963.00	195,694.04	769,203.59
III. Financial assets				
1. Shares in affiliated companies	51,601,128.94	4,341,660.00	607,035.95	55,335,752.99
2. Investments	9,148,503.91	0.00	0.00	9,148,503.91
3. Other loans	1,500,000.00	0.00	0.00	1,500,000.00
	62,249,632.85	4,341,660.00	607,035.95	65,984,256.90
	62,958,664.99	4,810,186.54	802,729.99	66,966,121.54

currency liabilities were converted at the rate prevailing on the balance sheet reporting date if the exchange rate had risen since the item was posted.

The pension obligation is reported under liabilities at its fiscal part value (6% interest rate). The purchase price annuity obligation was reported at the actuarial cash value at the balance sheet reporting date. In the case of the pension obligation, 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. Tax provisions and other provisions are created equal to 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 01.04.2000 DM	Additions DM	Disposals DM	As at 31.03.2001 DM	As at 31.03.2001 DM	As at 31.03.2000 DM
10,776.51	25,281.54	0.00	36,058.05	176,603.00	13,321.00
287,237.63	161,596.00	155,227.04	293,606.59	475,597.00	397,697.00
4,412,067.90	0.00	0.00	4,412,067.90	50,923,685.09	47,189,061.04
7,339,441.93	0.00	0.00	7,339,441.93	1,809,061.98	1,809,061.98
0.00	0.00	0.00	0.00	1,500,000.00	1,500,000.00
11,751,509.83	0.00	0.00	11,751,509.83	54,232,747.07	50,498,123.02
12,049,523.97	186,877.54	155,227.04	12,081,174.47	54,884,947.07	50,909,141.02

IT software (1)

The additions relate essentially to business software.

Other plant, fixtures and fittings (2)

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

Shares in affiliated companies (3)

Essentially the investments are attributable to GESCO Technology AG. The share capital of this company, which emerged in the year under review from the conversion of GESCO Beteiligungs GmbH, was increased to € 1 million.

A further € 1 million was allocated to the capital reserve at GESCO Technology AG and DM 480,000 was allocated to the capital reserve at Ackermann Fahrzeugbau GmbH, Wolfhagen to strengthen its equity base.

Disposals relate to the sale of 10% of Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel to the Managing Director of the company.

Investments (4)

In the year under review, Steiner Anlagentechnik GmbH & Co. KG was merged with Steiner GmbH & Co. KG and its general partner company Steiner Anlagentechnik Beteiligungs GmbH was merged with Steiner Verwaltungs-GmbH. Unlike its actual pro rata holding, GESCO AG has a 50% participation in the results of each of the Steiner Group companies. This also applies to profits that were not disbursed in the past. 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.

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

Claims on affiliated companies (5)

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 (6)

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

Own shares (7)

In the year under review, use was made of the General Meeting's authorisation to acquire own shares. In the year under review, 82,594 shares with a total nominal value of DM 413 thousand (3.30% of the share capital) were acquired by GESCO AG at a purchase price of DM 2,767 thousand in order to sell them again within the framework of the General Meeting's authorisation or to offer them to employees of Group companies as part of an employee share ownership programme. A total of 98,017 shares with a total nominal value of DM 490 thousand (3.92% of the share capital) were sold to institutional investors for a sale price of DM 3,078 thousand in the year under review. Of this figure 75,998 shares with a nominal value of DM 380 thousand (3.04% of the share capital) derive from purchases undertaken in the financial year. In the year under review, 6,196 shares with a total nominal value of DM 31 thousand (0.25% of the share capital) were sold to employees for a sale price of DM 103 thousand. The proceeds were used to repay liabilities. At the balance sheet reporting date, 400 own shares with a total nominal value of DM 2 thousand (= 0.02% of the share capital), some as earmarked for the 2001 employee share ownership programme. The cost of acquisition amounted to DM 12 thousand. A reserve for own shares equal to this amount was created in accordance with § 272 Para. 4 HGB.

Other securities (8)

Essentially, amounts invested in shares and money market funds are reported here. They are valued strictly at the lower of cost or market.

Subscribed capital (9)

The company's subscribed capital remains unchanged at DM 12,500,000, divided into 2,500,000 unit bearer shares.

The ordinary General Meeting on 31 August 2000 authorised the company to acquire its own shares up to 10 per cent of the current share capital, including the shares already held, up until 28 February 2002. This authorisation superseded the authorisation to acquire own shares granted by the General Meeting of 19 August 1999, which was limited until 19 February 2001.

As at the balance sheet reporting date, the company had authorised capital of up to 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 (10)

The Executive Board allocated DM 3,272,444.41 from the 1999/2000 net income in accordance with § 58 Para. 2 AktG (Companies Act). A further DM 65,368.94 was allocated to other revenue reserves following a resolution by the Annual General Meeting. An allocation of DM 2,516,852.10 is planned from the 2000/2001 net income.

Provisions for pensions and similar obligations (11)

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 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 (12)

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 (13)

	As at 31.03.2001 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	31,080	0	21,596	9,484
Trade creditors	35	35	0	0
Liabilities to affiliated companies	51	51	0	0
Other liabilities	440	440	0	0
	31,606	526	21,596	9,484

The liabilities to financial institutions are secured by the pledging of investments. In addition, charges on properties owned by Tomfohrde GmbH & Co. KG, the assignment of the claim resulting from the sale of shares in Haseke GmbH & Co. KG to the Managing Director and the pledging of fixed term deposits 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 9,173 thousand are the result of guarantees. DM 7,548 thousand of the guarantees relate to affiliated companies. The remaining amount involves mainly proportional default guarantees. There is also an obligation to enter into a leasing agreement concluded by the affiliated company Molineus & Co. GmbH + Co. KG for the leased and sub-let commercial site if the leasing agreement is terminated without notice. The discounted leasing payments, which relate to the term, of DM 7,514 thousand 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 million, resulting from the acquisition of two companies, depending on their future earnings. A payment on account of DM 1 million was made in the previous year.

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

Subject to certain preconditions, GESCO AG may incur repurchase obligations of DM 14,669 thousand resulting from a partial securities repurchase agreement towards the end of 2001.

3. Information on the profit and loss account

Other operating income (14)

Other operating income primarily includes income from levying trade tax within the integrated group of companies, profits from the sale of securities and earnings from consultancy services.

Other operating expenditure (15)

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

Depreciation on financial assets and on securities held as current assets (16)

This item contains depreciation on securities held as current assets to which a lower value of DM 1.7 million had to be attributed at the balance sheet reporting date.

Taxes on income and earnings (17)

This item contains the corporation tax liability established on the basis of the proposed appropriation of profits, and for the first time, the trade tax liability after netting off the trade tax loss carried forward for the integrated group of companies.

4. Other information

Employees

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

Executive bodies

Executive Board

Willi Back, Wuppertal
Chairman of the Executive Board

Member of the Supervisory Board:
- Schmitz Cargobull AG, Altenberge

Member of the Advisory Board:
- K.A.Schmersal GmbH & Co., Wuppertal (from 31.01.2001)

Klaus Füting, Remscheid
Member of the Executive Board
(until 31.12.2000)

Member of the Supervisory Board:
- GESCO Technology AG, Wuppertal (from 29.08.2000; Deputy Chairman until 12.03.2001)

Member of the Advisory Board:
- Ernst Vöpel GmbH & Co. KG, Remscheid

Robert Spartmann, Gevelsberg
Member of the Executive Board
(from 01.01.2001)

Member of the Advisory Board:
- Heinrich Nolte GmbH, Geseke

In the year under review, the total remuneration of the members of the Executive Board amounted to DM 1,088 thousand including variable elements, additional benefits and allocations to pensions. Of this figure, DM 50 thousand relates to the previous year.

Supervisory Board

Klaus Möllerfriedrich, Wuppertal
Chairman,
Chartered Accountant

Chairman of Supervisory Boards:
- Wolk AG, Wuppertal
- Regeneratio Pharma AG, Wuppertal (from 16.05.2000)
- Bau und Boden Grundbesitz AG, Wuppertal (until 10.05.2000)
- GESCO Technology AG, Wuppertal (from 17.05.2000)

Member of Supervisory Boards:
- Asys Holdings AG, Oberhausen
- Bau und Boden Grundbesitz AG, Wuppertal (from 11.05.2000)

Member of Advisory Boards:
- Transport- u. Logistikzentrum Mochau GmbH & Co. KG, Ludwigsfelde
- TTB Logistikzentrum GmbH & Co. KG, Ludwigsfelde

Rolf-Peter Rosenthal, Wuppertal
Deputy Chairman,
Member of the management of Deutsche Bank AG, West Region
(until 31.12.2000)

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

Deputy Chairman of Supervisory Boards:
- Hindrichs-Auffermann AG, Düsseldorf
- Rheinische Textilfabriken AG, Wuppertal
- GESCO Technology AG, Wuppertal (17.05. to 28.08.2000)

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

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

Member of the Supervisory Board:
- GESCO Technology AG, Wuppertal (from 17.05.2000; Deputy Chairman from 13.03.2001)

The total remuneration for the members of the Supervisory Board amounted to DM 156 thousand in the year under review.

Proposed appropriation of profits

The retained profit is composed as follows:

	2000/2001 DM	1999/2000 DM
Net income for the year	6,017,647.10	6,544,888.82
Profit carried forward	0.00	0.00
Allocation to other revenue reserves	- 2,516,852.10	- 3,272,444.41
Retained profit	3,500,795.00	3,272,444.41

At the date on which the proposal for the appropriation of profits is made, the company holds 11,575 of its own shares.

The Executive Board will propose to the Annual General Meeting that the retained profit for the 2000/2001 financial year be appropriated as follows:

a) Payment of a dividend of DM 1.40 per unit share on the share capital currently entitled to receive dividends (2,500,000 shares less 11,575 own shares)

3,483,795.00 DM

b) Profit carried forward 17,000.00 DM

3,500,795.00 DM

Wuppertal, 25 April 2001

The Executive Board

W. Back R. Spartmann

Auditors' report

We have audited the annual financial statements including the books and Directors' Report of GESCO AG for the financial year from 1 April 2000 to 31 March 2001. 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 Management Report based on the audit conducted by us.

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

Our auditors' report is unqualified.

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

Wuppertal, 18 May 2001

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

signed:

(Dr. Breidenbach)	(Dr. Niemeyer)
Auditor	Auditor

GESCO Group
Annual financial statements as at 31.03.2001 > > >

GESCO Group
Balance sheet as at 31 March 2001

Assets

		31.03.2001 DM	31.03.2000 DM '000
A. FIXED ASSETS			
I. Intangible assets			
Industrial property rights and similar rights and assets as well as licences to such rights and assets		4,227,123	4,114
II. Tangible assets			
1. Land and buildings		38,069,892	31,945
2. Technical plant and machinery		8,125,220	9,346
3. Other plant, fixtures and fittings		16,872,406	14,731
4. Prepayments made and plant under construction		850,235	1,891
		63,917,753	57,913
III. Financial assets			
1. Shares in affiliated companies		0	90
2. Investments in associated companies	(1)	4,699,687	1,686
3. Investments	(2)	8,227,491	328
4. Loans to companies with which a shareholding relationship exists		395,887	414
5. Other loans	(3)	1,500,000	3,100
		14,823,065	5,618
		82,967,941	**67,645**
B. CURRENT ASSETS			
I. Stocks			
1. Raw materials and supplies		13,142,552	10,546
2. Unfinished goods, unfinished services		10,498,108	8,157
3. Finished products and goods		20,794,010	16,397
4. Prepayments made		46,827	696
5. Prepayments received		-4,566,066	-6,126
		39,915,431	29,670
II. Receivables and other assets			
1. Trade receivables		43,448,197	37,005
2. Claims on companies with which a shareholding relationship exists		1,152,934	876
3. Other assets	(4)	7,966,076	11,648
of which with a remaining term in excess of one year: DM 3,275,831 (DM 5,951 thousand)			
		52,567,207	49,529
III. Securities			
1. Own shares	(5)	12,165	639
2. Other securities	(6)	8,626,663	28,525
		8,638,828	29,164
IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques	(7)	20,881,399	14,951
		122,002,865	**123,314**
C. PRE-PAID EXPENSES	(8)	**218,696**	**284**
		205,189,502	**191,243**

Liabilities

		31.03.2001 DM	31.03.2000 DM '000
A. SHAREHOLDERS' CAPITAL			
I. Subscribed capital	(9)	12,500,000	12,500
II. Capital reserves		28,636,169	28,636
III. Revenue reserves	(10)		
1. Statutory reserves		114,841	115
2. Reserve for own shares		12,165	639
3. Other revenue reserves		12,815,649	8,851
IV. Profit brought forward		9,597,406	6,073
V. Net income for the year		8,023,195	10,070
VI. Minority interests	(11)	3,161,723	2,064
		74,861,148	**68,948**
B. PROVISIONS	(12)		
1. Provisions for pensions		11,814,790	11,238
2. Tax provisions		2,378,796	4,284
3. Other provisions		21,662,982	20,917
		35,856,568	**36,439**
C. LIABILITIES	(13)		
1. Liabilities to financial institutions of which with a remaining term of up to one year: DM 18,100,041 (DM 19,097 thousand)		69,391,136	63,350
2. Trade creditors of which with a remaining term of up to one year: DM 12,958,835 (DM 10,744 thousand)		12,958,835	10,744
3. Liabilities from accepting bills drawn of which with a remaining term of up to one year: DM 2,878,294 (DM 1,492 thousand)		2,878,294	1,492
4. Liabilities to affiliated companies of which with a remaining term of up to one year: DM 98,684 (DM 100 thousand)		98,684	100
5. Liabilities to companies, with which a shareholding relationship exists of which with a remaining term of up to one year: DM 65,859 (DM 121 thousand)		65,859	121
6. Other liabilities of which taxes: DM 2,397,807 (DM 3,107 thousand) of which social security: DM 2,009,691 (DM 1,975 thousand) of which with a remaining term of up to one year: DM 8,873,734 (DM 10,046 thousand)		9,077,578	10,046
		94,470,386	**85,853**
D. PRE-PAID INCOME		**1,400**	**3**
		205,189,502	**191,243**

GESCO Group
Profit and loss account

		01.04.2000 - 31.03.2001 DM	01.04.1999 [1] -31.03.2000 DM'000
1. Sales revenue	(14)	286,493,134	391,701
2. Change in stocks of finished and unfinished products		3,614,178	10,115
3. Other company produced additions to assets		422,312	411
		290,529,624	402,227
4. Other operating income of which income from writing back special reserve items: DM 0 (DM 483 thousand)	(15)	5,588,149	11,223
		296,117,773	413,450
5. Expenditure on materials			
a) expenditure on raw materials and supplies and goods purchased		-131,109,013	-169,420
b) expenditure on services purchased		-15,903,788	-19,468
6. Personnel expenditure			
a) wages and salaries		-71,440,827	-107,459
b) social security contributions and expenditure on pensions and benefits of which for pensions: DM 1,347,957 (DM 884 thousand)		-15,069,631	-22,314
7. Depreciation on tangible and intangible assets		-9,654,237	-13,549
8. Other operating expenditure	(16)	-33,675,516	-60,204
9. Earnings from investments		508,540	0
10. Earnings from investments in associated companies		-457,661	-44
11. Earnings from lending the Group's financial assets		80,050	34
12. Other interest and similar earnings		2,150,574	2,226
13. Depreciation on financial assets and on securities held as current assets		-1,682,016	-195
14. Interest and similar expenditure		-3,176,561	-3,309
15. Earnings from ordinary business activity		**16,687,687**	**19,748**
16. Taxes on income and earnings	(17)	-6,976,611	-8,382
17. Other taxes		-148,849	-331
18. Net income for the year		**9,562,227**	**11,035**
19. Share of the profit attributable to minority interests		-1,539,032	-1,941
20. Share of the loss attributable to minority interests		0	976
21. Group net income for the year		**8,023,195**	**10,070**

1) For previous year's figures see note to 5-year overview.

1. General information

Group accounting

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

Consolidated financial statements – reporting date

The reporting date for the consolidated financial statements is the same as that for the parent company (31 March 2001). The financial year of all subsidiaries included in the consolidated financial statements is the same as the calendar year. As in the previous year, it was decided to dispense with compiling intermediate accounts as at 31 March 2001 as permitted by § 299 Para. 2 HGB.

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

Scope of consolidation

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

Following the sale of the ELBA Group on 1 January 2000, it was deconsolidated as at this date. However, the Group profit and loss account for the period from 01 April 1999 to 31 March 2000 still contains the income and expenditure of the ELBA Group. The Directors' Report contains a comparison of the Group profit and loss account for the financial year 2000/2001 with that of the previous year in which the income and expenditure of the ELBA Group are eliminated in the previous year.

10% of the investment in Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG was sold to the Managing Director on 1 January 2001.

In the year under review, the investments in Steiner Anlagentechnik GmbH & Co. KG and the general partner company Steiner Anlagentechnik Beteiligungs GmbH shown under investments in associated companies were merged with Steiner GmbH & Co. KG and Steiner Verwaltungs-GmbH respectively. GESCO AG continues to have a 50% participation in the results and hidden reserves of the Steiner companies.

Additions among the associated companies in the year under review were 25.2% of CSP Camsoft AG, Villingen-Schwenningen, and 40.0% of Planet ID GmbH, Essen.

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

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

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

2. Accounting, valuation and consolidation methods

The consolidated financial statements as at 31 March 2001 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 acquisition 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 on the date the item was posted in the accounts. Foreign currency liabilities were converted at the rate prevailing on the balance sheet reporting date if the exchange rate had risen since the date on which the item was posted.

Pension obligations have been recorded under liabilities at their fiscal partial value (6% interest rate) using the 1998 guideline tables. The increase compared with the old guideline tables was posted in full in 1998/1999. The purchase price annuity obligation was reported at the cash value on the balance sheet reporting date. Tax provisions and other provisions have been created to match any anticipated liabilities.

The tax provisions include deferred taxes. They are calculated on the basis of a uniform Group-wide estimated disbursement, taking account of any tax on earnings incurred as well as changes resulting from the tax reform using a tax rate of 38% (previous year 45%).

Capital consolidation

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

Equity method

The book value method was used in applying the equity method to the capital consolidation. Investments in associated companies acquired in financial year 2000/2001 have been included in the consolidated financial statements at the time of acquisition. Initial application of the equity method led to differences on the assets side of DM 2,520 thousand.

3. Information on the Group balance sheet

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

Changes in Group fixed assets as at 31.03.2001

	Cost of acquisition or manufacture				
	As at 01.04.2000 DM	Additions DM	Transfers DM	Disposals DM	As at 31.03.2001 DM
I. Intangible assets					
Industrial property rights and similar rights and assets as well as licences to such rights and assets	5,751,984	606,248	0	135,792	6,222,440
II. Tangible assets					
1. Land and buildings	44,592,523	7,223,549	621,766	566,036	51,871,802
2. Technical plant and machinery	42,431,890	1,948,424	39,800	2,456,743	41,963,371
3. Other plant, fixtures and fittings	57,030,014	6,348,964	1,209,910	3,074,088	61,514,800
4. Prepayments made and plant under construction	1,891,371	830,340	-1,871,476	0	850,235
	145,945,798	16,351,277	0	6,096,867	156,200,208
III. Financial assets					
1. Shares in affiliated companies	90,000	0	0	90,000	0
2. Investments in associated companies	2,045,999	3,539,898	0	68,250	5,517,647
3. Other investments	327,722	7,899,769	0	0	8,227,491
4. Loans to companies with which a shareholding relationship exists	414,390	0	0	18,503	395,887
5. Other loans	3,100,000	0	0	1,600,000	1,500,000
	5,978,111	11,439,667	0	1,776,753	15,641,025
	157,675,893	28,397,192	0	8,009,412	178,063,673

Investments in associated companies (1)

The additions refer to new acquisitions by GESCO Technology AG. 25.2% of CSP Camsoft AG, Villingen-Schwenningen, was acquired as part of a capital increase and a 40.0% holding in Planet ID GmbH, Essen was acquired.

In the case of the additions, the differences on the assets side resulting from the use of the equity method relate solely to goodwill. These are being written down on a scheduled basis over their anticipated life of 15 years in accordance with § 309 Para. 1 Clause 2 HGB.

Depreciation includes DM 65 thousand (previous year DM 27 thousand) depreciation charged on the surplus value capitalised on consolidation. In the previous year, the figure contained DM 237 thousand depreciation in accordance with § 253 Para. 2 Clause. 3 HGB.

Associated companies' net income for the year is shown as an addition in the Group statement of fixed assets while dividend payments are shown as disposals. Associated

Depreciation				Net book values	
As at 01.04.2000 DM	Additions DM	Disposals DM	As at 31.03.2001 DM	As at 31.03.2001 DM	As at 31.03.2000 DM
1,637,992	489,588	132,263	1,995,317	4,227,123	4,113,992
12,647,735	1,219,142	64,967	13,801,910	38,069,892	31,944,788
33,085,280	2,809,597	2,056,726	33,838,151	8,125,220	9,346,610
42,299,336	5,135,910	2,792,852	44,642,394	16,872,406	14,730,678
0	0	0	0	850,235	1,891,371
88,032,351	9,164,649	4,914,545	92,282,455	63,917,753	57,913,447
0	0	0	0	0	90,000
360,299	457,661	0	817,960	4,699,687	1,685,700
0	0	0	0	8,227,491	327,722
0	0	0	0	395,887	414,390
0	0	0	0	1,500,000	3,100,000
360,299	457,661	0	817,960	14,823,065	5,617,812
90,030,642	10,111,898	5,046,808	95,095,732	82,967,941	67,645,251

companies' net losses for the year and depreciation on surplus value capitalised on consolidation are shown in the column for depreciation.

Investments (2)

The investments also involve acquisitions by GESCO Technology AG. 16.0% of Silicon Vision AG, Siegen, was acquired as part of a capital increase. The company also invested in EquiNet EarlyStage Capital Fonds Nr. 1 GmbH & Co. KG, Frankfurt, as a limited partner. The capital holding amounted to 6.07% at the time the investment was made.

Other loans (3)

This item refers to a long term loan.

Other assets (4)

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

Own shares (5)

In the year under review, use was made of the General Meeting's authorisation to acquire own shares. In the year under review, 82,594 shares with a total nominal value of DM 413 thousand (3.30% of the share capital) were acquired by GESCO AG at a purchase price of DM 2,767 thousand in order to sell them again within the framework of the General Meeting's authorisation or to offer them to employees of Group companies as part of an employee share ownership programme. A total of 98,017 shares with a total nominal value of DM 490 thousand (3.92%) of the share capital) were sold to institutional investors for a sale price of DM 3,078 thousand. Of this figure 75,998 shares with a nominal value of DM 380 thousand (3.04% of the share capital) derive from purchases undertaken in the financial year. In the year under review, 6,196 shares with a total nominal value of DM 31 thousand (0.25% of the share capital) were sold to employees for a sale price of DM 103 thousand. The proceeds were used to repay liabilities. At the balance sheet reporting date, 400 own shares with a total nominal value of DM 2 thousand (=0.02% of the share capital) were reported, some as earmarked for the 2001 employee share ownership programme. The acquisition costs amounted to DM 12 thousand. 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 and money market funds are shown here. They are valued strictly at the lower of cost or market.

Credit balances with financial institutions (7)

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

Prepaid expenses (8)

The item for prepaid expenses contains discounts of DM 51 thousand (previous year DM 34 thousand).

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 unit bearer shares.

The ordinary General Meeting of 31 August 2000 authorised the company to acquire its own shares up to 10 per cent of the current share capital, including the shares already held, up until 28 February 2002. This authorisation superseded the authorisation to acquire own shares granted by the General Meeting of 19 August 1999, which was limited until 19 February 2001.

At the balance sheet reporting date, the company had authorised capital of up to 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.

Revenue reserves (10)

The Executive Board allocated DM 3,272,444.41 from GESCO AG's 1999/2000 net income in accordance with § 58 Para. 2 AktG. A further DM 65,368.94 was allocated to other revenue reserves following a resolution by the Annual General Meeting. In addition, the reduction in the reserve for own shares of DM 627,104.58 was recorded here. An allocation of DM 2,516,852.10 is planned from the 2000/2001 net income.

Minority interests (11)

This item shows the share of the Group's capital and results attributable to other shareholders. It is attributable solely to Managing Directors who hold shares in the companies they manage.

Provisions (12)

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 new biometric principles were taken into consideration.

The tax provisions contain provisions for deferred taxes of DM 1,221 thousand (previous year DM 1,105 thousand).

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

Liabilities (13)

	As at 31.03.2001 (31.03.2000) DM'000	Remaining term of up to 1 year (31.03.2000) DM'000	Remaining term of up to 5 years (31.03.2000) DM'000	Remaining term of > 5 years (31.03.2000) DM'000
Liabilities to financial institutions	69,391 (63,350)	18,100 (19,097)	40,961 (32,723)	10,330 (11,530)
Trade creditors	12,959 (10,744)	12,959 (10,744)	0 (0)	0 (0)
Liabilities on bills	2,878 (1,492)	2,878 (1,492)	0 (0)	0 (0)
Liabilities toward affiliated companies	99 (100)	99 (100)	0 (0)	0 (0)
Liabilities toward companies with which a shareholding relationship exists	66 (121)	66 (121)	0 (0)	0 (0)
Other liabilities	9,077 (10,046)	8,873 (10,046)	0 (0)	204 (0)
	94,470 (85,853)	42,975 (41,600)	40,961 (32,723)	10,534 (11,530)

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

Contingent liabilities

	2000/2001 DM'000	1999/2000 DM'000
Liabilities from the issue and assignment of bills	523	77
Liabilities under guarantees	4,258	2,275
Liabilities under warranty agreements	7,631	5,776
Security for third party liabilities	75	75

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 9,391 thousand up to the end of the relevant term (previous year DM 10,698 thousand), of which DM 1,592 thousand (previous year DM 1,506 thousand) will be due the following year. This figure includes obligations arising under a long term property leasing agreement. The discounted obligations up to the end of the term of the agreement of DM 7,514 thousand (previous year DM 8,720 thousand) are matched by corresponding rental income.

At the balance sheet reporting date, the Group has payment obligations in connection with investments in tangible and financial assets of DM 2.6 million (previous year DM 0 million). The obligations are partly offset by entitlements to subsidies.

There are possible retrospective improvements in the purchase price, limited in the case of one company to DM 6 million, resulting from the acquisition of two companies, depending on their future earnings. A payment on account of DM 1 million was made in the previous year.

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

Subject to certain preconditions, the Group may incur repurchase obligations of DM 14,669 thousand (previous year DM 0 thousand) resulting from a partial securities repurchase agreement at the end of 2001.

4. Information on the Group profit and loss account

Sales revenue (14)

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

	2000/2001		1999/2000	
	DM'000	%	DM'000	%
Germany	231,192	81	327,071	84
Europe (without Germany)	41,937	15	51,313	13
Asia	12,404	4	12,143	3
Africa	108	0	392	0
America and Australia	852	0	782	0
	286,493	100	391,701	100

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

Other operating income (15)

Other operating income contains income from writing back provisions (DM 1,481 thousand, previous year DM 2,910 thousand), in particular. In the previous year, other operating income also included earnings on the deconsolidation of subsidiaries of DM 5,388 thousand.

Other operating income contains income from outside the period under review of DM 1,864 thousand (DM 1,250 thousand).

Other operating expenditure (16)

Other operating expenditure is broken down as follows:

	2000/2001 DM'000	1999/2000 DM'000
Operating costs	11,210	20,137
Administrative costs	4,327	8,001
Sales costs	11,452	21,039
Other	6,686	11,027
	33,675	60,204

Expenditure outside the period under review amounts to DM 250 thousand (previous year DM 1,011 thousand).

Taxes on income and earnings (17)

The taxes on income and earnings contain deferred taxes (expenses) of DM 116 thousand (previous year DM 105 thousand). Tax refunded for the previous year amounted to DM 248 thousand (previous year DM 235 thousand).

5. Segment reporting financial year 2000/2001

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

		Tool manufacture and mechanical engineering		Plastics technology		New Technologies	
		2000/2001 DM'000	1999/2000 DM'000	2000/2001 DM'000	1999/2000 DM'000	2000/2001 DM'000	1999/2000 DM'000
Sales	(DM'000)	212,548	191,011	73,013	65,386	0	–
Financial result	(DM'000)	-1,113	-990	-69 [1]	-421	-17 [2]	–
EBITDA	(DM'000)	23,494	18,233	10,943	7,418	-154	–
Investment	(DM'000)	8,886	7,792	3,277	2,686	11,440	–
Depreciation	(DM'000)	6,689	6,428	2,523	1,926	0	–
Total assets	(DM'000)	108,962	103,563	36,337	32,392	11,530	–
Outside capital	(DM'000)	70,562	68,504	23,957	23,235	7,397	–
Average number of employees	(No.)	758	750	216	215	0	–

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

In the **New Technologies** segment, GESCO Technology AG becomes involved as a parent company in new technology companies by purchasing minority holdings. Where the investment in the relevant subsidiary amounts to at least 20%, its results are included on a pro rata basis using the equity method. There are no figures for the previous year since GESCO Technology AG did not become involved in this field until 2000.

The **ELBA Group** segment relates to the previous year. The 51% holding in the ELBA Group held via GESCO Beteiligungs GmbH and sold on 1 January 2000 was no longer included in the balance sheet as at 31 March 2000 having been deconsolidated; its entire financial year 1999 was included in the profit and loss account for the period 1 April 1999 to 31 March 2000. The ELBA Group's EBITDA also includes the profit on the sale of the ELBA holding. Since the holding was sold on 1 January 2000, no details are included in financial year 2000/2001.

1) Includes income from investments of DM 491 thousand.
2) Includes result from investments in associated companies of DM -72 thousand.
3) Includes result from investments in associated companies of DM -386 thousand and income from investments of DM 17 thousand.
4) Includes result from investments in associated companies of DM -44 thousand.

ELBA Group		GESCO AG/other/ consolidation		Group	
2000/2001 DM'000	1999/2000 DM'000	2000/2001 DM'000	1999/2000 DM'000	2000/2001 DM'000	1999/2000 DM'000
–	134,016	932	1,288	286,493	391,701
–	-1,114	-1,378 [3)]	1,237 [4)]	-2,577	-1,288
–	13,253	-5,513	-4,650	28,770	34,254
–	12,890	4,794	4,937	28,397	28,305
–	3,750	442	1,445	9,654	13,549
–	4,825	48,361	50,463	205,190	191,243
–	4,589	28,413	25,968	130,329	122,296
–	755	8	6	982	1,726

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

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

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

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

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

6. Cash flow statement

	2000/2001 DM'000	1999/2000 DM'000
Group net income for the year (including income attributable to minority interests)	9,562	11,035
Depreciation on fixed assets	9,654	13,549
Losses from investments in associated companies	458	44
Increase in long term provisions	577	184
Other income/expenditure not affecting payments	4,538	-879
Cash flow for the year	**24,789**	**23,933**
Losses/profits from the disposal of fixed assets	-833	723
Profits from changes in the scope of consolidation	-14	-5.388
Increase in stocks, trade receivables and other assets	-12,593	-19,027
Increase in trade creditors and other liabilities	1,184	11,377
Cash flow from ongoing business activity	**12,533**	**11,618**
Incoming payments from the disposal of fixed assets/intangible assets	1,679	2,158
Disbursements for investment in fixed assets	-16,351	-22,233
Disbursements for investment in intangible assets	-606	-1,380
Incoming payments from the disposal of financial assets	1,777	22
Disbursements for investment in financial assets	-11,440	-3,450
Incoming payments from public subsidies	0	2,487
Incoming payments from the sale of consolidated companies	607	8,973
Disbursements for the acquisition of consolidated companies	0	-6,913
Cash flow from investment activity	**-24,334**	**-20,336**
Disbursements to shareholders (dividends)	-3,208	-2,739
Disbursements to minority shareholders	-462	-590
Incoming payments from the taking up of financial loans	3,185	16,291
Cash flow from funding activity	**-485**	**12,962**
Real increase in financial means	**-12,286**	**4,244**
Real increase in financial means	-12,286	4,244
Valuation related changes in financial means	-1,682	-195
Financial means as at 01.04	43,476	39,427
Financial means as at 31.03	29,508	43,476

The financial means portfolio continues to contain other securities (without own shares) as well as the item cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques.

Interest payments of DM 3,109 thousand (previous year DM 3,369 thousand) were made in financial year 2000/2001.
Tax on income and earnings paid in financial year 2000/2001 amounted to DM 9,161 thousand (previous year DM 10,921 thousand).

7. Other information

Employees

On average the following number of employees were employed:

	2000/2001	1999/2000
Factory staff	621	1,173
Office staff	316	511
Trainees	45	42
	982	1,726

Executive bodies

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

Wuppertal, 14 May 2001

The Executive Board

W. Back R. Spartmann

Auditors' report

We have audited the consolidated financial statements and Group Directors' Report for the year ended 31 March 2001 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 the assets, liabilities, financial position and profit or loss presented by the consolidated financial statements, with due regard to the generally accepted accounting principles, and the Group Directors' Report, will be recognised. Audit activities are planned in accordance with our knowledge of the Group's business activity and economic and legal framework as well as the anticipated margin of error. Our audit has also assessed the effectiveness of the internal controlling system and the evidence for the details provided in the consolidated financial statements and 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, 25 May 2001

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

signed:

(Dr. Breidenbach)	(Dr. Niemeyer)
Auditor	Auditor

GESCO AG
List of shareholdings as at 31 March 2001 (§ 313 Para. 2 HGB)

1. Companies included in the consolidated financial statements	% share of [1] capital held
Ackermann Fahrzeugbau GmbH, Wolfhagen	80.00
Alro GmbH, Wuppertal	100.00
AstroPlast Fritz Funke GmbH & Co. KG, Sundern	80.00
Fritz Funke jun. Verwaltungsgesellschaft mbH, Sundern [2]	100.00
Dörrenberg Edelstahl GmbH, Engelskirchen-Ründeroth	100.00
Franz Funke GmbH & Co. KG, Sundern	80.00
Funke Verwaltungsgesellschaft mbH, Sundern [2]	100.00
GESCO Technology AG, Wuppertal	100.00
Haseke GmbH & Co. KG, Porta Westfalica	80.00
Haseke Beteiligungs-GmbH, Porta Westfalica [2]	100.00
MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG, Erkrath	100.00
Maschinen- und Apparatebau Götzen GmbH, Erkrath [2]	100.00
Molineus & Co. GmbH + Co. KG, Wuppertal	100.00
Grafic Beteiligungs-GmbH, Wuppertal [2]	100.00
Paroll Doppelboden-Systeme GmbH & Co. KG, Radevormwald	74.00
Paroll Doppelboden-Systeme Beteiligungsgesellschaft mbH, Radevormwald [2]	74.00
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel	90.00
WM Werkzeug- und Maschinenbau Verwaltungs-GmbH, Kassel [2]	100.00
Tomfohrde GmbH & Co. Industrieverwaltungen, Wuppertal	100.00
Tomfohrde GmbH, Wuppertal [2]	100.00

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

2. Associated companies	% share of [1] capital held
CSP Camsoft AG, Villingen-Schwenningen	25.20
Gewerbepark Wilthener Straße GmbH, Bautzen	32.50
Planet ID GmbH, Essen	40.00
Steiner GmbH & Co. KG, Wilnsdorf	24.90
Steiner Verwaltungs-GmbH, Wilnsdorf [2]	24.80

3. Companies not included in the consolidated financial statements	% share of [1] capital held
Ackermann Fahrzeugbau Oschersleben GmbH, Oschersleben	24.00
Degedenar Grundstückverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG, Eschborn	100.00
GEM Gesellschaft für Entwicklung und Management von Immobilien mbH, Bautzen	32.50
GIS Gewerbe- + Immobilien-Service GmbH, Bautzen	33.00

The companies which have not been 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).

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

GESCO AG's Supervisory Board (from left): Rolf-Peter Rosenthal (Deputy Chairman), Klaus Möllerfriedrich (Chairman), Dr. Hans Bernhard von Berg.

Report of the Supervisory Board

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During financial year 2000/2001, the Supervisory Board concerned itself constantly with the company's position and development, in accordance with the duties and powers imposed upon it by law and under the articles of association.

This was done at a number of face to face meetings between the Chairman of the Supervisory Board with the members of the 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 monthly reports from the affiliates. The Supervisory Board has also checked that the risk management system which was set up in the previous year has been continued.

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

During financial year 2000/2001 and with the backing and approval of the Supervisory Board, the Executive Board of GESCO AG established GESCO Technology AG as a wholly owned subsidiary by converting GESCO Beteiligungs GmbH. GESCO Technology AG invests in growth-oriented technology companies.

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

The auditors audited the annual financial statements to 31 March 2001 and the Directors' Report and accepted them without qualification. The auditors have also examined the risk management system and confirmed its functionality.

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

The Supervisory Board has examined the annual financial statements, Directors' Report and the proposed application of profits as drawn up by the Executive Board and discussed them in detail at a meeting with the auditors on 28 May 2001. In the light of the conclusive examination, the Supervisory Board has no objections 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 2001, which were also examined and passed unqualified by the auditors. At its meeting on 28 May 2001, the Supervisory Board also discussed the consolidated financial statements with the auditors and approved them.

Following the re-election of all Supervisory Board members, Klaus Möllerfriedrich was elected Chairman and Rolf-Peter Rosenthal, Deputy Chairman.

With effect from 31 December 2000, Klaus Füting retired from the Executive Board of GESCO AG in line with his contract. On behalf of the company and the shareholders, the Supervisory Board would like to thank Klaus Füting for his commitment and contribution to the success of the company. The Supervisory Board has appointed Robert Spartmann, Gevelsberg, as his successor who was working as an accountant until he took up his position on the Executive Board on 1 January 2001.

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, 28 May 2000

The Supervisory Board

Klaus Möllerfriedrich
Chairman

Financial calendar

26 June 2001 / 9.30 h
Annual Accounts Press Conference to announce the annual financial statements for 2000/2001 at the Steigenberger Parkhotel, Düsseldorf

26 June 2001 / 15.00 h
DVFA Analysts' Meeting at the Steigenberger Frankfurter Hof, Frankfurt/Main

26 June 2001 / 17.00 h
Telephone conference for institutional investors and analysts

August 2001
Announcement of figures for the first quarter (01.04.-30.06.2001)

30 August 2001 / 10.30 h
Annual General Meeting in the Stadthalle, Wuppertal

November 2001
Announcement of figures for the first half year (01.04 – 30.09.2001) and despatch of interim report

February 2002
Announcement of figures for the first nine months (01.04 – 31.12.2001)

27 June 2002
Annual Accounts Press Conference and DVFA Analysts' Meeting

5 September 2002
Annual General Meeting in the Stadthalle, Wuppertal

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

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