

ANNUAL REPORT

2007
2008



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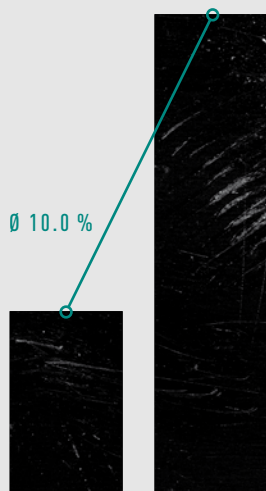
TRADITION
INNOVATION
VISION

ABOUT GESCO AG

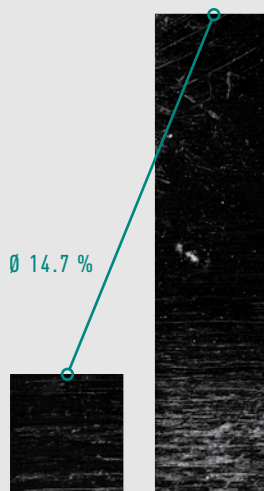
GESCO AG IS THE PARENT COMPANY OF A GROUP OF SMES IN THE FIELD OF INDUSTRIAL BASE TECHNOLOGIES. GESCO ACQUIRES SUCCESSFUL NICHE PROVIDERS, GENERALLY AS PART OF SUCCESSION PLANNING, IN ORDER TO HOLD AND DEVELOP THEM OVER THE LONG TERM. AS A LISTED COMPANY (REGULATED MARKET, PRIME STANDARD), GESCO AG OFFERS PRIVATE AND INSTITUTIONAL INVESTORS ACCESS TO SMES.

COMPOUND ANNUAL GROWTH RATE (CAGR) SINCE THE FINANCIAL YEAR 1997/1998
(IPO ON 24 MARCH 1998)

SALES



EBIT



GROUP NET INCOME AFTER MINORITY INTERESTS



THE GESCO GROUP AT A GLANCE

Financial year 01.04.-31.03.		1998/1999 HGB	1999/2000	2000/2001 ¹⁾	2001/2002 IFRS
Sales	€'000	173,521	200,274	146,481	158,627
of which domestic	€'000	133,911	167,229	118,206	124,411
foreign	€'000	39,610	33,045	28,275	34,216
EBITDA	€'000	14,566	17,514	14,710	15,638
EBIT	€'000	9,643	10,587	9,774	10,088
Earnings before tax	€'000	8,902	10,098	8,532	4,348
Taxes on income and earnings	€'000	-2,899	-4,286	-3,567	-548
Taxation rate	%	32.6	42.4	41.8	12.6
Group net income after minority interests	€'000	5,463	5,149	4,102	2,939
Earnings per share ¹⁾	€	2.18	2.06	1.64	1.19
Investment in tangible assets ²⁾	€'000	10,933	11,368	8,360	10,348
Depreciation on tangible assets	€'000	4,489	6,699	4,686	4,754
Equity	€'000	37,079	35,252	38,276	36,107
Total assets	€'000	122,946	97,781	104,912	134,204
Equity ratio	%	30.2	36.1	36.5	26.9
Employees (as at 31.12.)	No.	1,471	1,816	1,015	1,157
of which trainees	No.	45	50	52	61
Year-end share prices as at 31.03.	€	17.10	14.92	16.00	12.70
Dividend	€	0.56	0.66	0.72	0.75

THE BUSINESS MODEL...

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

...WITH SUBSTANCE...

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

...AND VISION

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

2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	Change
153,835	171,234	192,264	234,327	268,146	333,155	24.2%
124,165	133,220	140,768	172,464	199,470	248,534	24.6%
29,670	38,014	51,496	61,863	68,676	84,621	23.2%
14,580	17,947	20,114	26,792	31,800	44,281	39.2%
8,063	10,711	12,512	18,792	23,728	34,158	44.0%
-1,600 ¹⁾	8,782	11,850	16,562	23,570	30,783	30.6%
-758	-3,985	-4,868	-7,100	-9,311	-11,227	20.6%
---	45.4	41.1	42.9	39.5	36.5	-7.6%
-3,177 ²⁾	4,198	6,228	9,325	13,313	17,883	34.3%
-1.29 ³⁾	1.73	2.50	3.54	4.83	5.92	22.6%
5,292	5,258	6,404	9,014	8,332	12,030	44.4%
5,330	6,039	6,318	6,718	6,745	8,254	22.3%
29,444	36,333	41,878	54,379	74,948	89,845	19.9%
138,515	138,370	145,070	174,430	211,762	236,511	11.7%
21.3	26.3	28.9	31.2	35.4	38.0	7.3%
1,203	1,192	1,215	1,329	1,543	1,713	11.0%
69	63	60	75	81	105	29.6%
9.10	16.70	23.61	38.90	38.20	48.00	25.7%
0.50	0.70	0.90	1.25	1.50	2.42 ³⁾	61.3%

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

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

- 1) From FY 2001/2002 earnings per share according to IFRS.
- 2) Without additions from changes to the scope of consolidation.
- 3) including dividend bonus of € 0.22 due to 10-year anniversary of IPO.

GESCO SHARES

- Listed on the regulated market, Prime Standard, SDAX (from 23 June 2008).
- The key to ambitious SMEs.
- Attractive dividend returns.
- Potential for further price gains through internal and external growth.
- Active investor relations, highly transparent reporting.

HIGHLIGHTS 2007/2008

FOURTH RECORD YEAR IN SUCCESSION

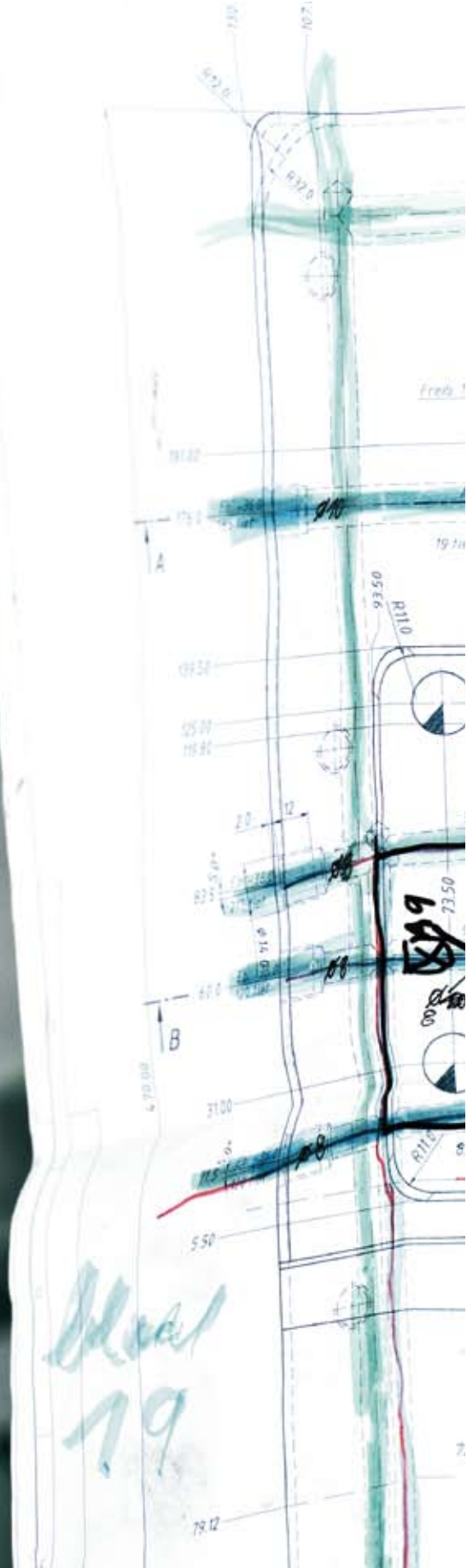
- SALES + 24 %
- EBIT + 44 %
- GROUP NET INCOME FOR THE YEAR AFTER MINORITY INTERESTS + 34 %
- RECORD DIVIDEND OF € 2.42 (BASE DIVIDEND OF € 2.20 + BONUS OF € 0.22)

ACQUISITION OF VWH VORRICHTUNGS- UND WERKZEUGBAU HERSCHBACH GMBH

- NICHE SUPPLIER OF AUTOMATION AND SENSOR TECHNOLOGY

10-YEAR ANNIVERSARY OF THE GESCO STOCK MARKET LISTING

- BONUS FOR EVERY GROUP EMPLOYEE
- 10 % DIVIDEND BONUS



Handwritten text in blue ink: 'Meal 19'

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GESCO 2007/2008

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FOREWORD BY THE EXECUTIVE BOARD

DEAR SHAREHOLDERS,

The 2007/2008 financial year, which is discussed in detail in this annual report, was the best in the history of the company. If this sentence sounds familiar to you, then you are probably a long-time company shareholder since the three preceding financial years also returned record results for the company and therefore its shareholders. During the reporting year, Group sales increased by 24 % and reached € 333 million. EBIT grew even faster at 44 % and reached € 34 million. Group net income for the year after minority interests increased by 34 % to € 17.9 million.

This kind of success is normally only achieved when the economic cycle is high. However, a strong economy is not enough: reaping the fruits of success requires corresponding resources in terms of equipment and personnel. This is why we have always invested in machines and equipment, keep companies state-of-the-art and do not hesitate to invest in research and development. If our companies had failed to make extensive investments early on, they would have been unable to take full advantage of the tailwind provided by a strong economy. Of course, handling the sometimes huge volume of orders also requires people. They have to be motivated and qualified, willing to perform and must identify with “their” company. This is why investments in our employees in the form of training and continuing education are just as important as investments in technical equipment. The boom phase over the last few years has been quite demanding on the staff, and we would like to sincerely thank the employees and managers of the subsidiaries.

Ten years ago, GESCO AG stepped into the limelight of the capital market with its IPO. While the company was already well-established and networked, it operated outside the perception of a larger audience. Visibility related to the stock market listing is helpful in many ways; it increases the selection of acquisition targets, creates trust through transparency and makes it easier to hire and retain employees and managers. But still: does the stock market listing not contradict the spirit of a family company, which we want to retain after acquisition? We do not think so. On the contrary: we strive to get as close as possible to the best of both worlds. The fresh breeze of the capital market, which can sometimes be a gale, helps compensate for the typical weaknesses of SMEs. And the spirit of a family company is, after all, one of the roots of success – a root we do not want to sever under any circumstances.

A look at the last ten years on the stock exchange proves that it is possible to thrive on the value-based business model of GESCO AG and that the capital market does accept such a model. For you as shareholders, the 2007/2008 financial year was extremely favourable: you enjoyed a share price increase of 25.7 % while our benchmark the SDAX lost 26.6 %. You also collected the dividend of € 1.50 per share paid in August 2007.

In the anniversary year, the Executive Board and Supervisory Board wish to recognise the two most important target groups for our efforts: you, the shareholders of our company in the form of a 10 % dividend bonus and the employees of the GESCO Group in the form of a one-time bonus payment. The Executive Board and Supervisory Board are asking the General Meeting to approve a dividend of € 2.42 per share (base dividend of € 2.20 plus a bonus of € 0.22).

On 4 June 2008, Deutsche Börse AG decided to admit the GESCO AG share into the SDAX effective from 23 June 2008. Being admitted to the index is certain to help raise the company's profile and reach new investors. We are also hoping for extra tailwind for the share price development and the trading liquidity of our share.

In April 2007, we expanded our portfolio during the 2007/2008 financial year with the acquisition of VWH Vorrichtung- und Werkzeugbau Herschbach GmbH; you were already informed of this development in the last annual report. While we examined other companies that appeared promising at first, no additional transactions were concluded due to a variety of reasons. In some cases, the price expectations of sellers are at a level we are not prepared to pay. In addition, the due diligence assessment in two cases revealed factors that added severe downsides to the initial positive image of the respective companies and caused us to abstain from the acquisition.



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



What happens from here? That is the big question that has been considered by companies and especially by the capital market for months. Will the banking crisis affect real economic growth? Is the SME sector facing a “credit crunch”? We do not see any signs of this in the GESCO Group. On the contrary: at this time, all signs point to ongoing positive developments. Of course we may also evaluate new investments in subsidiaries more critically at a time like this: is the investment suitable in order to serve high demand that is expected to continue, or is there a threat of investing into a downturn only to be dragged down by high depreciation and financing costs? This question can only be answered in concrete cases, and every investment calculation also includes a “Plan B” in case capacities are not utilised as fully as expected. But in principle, we are willing and able to make the necessary investments even at this point in economic development. In addition, some of our companies operate in market niches that are unaffected by general economic trends to a certain degree. For many of our companies, markets and technologies ultimately speak clearly and point to positive developments so that we expect increases in sales and income for the new financial year.

We would like to sincerely thank you, the shareholders of GESCO AG, for your confidence in us. We would also like to thank you for your feedback, your suggestions and your interest in the development of the company expressed in numerous meetings, telephone calls and e-mails. We frequently get the impression that many of our shareholders are acting on conviction and value the specific business model of GESCO AG. We would be very happy if you remained loyal to us.

Yours sincerely,

Dr.-Ing. Hans-Gert Mayrose

Robert Spartmann

GESCO SHARES / CORPORATE GOVERNANCE

DEVELOPMENT OF THE GESCO SHARE

The 2007/2008 financial year was favourable for our shareholders with a share price increase of 25.7%, while the SDAX which we consider a benchmark fell by 26.6%. Over the 2007 calendar year, our share grew by an even higher 33.9% while the SDAX fell by 8.4%. Not only have we significantly outperformed our benchmark in each of these cases, but we also weathered the capital market crash following the sub-prime crisis relatively well. In addition to the share price increase, the dividend of € 1.50 per share paid on 24 August 2007 is also part of the total yield for our shareholders.

Trading liquidity of the GESCO share has once again increased: average daily turnover exceeded 15,500 shares and € 720,000 for the reporting year. At over € 150 million by the end of May, market capitalisation has reached a level that promotes awareness among institutional as well as domestic and foreign investors.

Equinet, HSBC Trinkaus & Burkhardt, Bankhaus Lampe, GSC Research and Performaxx are currently including the GESCO share in their research. On the reporting date, four analysts rated the share as "buy" and one as "overweight".

STRATEGY AND IMPLEMENTATION

Over the course of the last few years, we have been striving to broaden the shareholder base, to increase the proportion of institutional investors and to improve the trading liquidity of the GESCO share. With increasing market capitalisation, we expanded our road show activities in Switzerland followed by Great Britain, Scandinavia, the "Low Countries" and France. We were able to convince investors with the validity of our business model in all of these countries and regions. In foreign countries in particular, we frequently encountered a positive response regarding industrial German SMEs as well as pronounced interest in our business model that gives investors access to this asset class.

Based on these measures and, of course, the positive change in the share price, we have been able to consistently work towards possible acceptance into the SDAX. On 4 June 2008, Deutsche Börse AG decided to admit the GESCO AG share into the SDAX effective from 23 June 2008. Even if the development of the GESCO share has proved for many years that issuers can also be successful without being in a stock exchange index, we are of course delighted about being admitted. This step is boosting the profile of the stock and is raising awareness. As far as some institutional investors are concerned being admitted to one of the indices is a precondition for investing.

The free float of the GESCO share remains at 100%; the shares are still widely dispersed, with approximately 70% in the deposits of private investors and approximately 30% with institutional investors.

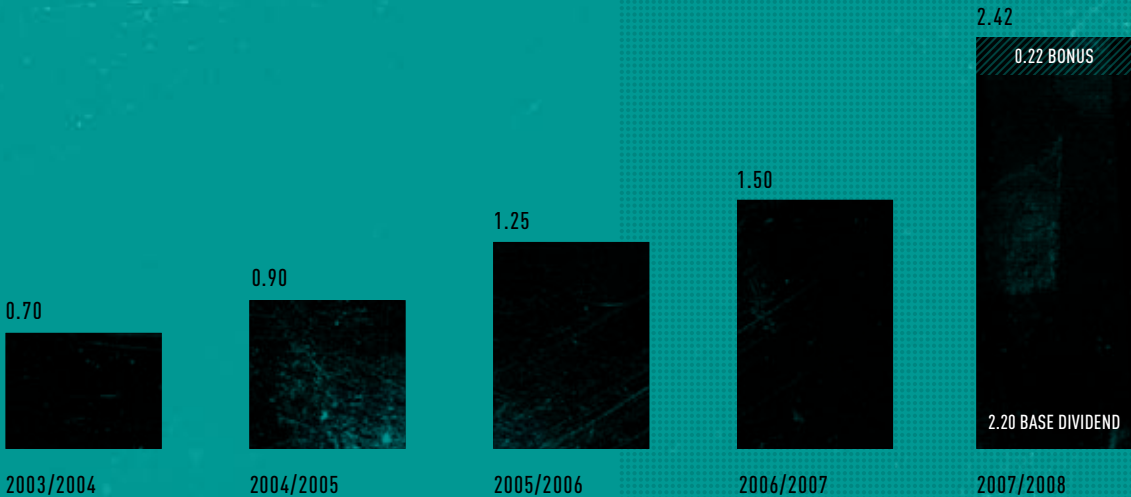
SHARE PRICE DEVELOPMENT OF GESCO AG, DAX, MDAX AND SDAX



GOOD REASONS TO BUY GESCO SHARES

- + GESCO SHARES PROVIDE ACCESS TO THE AMBITIOUS SME SECTOR
- + STABLE BUSINESS MODEL PROVEN OVER MANY YEARS
- + SOUND, HEALTHY ASSETS WITH LOW BALANCE SHEET RISK
- + ATTRACTIVE DIVIDEND YIELD AND UPSIDE POTENTIAL FOR SHARE PRICE
- + HIGH LEVEL OF MANAGEMENT EXPERTISE WITH INDUSTRY EXPERIENCE
- + IMAGINATION THROUGH NUMEROUS UNSOLVED SUCCESSION ISSUES
- + ACTIVE INVESTOR RELATIONS AND HIGHLY TRANSPARENT REPORTING

DIVIDEND PER SHARE IN €



INFORMATION ABOUT THE GESCO SHARE¹⁾

International Securities Identification Number (ISIN)	DE0005875900
Securities identification number	587 590
Stock market abbreviation	GSC
Share capital	€ 7,859,800
Number of unit bearer shares	3,023,000
IPO	24 March 1998
Issue price	DM 42 / € 21.47
Year-end price, previous year (31 March 2007)	€ 38.20
Year-end price, reporting year (31 March 2008)	€ 48.00
High (31 August 2007)	€ 56.80
Low (23 January 2008)	€ 36.85
Market capitalisation on 31 March 2008	€ 145,014 million
Free float	100%
Shares held by members of the Supervisory Board (31 March 2008)	0.8%
Shares held by members of the Executive Board (31 March 2008)	0.4%
Transparency standard	Prime Standard
Indices	SDAX (from 23 June 2008) CDAX overall index Prime All Share Prime Industrial Classic All Share Prime Industrial Diversified

KEY INDICATORS GESCO SHARE FOR 2007/2008 (Previous year values in brackets)

Dividend per share	€ 2.42 (€ 1.50)
Earnings per share according to IFRS	€ 5.92 (€ 4.83)

1) All share prices reflect the closing price on the Frankfurt Stock Exchange

STOCK EXCHANGES

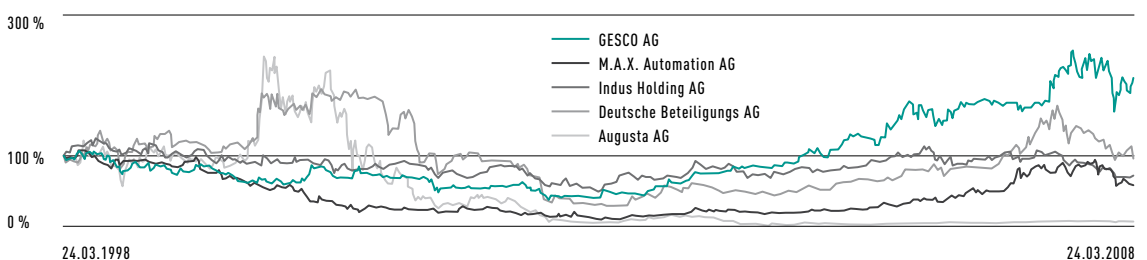
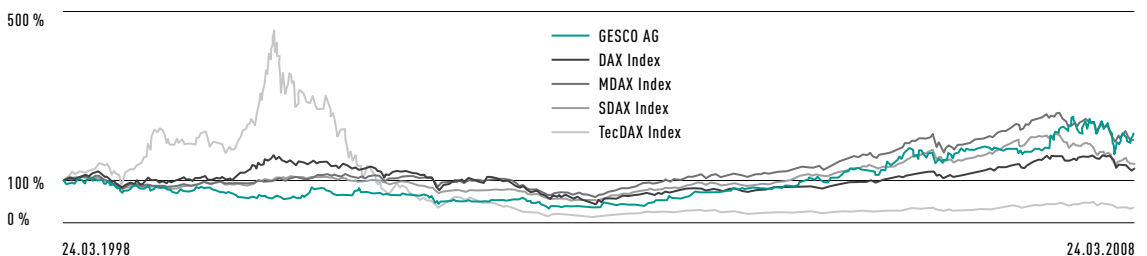
XETRA
Frankfurt (regulated market)
Berlin-Bremen (open market)
Düsseldorf (open market)
Hamburg (open market)
Munich (open market)
Stuttgart (open market)

In the financial calendar at the end of this Annual Report, you will find an overview of important dates up to the end of 2009.

As a member of the Deutscher Investor Relations Verband e. V. (DIRK, German Investor Relations Association), we engage in a continuous and open communication policy. We maintain transparent reporting that provides investors with informative materials in order to make investment decisions. We maintained active investor relations and general public relations activities during the 2007/2008 financial year. These activities mainly consist of providing answers to shareholder questions, one-on-one meetings with domestic and foreign investors and analysts and presentations of our business model during capital market events. The following events deserve special mention:

- 25 April 2007: "Kölner Aktienforum" (Cologne Share Forum) hosted by the DSW
- 15 May 2007: "Münchener Kapitalmarkt-Konferenz (MKK)" (Munich Capital Market Conference)
- 28 August 2007: Small Cap Conference hosted by the DVFA, Frankfurt am Main
- 7 September 2007: Presentations at the international investor conference IAM, Düsseldorf
- 18 October 2007: Investor meeting at GSC Research, Düsseldorf
- 24 October 2007: Munich Investment Forum hosted by Baader Bank and Kayenburg AG
- 10 November 2007: Investor forum of the Wuppertal municipal savings bank
- 12 November 2007: "Deutsches Eigenkapitalforum" (German Equity Forum), hosted by the Deutsche Börse AG and KfW-Bank
- 5 December 2007: High Tech Engineering conference, hosted by Deutsche Börse AG and equinet AG, Zürich
- 6 December 2007: "Hamburger Investorenkonferenz" (Hamburg Investor Conference), Hamburg
- 12 December 2007: "Münchener Kapitalmarkt-Konferenz (MKK)" (Munich Capital Market Conference)

10-YEAR COMPARISON OF SHARE PRICE DEVELOPMENT





10-YEAR ANNIVERSARY OF OUR STOCK MARKET LISTING CORPORATE GOVERNANCE REPORT ¹¹

24 March 2008 marked the ten-year anniversary of the GESCO AG IPO. We took this event as an opportunity to draw conclusions about our real economic development as well as our capital market performance. Average annual growth rate of 10 % for Group sales and 18.9 % for Group net income for the year after minority interests bear witness to the sustained success of our business model. With an average rate of return around 10 %, our shareholders also benefited from these developments. Over the course of 10 years, the GESCO share has outperformed the relevant indices as well as the peer group.

The Executive Board and Supervisory Board decided that both Group employees and shareholders should be able to share in our success. Each and every one of the approximately 1,710 employees of the GESCO Group will receive a one-time bonus of € 250. For the 2007/2008 financial year ending 31 March 2008, the company is paying its shareholders a 10 % bonus on the regular dividend payable in the anniversary year. The Executive Board and Supervisory Board will submit a resolution to the General Meeting on 21 August 2008, proposing a base dividend of € 2.20 plus a bonus of € 0.22 for a total payout of € 2.42 per share. A dividend of € 1.50 per share was paid in the previous year.

We dealt with the issue of corporate governance early on, recognising the precursors to the codex published by the Government Commission on the Corporate Governance Codex in February 2002. The version dated 14 June 2007 applies at this time. § 161 added to the German Stock Corporation Act (AktG) under the Transparency and Publicity Act (TransPuG) requires an annual declaration of compliance with this codex. The current declaration of compliance and previous declarations are available to our shareholders and other interested parties on our home page.

The Executive Board and Supervisory Board of GESCO AG agree with the aims of the codex to promote good, trustworthy company management for the benefit of shareholders, employees and customers. Our business policies aim to continuously increase company value.

The codex requires a corporate governance report and, in particular, explanations regarding deviations from its recommendations. The preamble to the codex expressly provides for deviations from its recommendations, which are aimed at “enhancing the flexibility and self-regulation with regard to the corporate legal structure of German companies”. This means that deviations are not negative per se, but are actually beneficial for smaller companies in particular. For example, forming committees from a Supervisory Board consisting of three persons is obviously not practical. We also do not see any compelling reasons to appoint a chairman or spokesman for the Executive Board; the Executive Board of GESCO AG consists of two members that have equal rights and clearly defined responsibilities. The definition

i Corporate governance

Corporate governance (CG) refers to responsible company management and control dedicated to the sustained creation of value.

of an absolute age limit for the Executive Board and Supervisory Board does not appear useful to us, since the benefit to the company – and not age – should be the decisive factor when filling a position. On the other hand, we believe that the codex recommendation to disclose remuneration and benefits in kind for members of the Supervisory Board for consulting or agency services that were personally provided is reasonable. No such remuneration was provided to the Supervisory Board of GESCO AG during the reporting year or the previous year.

In regards to the purchase or sale of company shares or related financial instruments by members of its executive bodies or other persons subject to reporting requirements (directors' dealings), the acquisition of 1,000 shares was reported to the company in August 2007 by Dr. Hans-Gert Mayrose, member of the Executive Board. During the previous year, both members of the Executive Board reported the acquisition of 1,000 GESCO shares each. The shareholding ratio of the Executive Board was 0.4% on the reporting date, while the ratio for the Supervisory Board was 0.8%.

The remuneration report prescribed for the corporate governance report by the corporate governance codex is part of the Group management report and is therefore included in this Annual Report; no duplicate copy in addition to this Annual Report was printed.

GESCO AG, WUPPERTAL DECLARATION OF COMPLIANCE ACCORDING TO § 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Executive Board and Supervisory Board of GESCO AG declare that the recommendations of the "Government Commission German Corporate Governance Codex" published by the Federal Ministry of Justice in the official section of the online Bundesanzeiger (Federal Gazette) were being followed according to the version of the codex dated 12 June 2006 since the last declaration of compliance was issued in December 2006 and until 19 July 2007, and were and are being followed according to the version of the codex dated 14 June 2007 since 20 July 2007.

- **4.2.1. – Executive Board:** The Executive Board of GESCO AG consists of two persons; no chairman or spokesman has been appointed.
- **5.1.2., 5.4.1. – Executive Board and Supervisory Board:** No age limit has been established for members of the Executive Board and Supervisory Board.
- **5.3. – Supervisory Board committees:** The Supervisory Board of GESCO AG was intentionally kept small, with only three members, in order to facilitate efficient processes and intensive discussion of both strategic issues and detailed matters. This is why forming Supervisory Board committees is not useful in our view.
- **5.4.7. – Supervisory Board remuneration:** There is no disclosure of Supervisory Board compensation by member.

GESCO AG
Supervisory Board and Executive Board

Wuppertal, December 2007



BACK



A DIFFERENT KIND OF INVESTMENT
HOLDING COMPANY:
STRATEGY OF GESCO AG

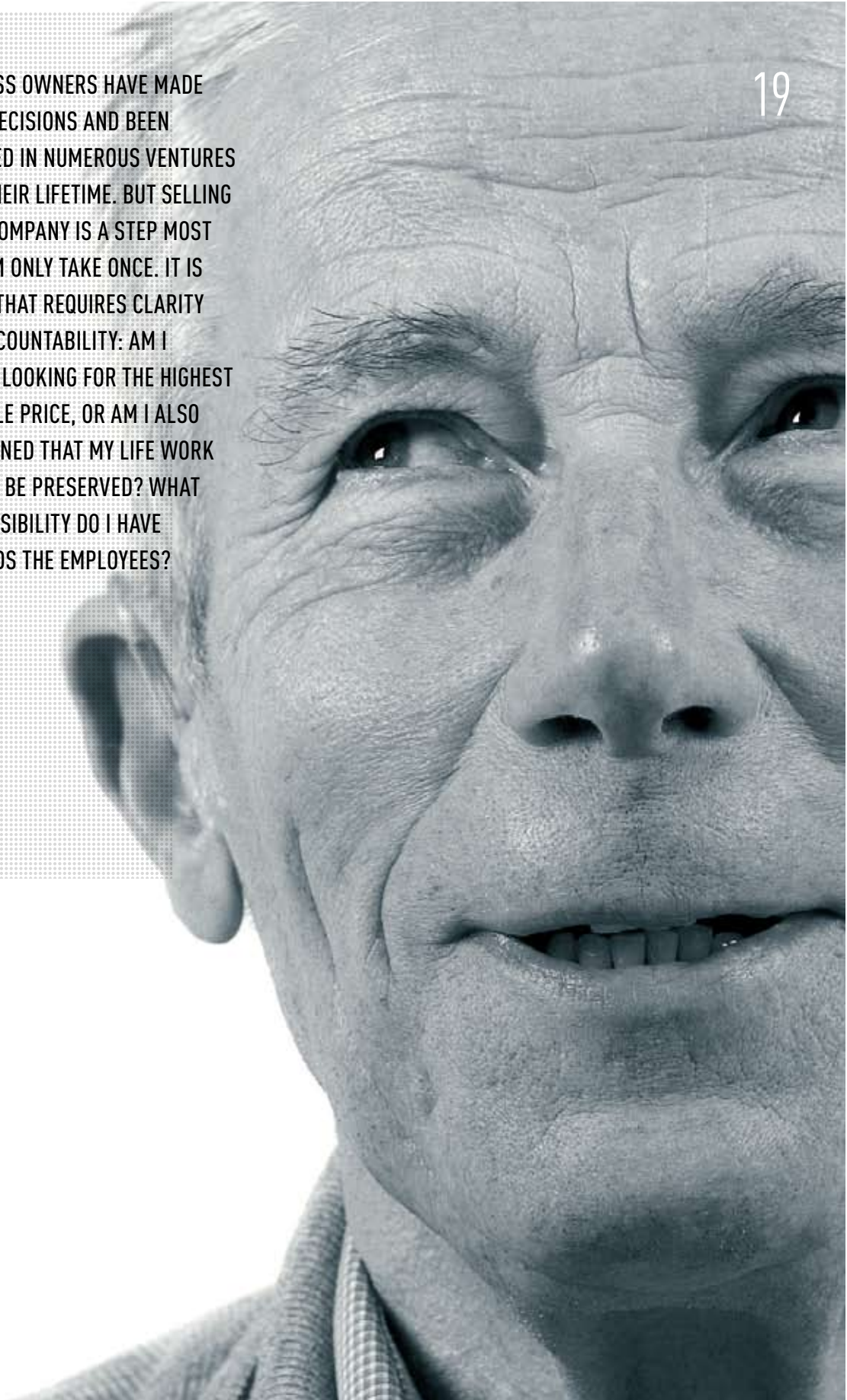
STAGE

SEIZING OPPORTUNITIES

GESCO AG was founded by a handful of private individuals in 1989. They were involved in the SME sector as business owners, tax consultants or auditors and noted the problem of succession among these companies in Germany. A lack of succession planning creates a critical situation – for the owner-manager personally and for the company as an organisation. In some cases, continuation of the company itself is even in question, along with all the negative consequences for employees, customers, suppliers and other partners. The founders decided that it would be expedient to contribute towards a solution, be it only for a small number of cases. At the same time, they recognised that the lack of succession planning created an investment opportunity. **Their goal: developing a portfolio of above-average industrial SMEs, holding it over the long term and continuously developing it.** Growth was to come from two sources – internally from companies in the Group and externally by acquisition. While the focus was to be on succession issues, the founders were also open to other constellations such as corporate spin-offs. On the other hand, restructuring was and is outside the company's focus. Acquiring healthy companies, improving them, allowing them to develop and grow, enhancing their potential and making them more successful than they were as stand-alone companies through the help of a strong holding company: that remains our goal to this day.

This conceptual core has remained constant even as details of the model were optimised and refined over the years.

BUSINESS OWNERS HAVE MADE MANY DECISIONS AND BEEN INVOLVED IN NUMEROUS VENTURES OVER THEIR LIFETIME. BUT SELLING THEIR COMPANY IS A STEP MOST OF THEM ONLY TAKE ONCE. IT IS A STEP THAT REQUIRES CLARITY AND ACCOUNTABILITY: AM I MERELY LOOKING FOR THE HIGHEST POSSIBLE PRICE, OR AM I ALSO CONCERNED THAT MY LIFE WORK SHOULD BE PRESERVED? WHAT RESPONSIBILITY DO I HAVE TOWARDS THE EMPLOYEES?



LIMITING RISK

In addition to being committed to seizing opportunities as soon as they presented themselves, all the participants understood at the outset that risks would have to be limited. They were aware that there is no guarantee of success and that acquisitions in particular bear inherent risks in spite of due diligence. The architecture of the GESCO Group was designed so that problems with individual units would not be able to threaten the overall structure according to the best possible judgement. This is why cash pooling^[1] or guarantees and other commitments are not commonly used by the GESCO Group to this day.

THE SUCCESSOR AS A MANAGING PARTNER

WHEN IT CAME TO SOLVING SUCCESSION ISSUES, CAPITAL PARTICIPATION BY THE NEW MANAGER TURNED OUT TO BE A STABILISING AND ALSO STIMULATING ELEMENT. THE FACT THAT SENIOR MANAGEMENT ACQUIRES A STAKE IN THE COMPANY AT MARKET TERMS IS THE CORNERSTONE OF GESCO'S SUCCESS. THIS APPLIES IN DIFFERENT SCENARIOS SUCH AS AN INCUMBENT MANAGEMENT ACQUIRING AN INTEREST IN THE COMPANY IN A MANAGEMENT BUY-OUT OR IF THE POSITION IS FILLED EXTERNALLY, IN A MANAGEMENT BUY-IN. THIS APPROACH ACTS AS A BALANCING FACTOR FOR MAJOR DECISIONS, IMPROVES THE EXTERNAL AND INTERNAL STANDING OF THE MANAGER AND ALIGNS THE INTERESTS OF THE MANAGER AND THE COMPANY. FOR THE RESPECTIVE SUBSIDIARY, NEW MANAGEMENT USUALLY REPRESENTS A STEP AHEAD SINCE ALMOST ANY COMPANY, NO MATTER HOW WELL IT IS MANAGED, CONCEALS ROOM FOR IMPROVEMENTS AND OPPORTUNITIES WAITING TO BE SEIZED. OWNER-MANAGERS SELLING THEIR COMPANIES ALSO APPRECIATE THE FACT THAT THEY ARE BEING REPLACED BY A MANAGING PARTNER WHO HAS COMMITTED A PERSONAL INVESTMENT TO HEAD THE COMPANY.

^[1] Cash pooling

Cash pooling refers to internal Group liquidity balancing through centralised financial management, offering loans to companies within the Group to cover liquidity shortfalls. It is an element of cash management. The pool includes excess liquidity from all companies in the Group.



NICHE PLAYER IN THE FINANCIAL HOLDINGS SECTOR – A MODEL APPEALING TO MANAGING PARTNERS

With its particular business model, GESCO AG has become a niche player in the financial holdings sector. While most investment holding companies are exit-oriented, which means they strive to subsequently sell the investments they have acquired, GESCO AG invests for the long term and does not pursue an exit-based business model. Majority holdings – usually 100 % – are acquired.

This approach is appealing to many owner-managers, who want to receive a commensurate selling price in line with the market but are also very much interested in the continuity of the company which usually represents their life work and has often been passed down to the second or third generation. For many owner-managers, a sense of responsibility towards their employees is a high priority.

A BRIDGE BETWEEN THE CAPITAL MARKET AND SMES

The GESCO model builds a bridge between the world of SMEs with the soul of a family company on one side and the world of the capital market on the other. Since its IPO in March 1998, GESCO AG has full access to the capital market. By building this bridge, the company improves the financial strength and therefore the investment capacity of its subsidiaries, expanding the options open to them. This allows GESCO companies to take advantage of opportunities that are often

1
2

Unternehmensplanung der GESCO-Firmengruppe für das Geschäftsjahr 2005
Anleitung zur GuV - Planung

Ist 2004		Ist Sep. 2005		Anpassungen IV. Quartal 05		VORAB IV. Quart 2005
TE	%	TE	%	TE	%	
19.952	100,3	14.964	100,4			4.988
20.000	100,6	15.000	100,7	W.F. Prämienzahlungsteiler	1,00	5.000
20.000	100,8	15.000	100,7			5.000
-46	-0,2	-36	-0,2			-12
-36	-0,2	-28	-0,2			-9
-10	-0,1	-8	-0,1			-3
-67	-0,3	-67	-0,4			-22
67	0,3	67	0,4			22
19.896	100,0	14.898	100,0			4.998
1	0,0	1	0,0			
19.887	100,0	14.899	100,0			4.988

Sophisticated planning and reporting tools: These tools support the managers of subsidiaries in their business administration responsibilities and provide GESCO AG with a current, transparent picture of each company's situation.

Quartal	Vorgang		in TEUR	f=0	I. Quartal 06		Anpassungen		Basis
	2005	sichtlich 2005			TE	%	TE	%	
100,4	19.952	100,4	Umsatzerlöse (netto)	32		5.088	100,4		4,9
100,7	20.000	100,7	Umsatzerlöse (brutto)	320	1,02	5.100	100,7	1,00	5,0
100,7	20.000	100,7	Inland (brutto) Dritte	3201000			100,7		5,0
			Inland (brutto) verbund. Untern.	3201100					
			Ausland (brutto) Dritte	3202000					
			Ausland (brutto) verbund. Untern.	3202100					
-0,2	-48	-0,2	Erlösschmälerungen	321		-12	-0,2		-
-0,2	-38	-0,2	Gewährte Skonto Inland	3210100	1	-10	-0,2		-
-0,2	-10	-0,2	Gewährte Skonto Ausland	3210200	1		-0,1		-
			Gewährte Bona Inland	3210300	1				
			Gewährte Bona Ausland	3210400	1				
			Gewährte Rabatte Inland	3210500	1				
			Gewährte Rabatte Ausland	3210600	1				
			Sonstige Erlösschmälerungen Inland	3210900	1				
			Sonstige Erlösschmälerungen Ausland	3210950	1				
			Bestandsveränderung	322		-22	-0,4		
			Veränderung	3220000		-22	-0,4		
			sonstige veränderte Eigenleistungen	323					
			sonstige veränderte Eigenleistungen	3230000					
100,0	19.952	100,0	Betriebliche Leistung	324		5.066	100,0		4,9
0,0	2	0,0	Sonstige betriebliche Erträge	325			0,0		
			Erträge aus Abgang Sachanlagevermögen	3250100					
			Gewinn aus Abgang von Finanzanlagen	3250110					
			Erträge Pauschalwert-/Einzelwertber.	3250200					
			Erträge aus Auflösung Rückstellungen	3250300					
			Verbrauch Rückstellungen	3250350					
			Auflösung Sopo m.RL-anteil	3250400					
			Versicherungserstattungen	3250500					
			Sonstige bet. Erträge off. Fördermaßnahmen	3250600					
			Mieteerträge	3250700					
0,0	2	0,0	Kursgewinne	3250800			0,0		
			Erträge aus Zuschreibungen	3250900					
			Erträge aus Sachbezug	3251000					
			Eingang ausgebuchter Forderungen	3251100					
			Lizenz-erträge Dritte	3251200					
			Umlage verbund. Unternehmen	3251300					
			Miete und Leasing Dritte	3251400					
			Miete und Leasing verbund. Unternehmen	3251500					
			Erträge als Konventionalstrafen	3251600					
			Erträge aus BP-Anpassungen	3251700					
			Anderer s. b. Erträge	3251900					
100,0	19.965	100,0	Gesamtleistung	399		5.066	100,0		4,9

Schritt 1:
 öffnen / schließen der Anpassungsspalten
 + oder - Zeichen anklicken
 oder
 1 oder 2 auswählen

Schritt 2:
 Entscheidung, ob sich die einzelnen Ertrags- und Aufwandsarten eher variabel oder fix verhalten. Bei sich eher fix verhaltenden Ertrags- und Aufwandsarten ist eine "0" bzw. nichts, bei variablen eine "1" in die dafür vorgesehene Spalte und Position einzutragen.
 Die als "2" gekennzeichneten (rot hinterlegten Felder) Aufwandsarten, verhalten sich nicht variabel oder fix zur betrieblichen Leistung. Diesen Aufwandsarten wurde eine gesonderte Formel hinterlegt.

Schritt 3:
 Übertrag des Brutto-Umsatz aus der Umsatzplanung in die gekennzeichneten Spalte (8 Anpassungen - 7) als absoluter Wert des entsprechenden Quartals.

unavailable to owner-managed SMEs of comparable size. GESCO AG also has a well-established network in areas such as M&A¹ and financing, and has access to extensive expertise in a variety of specialised fields. The management of GESCO AG has acquired personal industry experience. In addition, the holding company has developed extensive know-how in the tool/machine construction and plastics technology segments over the years. Weak areas typical for SMEs, such as financing, reporting and controlling as well as a frequent lack of strategic direction are addressed through the holding company. The parent company also helps with the completion of administrative tasks in order to free up management for business operations.

HOWEVER, THIS BRIDGE IS ALSO ATTRACTIVE TO INSTITUTIONAL AND PRIVATE INVESTORS SINCE THE GESCO SHARE ALLOWS THEM TO INVEST IN HIGHLY INTERESTING COMPANIES THAT WOULD NORMALLY BE INACCESSIBLE THROUGH A DIRECT INVESTMENT.

SPEEDBOATS INSTEAD OF TANKER SHIPS

The entire model is also intended to maintain the advantages typical for SMEs. Flexibility, speed and the proximity of the organisation to the customer must not be paralysed by the "Group structure". This is why the operational independence of our subsidiaries is extremely valuable.

GESCO AG provides support with coaching, consulting and controlling. Each month, GESCO AG receives business management data from every subsidiary. A business administration executive from the holding company visits every subsidiary each month in order to analyse these figures on site with the corresponding officer and, in particular,

to recognise budget deviations early. Of course numerous current issues will also be discussed at such meetings, so that they ultimately amount to a look at the overall company situation. A member of the GESCO AG Executive Board also visits each subsidiary at least once every quarter, in particular to discuss strategic issues and engage in conceptual "sparring".

ATMOSPHERE IS KEY

GESCO AG stresses constructive communication between partners. This applies to employees just as much as the relationship between the holding company and its subsidiaries. However, it also applies to interactions between managers of the subsidiaries: our annual company meeting allows managers to develop their contacts; new members are welcomed to the Group, technical topics of general interest are discussed and time is provided to exchange ideas and experiences.





□ Typical steps in a GESCO mergers & acquisitions (M&A) transaction

1. The business owner or a consultant appointed by him or her contacts GESCO AG and provides initial information about the company.
2. If the company matches the GESCO AG acquisition criteria, a non-disclosure agreement (NDA) is signed.
3. GESCO receives additional information about the company. The parties get to know each other, comparing their interests and objectives. Company tour.
4. GESCO submits an offer to purchase, subject to a due diligence assessment of the company and approval by the GESCO Supervisory Board. Purchase price negotiations. If an agreement is reached:
5. The seller assures exclusivity for GESCO for a limited period of time.
6. Internal due diligence assessment by GESCO employees and auditors. Parallel preparation of the purchase contract.
7. Contract signing.
8. Payment of the purchase price, closing of the contract.
9. Communication with staff (works meeting) by the seller and the GESCO AG Executive Board.

The image shows a close-up of architectural blueprints held on a clipboard. The blueprints are detailed technical drawings with various lines, circles, and text. A black metal vertical bar is on the left side. In the bottom right, there is a stack of papers and a folder. A teal banner with white text is overlaid at the bottom.

BEST OF

THE STRATEGIES OF THE OPERATING
SUBSIDIARIES

BOTH WORLDS

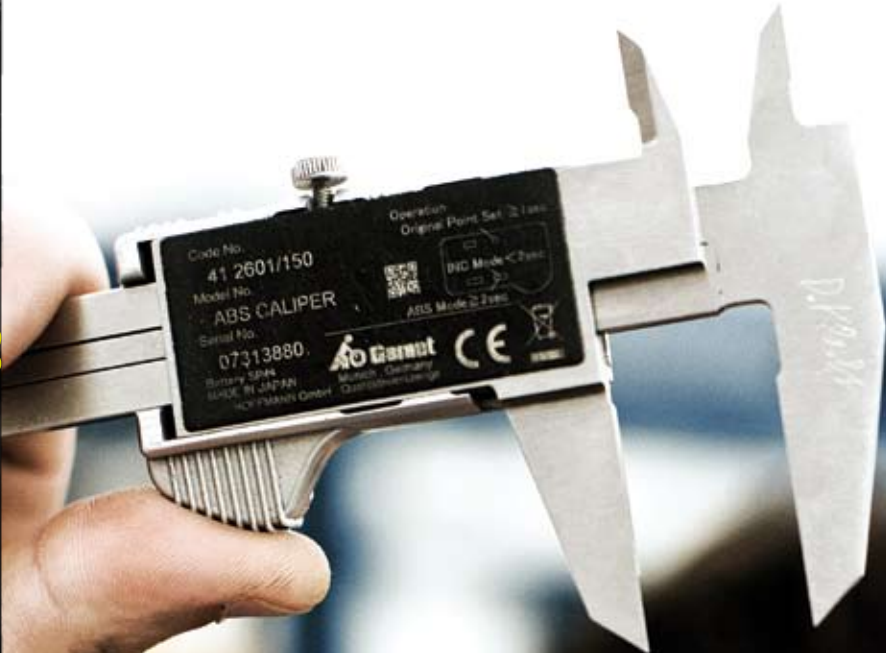
SMES: ANYTHING BUT MEDIOCRE

SMEs are anything but mediocre. The objective of GESCO AG is to select companies with an above-average potential for success from among the large number of SMEs available for acquisition. As a long-term investor, GESCO AG needs to be convinced that the respective company is viable and harbours potential; increasing competition from low-wage countries also needs to be taken into account. This is why manufacturers of mass products tend to be less attractive to us than specialised suppliers.

In spite of the large variety of products and markets, the subsidiaries also have **conceptual similarities. Pronounced technological expertise**, which ideally exhibits unique characteristics and creates market entry barriers for competitors, usually forms the core of the respective business model. In addition to technical quality, the companies normally offer supplementary services that complement the physical product in order to address specific needs. The subsidiaries are often included in product development by their customers from the outset in order to contribute their expertise related to materials, processes, structure or design. This makes our companies valued and long-term business partners for their respective customer bases.

LONG-TERM SUCCESS: THE GESCO GROUP INCLUDES INDUSTRIAL ENTERPRISES IN THE TOOL MANUFACTURE/MECHANICAL ENGINEERING AND PLASTICS TECHNOLOGY SEGMENTS. THESE COMPANIES OPERATE INDEPENDENTLY AND SUPPLY VARIOUS INDUSTRIES. SOME MEMBERS OF THE GROUP ARE COMPANIES EXPERIENCING A PHASE OF RAPID GROWTH WHILE OTHERS HAVE A STEADY VOLUME OF BUSINESS. GESCO AG SUBSIDIARIES ALSO INCLUDE MARKET AND TECHNOLOGY LEADERS. OVERALL, THE COMPANIES FORM A BALANCED PORTFOLIO WITH A HEALTHY MIX OF OPPORTUNITIES AND RISKS.

03





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Deutsches Patent- und Markenamt

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C22C 38/44, C22C 38/48, C

Innerhalb von 3 Monaten nach Veröffentlichung der Erteilung kann Einspruch erhoben werden.

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(72) Erfinder:
Oldawurtel, Andreas, Dipl.-Ing., 51

FOR EXAMPLE, DÖRRENBERG HAS OBTAINED EXTENSIVE METALLURGY KNOW-HOW WHICH ALLOWS THE COMPANY TO PROVIDE EXCELLENT CONSULTING SERVICES RELATED TO STAINLESS STEEL ACROSS ALL FOUR BUSINESS AREAS. TIME AND TIME AGAIN, INNOVATIVE SOLUTIONS THAT EXTEND TO PATENTED ALLOYS DEVELOPED IN-HOUSE ARE CREATED IN COOPERATION WITH CUSTOMERS, COLLEGES AND TECHNICAL INSTITUTES.

(54) Bezeichnung: **Korrosionsbeständiger, hochverschleißfester, härtpbarer Stahl**

(57) Hauptanspruch: Korrosionsbeständiger, hochverschleißfester, härtpbarer Stahl, gekennzeichnet durch folgende Zusammensetzung (in Gewichtsprozent):

Chrom	13 bis 18
Silicium	bis zu 1,5 %
Mangan	bis zu 1,5 %
Molybdän	bis zu 3 % einschließlich
Titan	bis zu 1 %
Niob	mehr als 5 % bis zu 8 %

wobei der Rest Eisen und erschmelzungsbedingte Verunreinigungen sind, und wobei der mittlere Gehalt an Kohlenstoff nach folgender Formel bestimmt ist:

$$C \text{ (}\%) = \frac{Nb + 2 Ti}{a} + b$$

wobei der Wert für a = 9 und der Wert für b = 0,7 betragen und wobei der in der Matrix gelöste Chromgehalt wenigstens 12 Gew.-% der Matrix beträgt.

SALES BY BUSINESS SEGMENTS



- 1 STAINLESS STEEL 52 %
- 2 STAINLESS STEEL MOULD CASTINGS 34 %
- 3 SURFACE TECHNOLOGY 7 %
- 4 PRECISION CASTINGS 7 %

INNOVATION

GP4M®

STAINLESS





HUBL GMBH FOCUSES ON STRENGTHS IN STRUCTURE AND DESIGN, CLOSELY LINKED TO THE CORRESPONDING PRODUCTION KNOW-HOW. WITH THE HELP OF GESCO AG, THE COMPANY HAS INCREASINGLY BECOME A DEVELOPMENT PARTNER THAT IS INCLUDED IN CUSTOMER PROJECTS EARLY ON.

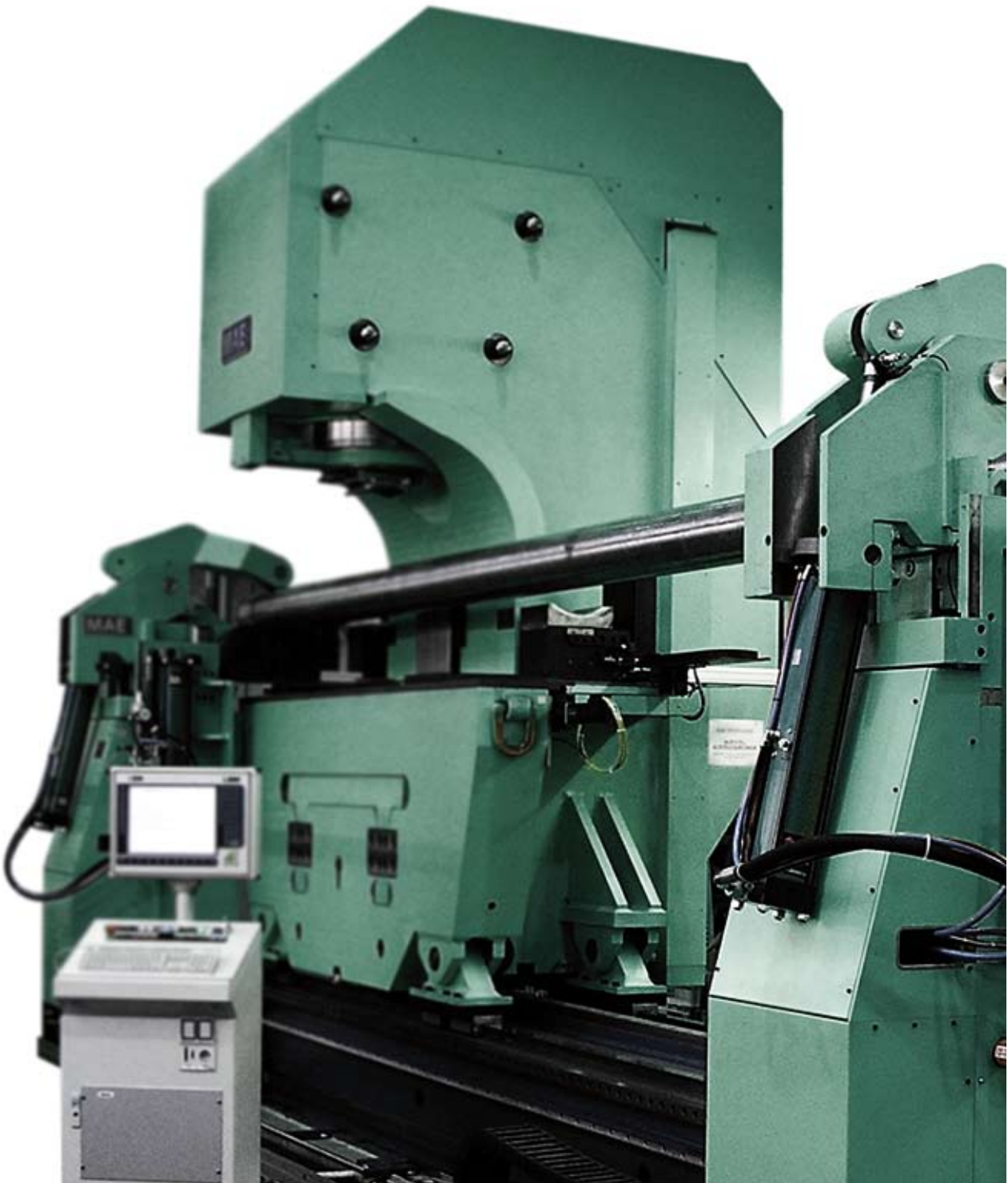




PEARLS, ANYTHING BUT HIDDEN

The GESCO AG portfolio includes several companies that can be justifiably called “pearls of SMEs”: global market leaders and technology leaders, well-positioned companies with unique characteristics in terms of service or production, distribution or material know-how. Some also refer to “hidden champions” although this term is misleading. While such SMEs do not enjoy the media limelight, they are anything but “hidden” in their respective markets and among the target groups since they usually enjoy an excellent reputation that was often developed over decades.

FOR EXAMPLE, MAE MASCHINEN- UND APPARATEBAU GÖTZEN GMBH & CO. KG IS A GLOBAL MARKET LEADER FOR AUTOMATIC LEVELLING MACHINES. OVER THE LAST FEW YEARS, IT HAS ESTABLISHED A TECHNOLOGICAL ADVANTAGE BY DEVELOPING A NEW **MACHINE CONCEPT** TO LEVEL LARGE METAL COMPONENTS.



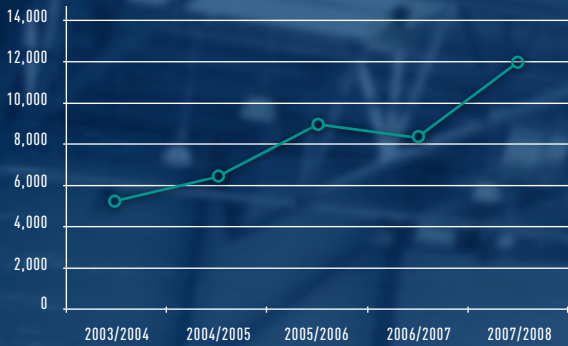


"TYPICAL FOR SMES": THE IMPORTANCE OF EMPLOYEES IS VALUED


This type of positioning based on technical expertise requires dedicated employees. Only those who identify with "their" company and possess sufficient qualifications and motivation can provide customers with services that ensure the long-term survival of a company. Valuing employees, caring, emphasising training and continuing education: all this tends to be typical for family-owned companies. For those who value long-term thinking and sustainable management, employees are far more than an item on the income statement – they are the essence of success. Loyalty, low turnover and pride in doing quality work are typical characteristics for employees of SMEs. Whether as employees or managers: anyone who desires a personal, straightforward environment and wants to see the results of individual dedication quickly is well suited for the SMEs in the GESCO Group. It is little wonder that our companies are among the most popular providers of apprenticeships and employment in their respective regions. As the majority shareholder, GESCO AG fully appreciates the value of employees and has expressed this fact with a personal letter of thanks from the Executive Board and a bonus payment to each Group employee for the 10-year anniversary of the company's stock market listing.



INVESTMENTS IN TANGIBLE ASSETS (€'000)



REGULAR INVESTMENTS:
A MATTER OF COURSE FOR A LONG-TERM
SHAREHOLDER



AFTER THE EMPLOYEES, TECHNICAL EQUIPMENT IS THE SECOND KEY COMPONENT FOR THE SUCCESS OF A COMPANY. GESCO AG HAS CONSISTENTLY BOOSTED THE VIABILITY OF ITS SUBSIDIARIES THROUGH REGULAR INVESTMENTS FROM THE OUTSET. EQUIPMENT IS “STATE-OF-THE-ART” AND MOST COMPANIES ALSO HAVE CONTEMPORARY INTEGRATED SOFTWARE SYSTEMS FOR PRODUCTION PLANNING AND CONTROL. GESCO AG CONTRIBUTES ITS EXPERTISE FOR INVESTMENT DECISIONS AS WELL AS THE SELECTION OF CONSULTANTS, FOR EXAMPLE WHEN COMPLEX IT SOLUTIONS ARE REQUIRED.

LOCAL ROOTS, INTERNATIONAL ACTIVITY

In addition to the virtues of SMEs such as speed and flexibility as well as market and customer proximity, they can also reinvent themselves a little bit at a time as required. In a time of increasing globalisation, this also includes the regional expansion of sales and procurement. This does not mean that every one of these SMEs should immediately head for China or India to establish plants as the media reports or consultants sometimes suggest. However, it does mean that every company should seriously consider the opportunities and risks of globalisation. Once again, GESCO AG provides concrete support for its subsidiaries.

For example, Dörrenberg Edelstahl GmbH has promoted internationalisation over the last few years by entering into a joint venture in Spain, founding a subsidiary for Asian sales in Singapore and investing in a stainless steel distributor in Turkey.

In its business operations, SVT GmbH proves that its technology solutions are established around the world with an export quota of more than 80 %. At the same time, the company has developed suppliers in Eastern Europe and Asia on the procurement side in order to obtain components while also maintaining relationships with strong suppliers and service providers in its vicinity. This makes SVT a company that focuses on its core skills, boosting its competitive edge.



An SME that looks back on decades of history has dealt with change time and time again, has eagerly seized opportunities and done many things “right” as a result of the decisions that were made.

GESCO AG HAS SUBSCRIBED TO THE TASK OF ACQUIRING SUCH COMPANIES, STRENGTHENING THEM AND MAKING THEM EVEN MORE VIABLE AND POWERFUL THROUGH VALUE ADDED BY THE HOLDING COMPANY AND THE GROUP.

2

GROUP MANAGEMENT REPORT

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GROUP MANAGEMENT REPORT

GENERAL CONDITIONS

The German national economy grew significantly in 2007. With a 2.5 % increase in the gross domestic product, growth fell slightly from the level of 2.9 % in the previous year. This positive development was due to both exports and domestic demand.

The Verband deutscher Maschinen- und Anlagenbau e. V. (VDMA – German Machinery and Plant Manufacturers Association), which is relevant for our largest segment of tool manufacture and mechanical engineering, reports a sales increase of 13.6 % for the industry in 2007. The Gesamtverband Kunststoffverarbeitende Industrie e. V. (GKV – Association of Plastic Goods Producers), which is the association relevant for our second segment – plastics technology – reports growth of 7.5 % for the industry in 2007.

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

In the segment of industrial SMEs with sales in the range of approximately € 10 million to € 50 million, which is the segment relevant for us, the M&A market remained relatively constant in 2007. While large transactions suffered from financing problems due to the financial crisis in the second half of 2007, the effect on the segment addressed by us was minor. The number of companies available for acquisition remains high.

However, establishing a purchase price tends to be more difficult since numerous companies offered for sale have now experienced one or two good periods after numerous weaker years, and are pointing to their most recent performance as the sole basis for valuation.

IMPORTANT CHANGES TO THE SCOPE OF CONSOLIDATION

In April 2006, our subsidiary Dörrenberg Edelstahl GmbH founded **Doerrenberg Special Steels Pte. Ltd.** (DSS) with its headquarters in Singapore as a wholly-owned subsidiary in order to expand its sales in Asia. DSS was included in the 2006/2007 consolidated financial statements for an eight-month period, and is included for a full year in the 2007/2008 reporting year for the first time.

Frank Walz- und Schmiedetechnik GmbH in Hatzfeld, acquired in July 2006, has been included in the consolidated financial statements for a full financial year for the first time after being included for five months in the previous year.

Setter GmbH, a member of the GESCO Group, took over 100 % of **HRP Leasing GmbH**, Emmerich on 1 January 2007. HRP leases machines to manufacture paper sticks for the sweets and hygiene industry. When GESCO AG acquired the Setter Group in 2004, the seller granted an option to purchase the leasing company. Setter exercised this option after HRP successfully launched its leasing business. The company was already included in the consolidated balance sheet dated 31 March 2007, and was included in the consolidated income statement for the first time in the 2007/2008 financial year.

On 25 April 2007, GESCO AG took over 100 % of **VWH Vorrichtung- und Werkzeugbau Herschbach GmbH** in Herschbach near Montabaur under an age-related succession plan. VWH is a niche supplier specialising in the construction of custom machines in the automation technology field, injection mould construction and inline equipment for the production of sensors. With around 100 employees, the company generated sales of approximately € 7 million in 2007. VWH is included in the current financial statements for a period of eight months.

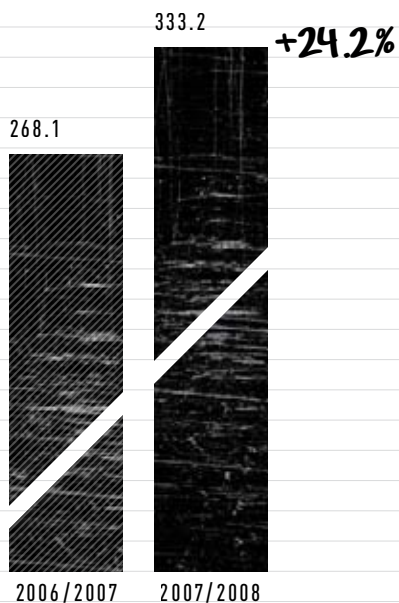
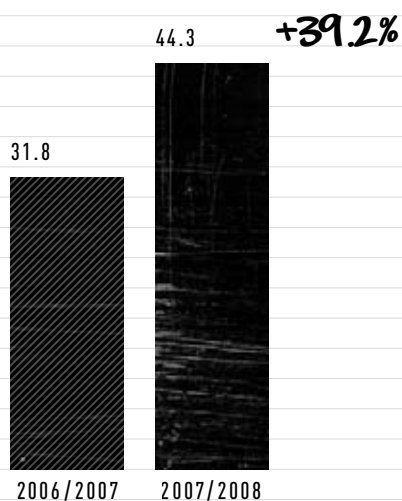
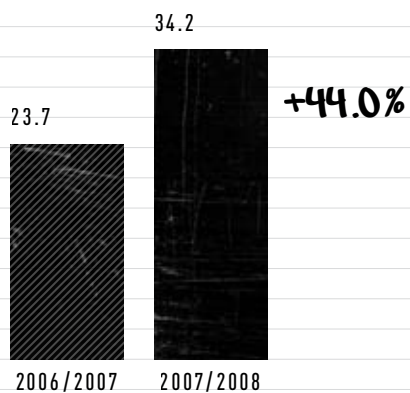
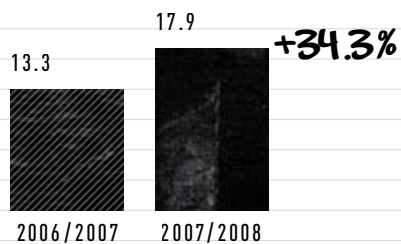
Effective July 2007, our subsidiary Dörrenberg Edelstahl GmbH acquired a 20 % share in **Saglam Metal Sanayi Ticaret A.S.**, Istanbul, Turkey. Saglam has an outstanding reputation in Turkey – especially in the stainless steel market – and has access to the Balkan states, Romania and the Middle East, among others. For Dörrenberg, this strategic investment in an attractive growth market represents another important step towards globalisation. Saglam is consolidated at equity and is included in the income statement of the current consolidated financial statement under the position “Income from investments in associated companies” for a period of five months.

SALES AND PROFIT

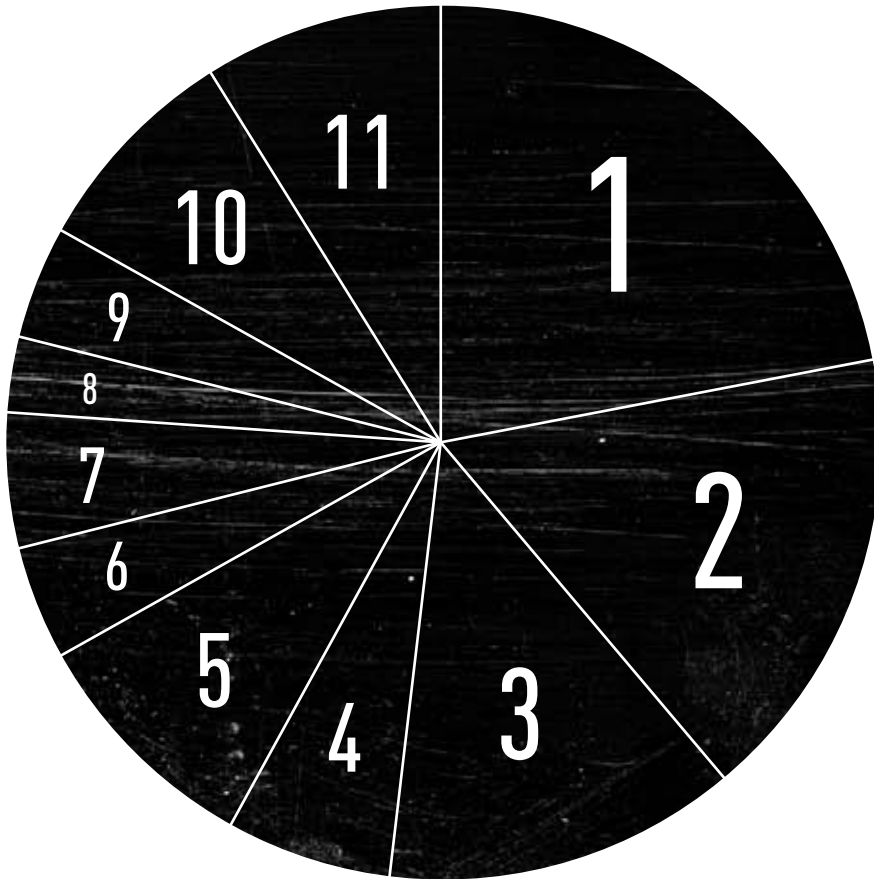
The GESCO Group was able to obtain an above-average benefit from strong overall economic growth in the 2007/2008 financial year. Dedicated employees combined with investments made in previous years enabled most companies in the GESCO Group to significantly grow their business.

Profit in particular was much better than initially expected. During the balance sheet press conference on 28 June 2007, we presented a budget for € 310 million in Group sales and € 12.5 million of Group net income for the year after minority interests. This budget was increased to € 320 million in sales and income of € 15.4 million in August 2007. A one-time gain of € 0.5 million from the revaluation of deferred taxes contributed to the increased income figure. In November 2007, we boosted the sales budget to € 327 million and budgeted income to € 17.5 million.

The extremely positive profitability for the 2007/2008 financial year, which came as a surprise even for us, is based on several subsidiaries and a variety of reasons. The settlement of several major contracts went better than expected, start-up costs were lower than originally assumed and investments made in previous years resulted in efficiency improvements sooner than expected. These developments illustrate the high level of motivation and willingness to perform on the part of GESCO Group employees.

GROUP SALES
IN € MILLIONGROUP EBITDA
IN € MILLIONGROUP EBIT
IN € MILLIONGROUP NET INCOME AFTER
MINORITY INTERESTS
IN € MILLION

SALES BY CUSTOMER SECTOR



**1 MACHINE AND PLANT
CONSTRUCTION**
22 %
(22 %)

**4 ELECTRICAL, HOUSEHOLD
GOODS, MEDICAL
TECHNOLOGY**
6 %
(7 %)

**7 CHEMICAL AND
PETROCHEMICAL
INDUSTRY**
5 %
(6 %)

**10 AGRICULTURAL
ENGINEERING**
8 %
(2 %)

**2 PASSENGER AND
COMMERCIAL VEHICLE
MANUFACTURING**
17 %
(17 %)

**5 FOUNDRIES AND
ROLLER MILLS**
9 %
(9 %)

**8 CONSUMER GOODS
INDUSTRY**
3 %
(4 %)

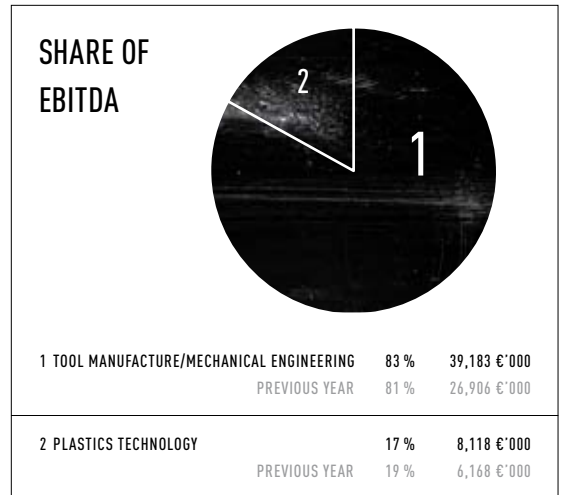
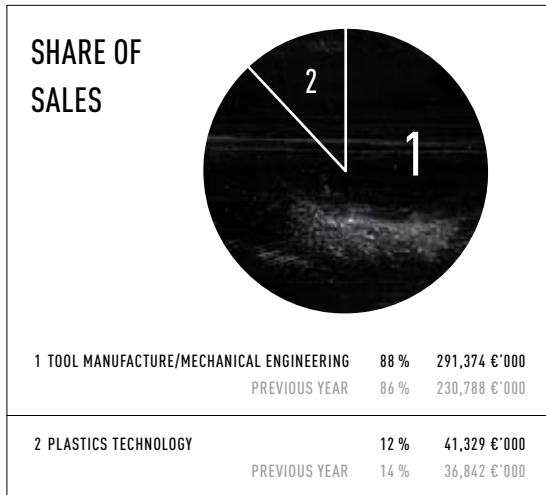
**11 OTHER CUSTOMER
GROUPS**
9 %
(11 %)

**3 IRON, PLATE AND METAL
PROCESSING, TOOL
CONSTRUCTION**
13 %
(13 %)

**6 CONSTRUCTION, AIR
CONDITIONING, SANITARY
INDUSTRY**
4 %
(5 %)

9 ENERGY/SUPPLY
4 %
(4 %)

(FIGURES FOR THE
PREVIOUS YEAR IN
BRACKETS)



Group sales ultimately increased by 24.2 % from € 268.1 million to € 333.2 million. Approximately 70 % of this increase was generated internally while 30 % is due to changes in the scope of consolidation.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) grew by a disproportionate 39.2 % to € 44.3 million (previous year € 31.8 million). Depreciation of tangible and intangible assets increased by € 2 million to € 10.1 million (€ 8.1 million). This results in an increase of earnings before interest and taxes (EBIT) of 44.0 % to € 34.2 million (€ 23.7 million).

At € -2.5 million, the balance of interest costs and income was approximately equal to the previous year level (€ -2.3 million). Financial results were within normal limits at € -3.4 million. The low value of € -0.2 million in the previous year resulted from the sale of our 40 % investment in Gewerbepark Wilthener Straße GmbH.

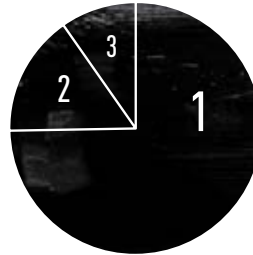
At € 30.8 million, earnings before taxes and minority interests exceeded the previous year value (€ 23.6 million) by 30.6 %. The decrease in the consolidated tax rate from 39.5 % to 36.5 % was due to the initial effects of the tax reforms passed in 2007 and the above-mentioned one-time effect of € 0.5 million from the revaluation of deferred taxes. Deducting the interest earned due to participating managers of our subsidiary corporations results in Group net income for the year after minority interests of € 17.9 million, an increase of

34.3 % over the previous year value of € 13.3 million. Earnings per share according to IFRS increased by 22.6 % to € 5.92 (€ 4.83). Compared to the increase in Group net income for the year after minority interests, the increase in earnings per share is lower due to a larger weighted average number of shares compared to the previous year caused by a capital increase in the amount of nearly 10 % of share capital in March 2007.

SALES AND PROFIT BY SEGMENT

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

Tool manufacture and mechanical engineering is still by far the larger of the two operating segments; it generated 88 % (86 %) of sales and 83 % (81 %) of EBITDA before the effects of the two non-operating segments. At 26.3 %, sales in this segment grew much faster than the industry as a whole; the growth in EBITDA was even higher at 45.6 %. At 12.2 %, the plastics technology segment also grew faster than the industry average and was able to achieve a disproportionately large increase in EBITDA of 31.6 %.



SALES BY REGION

1 GERMANY	74.6 %	(74.4 %)
2 EUROPE	15.6 %	(14.0 %)
3 OUTSIDE EUROPE	9.8 %	(11.6 %)

SALES BY REGION

The export quota for the Group was 25.4 % for the reporting year, which is nearly identical to the previous year value of 25.6 %. Since many customers of our subsidiaries are export-oriented, the GESCO Group likely generates a significant amount of indirect exports which, of course, cannot be precisely quantified. SVT (reporting year: 83 %), Setter (80 %), MAE (41 %), Frank (34 %) and AstroPlast (27.6 %) have especially high direct export quotas.

SALES BY CUSTOMER SECTOR

GESCO AG considers the diversification of customer sectors a key element of its risk management process. As a result, the GESCO Group supplies a large variety of industries which makes it less dependent on economic developments in specific sectors. There were no major changes in the distribution compared to the previous year.

INVESTMENT AND DEPRECIATION

Since we consider modern state-of-the-art equipment to be an essential success factor for our companies, we regularly invest in tangible assets and intangible assets for our subsidiaries. A total of € 12.3 million was spent for this purpose in the 2007/2008 financial year; this does not include additions resulting from changes to the scope of consolidation. Investments during the previous year totalled € 8.6 million. In some cases, long delivery times for machines and components shifted investments from the previous year into the reporting year.

Some investment highlights include a new precision blanking press and the expansion of leased space at Dömer GmbH & Co. KG Stanz- und Umformtechnologie. Dörrenberg Edelstahl GmbH acquired property in Herford for its stainless steel business area in order to better meet rising demand in the "North" region.

In order to meet expected future demand, the construction of new production facilities for Frank Walz- und Schmiedetechnik GmbH and MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG commenced during the reporting year and the corresponding production equipment was ordered.

Depreciation of tangible and intangible assets amounted to € 10.1 million (€ 8.1 million). This includes extraordinary depreciation in the amount of € 0.3 million related to technology that failed to meet expectations.

RESEARCH AND DEVELOPMENT

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

Our largest subsidiary, Dörrenberg Edelstahl GmbH, constitutes an exception since it also conducts some fundamental research. The company has metallurgy know-how accumulated over decades and is always working on the development of new, usually high-alloy steels with continuously improving characteristics.



In 2007, Dörrenberg focused on processes that conserve resources as well as the economical use of energy and raw materials.

SVT GmbH re-engineered its constant positioning monitoring system (CPMS) used by major shippers and developed a new, lighter and faster gripping device, which is used to couple loading arms, and is now ready to be produced in series.

PROCUREMENT

The GESCO Group companies consider procurement a strategic task; they strive to avoid dependencies and usually maintain long-term partnerships with their suppliers. In order to expand the circle of suppliers and optimise procurement costs, our subsidiaries also include Eastern European and Asian suppliers.

Energy costs continued to rise during the 2007/2008 financial year. While fluctuations related to material price increases have been alleviated compared to previous years, the trend is still rising. Overall, the procurement costs were passed on to customers to the extent accepted in the industry. There were no serious supply bottlenecks during the reporting year.

In order to address rising energy costs, special attention is paid to energy efficiency in construction and when investing in machinery.



GROUP BALANCE SHEET

Total assets of the GESCO Group increased by 11.7 % during the reporting year, from € 211.8 million to € 236.5 million. Major causes include investments in long-term assets for existing subsidiaries, changes to the scope of consolidation and strong business operations.

On the asset side, intangible assets increased by 18.2 %. This was mainly due to the first-time consolidation of VWH. Goodwill increased slightly from € 6.7 million to € 7.2 million, limiting it to only 8.1 % of shareholders' capital. Tangible assets increased due to the acquisition of VWH as well as investments in existing companies, for total additions of 7.4 %. Financial investments now include the 20 % interest in Saglam Metal acquired by our subsidiary Dörrenberg in the reporting year. In the current asset category, strong business operations led to a significant increase in inventories by 21.9 % while receivables and other assets only grew by 10.1 %. Liquid assets remained almost constant with the previous year at € 30.1 million. The payout of the previous year dividend in the amount of € 4.5 million, the significant increase in working capital and extensive investments in existing companies were largely covered by internal Group financing.

On the liabilities side, the high annual profit caused shareholders' capital to increase by 19.9 % for a total of € 89.8 million (€ 74.9 million). The equity ratio on the reporting date was 38.0 % (35.4 %). Long-term debt decreased slightly by 1.0 %. Current debt increased by 15.1 %, mainly due to higher trade creditors and down payments received. With net financial liabilities approximately equal to EBITDA, the debt ratio is very low.

Overall, the Group balance sheet ratios are excellent and provide room for continued internal and external growth.

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

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

According to §§ 76 and 84 of the Stock Corporation Act (AktG) and § 6 (1) of the GESCO AG Articles of Association, the Executive Board consists of one or more persons. According to § 6 para. 2 of the Articles of Association and in accordance with legal regulations, the Supervisory Board appoints and dismisses the Executive Board and establishes the term of service and the number of members. The Supervisory Board may also appoint replacement members. According to § 17 para. 1 of the Articles of Association, resolutions are passed by the General Meeting with a simple majority of the votes cast, unless binding legal regulations state otherwise;

where the law requires a capital majority in addition to a majority of votes cast, resolutions are passed with a simple majority of the capital stock represented when the resolution is voted on. According to § 17 para. 2 of the Articles of Association, the Supervisory Board has the right to make amendments to the Articles of Association which only concern the adoption.

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

The General Meeting on 23 August 2007 authorised the company to acquire up to ten out of every hundred shares of the current share capital until 22 February 2009 under consideration of own shares already held. Subject to the approval of the Supervisory Board and under certain conditions, the Executive Board is also authorised to dispose of the acquired shares in a manner other than via the stock exchange or by offering them to all shareholders, to use them for the purpose of acquiring companies or investments, or to retract some or all of them.

OPPORTUNITY AND RISK REPORT

The concept of the GESCO Group is designed to identify, evaluate and take advantage of opportunities on the one hand while identifying and limiting risks on the other hand. Both aspects affect the Group structure on the conceptual level and the implementation of active risk and opportunity monitoring on the operational level. The management of risks and opportunities is ultimately a continual entrepreneurial process. GESCO AG generally places great emphasis on a balanced risk-opportunity profile. Incentive systems are mainly designed to take advantage of opportunities, but they also encourage risk limitation under consideration of the risk-bearing capacity for individual companies and the Group as a whole.

The architecture of the GESCO Group is generally designed so that negative developments for specific companies do not place the entire Group at risk. This is why we largely forgo the use of instruments such as cash pooling or guarantees and other commitments.

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

of particular interest. The addition of new companies within our chosen segments with business models that differ from our current investments is positive from a risk diversification point of view.

Since information asymmetry between the buyer and seller is unavoidable in the course of company acquisitions, every purchase involves inherent risks. The retirement of the existing owner-manager and the appointment of a new manager are critical succession planning aspects. Finding a suitable new manager that meets expectations is subject to risk. On the other hand, there is an opportunity to revitalise the company by replacing and rejuvenating management.

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

After acquisition, the companies are quickly integrated into the GESCO Group reporting, controlling and risk management system; this also includes the systematic assessment of information technology risks. A jointly developed annual budget establishes the framework for business developments, personnel measures and investments. GESCO AG receives monthly figures from the subsidiaries as part of regular reporting. In monthly on-site meetings at each company, the GESCO AG business administration executive and the financial officer of the subsidiary analyse, interpret and evaluate these figures to determine the degree to which the objectives have been met. A member of the GESCO AG Executive Board visits each subsidiary at least once every quarter, in particular to discuss strategic issues.

The annual meeting, monthly meetings and strategy sessions ultimately examine the company's situation as a whole. Both risks and opportunities are evaluated on a quantitative and qualitative basis. Entrepreneurial thinking fundamentally consists of seizing opportunities; in spite of the need for an approach that takes risks into account, the fear of risk must not be allowed to paralyse entrepreneurial action.

Risks can be limited but not excluded. In the end, all entrepreneurial activity is associated with risks. In their business operations, all GESCO AG subsidiaries are subject to the opportunities and risks typical for their respective industries as well as general economic risks.

Procurement risks

The cost of raw materials, steel and energy continued to rise in 2007. In most cases, price increases were passed on to customers to the extent accepted in the industry. For 2008, we expect rising energy prices and largely stable raw material prices. No serious supply bottlenecks occurred during the reporting year, nor are any expected for the current financial year.

Trade receivables are largely covered by credit insurance. Overall **insurance coverage** for the GESCO Group is continuously evaluated in order to ensure sufficient protection under adequate terms and conditions.

Currency risks from business operations are hedged for significant orders. Currency risks from financing are the result of our financing in Swiss francs. This financing normally consists of three, six or twelve-month loans under long-term master financing agreements. As a result, it is possible to switch from financing in Swiss francs to financing in Euros on short notice if required. The exchange rate between the Swiss franc and the Euro is monitored each business day and examined to determine if there is a need for action. Repayment amounts are secured by exchange rate hedges on a case-by-case basis. Overall financing is actively managed. Over the course of the past year, financing in Swiss francs was reduced when it weakened against the Euro and then expanded after the Swiss franc gained strength once again.

We are currently not aware of any risks related to raising **debt and/or shareholders' capital**; for the 2008/2009 financial year, we are expecting interest rates to remain stable or increase moderately.

In regards to the **tax situation**, we expect relief in the 2008/2009 financial year from the tax reforms passed in 2007. No other material changes are currently expected. We are also not aware of any developments related to **legal conditions** that would have a significant impact on the Group. However, it is important to note that the large number of taxation and legal changes does result in significant administrative costs for GESCO AG and our subsidiaries. At a minimum, all taxation and legal changes ultimately need to be examined for relevance. Where such changes are relevant for GESCO AG or its subsidiaries, they normally result in additional expenditures such as the insurance premiums that will be required due to the environmental damage laws and for organisational or administrative measures.

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

ENVIRONMENTAL PROTECTION

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

Our largest subsidiary Dörrenberg Edelstahl GmbH was the first German stainless steel producer with a TÜV-certified environmental management system. This system successfully passed an interim audit in 2007.

EMPLOYEES

The staff increase from 1,543 to 1,717 is mainly due to the addition of VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH. Furthermore, several companies created new positions in order to meet rising demand.

We are convinced that technically competent, motivated and loyal employees that identify with their employer represent a key strength of SMEs. This is why training and continuing education is very important within the Group. In spite of this strong commitment, some of our subsidiaries do experience difficulty filling open positions with qualified employees.

In the fall of 2007, GESCO AG offered all Group employees the opportunity to buy shares in the company at favourable terms under its tenth employee share

scheme. As in previous years, approximately one-third of all staff took advantage of this opportunity to build their personal wealth.

To celebrate the 10th anniversary of the GESCO AG stock market listing, the Executive Board and Supervisory Board decided to pay GESCO Group employees a one-time bonus of € 250. This amount is taxed at a flat rate by GESCO AG. In addition, GESCO AG is paying the employer's share of social insurance so that the employees only have to cover the employee's share of social insurance. This bonus is being expensed in the 2008/2009 financial year. With this bonus, the parent company is expressly recognising the qualifications and motivation of Group employees, without whom the success during the reporting year and the last ten years since the IPO would have been unthinkable.

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

EMPLOYEES BY SEGMENT



1 TOOL MANUFACTURE AND MECHANICAL ENGINEERING	85 %	1,466
PREVIOUS YEAR	84 %	1,301
<hr/>		
2 PLASTICS TECHNOLOGY	14 %	235
PREVIOUS YEAR	15 %	231
<hr/>		
3 GESCO AG	1 %	12
PREVIOUS YEAR	1 %	11

REMUNERATION REPORT

Remuneration for the Executive Board consists of a fixed (base salary, private use of company vehicle, direct insurance) and a variable component. The variable component is calculated as a fixed percentage of Group net income for the year after minority interests. Members of the Executive Board also benefit from a pension commitment (including widow and orphan benefits). The pension consists of a fixed percentage and a time-of-service-dependent percentage of the most recent base salary. If a member of the Executive Board retires from the company early and the insured event has not occurred, the respective member of the Executive Board receives compensation in the amount of the pension at the time of retirement for a period of no more than 18 months. Compensation for other activities is deducted from these payments.

The General Meeting of GESCO AG on 23 August 2007 authorised the company to acquire own shares according to Section 71 (1) (8) of the German Stock Corporation Act (AktG) and to use these shares for the purpose of a stock option programme. Beneficiaries include

the Executive Board and a small group of managing employees of GESCO AG. The stock option programme is designed so that the beneficiaries have to contribute shares they have acquired themselves. Certain success criteria have to be met in order to participate and potential gains are limited. In September 2007, the Supervisory Board of GESCO AG initiated a corresponding stock option programme. A total of 24,000 options were issued to members of the Executive Board and managing employees of GESCO AG. Each option entitles the holder to acquire one GESCO share. GESCO AG reserves the right to provide partial or full cash compensation for gains under the programme instead of issuing some or all of the shares. Non-cash expenditures related to this programme are determined using a common binomial model, recorded in income and reported under other provisions. The model assumes volatility of 26.0 % and a risk-free interest rate of 5.0 %; the exercise price of the options issued in September 2007 is € 54.15. The waiting period is two years and nine months after the option is issued; after the end of the waiting period, the options may be exercised at any time up to 15 March of the year after next. The fair value per option on the issue date is € 9.16.

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

For a breakdown of remuneration for the Executive Board and Supervisory Board, please consult the notes to the consolidated financial statements.

OUTLOOK/FUTURE PERSPECTIVES

In their opinions issued this spring, economic research institutes are expecting the gross domestic product to grow by 1.7 % in 2008. The VDMA is projecting growth of approximately 5 % for companies in its industry in 2008. The GKV expects growth between 3.5 % and 4.0 %.

If the positive developments during the first few months of the 2008/2009 financial year continue, we expect that the GESCO Group will have an excellent chance to exceed the achievements of the 2007/2008 reporting year over the course of the new financial year – both in terms of sales and profit. The decrease in the consolidated tax rate following the tax reforms will help to accomplish this.

In addition to growth within the existing portfolio, we will continue to strive for external growth through the acquisition of more SMEs of strategic interest. However, concrete statements regarding company acquisitions cannot be made in view of the sometimes emotional nature of such transactions for the seller.

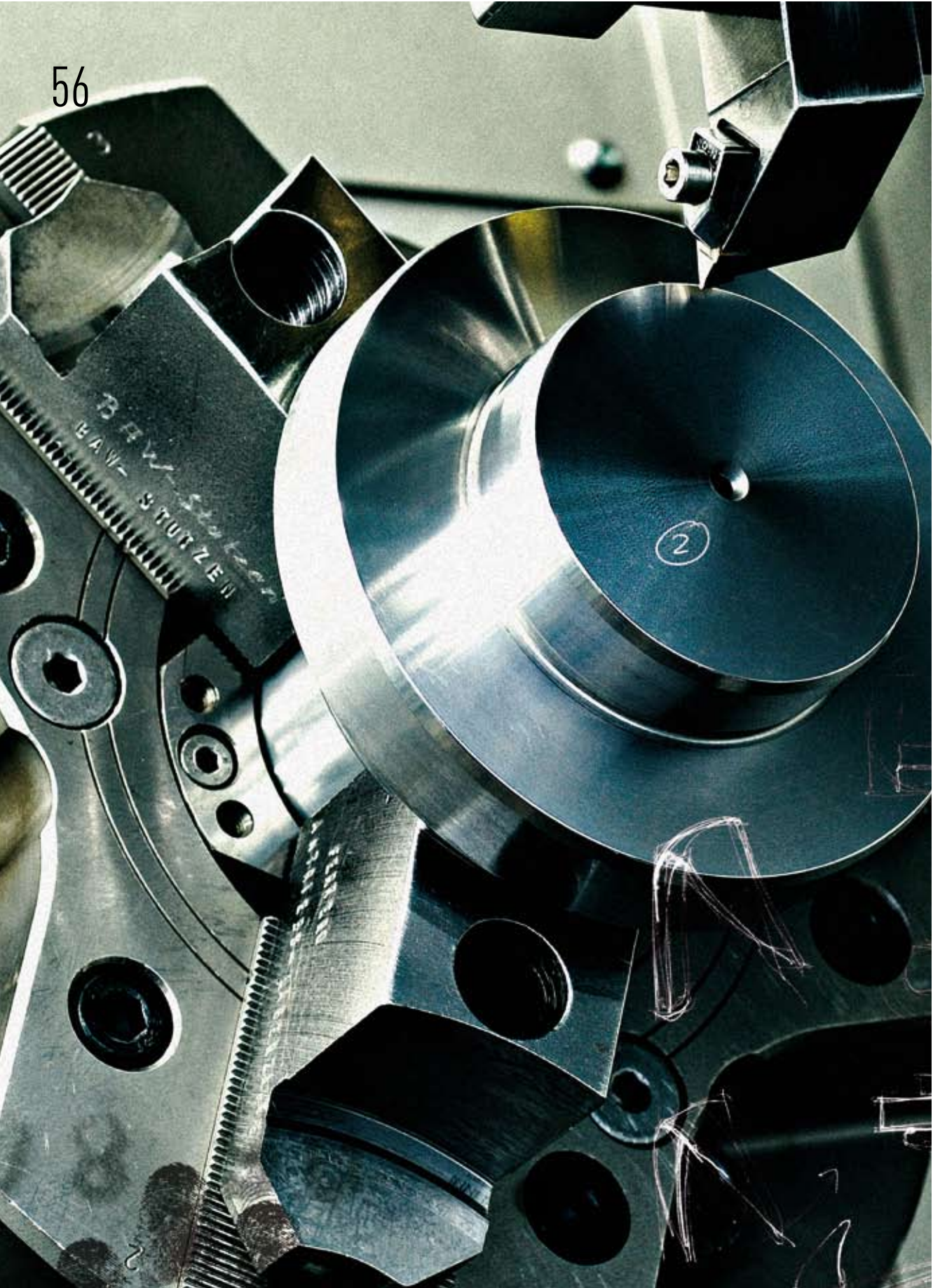
No significant events occurred after the end of the reporting year.

94



18 90

1 8



3

CONSOLIDATED FINANCIAL STATEMENTS 2007/2008

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GESCO AG – SUMMARY OF THE
ANNUAL FINANCIAL STATEMENTS
DATED 31 MARCH 2008

GESCO AG BALANCE SHEET

Assets	31.03.2008 €'000	31.03.2007 €'000
Intangible assets	34	44
Tangible assets	175	183
Financial assets	53,679	49,358
Non-current assets	53,888	49,585
Receivables and other assets	27,837	30,417
Securities and liquid funds	28,119	28,637
Current assets	55,956	59,054
Total assets	109,844	108,639
Equity and liabilities		
Equity	75,826	70,379
Provisions	5,360	5,180
Liabilities	28,658	33,080
Total equity and liabilities	109,844	108,639

GESCO AG INCOME STATEMENT

	01.04.2007 -31.03.2008 €'000	01.04.2006 -31.03.2007 €'000
Earnings from investments	13,955	11,740
Other operating income and expenditure	-883	3,031
Personnel expenditure	-1,961	-1,695
Depreciation on tangible and intangible assets	-80	-66
Financial result	-132	-369
Earnings from ordinary business activity	10,899	12,641
Taxes on income and earnings	-920	-2,030
Net income	9,979	10,611
Transfer to revenue reserves	-2,664	-5,305
Retained profit	7,315	5,306

For the 2007/2008 financial year, the Executive Board and Supervisory Board of GESCO AG are proposing the following appropriation of net profit in the amount of € 7,315,045.32 (net profit for the year in the amount of € 9,979,423.71 less revenue reserves of € 2,664,378.39):

Payment of a dividend in the amount of € 2.20 per share plus a bonus of € 0.22 per share on the current share capital entitled to dividends (3,023,000 shares less 254 treasury shares)	€ 7,315,045.32
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The complete financial statements of GESCO AG prepared by Dr. Breidenbach und Partner GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Wuppertal in accordance with the regulations of the German Commercial Code (HGB) and the Stock Corporation Act (AktG), which were issued with an unqualified audit opinion, are published in the electronic version of the German Federal Gazette and submitted to the commercial registry under HRB (German Commercial Registry) number 7847. The financial statements are available from GESCO AG.

GESCO GROUP –
CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31.03.2008

GESCO GROUP BALANCE SHEET

Assets		31.03.2008	31.03.2007
		€'000	€'000
A. Non-current assets			
I. Intangible assets			
	1. Industrial property rights and similar rights and assets as well as licences to such rights and assets	9,316	7,342
1			
2	2. Goodwill	7,244	6,683
3	3. Prepayments made	29	11
		16,589	14,036
II. Tangible assets			
4	1. Land and buildings	29,042	27,354
5	2. Technical plant and machinery	20,118	17,151
6	3. Other plant, fixtures and fittings	15,156	14,748
7	4. Prepayments made and plant under construction	1,273	1,404
8	5. Property held as financial investments	3,584	3,730
		69,173	64,387
III. Financial investments			
9	1. Shares in affiliated companies	15	15
10	2. Shares in associated companies	1,484	0
11	3. Investments	38	17
12	4. Securities held as fixed assets	2,970	2,740
		4,507	2,772
13	IV. Other assets	593	964
14	V. Deferred tax assets	1,062	1,466
		91,924	83,625
B. Current assets			
15	I. Inventories		
	1. Raw materials and supplies	16,078	15,088
	2. Unfinished products and services	19,415	15,495
	3. Finished products and goods	32,791	25,269
	4. Prepayments made	65	227
		68,349	56,079
13	II. Receivables and other assets		
	1. Trade receivables	40,567	35,764
	2. Amounts owed by affiliated companies	505	1,833
	3. Amounts owed by companies with which a shareholding relationship exists	1,826	0
	4. Other assets	2,659	3,788
		45,557	41,385
16	III. Securities	27	27
17	IV. Cash, Bundesbank credit, credit with financial institutions and cheques	30,078	30,256
	V. Accounts receivable and payable	576	390
		144,587	128,137
		236,511	211,762

Equity and liabilities	31.03.2008	31.03.2007	
	€'000	€'000	
A. Equity			
I. Subscribed capital	7,860	7,860	18
II. Capital reserves	36,214	36,167	
III. Revenue reserves	41,010	27,664	
IV. Own shares	-13	-25	
V. Exchange equalisation items	53	28	
VI. Subsequent valuation acc. to IAS 39	97	-133	
VII. Minority interests (incorporated companies)	4,624	3,387	19
	89,845	74,948	
B. Non-current liabilities			
I. Minority interests (partnerships)	2,327	2,140	19
II. Provisions for pensions	9,849	9,392	20
III. Other long-term provisions	1,558	2,683	20
IV. Liabilities to financial institutions	43,937	43,567	21
V. Other liabilities	4,091	4,713	21
VI. Deferred tax liabilities	4,927	4,501	14
	66,689	66,996	
C. Current liabilities			
I. Other provisions	10,570	8,484	20
II. Liabilities			21
1. Liabilities to financial institutions	18,461	18,036	
2. Trade creditors	14,101	10,664	
3. Prepayments received on orders	9,503	6,479	
4. Liabilities on bills	2,045	1,881	
5. Liabilities to companies with which a shareholding relationship exists	69	1	
6. Other liabilities	25,042	24,063	
	69,221	61,124	
III. Accounts receivable and payable	186	210	
	79,977	69,818	
	236,511	211,762	

GESCO GROUP INCOME STATEMENT

	01.04.2007 - 31.03.2008	01.04.2006 - 31.03.2007	
	€'000	€'000	
22	Sales revenues	333,155	268,146
	Change in stocks of finished and unfinished products	5,487	5,378
23	Other company-produced additions to assets	650	576
24	Other operating income	3,976	4,925
	Total income	343,268	279,025
25	Material expenditure	-184,434	-146,878
26	Personnel expenditure	-80,913	-70,107
27	Other operating expenditure	-33,640	-30,240
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	44,281	31,800
28	Depreciation on tangible and intangible assets	-10,123	-8,072
	Earnings before interest and tax (EBIT)	34,158	23,728
	Earnings from securities	155	155
	Earnings from investments in associated companies	51	2,760
	Other interest and similar income	1,408	733
	Interest and similar expenditure	-3,952	-2,999
	Minority interests in partnerships	-1,037	-807
	Financial result	-3,375	-158
	Earnings before tax (EBT)	30,783	23,570
29	Taxes on income and earnings	-11,227	-9,311
	Group net income for the year after tax	19,556	14,259
	Minority shares in incorporated companies	-1,673	-946
	Group net income for the year after minority interests	17,883	13,313
30	Earnings per share (€) acc. to IFRS	5.92	4.83

GESCO GROUP CASH FLOW STATEMENT

	01.04.2007-31.03.2008	01.04.2006-31.03.2007
	€'000	€'000
Group net income for the period (including share attributable to minority interests in incorporated companies)	19,556	14,259
Depreciation on fixed assets	10,123	8,072
Profits from investments in associated companies	-51	-121
Share attributable to minority interests in partnerships	1,037	807
Increase in long-term provisions	-189	39
Other non-cash income	-573	-1,393
Cash flow for the year	29,903	21,663
Losses from the disposal of tangible/intangible assets	44	0
Gains from the disposal of tangible/intangible assets	-367	-118
Gains from the disposal of financial assets	0	-2,639
Increase in stocks, trade receivables and other assets	-14,269	-8,284
Increase in trade creditors and other liabilities and other liabilities	4,746	3,224
Cash flow from ongoing business activity	20,057	13,846
Incoming payments from disposals of tangible assets/intangible assets	491	654
Disbursements for investments in tangible assets	-12,030	-8,332
Disbursements for investments in intangible assets	-291	-239
Incoming payments from disposals of financial assets	15	4,338
Disbursements for investments in financial assets	-1,438	-13
Incoming payments from the sale of consolidated companies	329	322
Disbursements for the acquisition of consolidated companies and other business units	-2,452	-4,201
Cash flow from investment activity	-15,376	-7,471
Net incoming payment from capital increase	0	9,700
Disbursements to shareholders (dividend)	-4,532	-3,435
Disbursement for the purchase of own shares	-242	-195
Incoming payment from the sale of own shares	249	202
Disbursements to minority interests	-1,286	-669
Incoming payments from raising (financial) loans	9,645	6,161
Outflow for repayment of (financial) loans	-8,693	-5,408
Cash flow from funding activities	-4,859	6,356
Cash increase in cash and cash equivalents	-178	12,731
Financial means on 01.04.	30,283	17,552
Financial means on 31.03.	30,105	30,283

GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

	Subscribed capital	Capital reserves	Revenue reserves	
	€'000	€'000	€'000	
As at 01.04.2006	7,147	27,180	17,784	
Revaluation of securities not impacting on income				
Acquisition of own shares				
Disposal of own shares				2
Dividends				-3,435
Capital increase	713	9,151		
Transaction costs – capital increase		-164		
Other neutral changes				
Result for the period				13,313
As at 31.03.2007	7,860	36,167	27,664	
Revaluation of securities with no impact on income				
Acquisition of own shares				
Disposal of own shares				-5
Dividends				-4,532
Stock option programme		47		
Other neutral changes				
Result for the period				17,883
As at 31.03.2008	7,860	36,214	41,010	

Own shares €'000	Exchange equalisation items €'000	Revaluation IAS 39 €'000	Total €'000	Minority interests incorporated companies €'000	Equity capital €'000
-30	0	-97	51,984	2,395	54,379
		-36	-36		-36
-195			-195		-195
200			202		202
			-3,435		-3,435
			9,864		9,864
			-164		-164
	28		28	46	74
			13,313	946	14,259
-25	28	-133	71,561	3,387	74,948
		230	230		230
-242			-242		-242
254			249		249
			-4,532		-4,532
			47		47
	25		25	-436	-411
			17,883	1,673	19,556
-13	53	97	85,221	4,624	89,845

GESCO GROUP SEGMENT REPORT

	Tool manufacture and mechanical engineering		Plastics technology	
in €'000	2007/2008	2006/2007	2007/2008	2006/2007
Sales revenues	291,374	230,788	41,329	36,842
of which with other segments	0	0	0	0
EBIT	31,263	20,687	6,149	4,532
EBITDA	39,183	26,906	8,118	6,168
Financial result (without profit share from other shareholders)	-1,911	-1,440	-537	-295
of which income from associated companies	51	0	0	0
Depreciation	7,920	6,219	1,969	1,636
of which unscheduled	325	0	0	0
Segment assets	174,377	147,006	30,020	27,805
of which shares in associated companies	1,484	0	0	0
Segment liabilities	64,382	54,976	7,193	5,751
Investments	10,561	7,596	1,687	844
Employees (No./reporting date)	1,466	1,301	235	231

GESCO AG		Other/Consolidation		Group	
2007/2008	2006/2007	2007/2008	2006/2007	2007/2008	2006/2007
0	0	452	516	333,155	268,146
0	0	0	0	0	0
-3,397	-1,815	143	324	34,158	23,728
-3,317	-1,750	297	476	44,281	31,800
110	-456	0	2,841	-2,338	650
0	0	0	2,760	51	2,760
80	65	154	152	10,123	8,072
0	0	0	0	325	0
24,327	27,557	7,787	9,394	236,511	211,762
0	0	0	0	1,484	0
7,717	9,657	67,374	66,430	146,666	136,814
66	113	7	18	12,321	8,571
12	11	0	0	1,713	1,543

GESCO AG – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, 31 MARCH 2008

GENERAL INFORMATION

GESCO AG is a private limited company with headquarters in Wuppertal, Germany. The company is managed under the commercial register number HRB 7847 at Wuppertal district court. The object of the company is to acquire investments in SMEs and to provide consulting and other services. The consolidated financial statements of GESCO AG, Wuppertal dated 31 March 2008 were prepared based on the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as they apply in the EU and under consideration of § 315a para. 1 of the German Commercial Code (HGB).

APPLICATION AND IMPACT OF NEW OR AMENDED STANDARDS

These consolidated financial statements of GESCO AG were prepared under consideration of all standards applicable to annual reporting years commencing prior to 31 March 2007. Standards that only become effective after the start of the 2007/2008 financial year were not applied in advance.

The following new or amended standards had to be considered for the 2007/2008 financial year:

- IFRS 7 "Financial Instruments: Disclosures"
- Amendments to IAS 1 "Presentation of Financial Statements – Capital Disclosures"
- IFRIC 8 "Scope of IFRS 2"
- IFRIC 9 "Reassessment of Embedded Derivatives"
- IFRIC 10 "Interim Financial Reporting and Impairment"
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"

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

The following standards and interpretations have been published and endorsed by the EU, but they are only mandatory for financial years beginning after 1 April 2007.

- IFRS 8 "Operating Segments"

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

- IFRIC 12 "Service Concession Arrangements"
- IFRIC 13 "Customer Loyalty Programmes"
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- Amendments to IAS 1 "Presentation of Financial Statements"
- Amendments to IAS 23 "Borrowing Costs"
- Amendments to IAS 27 "Consolidated and Separate Financials Statements According to IFRS"
- Amendments to IAS 32 "Financial Instruments: Presentation (Puttable Instruments)"
- Amendments to IFRS 2 "Share-Based Payments (Vesting Conditions and Cancellation)"
- Amendments to IFRS 3 "Business Combinations"

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

DEVIATIONS FROM THE GERMAN COMMERCIAL CODE (HGB)

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

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

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

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

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

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

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

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

According to IFRS, own shares bought back are offset openly against shareholders' capital.

In addition to the general deviations identified above, the following deviations between IFRS and the regulations for consolidated financial reporting under commercial law apply to the consolidated financial statements dated 31 March 2008:

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

CONSOLIDATED FINANCIAL STATEMENTS – REPORTING DATE

The reporting date for the consolidated financial statements is the reporting date of the parent company (31 March 2008). The financial years of the subsidiaries included in the consolidated financial statements generally match the calendar year, and therefore do not deviate from the parent company's financial year by more than three months. As a result, interim financial statements were not prepared for 31 March 2008 in accordance with IAS 27.36. There are only a few buying and selling relationships between the operating subsidiaries. Their products and services differ. Some loan relationships exist between the parent company and certain subsidiaries. Any significant events affecting subsidiaries that occurred by the consolidated reporting date were considered in the preparation of the consolidated financial statements. The preparation and auditing of additional interim financial statements would mean a disproportionately high expenditure of time and cost, with no corresponding gain of information.

SCOPE OF CONSOLIDATION

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

Effective 1 January 2007, Setter GmbH took over 100 % of HRP Leasing GmbH, Emmerich, which leases machines to manufacture paper sticks for the sanitation and confectionery industries. HRP was already included in the consolidated balance sheet for the previous year; it is included in the consolidated income statement for the reporting year for the first time.

Effective 1 January 2007, Josef Dömer Werkzeugbau GmbH, Lennestadt was amalgamated with its parent company, Press- und Stanzwerk Dömer GmbH & Co. KG, Lennestadt. The individual financial statements according to the German Commercial Code (HGB) included a gain on amalgamation which was eliminated in the consolidated financial statements. Press- und Stanzwerk Dömer GmbH & Co. KG was also renamed to Dömer GmbH & Co. KG Stanz- und Umformtechnologie.

On 24 April 2007, GESCO AG took over 100 % of VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH in Herschbach near Montabaur. VWH is positioned as a niche supplier for automation and sensor technology. The company was first consolidated effective 1 May 2007 and is included in the consolidated financial statements for the 2007/2008 financial year for a period of eight months.

Effective July 2007, our subsidiary Dörrenberg Edelstahl GmbH acquired a 20 % share in Saglam Metal Sanayi Ticaret A.S., Istanbul. Saglam is included in the consolidated financial statements using the equity method.

The effects from the addition of the fully consolidated company, including the purchase price adjustment of the first-time consolidation that took place in the previous year, are summarised as follows:

	31.03.2008 €'000	31.03.2007 €'000
Intangible assets	3,570	1,432
Tangible assets	1,129	6,031
Current assets (excluding liquid funds)	1,912	9,666
Liquid funds	2,211	142
Provisions	754	659
Liabilities	3,682	12,277

These additions affected Group profit by € -587 thousand (previous year € 68 thousand) and Group sales by € 5,572 thousand (previous year € 8,335 thousand). If these consolidations had been included in the consolidated financial statements of GESCO AG at the beginning of the financial year, Group profit would have been affected by € -673 thousand and sales by € 7,118 thousand. The negative impact on Group profit for the reporting year is mainly caused by the effects of the first-time consolidation of VWH.

A total of 33 companies are included in the consolidated financial statements according to the principle of full consolidation, and one other company is included under the equity method.

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

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

CONSOLIDATION METHODS/EQUITY METHOD

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

Subsequent changes in the shareholders' capital of associated companies are recorded as changes in the level of holding of the respective associated company.

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

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

ACCOUNTING AND VALUATION METHODS

The financial statements on which the consolidated financial statements dated 31 March 2008 are based are consistently prepared according to uniform accounting and valuation methods.

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

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

	1 €=	Reporting date rate		Historical rate	Average rate	
		31.12.2007	31.12.2006		2007	2006
Hungary	HUF	253.73	251.77	272.23	251.3523	264.2633
Singapore	SGD	2.1163	2.0202	1.9323	2.0634	2.0113
Turkey	TRY	1.717	-	1.7548	1.7798	-

In the listing of changes to tangible assets, provisions and shareholders' capital, the opening and closing balances are converted using the exchange rates on the respective reporting dates while changes during the year are converted using the average rate. Exchange rate difference are reported separately and excluded from income.

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

Tangible assets are valued at the cost of acquisition or production. Public sector subsidies are deducted from the original acquisition cost when the asset is recorded. Borrowing costs are recorded as expenditure in the period in which it is incurred. Straight-line depreciation over the expected useful life is applied to tangible assets.

Tangible assets leased under financing lease contracts are recorded at the lower of fair value or the cash value of the lease payments. Depreciation follows the principles of depreciation for tangible assets owned by the Group (IAS 17).

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

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

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

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

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

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

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

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

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

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

Liabilities are reported at their respective cash value. Liabilities arising from financing lease contracts are recorded at the cash value of the lease payments. Foreign currency liabilities are converted using the exchange rates in effect on the reporting date. Gains and losses from exchange rate fluctuations flow to the income statement. Discounts are deducted from liabilities to financial institutions and credited to the respective loan over its term.

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

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

INFORMATION ON THE GROUP BALANCE SHEET

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

Group Statement of fixed Assets as at 31.03.2008							
in €'000	Cost of acquisition or manufacture						
	As at 01.04.2007	Changes Scope of consolidation	Additions	Transfers	Disposals	Change Exchange rate difference	As at 31.03.2008
I. Intangible assets							
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets							
a. Building cost subsidies	20	0	0	0	0	0	20
b. Computer software	3,429	17	273	0	157	0	3,562
c. Technology	11,391	2,825	0	0	0	0	14,216
d. Customer base	1,398	728	0	0	0	0	2,126
	16,238	3,570	273	0	157	0	19,924
2. Goodwill	6,683	693	38	0	170	0	7,244
3. Prepayments made	11	0	18	0	0	0	29
	22,932	4,263	329	0	327	0	27,197
II. Tangible assets							
1. Land and buildings	37,307	761	1,989	0	163	-6	39,888
2. Technical plant and machinery	49,019	251	5,179	1,249	1,510	-2	54,186
3. Other plant, fixtures and fittings	45,792	117	3,587	108	2,317	-2	47,285
4. Prepayments made and plant under construction	1,404	0	1,267	-1,357	41	0	1,273
5. Property held as a financial investment	6,933	0	8	0	0	0	6,941
	140,455	1,129	12,030	0	4,031	-10	149,573
III. Financial assets							
1. Shares in affiliated companies	16	0	0	0	0	0	16
2. Investment in associated companies	0	1,400	51	0	0	32	1,483
3. Investments	3,644	0	38	0	3,644	0	38
4. Securities held as fixed assets	9,617	0	0	0	0	0	9,617
	13,277	1,400	89	0	3,644	32	11,154
	176,664	6,792	12,448	0	8,002	22	187,924

Including:

1) Unscheduled depreciation: 325

2) Revaluation acc. to IAS 39 (no impact on income): -230

	Depreciation						Book values		
	As at 01.04.2007	Additions	Disposals	Revaluation	Transfers	Change Exchange rate difference	As at 31.03.2008	As at 31.03.2008	As at 31.03.2007
	13	1	0	0	0	0	14	6	7
	2,906	252	157	0	0	0	3,001	561	523
	5,932	1,388 ¹⁾	0	0	0	0	7,320	6,896	5,459
	45	228	0	0	0	0	273	1,853	1,353
	8,896	1,869	157	0	0		10,608	9,316	7,342
	0	0	0	0	0	0	0	7,244	6,683
	0	0	0	0	0	0	0	29	11
	8,896	1,869	157	0	0	0	10,608	16,589	14,036
	9,953	1,089	144	-51	0	-1	10,846	29,042	27,354
	31,868	3,595	1,404	0	10	-1	34,068	20,118	17,151
	31,044	3,416	2,315	-5	-10	-1	32,129	15,156	14,748
	0	0	0	0	0	0	0	1,273	1,404
	3,203	154	0	0	0	0	3,357	3,584	3,730
	76,068	8,254	3,863	-56	0	-3	80,400	69,173	64,387
	0	0	0	0	0	0	0	16	16
	0	0	0	0	0	0	0	1,483	0
	3,627	0	3,627	0	0	0	0	38	17
	6,877	0	0	-230 ²⁾	0	0	6,647	2,970	2,740
	10,504	0	3,627	-230 ²⁾	0	0	6,647	4,507	2,773
	95,468	10,123	7,647	-286	0	-3	97,655	90,269	81,196

Group Statement of fixed Assets as at 31.03.2007							
in €'000	Cost of acquisition or manufacture						
	As at 01.04.2006	Changes Scope of consolidation	Additions	Transfers	Disposals	Change Exchange rate difference	As at 31.03.2007
I. Intangible assets							
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets							
a. Building cost subsidies	20	0	0	0	0	0	20
b. Computer software	3,142	34	228	51	28	2	3,429
c. Technology	11,391	0	0	0	0	0	11,391
d. Customer base	0	1,398	0	0	0	0	1,398
	14,553	1,432	228	51	28	2	16,238
2. Goodwill	5,510	673	500	0	0	0	6,683
3. Prepayments made	51	0	11	-51	0	0	11
	20,114	2,105	739	0	28	2	22,932
II. Tangible assets							
1. Land and buildings	34,913	2,043	295	0	0	56	37,307
2. Technical plant and machinery	45,603	2,366	1,032	267	271	22	49,019
3. Other plant, fixtures and fittings	39,334	808	5,998	1,025	1,384	11	45,792
4. Prepayments made and plant under construction	1,020	817	988	-1,292	136	7	1,404
5. Property held as a financial investment	7,941	0	19	0	1,027	0	6,933
	128,811	6,034	8,332	0	2,818	96	140,455
III. Financial assets							
1. Shares in affiliated companies	1	2	13	0	0	0	16
2. Investment in associated companies	1,365	0	121	0	1,486	0	0
3. Investments	3,654	3	0	0	13	0	3,644
4. Securities held as fixed assets	9,617	0	0	0	0	0	9,617
	14,637	5	134	0	1,499	0	13,277
	163,562	8,144	9,205	0	4,345	98	176,664

Including:

1) Revaluation acc. to IAS 39 (no impact on income): 36

Depreciation						Book values		
	As at 01.04.2006	Changes Scope of consolidation	Additions	Disposals	Change Exchange rate difference	As at 31.03.2007	As at 31.03.2007	As at 01.04.2006
	12	0	1	0	0	13	7	8
	2,725	0	208	27	0	2,906	523	417
	4,859	0	1,073	0	0	5,932	5,459	6,532
	0	0	45	0	0	45	1,353	0
	7,596	0	1,327	27	0	8,896	7,342	6,957
	0	0	0	0	0	0	6,683	5,510
	0	0	0	0	0	0	11	51
	7,596	0	1,327	27	0	8,896	14,036	12,518
	8,941	0	1,012	0	0	9,953	27,354	25,972
	29,371	0	2,730	234	1	31,868	17,151	16,232
	29,312	0	2,852	1,121	1	31,044	14,748	10,022
	0	0	0	0	0	0	1,404	1,020
	3,979	0	151	927	0	3,203	3,730	3,962
	71,603	0	6,745	2,282	2	76,068	64,387	57,208
	0	0	0	0	0	0	16	1
	0	0	0	0	0	0	0	1,365
	3,627	0	0	0	0	3,627	17	27
	6,841	0	36 ¹⁾	0	0	6,877	2,740	2,775
	10,468	0	36	0	0	10,504	2,773	4,168
	89,667	0	8,108	2,309	2	95,468	81,196	73,894

(1) INDUSTRIAL PROPERTY RIGHTS AND SIMILAR RIGHTS AND ASSETS AS WELL AS LICENSES TO SUCH RIGHTS AND ASSETS

The assets summarised under this position are depreciated using the straight-line method over the following periods:

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

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

The extraordinary depreciation in the amount of € 325 thousand relates to technology that so far failed to meet expectations.

(2) GOODWILL

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

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

The increase was caused by the settlement of a debtor warrant and differences resulting from the first-time consolidation of acquired companies. The decrease is due to an adjustment to obligations under a debtor warrant.

(3) PREPAYMENTS MADE

The reported amount is related to the acquisition of software.

(4) LAND AND BUILDINGS

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

(5) TECHNICAL PLANT AND MACHINERY

Technical plant and machinery is always depreciated over a 5 to 15 year period using the straight-line method. These balance sheet items also include equipment under financing leases with a book value (cash value of the lease payments less planned depreciation) of € 102 thousand on the reporting date (previous year € 153 thousand). The company is not free to dispose of the assets held under financing lease contracts. These assets are depreciated over their expected useful life.

(6) OTHER PLANT, FIXTURES AND FITTINGS

Other plant, fixtures and fittings are always depreciated over a period of 3 to 15 years using the straight-line method.

(7) PREPAYMENTS MADE AND PLANT UNDER CONSTRUCTION

Most of the amount reported relates to technical plant and machinery.

(8) PROPERTY HELD AS FINANCIAL INVESTMENTS

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

These properties are valued at the cost of acquisition less straight-line depreciation over the estimated useful life of 40 years. The fair value of property held as financial investments was € 3,606 thousand (previous year € 3,730 thousand); for each property, the fair value was calculated using the gross rental method. This calculation was based on market interest rates of approximately 8.0 % (previous year 8.0 %). No expert opinions regarding the attributable present values were obtained.

Property held as financial investments generated rental income in the amount of € 454 thousand (previous year € 516 thousand) and resulted in directly attributable operating expenditure in the amount of € 230 thousand (previous year € 208 thousand) and depreciation of € 154 thousand (previous year € 153 thousand).

(9) SHARES IN AFFILIATED COMPANIES

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

(10) INVESTMENTS IN ASSOCIATED COMPANIES

Positive results of companies, valued at equity, are reported as additions on the Group statement of fixed assets. A share of a loss is reported as additional depreciation. Dividend distributions and the sale of shares are reported under dispositions.

Currency translation differences are included in shareholders' capital without affecting income.

Depreciation, the share of income, and in the previous year also the results of share sales for companies valued at equity are reported on the income statement under income from investments in associated companies.

The following table depicts significant **financial information** for associated companies:

	31.03.2008 €'000
Assets	12,150
Liabilities	4,731
Sales	8,006
Net income	255

(11) INVESTMENTS

Companies of minor significance are reported under investments. This item refers to a 10 % investment in a US company that produces and processes paper sticks.

(12) SECURITIES HELD AS FIXED ASSETS

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

Changes in the fair value are reported under shareholders' capital without affecting income in accordance with IAS 39.

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

The disposition of a purchase option resulted in the obligation to sell 198,000 securities within a certain period of time if requested by the owner of the option. The related premium is reported as a liability.

(13) RECEIVABLES AND OTHER ASSETS

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

	31.03.2008 €'000	31.03.2007 €'000
Long-term		
Loan receivables	479	675
Miscellaneous	114	288
Total	593	963

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

	31.03.2008	31.03.2007
	€'000	€'000
Short-term		
Loan receivables	602	637
Income tax refund claims	729	1,009
Tax prepayments	433	819
Miscellaneous	894	1,323
Total	2,658	3,788

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

	2008	2007
	€'000	€'000
As at 01.04.	476	1,112
Claims	-100	-636
As at 31.03.	376	476
(specific adjustments out of this amount)	(376)	(476)

TRADE RECEIVABLES

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

The decrease in value of trade receivables developed as follows:

	2008	2007
	€'000	€'000
As at 01.04.	1,195	1,202
Claims	-63	-85
Reversals	-173	-154
Additions	179	232
As at 31.03.	1,138	1,195
(specific adjustments out of this amount)	(603)	(717)

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

The maturity structure of receivables that were not written down is as follows:

Book value		Not written down on the reporting date					
		Not overdue	Overdue up to ... days				
			30	60	90	180	over 180
€'000		€'000	€'000	€'000	€'000	€'000	€'000
31.03.2008	41,102	31,557	6,171	1,809	855	535	169

(14) DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes are determined and reported at 30.5 % (previous year: 40 %) of the timing differences between the valuation of assets and liabilities in the IFRS financial statements and financial statements for tax purposes as well as realisable loss carry-forwards. The deferred taxes reported on the balance sheet result from the following balance sheet items and loss carry-forwards:

	31.03.2008		31.03.2007	
	Deferred taxes		Deferred taxes	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Intangible assets	1,090	1,475	1,491	861
Tangible assets	222	3,880	384	4,747
Stocks	0	176	0	160
Pension provisions	751	65	985	89
Other provisions	88	191	470	24
Liabilities	212	370	405	712
Tax loss carryforwards	14	0	0	0
Other	0	85	3	180
	2,377	6,242	3,738	6,773
Net figure ¹⁾	-1,315	-1,315	-2,272	-2,272
Total	1,062	4,927	1,466	4,501

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

Deferred taxes on loss carry-forwards are capitalised if the future realisation of these potential tax reductions within a five-year planning horizon is reasonably certain on the reporting date. Deferred tax assets in the amount of approximately € 1,220 thousand (previous year € 949 thousand) from loss carry-forwards for tax purposes were not reported since it is not considered highly likely that a trade tax will be applied.

(15) INVENTORIES

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

in €'000	Raw materials and supplies		Unfinished and finished products and services		Finished products and goods		Prepayments made		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Cost of acquisition or manufacture	17,376	16,111	20,202	16,160	35,937	27,562	65	227	73,580	60,060
Write-downs	1,298	1,023	787	665	3,146	2,293	0	0	5,231	3,981
As at 31.03.	16,078	15,088	19,415	15,495	32,791	25,269	65	227	68,349	56,079

(16) SECURITIES

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

(17) DEPOSITS WITH FINANCIAL INSTITUTIONS

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

(18) SHAREHOLDERS' CAPITAL

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

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

The ordinary General Meeting on 23 August 2007 authorised the company to acquire up to ten out of every hundred shares of the current capital stock until 22 February 2009 under consideration of treasury shares already held.

Shares in circulation and own shares developed as follows:

	Shares in circulation	Own shares held	
	No.	No.	Share of the share capital in %
As at 01.04.2006	2,747,970	1,030	0.04
Capital increase	274,000	0	0.00
Purchases	-5,000	5,000	0.17
Employee share scheme	5,399	-5,399	0.18
As at 31.03.2007	3,022,369	631	0.02
Purchases	-5,000	5,000	0.17
Employee share scheme	5,377	-5,377	0.18
As at 31.03.2008	3,022,746	254	0.01

In the past, the company has offered an employee share scheme limited to approximately two months in the second half of the calendar year after the respective General Meeting. The purpose of this programme was to provide employees of the GESCO Group with the opportunity to acquire GESCO AG shares at a discount from the market price. Shares with a total value of € 254 thousand (previous year € 200 thousand) disposed of under the employee share scheme were issued to employees at a total selling price of € 182 thousand (previous year € 136 thousand). The discount granted to employees was included in other operating expenditure. The proceeds from the sale were used to pay off liabilities.

Most of the **capital reserve** of € 36,214 thousand (previous year € 36,167 thousand) is the result of shares issued at a premium.

The General Meeting of GESCO AG on 23 August 2007 authorised the company to acquire own shares according to § 71 para. 1 no. 8 of the German Stock Corporation Act (AktG) and to use these shares for the purpose of a **stock option programme**. Beneficiaries include the Executive Board and a small group of managing employees of GESCO AG. The stock option programme is designed so that the beneficiaries have to contribute shares they have acquired themselves. Certain success criteria have to be met in order to participate and potential gains are limited. In September 2007, the Supervisory Board of GESCO AG initiated a corresponding stock option programme. A total of 24,000 options were issued to members of the Executive Board and managing employees of GESCO AG. Each option entitles the holder to acquire one GESCO share. GESCO AG reserves the right to provide partial or full cash compensation for gains under the programme instead of issuing some or all of the shares. Non-cash expenditure

related to this programme are determined using a common binomial model, recorded in income and reported as a capital reserve. The model assumes volatility of 26.0 % and a risk-free interest rate of 5.0 %; the exercise price of the options issued in September 2007 is € 54.15. The exercise price corresponds to the average XETRA closing price of the GESCO share on the ten trading days immediately following the General Meeting. The waiting period is two years and nine months after the option is issued; after the end of the waiting period, the options may be exercised at any time up to 15 March of the year after next. These annual financial statements are the first to include the expenditure (€ 47 thousand) resulting from the stock option programme for a seven-month period.

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

	Tranche 2007
End of waiting period	22.05.2010
End of term	15.03.2012
Exercise price €	54.15
Number of options issued	24,000
Profit limit per option €	27.07
Applicable present value per option €	9.16

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

	2007/2008		2006/2007	
	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €
Outstanding options 01.04.	0		0	
In the financial year				
granted	24,000	54.15	0	0
returned	0		0	
exercised	0		0	
expired	0		0	
Outstanding options 31.03.	24,000	54.15	0	0
Options that can be exercised 31.03.	0		0	

During the reporting year, **revenue reserves** increased by net profit for the year in the amount of € 17,883 thousand. Reductions include the dividend of € 4,532 thousand (€ 1.50 per share) for the previous year as well as the loss from the sale of own shares in the amount of € 5 thousand which was not included in income.

The **proposed dividend per share** is € 2.20 on the financial statement preparation date. In order to recognise the 10-year stock market listing of GESCO AG, the Executive Board and Supervisory Board have proposed an additional anniversary bonus in the amount of 10 % of the dividend (€ 0.22). This results in a total dividend of € 2.42 per share. With 3,022,746 shares currently issued and outstanding, the proposed dividend payout is € 7,315 thousand. This dividend payout has no income tax consequences for the company.

(19) MINORITY INTERESTS

Minority interests consist of capital and income interests in the incorporated companies and partnerships. The minority interests in the incorporated companies are reported under shareholders' capital and are the result of holdings in Ackermann Fahrzeugbau GmbH, Dörrenberg Edelstahl GmbH, Dörrenberg Tratamientos Térmicos S.L., Dörrenberg Special Steels PTE. Ltd., Frank-Hungária Kft and SVT GmbH. The minority interests in private companies are included under long-term debt. They are the result of holdings in AstroPlast Kunststofftechnik GmbH & Co. KG, Franz Funke Zerspanungstechnik GmbH & Co. KG, Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Haseke GmbH & Co. KG and the property leasing company.

(20) PROVISIONS

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

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

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

	2007/2008 €'000	2006/2007 €'000
As at 01.04.	10,602	9,852
Change in the scope of consolidation	627	1,198
Service costs	178	182
Interest costs	435	361
Pension annuities paid	-565	-508
Actuarial gains/losses	-1,067	-483
As at 31.03.	10,210	10,602

Development of plan assets (liability insurance):

	2007/2008 €'000	2006/2007 €'000
As at 01.04.	758	0
Change in the scope of consolidation	0	744
Contributions of the employer	41	34
Benefits paid	-18	-20
Actuarial gains/losses	-61	0
As at 31.03.	720	758

Pension provisions are derived as follows:

	2008 €'000	2007 €'000
Projected benefit obligation	10,210	10,602
Planned capacity (liability insurance)	-720	-758
Actuarial gains/losses not recorded	359	-452
As at 31.03.	9,849	9,392

Asset coverage of pension obligations:

	31.03.2008		31.03.2007	
	Projection €'000	Planned capacity €'000	Projection €'000	Planned capacity €'000
Without asset cover	9,398	0	9,746	0
Some asset cover	812	720	856	758
As at 31.03.	10,210	720	10,602	758

Pension costs consist of the following:

	2007/2008 €'000	2006/2007 €'000
Service costs	178	182
Interest accruing on expected benefit obligation	435	361
Actuarial gains/losses not recorded	-194	0
Total	419	543

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

	2007/2008	2006/2007
Interest rate	5.25%	4.25%
Increase in salaries	3.00%	3.00%
Increase in pensions	1.50%	1.50%
Staff turnover	1.00%	1.00%

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

	2007/2008 €'000	2006/2007 €'000	2005/2006 €'000	2004/2005 €'000	2003/2004 €'000
Projection	10,210	10,602	9,852	8,348	7,915
Planned capacity	-720	-758	0	0	0
Funded status	9,490	9,844	9,852	8,348	7,915

Expected contribution payments for the 2008/2009 financial year are € 41 thousand.

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

	As at 01.04.2007 €'000	Utilisation €'000	Addition/ New creation €'000	Release €'000	Reclassification €'000	As at 31.03.2008 €'000
Long-term						
Purchase price annuity obligation	683	0	51	0	-70	664
Purchase price obligation	2,000	0	894	-170	-1,830	894
Total	2,683	0	945	-170	-1,900	1,558
Short-term						
Recultivation obligation	2,480	-76	0	0	0	2,404
Guarantees and warranties	3,210	-644	1,815	-285	0	4,096
Purchase price annuity obligation	0	0	0	0	1,830	1,830
Cost of annual financial statements	546	-561	625	-15	0	595
Follow-up costs	601	-601	655	0	0	655
Other	1,647	-891	271	-107	70	990
Total	8,484	-2,773	3,366	-407	1,900	10,570

The recultivation obligation refers to terms and conditions that have to be met for the operation of the landfill site of a subsidiary and the renovation of sewers. The liability was recorded according to the expected expenditure determined by an expert.

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

The purchase price obligation in the amount of € 1,830 thousand resulted from a claim on a debtor warrant. Other provisions mainly relate to interest on taxes and non-deductible expenditure.

(21) LIABILITIES

	As at 31.03.2008 (31.03.2007) €'000	Residual term up to 1 year €'000	Residual term up to 5 years €'000	Residual term over 5 years €'000
Liabilities to financial institutions	62,398 (61,602)	18,832 (18,036)	29,517 (29,239)	14,049 (14,327)
Trade creditors	14,101 (10,664)	14,101 (10,664)	0 (0)	0 (0)
Prepayments received on orders	9,503 (6,479)	9,503 (6,479)	0 (0)	0 (0)
Liabilities on bills	2,045 (1,881)	2,045 (1,881)	0 (0)	0 (0)
Amounts owed to affiliated undertakings	69 (1)	69 (1)	0 (0)	0 (0)
Other liabilities	29,133 (28,777)	25,042 (24,063)	3,906 (4,515)	185 (199)
Total	117,249 (109,404)	69,592 (61,124)	33,423 (33,754)	14,234 (14,526)

Liabilities to financial institutions are mainly secured by:

	31.03.2008 €'000	31.03.2007 €'000
Land charges	30,020	25,371
of which on property held as financial investments	4,090	4,090
Book value of property	26,906	24,886
Assignment of		
movable fixed assets as security	8,898	7,809
Stocks	15,219	6,154
Assignment of receivables	6,215	8,305

The parent company has also pledged shares in subsidiaries with a total book value of € 41,886 thousand (previous year € 41,848 thousand).

Approximately € 35,757 thousand (previous year € 37,680 thousand) of the liabilities to financial institutions result from long-term financing in Swiss francs with a short-term fixed interest rate (usually for three months). On the reporting date, interest rates for this financing ranged from 3.1 % to 4.4 % (previous year 1.98 % to 3.58 %). These interest rates correspond to market rates for loans denominated in Swiss francs. Fixed redemption payments have been established for specific loans.

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

€ 20,065 thousand (previous year € 18,307 thousand) of the remaining liabilities to financial institutions result from long-term loans with fixed repayment terms and a remaining term between 1 and 12 years (previous year between 1 and 12 years). Interest rates vary between 3.18 % and 7.25 % (previous year 2.97 % and 6.75 %). These interest rates correspond to the market rates for the respective loans and companies. € 169 thousand relates to liabilities in Hungarian Forint at an interest rate of 9.4 %. Other liabilities to financial institutions consist of current accounts.

Other liabilities consist of the following:

	31.03.2008 € '000	31.03.2007 € '000
Wages, salaries, social security	12,861	12,001
Other taxes	2,029	3,313
Income taxes	6,038	5,215
Outstanding incoming invoices	1,036	873
Finance leases	0	91
Miscellaneous liabilities	7,169	7,284
Total	29,133	28,777

Most of the other liabilities result from subsequent purchase payments and short-term debts owed to third parties. A total of € 3,411 thousand (previous year € 3,614 thousand) in subsequent purchase payments will be due in more than one year. Wage, salary and social security liabilities include partial retirement and anniversary obligations in the amount of € 680 thousand (previous year € 1,064 thousand) that will be due in more than one year.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

VWH Vorrichtung- und Werkzeugbau Herschbach GmbH, which was acquired during the reporting year, was included in the income statement for the first time for a period of eight months. The Frank Group acquired during the previous year and included for a five-month period in the year of acquisition has now been included in the consolidated financial statements for a full financial year for the first time. HRP-Leasing GmbH acquired on 1 January 2007 has been included in the income statement for the first time. The 20 % investment made by our subsidiary Dörrenberg Edelstahl GmbH in Saglam Metal Sanayi Ticaret A.S. during the reporting period is consolidated at equity; the proportionate profit contribution is included in the financial result under the item "Income from investments in associated companies".

(22) SALES REVENUE

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

(23) OTHER COMPANY-PRODUCED ADDITIONS TO ASSETS

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

(24) OTHER OPERATING INCOME

Other operating income breaks down as follows:

	2007/2008 €'000	2006/2007 €'000
Income from writing back/utilising provisions	1,034	1,765
Price gains	1,041	1,406
Income from the disposal of fixed assets	360	191
Miscellaneous	1,541	1,563
Total	3,976	4,925

(25) MATERIAL EXPENDITURE

Expenditure on material includes:

	2007/2008 €'000	2006/2007 €'000
Expenditure on raw materials and supplies and goods purchased	168,423	133,347
Expenditure on services purchased	16,011	13,531
Total	184,434	146,878

(26) PERSONNEL EXPENDITURE

Personnel expenditure includes:

	2007/2008 €'000	2006/2007 €'000
Wages and salaries	67,463	57,656
Social security contributions	13,286	12,114
Expenditure on pensions and benefits	164	337
Total	80,913	70,107

Pension expenditure includes additions to pension provisions with the exception of interest; this is included under interest and similar expenditure.

(27) OTHER OPERATING EXPENDITURE

Other operating expenditure breaks down as follows:

	2007/2008 €'000	2006/2007 €'000
Operating expenditure	14,018	13,087
Administrative expenditure	3,963	3,184
Expenditure on distribution	12,321	11,237
Miscellaneous expenditure	3,338	2,732
of which allowances on receivables and other assets	180	232
Total	33,640	30,240

(28) DEPRECIATION ON TANGIBLE AND INTANGIBLE ASSETS

Depreciation on tangible and intangible assets is reported in the Group statement of fixed assets. Additional information can be found in the notes regarding the corresponding balance sheet items.

(29) TAXES ON INCOME AND EARNINGS

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

	2007/2008 €'000	2006/2007 €'000
Actual taxes	11,737	10,079
Deferred taxes	-510	-768
Total	11,227	9,311

Deferred tax liabilities in the amount of € 1,340 thousand were recorded with no effect on income as part of first-time consolidations resulting from mergers.

The reconciliation between budgeted income tax expenditure based on a tax rate of 40 % (previous year 40 %) and actual income tax expenditure reported on the income statement is as follows:

	2007/2008 €'000	2006/2007 €'000
Group result before income tax	30,783	23,570
Anticipated income tax expenditure	-12,313	-9,428
Permanent differences arising on expenditure which is not tax deductible	-224	-263
Tax-free income	54	1,083
Income tax for different reporting periods	4	-717
Consolidation effects	-12	1
Temporary differences for losses, for which no deferred taxes have been capitalised	-111	-88
Differences in tax rates	1,503	209
Miscellaneous	-128	-108
Total	-11,227	-9,311

The corporation tax reform that took effect in July 2007 resulted in a reduction of income tax rates effective 1 January 2008. For the GESCO Group, this led to a reduction in the trade tax and corporation tax rates as well as the solidarity surcharge for a decrease in the overall tax rate from 40.0 % to 30.5 %. The overall tax rate consists of corporation tax at 15.0 % (previous year 25.0 %) plus a solidarity surcharge of 5.5 % (previous year 5.5 %) and trade tax (basis: average collection rate 420 %).

The tax rate reduction from the corporate tax reform had a positive effect on income during the 2007/2008 reporting year, both in terms of tax payable (approximately € 0.5 million) and deferred taxes (approximately € 0.7 million).

(30) EARNINGS PER SHARE

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

	2007/2008	2006/2007
Group net income (€'000)	17,883	13,313
Weighted number of share (number)	3,021,495	2,753,778
Earnings per share in accordance with IAS 33 (€)	5.92	4.83

There are no factors that would cause dilution.

INFORMATION ON THE CASH FLOW STATEMENT

In accordance with IAS 7 (Cash Flow Statement), the **cash flow statement** shows the movement in the inflows and outflows of funds in the Group during the year under review. The financial resources portfolio includes securities reported under current assets which are highly liquid and not subject to any significant risk of change in value, as well as the item cash in hand, credit balances with the Bundesbank, credit balances held by financial institutions and cheques.

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

	2007/2008 €'000	2006/2007 €'000
Interest paid	3,268	2,111
Interest received	1,461	716
Taxes paid	10,531	7,126

Investments in intangible assets in the amount of € 454 thousand were not included in the cash flow statement since they are not liquidity-related at this point.

INFORMATION ON THE SEGMENT REPORT

The **Segment report** is presented in accordance with IAS 14 (Segment Reporting). Segmentation was structured by the primary form of business activity.

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

The **GESCO AG** segment comprises the activities of GESCO AG as an investment holding company. Companies that are not assigned to any other segment as well as consolidation effects and other assets and liabilities not assigned to any other segment are reported in the **other/consolidation** segment. As a result, property held as financial investments and the financing liabilities of the other segments are also reported here.

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

Segment investments relate to intangible assets (excluding goodwill) as well as tangible assets.

Depreciation is related to assets assigned to the individual segments.

The **segment operating assets** include all assets of the companies assigned to the segments, with the exception of claims for income tax reimbursements.

Segment liabilities include all liabilities including provisions and minority interests of the companies assigned to the segments, with the exception of income tax liabilities and loans.

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

Sales revenue is divided by region as follows:

	2007/2008		2006/2007	
	€'000	%	€'000	%
Germany	248,534	74.6	199,470	74.4
Europe (excluding Germany)	51,972	15.6	37,524	14.0
Other	32,649	9.8	31,152	11.6
Total	333,155	100.0	268,146	100.0

The secondary reporting format used for segment reporting consists of geographical segmentation. Since most Group assets are located in Germany, segmentation was limited to two segments consisting of Germany and other regions.

	Germany		Other Regions		Group Conversion		Group	
	2007/2008 €'000	2006/2007 €'000	2007/2008 €'000	2006/2007 €'000	2007/2008 €'000	2006/2007 €'000	2007/2008 €'000	2006/2007 €'000
Segment assets	227,871	205,473	6,849	3,814	1,791	2,475	236,511	211,762
Acquisition of segment assets	11,942	8,356	833	215			12,775	8,571

OTHER INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

RESEARCH AND DEVELOPMENT COSTS

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

INFORMATION ON FINANCIAL INSTRUMENTS

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

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

	Book value		Applicable present value	
	31.03.2008 €'000	31.03.2007 €'000	31.03.2008 €'000	31.03.2007 €'000
Trade receivables	40,567	35,764	40,567	35,764
Other receivables	4,854	5,576	4,854	5,576
Cash and cash equivalents	30,105	30,283	30,105	30,283
Financial assets	75,526	71,623	75,526	71,623
Trade creditors	14,101	10,663	14,101	10,663
Liabilities to financial institutions	62,398	61,603	62,398	61,603
Other liabilities	34,712	31,832	34,712	31,832
Liabilities from financing leases		91	0	95
Financial liabilities	111,211	104,189	111,211	104,193

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

	Balance sheet amount		Net result on the income statement	
	31.03.2008 €'000	31.03.2007 €'000	31.03.2008 €'000	31.03.2007 €'000
Loans and receivables	72,556	68,883	1,409	683
Assets available for sale	2,970	2,740	143	143
Financial assets	75,526	71,623	1,552	826
Liabilities held for trading	206	0	0	0
Other financial liabilities	111,005	104,189	-3,438	-2,185
Financial liabilities	111,211	104,189	-3,438	-2,185

CONTINGENT LIABILITIES

	2007/2008 €'000	2006/2007 €'000
Liabilities from the issue and assignment of bills	542	394
Liabilities under guarantees	313	172

Investment projects initiated during the reporting year resulted in commitments in the amount of € 1,089 thousand (previous year € 1,952 thousand). These investments will be concluded in the 2008/2009 financial year.

Various companies in the GESCO Group are required to maintain specific equity ratios and balance sheet indicators.

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

RENTAL AND LEASE AGREEMENTS

There are no payment obligations for financing lease arrangements.

Short-term lease agreements (operating leases) have been concluded for other plant, fixtures and fittings. Related lease payments amounted to € 2,213 thousand for the reporting year (previous year € 1,982 thousand).

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

	2007/2008 €'000	2006/2007 €'000
Up to one year	2,309	2,085
One to five years	2,902	3,627
Over five years	2,663	2,927
Total	7,874	8,639

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

RISK MANAGEMENT

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

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

Credit risk mainly affects trade receivables.

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

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

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

Information on the individual risk categories:

1. CREDIT RISK

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

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

2. LIQUIDITY RISK

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

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

3. MARKET PRICE RISK

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

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

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

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

The GESCO Group is exposed to **financing liability risk** related to long-term financing denominated in Swiss francs with a short-term fixed interest rate. If the value of the Euro had been 10 % higher on the reporting date, consolidated shareholders' capital would have been € 2,394 thousand lower (previous year € 2,435 thousand) compared to the reported value. If the value of the Euro had been 10 % lower on the reporting date, consolidated shareholders' capital would have been € 1,959 thousand higher (previous year € 1,997 thousand) compared to the reported value. If the value of the Euro had been 10 % higher on the reporting date, Group net income for the year after third party interests would have been € 2,394 thousand lower (previous year € 2,435 thousand) compared to the reported value. If the value of the Euro had been 10 % lower on the reporting date, Group net income for the year after third party interests would have been € 1,959 thousand higher (previous year € 1,997 thousand) compared to the reported value.

Interest rate risk mainly results from debt financing. According to IFRS 7, interest rate risk is represented by means of a sensitivity analysis. The sensitivity analysis illustrates the effects of hypothetical changes in market interest rates on interest income and expenditure. Had market interest rates been 100 basis points higher or lower during the reporting year, Group net income for the year after third party interests would have been € 403 thousand lower or higher.

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

Trade receivables denominated in foreign currencies amounted to € 1,764 thousand on the reporting date. This corresponds to 4.3 % of total trade receivables. Receivables are denominated in the following currencies:

US dollar:	€ 802 thousand
Singapore dollar:	€ 584 thousand
Hungarian forint:	€ 152 thousand
Australian dollar:	€ 113 thousand
African rand:	€ 83 thousand
Swiss franc:	€ 30 thousand

A 10 % fluctuation in exchange rates on the reporting date would have affected both shareholders' capital and Group net income for the year after minority interests by either € -97 thousand or € +119 thousand.

Since the total amount of receivables denominated in foreign currencies is not material, the subsequent determination of figures for the previous year was omitted.

Securities held and available for sale are subject to **risks related to changes in the stock exchange price of securities**. Had the market price been 10 % higher or lower on the reporting date, consolidated shareholders' capital would have been € 297 thousand higher or lower with no effect on income. For the same change in stock exchange prices, the call option on the securities would have decreased or increased consolidated shareholders' capital.

INFORMATION ON RELATIONSHIPS WITH AFFILIATED COMPANIES

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

EMPLOYEES

The average number of employees was as follows:

	2007/2008	2006/2007
Factory staff	1,049	901
Office staff	516	453
Trainees	89	70
Total	1,654	1,424

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

EXEMPTION REQUIREMENTS FOR GROUP COMPANIES

Since AstroPlast Kunststofftechnik GmbH & Co. KG, Franz Funke Zerspanungstechnik GmbH & Co. KG, Haseke GmbH & Co. KG, MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG, Molineus & Co. GmbH + Co. KG, Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Q-Plast GmbH & Co. Kunststoffverarbeitung, Setter GmbH & Co. Papierverarbeitung, Tomfohrde GmbH & Co. Industrierwerbungen and Dömer GmbH & Co. KG Stanz- und Umformtechnologie are included in the consolidated financial statements of GESCO AG, they are exempt from the obligation to have annual financial statements and a management report prepared, audited and published in accordance with the applicable regulations for incorporated companies as per Section 264b of the German Commercial Code (HGB).

According to Section 264 (3) of the German Commercial Code (HGB), Hubl GmbH is exempt from the obligation to have annual financial statements and a management report prepared, audited and published according to Section 264ff of the German Commercial Code (HGB).

PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements will be published on 26 June 2008 in conjunction with an annual accounts press conference in Engelskirchen-Ründeroth.

CORPORATE GOVERNANCE

The Executive Board and Supervisory Board of GESCO AG comply with the corporate governance codex and have made a declaration of compliance available to shareholders.

The Executive Board holds a total of 0.4% of company shares. Members of the Supervisory Board hold a total of 0.8% of company shares.

AUDITOR

The fee included in expenditure for the financial year amounted to € 125 thousand (previous year € 110 thousand) for the audit of the annual and consolidated financial statements of GESCO AG and € 28 thousand (previous year € 41 thousand) for other services. Fees were also incurred in the amount of € 205 thousand (previous year € 195 thousand) for the audit of consolidated subsidiaries, € 37 thousand (previous year € 27 thousand) for tax consulting services and € 1 thousand (previous year € 3 thousand) for other services.

EXECUTIVE BODIES OF THE COMPANY

EXECUTIVE BOARD

Robert Spartmann, Gevelsberg
Member of the Executive Board

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

The remuneration system for the Executive Board is explained in the management report.

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

	Fixed Remuneration €'000	Variable Remuneration €'000	Stock Options €'000	Total €'000
Robert Spartmann	222 (222)	224 (161)	15 (0)	461 (383)
Dr.-Ing. Hans-Gert Mayrose	210 (210)	224 (161)	15 (0)	449 (371)
	432 (432)	448 (322)	30 (0)	910 (754)

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

On 31 March 2008, pension provisions for incumbent members of the Executive Board and one former member of the Executive Board totalled € 1,100 thousand (previous year € 1,155 thousand).

SUPERVISORY BOARD

Klaus Möllerfriedrich, Wuppertal
Chairman, auditor

Chairman of the Supervisory Board:

- COREST AG, Düsseldorf (formerly Micro Venture Lucrum AG) (effective 7 May 2007)

Deputy Chairman of the Supervisory Board:

- Beaujean AG, Düsseldorf (formerly AF Baryt AG) (effective 25 June 2007)
- Micro Systec AG, Munich (amalgamated with Beaujean AG) (until 25 June 2007)
- K³ Industries GmbH & Co. KGaA, Wuppertal (until 19 December 2007)

Member of the Supervisory Board:

- Genthe Glas AG, Goslar (effective 26 June 2007)
- MicroVenture GmbH & Co. KGaA, investment holding company, Düsseldorf
- MicroVenture Lucrum 1 AG, Düsseldorf (now COREST AG) (until 7 May 2007)
- Hoff Industries AG, Munich (until 30 April 2007)
- AF Baryt AG, Düsseldorf (now Beaujean AG) (until 25 June 2007)

Rolf-Peter Rosenthal, Wuppertal
Deputy Chairman, Retired bank director

Chairman of the Supervisory Board:

- Frowein & Co Beteiligungs AG, Wuppertal*

Deputy Chairman of the Supervisory Board:

- Rheinische Textilfabriken AG, Wuppertal (until 31 January 2008)

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

Chairman of the Supervisory Board:

- CM Treuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Frankfurt am Main

Deputy Chairman of the Supervisory Board:

- Frowein & Co Beteiligungs AG, Wuppertal*

Member of the advisory board:

- K. A. Schmersal Holding KG, Wuppertal (until 31 December 2007)
- Metall-Chemie Holding GmbH, Hamburg

Total remuneration of members of the Supervisory Board amounted to € 234 thousand in the financial year (previous year € 177 thousand). This includes variable remuneration in the amount of € 189 thousand (previous year € 137 thousand).

GESCO AG has obtained a "Directors' and Officers' Liability Insurance" (D&O insurance) policy for Group management. This policy covers the members of the Executive Board and Supervisory Board of GESCO AG as well as the managers of the subsidiaries. Insurance premiums of € 28 thousand (previous year € 39 thousand) were paid during the 2007/2008 financial year.

Wuppertal, 27 May 2008

The Executive Board

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

* Resigned effective 31 July 2008

STATEMENT OF THE LEGAL REPRESENTATIVES

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

Wuppertal, 27 May 2008

The Executive Board

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

SIGNIFICANT GROUP SHAREHOLDINGS

Fully consolidated companies	Proportion of capital ¹⁾ in %
Ackermann Fahrzeugbau GmbH, Wolfhagen	80
Alro GmbH, Wuppertal	100
AstroPlast Kunststofftechnik GmbH & Co. KG, Sundern	80
AstroPlast Verwaltungs GmbH, Sundern ²⁾	100
Degedener Grundstückverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG, Eschborn ³⁾	100
Dömer GmbH & Co. KG Stanz- und Umformtechnologie, Lennestadt	100
Dömer GmbH, Lennestadt ²⁾	100
Dörrenberg Edelstahl GmbH, Engelskirchen-Ründeroth	90
Dörrenberg Tratamientos Térmicos SL, Alasua, Navarra, Spain	60
Dörrenberg Special Steels PTE. Ltd., Singapore	100
Frank Walz- und Schmiedetechnik GmbH, Hatzfeld	100
Frank Hungaria Kft., Ózd, Hungary	74
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern	80
Franz Funke Verwaltungs GmbH, Sundern ²⁾	100
Haseke GmbH & Co. KG, Porta Westfalica	80
Haseke Beteiligungs-GmbH, Porta Westfalica ²⁾	100
Hubl GmbH, Vaihingen/Enz	100
MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG, Erkrath	100
Maschinen- und Apparatebau Götzen GmbH, Erkrath ²⁾	100
Molineus & Co. GmbH + Co. KG, Wuppertal	100
Grafic Beteiligungs-GmbH, Wuppertal ²⁾	100
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel	80
WM Werkzeug- und Maschinenbau Verwaltungs-GmbH, Kassel ²⁾	100
Q-Plast GmbH & Co. Kunststoffverarbeitung, Emmerich	100
Q-Plast Beteiligungs-GmbH, Emmerich ²⁾	100
Setter GmbH & Co. Papierverarbeitung, Emmerich	100
Setter GmbH, Emmerich ²⁾	100
HRP-Leasing GmbH, Emmerich	100
SVT GmbH, Schwelm	90
Tomföhrde GmbH & Co. Industrieverwaltungen, Wuppertal	100
Tomföhrde GmbH, Wuppertal ²⁾	100
VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH, Herschbach	100
Companies valued at equity	Proportion of capital ¹⁾ in %
Saglam Metal Sanayi Ticaret A.S., Istanbul, Turkey	20
Companies of material significance valued at the cost of acquisition	Proportion of capital ¹⁾ in %
Connex SVT Inc., Houston, USA	100
MAE.ch GmbH, Unterstammheim, Switzerland	100
Frank Lemeks Tow, Ternopil, Ukraine	70

1) Share capital held directly or via majority shareholdings

2) Corporation as the general partner

3) Special purpose entity according to SIC 12

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by GESCO AG comprising the balance sheet, profit and loss account, statement of changes in shareholders' capital, cash flow account and the notes to the consolidated financial statements, together with the Group Directors' Report for the financial year from 1 April 2007 to 31 March 2008. The preparation of the consolidated financial statements and the Group Directors' Report in accordance with IFRS, as adopted by the EU, and the additional requirements of § 315a para. 1 of the German Commercial Code (HGB) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group Directors' Report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit so that material misstatements affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group Directors' Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group as well as expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group Directors' Report examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group Directors' Report. We believe that our audit prepares a reasonable basis for our assessment.

With the exception of the following qualification, our audit has not led to any reservations:

Contrary to IFRS 3.66 – 73 and IAS 7.40, the Notes do not include any details on company acquisitions (particularly information on purchase prices and the results of the companies acquired).

In our opinion, based on the findings of our audit, the consolidated financial statements with the qualification mentioned comply with IFRS as adopted by the EU and the additional requirements under German commercial law pursuant to § 315a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group Directors' Report is consistent with the consolidated financial statements and as a whole provides a suitable presentation of the Group's position and the opportunities and risks of future development.

Wuppertal, 28 May 2008

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

(Dr. Wollenhaupt)
Auditor

(Straube)
Auditor

REPORT FROM THE SUPERVISORY BOARD

IN THIS REPORT THE SUPERVISORY BOARD PROVIDES INFORMATION ABOUT ITS ACTIVITIES IN THE FINANCIAL YEAR 2007/2008. THE MAIN TOPICS ARE ITS CONTINUOUS DIALOGUE WITH THE EXECUTIVE BOARD AND THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS.

WORK OF THE SUPERVISORY BOARD

Throughout the year under review, the Supervisory Board observed the tasks incumbent upon it in accordance with German law and the Articles of Association. These tasks included the regular exchange of information with the Executive Board and the supervision of the management of the company. The Supervisory Board was directly integrated into all decision-making of fundamental importance to the company. The Executive Board regularly briefed the Supervisory Board both in writing and verbally, promptly and comprehensively on all relevant issues of corporate planning and its strategic development, on the course of transactions, the position of the Group and the individual subsidiaries including the risk situation as well as on risk management. Annual plans of the main subsidiaries were submitted to the Supervisory Board and discussed with the Executive Board. Deviations in the course of business from the respective annual plans and objectives were explained to the Supervisory Board in detail and investigated by the Supervisory Board. The members of the Supervisory Board and the Chairman in particular were also in regular contact with the Executive Board outside the Supervisory Board meetings and briefed themselves on the current trend in the business situation and any significant business transactions. The Supervisory Board thoroughly investigated the reports and proposals for resolutions from the Executive Board and, as far as this was required in accordance with legal and statutory provisions, cast its vote.

Acquisition plans were extensively discussed by the Supervisory Board with the Executive Board. In the run-up to an acquisition, the target company was appraised at its location by at least one Supervisory Board member.

The Supervisory Board of GESCO AG has consciously been kept small with three members in order to facilitate efficient work and intensive discussions both in strategic and detailed issues. The Supervisory Board therefore believes that it is not sensible or appropriate to create Supervisory Board committees. Supervisory Board committees were therefore not created in the financial year 2007/2008.

SUPERVISORY BOARD –
ROLF-PETER ROSENTHAL (DEPUTY CHAIRMAN),
KLAUS MÖLLERFRIEDRICH (CHAIRMAN),
WILLI BACK (L. TO R.)



A total of six Supervisory Board meetings took place in the financial year 2007/2008. All members of the Supervisory Board participated in all these meetings. The Supervisory Board was also briefed in detail between the meeting dates in the form of written reports on all projects and plans which were of particular importance to the company.

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

DECLARATION OF COMPLIANCE SUBSTANTIATES GOOD CORPORATE GOVERNANCE

The Supervisory Board continuously observed the development of the corporate governance standard. The Executive Board also reports on behalf of the Supervisory Board on corporate governance at GESCO AG pursuant to figure 3.10 of the German Corporate Governance Code. The Executive Board and Supervisory Board submitted an updated declaration of compliance in accordance with § 161 AktG (the German Stock Corporation Act) in December 2007 and made it permanently accessible to the shareholders on the company's website. GESCO AG also complies with the recommendations of the government committee on the German Corporate Governance Code in accordance with the version of the code of June 2007 with the exception of the deviations given in the declaration of compliance.

AUDIT OF ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Corresponding to the legal provisions, the auditor selected by the Annual General Meeting on 23 August 2007, Dr. Breidenbach, Dr. Güldenagel und Partner KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Wuppertal, was commissioned by the Supervisory Board with auditing the annual financial statements and consolidated financial statements on 7 September 2007. The auditor confirmed its independence to us in a letter dated 23 May 2007. It also provided evidence that it is qualified to audit listed companies due to its successful participation in a quality control audit by the German Chamber of Auditors.

The annual financial statements drawn up for the financial year from 1 April 2007 to 31 March 2008 by the Executive Board in accordance with the regulations of the HGB (German Commercial Code) and the Director's Report of GESCO AG were audited by the auditor. The auditor issued an unqualified auditor's report.

The consolidated financial statements and Group Directors' Report of the GESCO Group were drawn up by the Executive Board and audited by the auditor on the basis of the International Financial Reporting Standards (IFRS), taking into account § 315a of the German Commercial Code (HGB). The auditor furnished the consolidated financial statements with a qualified auditor's report due to the omission of information on acquisitions, in particular of information on purchase prices and earnings for the companies acquired in the reporting year. On weighing up the advantages and disadvantages, the Supervisory Board expressly subscribes to the view of the Executive Board that in the interest of GESCO AG and the GESCO Group it is appropriate to accept this qualification of the certification. The publication of the purchase prices in particular would reduce opportunities to acquire SMEs, as a seller would normally view the disclosure of the purchase price as a massive violation of privacy.

This year, the focal points of the audit by the auditor for the individual financial statements of GESCO AG were the valuation of the investments, additions and disposals in financial assets, accrual and valuation of receivables from associated companies, and income tax calculations. For the consolidated financial statements, the focus was on the trial balance of the consolidated shareholders' capital, the first-time consolidation of VWH GmbH acquired in April 2007, the reporting of deferred tax assets and note disclosures according to IFRS 7.

The report on this as well as the other auditor's reports and the documents relating to the financial statements were sent to all members of the Supervisory Board in good time before the accounts meeting. They were the subject of intensive discussions in the meeting of the Supervisory Board on 27 May 2008. The auditors participated in this. They reported on the main results of the audits and were available to the Supervisory Board for questions and additional information. The auditors gave comprehensive answers to all questions from the Supervisory Board. No objections were raised to the annual financial statements and the Directors' Report after the final result of the audit carried out by the Supervisory Board. After its own audit of the annual financial statements, the consolidated financial statements, the Directors' Report and the Group Directors' Report, the Supervisory Board approved the result of the audit by the auditor and accepted the annual financial statements and the consolidated financial statements in the meeting on 30 May 2008. The annual financial statements of GESCO AG have thereby been adopted. The Supervisory Board consented to the proposal of the Executive Board to appropriate the retained profit.

THANKS FOR THE WORK ACHIEVED

The Supervisory Board would like to thank the Executive Board, the managers of the subsidiaries and all GESCO Group employees for their great commitment in the past financial year and for the good results.

Wuppertal, 30 May 2008

Klaus Möllerfriedrich
Chairman of the Supervisory Board



FINANCIAL CALENDAR / SHAREHOLDER CONTACT

FINANCIAL CALENDAR

26 June 2008

Annual Accounts Press Conference and Analysts' Meeting

August 2008

Announcement of figures for the first quarter
(01.04.-30.06.2008)

21 August 2008

Annual General Meeting in the Stadthalle, Wuppertal

November 2008

Announcement of figures for the first half year
(01.04.-30.09.2008) and despatch of the interim report

February 2009

Announcement of figures for the first nine months
(01.04.-31.12.2008)

25 June 2009

Annual Accounts Press Conference and Analysts' Meeting

August 2009

Announcement of figures for the first quarter
(01.04.-30.06.2009)

27 August 2009

Annual General Meeting

November 2009

Announcement of figures for the first half year
(01.04.-30.09.2009) and despatch of the interim report

SHAREHOLDER CONTACT

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

The online-version of this annual report is available on www.gesco.de.



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