ANNUAL REPORT 2010/2011

GESCO PLUS

GESCO

2010 – 2011

GROUP EBIT

+63.7 %

GROUP SALES

+20.7 %

GROUP NET INCOME AFTER MINORITY INTEREST

+71.4 %

DIVIDEND PER SHARE

+53.8 %

GESCO shares

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

GESCO PLUS

THIS IS THE SLOGAN OF OUR ANNUAL REPORT THIS YEAR. THE PHRASE REPRESENTS THE PLUS SIGN, FOR ADDED VALUE, FOR SOMETHING EXTRA.

FOR INDIVIDUAL ELEMENTS THAT ARE INTEGRATED WITH AN INTELLIGENT CONCEPT. WITH A GROUP THAT STRENGTHENS ITS MEMBERS.

THIS WAY, WE CAN CREATE ADDED VALUE FOR EVERYONE INVOLVED.

SUBSTANCE + VISION

GESCO business model

+ GESCO AG acquires industrial SMEs on a long-term basis, i.e. without intending to exit, and develops them further.

+ We seek out the "hidden champions" of the SME sector: proven success record, strategically attractive market and technological leaders.

+ We focus on companies in the tool manufacture and mechanical engineering and plastics technology segments based in Germany and with sales of around € 10 million and above.

+ We specialise in succession issues and always acquire majority holdings, mostly 100 %.

+ When companies are acquired, the new management generally buys a 10-20 % share in their company.

+ The subsidiaries are operationally independent and receive active support from GESCO AG in the form of coaching, consulting and financial controlling.

+ Regular investment is made in the subsidiaries to ensure that the high standard of their technological equipment is maintained.

+ Our aim is to increase the operating earnings of the subsidiaries and as a result sustainably enhance the value of the individual companies and the Group as a whole.

+ The model optimises opportunities and limits risks.

+ 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 strong earnings power.

+ We operate under a low risk policy and the Group balance sheet demonstrates low risks.

+ We generate internal growth based on a healthy portfolio.

+ The abundance of unresolved succession issues in the German SME sector also provides scope for external growth through further acquisitions.

+ We stay true to the spirit of a family company while shaping companies to cope with globalisation.

Financial year 01.04.-31.03.		IFRS 2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	Change
Sales	€'000	158,627	153,835	171,234	192,264	234,327	268,146	333,155	378,388	277,664	335,237	20.7%
of which domestic	€'000	124,411	124,165	133,220	140,768	172,464	199,470	248,534	276,602	183,536	219,981	19.9%
foreign	€'000	34,216	29,670	38,014	51,496	61,863	68,676	84,621	101,786	94,128	115,256	22.4%
EBITDA	€'000	15,638	14,580	17,947	20,114	26,792	31,800	44,281	49,689	27,156	38,180	40.6%
EBIT	€'000	10,088	8,063	10,711	12,512	18,792	23,728	34,158	38,931	16,470	26,958	63.7%
Earnings before tax	€'000	4,348	-1,600 *)	8,782	11,850	16,562	23,570	30,783	34,585	13,965	24,091	72.5%
Taxes on income and earnings	€'000	-548	-758	-3,985	-4,868	-7,100	-9,311	-11,227	-10,897	-4,389	-7,651	74.3%
Taxation rate	%	12.6	–	45.4	41.1	42.9	39.5	36.5	31.5	31.4	31.8	–
Group net income after minority interest	€'000	2,939	-3,177 *)	4,198	6,228	9,325	13,313	17,883	21,618	8,896	15,251	71.4%
Earnings per share	€	1.19	-1.29 *)	1.73	2.50	3.54	4.83	5.92	7.16	2.95	5.05	71.2%
Investment in Property, Plant and Equipment 1)	€'000	10,348	5,292	5,258	6,404	9,014	8,332	12,030	12,354	8,417	9,915	17.8%
Depreciation on Property, Plant and Equipment	€'000	4,754	5,330	6,039	6,318	6,718	6,745	8,252	8,191	8,758	9,058	3.4%
Equity	€'000	36,107	29,444	36,333	41,878	54,379	74,948	89,845	103,285	105,173	114,361	8.7%
Total assets	€'000	134,204	138,515	138,370	145,070	174,430	211,762	236,511	259,598	246,356	260,344	5.7%
Equity ratio	%	26.9	21.3	26.3	28.9	31.2	35.4	38	39.8	42.7	43.9	–
Employees (as at 31.12.)	No.	1,157	1,203	1,192	1,215	1,329	1,543	1,713	1,795	1,733	1,775	2.4%
of which trainees	No.	61	69	63	60	75	81	105	109	99	92	-7.1%
Year-end share prices as at 31.03.	€	12.70	9.10	16.70	23.61	38.90	38.20	48.00	32.50	40.00	58.89	47.2%
Dividend	€	0.75	0.50	0.70	0.90	1.25	1.50	2.42 2)	2.50	1.30	2.00	53.8%

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

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

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

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FOREWORD BY THE EXECUTIVE BOARD

DEAR SHAREHOLDERS,

The year 2010 brought about an impressive economic turnaround and steep upturn. Germany emerged from the recession, our economy grew, and GESCO Group outperformed the economy by far. Whilst the recession was raging, barely anyone would have thought that Germany would recover so quickly and become so strong.

We did right by always keeping in mind our opportunities in recession-hit 2009 despite all necessity of saving costs. We invested anti-cyclically during the crisis, drove innovation and tapped new customers and markets. But most importantly, we hung on to our permanent workforces as much as possible. And this was exactly the right thing to do, because without these people, without their know-how and their enormous committment, we would have not been able to profit as much as we did from the upturn in 2010. We would like to extend our warmest thanks to all employees and managers of GESCO Group for their committment and flexibility.

Total Group sales in financial year 2010/2011 went up by 21 % to € 335 million year-on-year. Earnings key figures rose much more steeply thanks to capacities being well utilised and all in all, GESCO Group recorded a 71.4 % increase in Group net income after minority interest, which amounted to € 15.3 million. All figures were considerably up on our June 2010 forecast. The volume of incoming orders soared by as much as 75 % compared to the previous year and was still at a very high level in the first quarter of the new financial year 2011/2012. This makes us optimistic about future developments.

2010/2011 was a very good year, not just in terms of operating business but also for the GESCO share. While our benchmark index, the SDAX, climbed by 32 %, our share outperformed it with 47 %. The total return for our shareholders also includes a dividend of € 1.30 per share that was paid out in September 2010. Our dividend policy has been clear and calculable for many years: we distribute around 40 % of Group net income after minority interest (less any one-off effects). As a logical conclusion, dividends rise in line with profits. The Executive Board and Supervisory Board therefore propose a dividend of € 2.00 per share for financial year 2010/2011.

GESCO Group started into the new financial year 2011/2012 with momentum and optimism. Order backlog is significantly higher than in the previous year. In all but a few cases, capacity utilisation is back to good or very good, and the sentiment amongst the subsidiaries and their customers is confident. At present, GESCO Group does not foresee any definite signs of an economic setback, even though the general political and financial situation still bears many risks.

EXECUTIVE BOARD:
ROBERT SPARTMANN AND
DR.-ING. HANS-GERT MAYROSE

When looking back at the past years, it is nothing short of amazing how serious the economic fluctuations have been. Such rollercoaster rides on the demand side as well as with regard to the cost of energy and raw materials prove an enormous challenge for businesses. Some experts are projecting this trend into the future and forecast generally much more volatile markets with stronger fluctuations in demand. It is no small feat to manage the personnel, technical and financial resources so that a company is well prepared to face any changes in the market environment. Many SMEs are able to fall back on their flexibility during such difficult periods.

GESCO AG's subsidiaries belong to a strong Group and are therefore especially well equipped to react flexibly in a dynamic environment, gain market shares and create sustainable success. Under the motto "The GESCO PLUS", we will introduce you to this concept in our annual report. What is GESCO AG's investment strategy? Which impact does it have on our investments and personnel policies? Which financial strategies do we pursue? How does the interaction between GESCO AG and its subsidiaries work? And how does this constellation create added value? You will find the answers to these questions as well as profiles of the GESCO Group companies in the attachment to the annual report.

We would like to sincerely thank you, the shareholders of GESCO AG, for your trust. We hope that you were content with your investment in GESCO in the past financial year and would be pleased if our share was to continue taking its place in your portfolio.

Yours sincerely,

Hans-Gert Mayrose

(Dr.-Ing. Hans-Gert Mayrose)

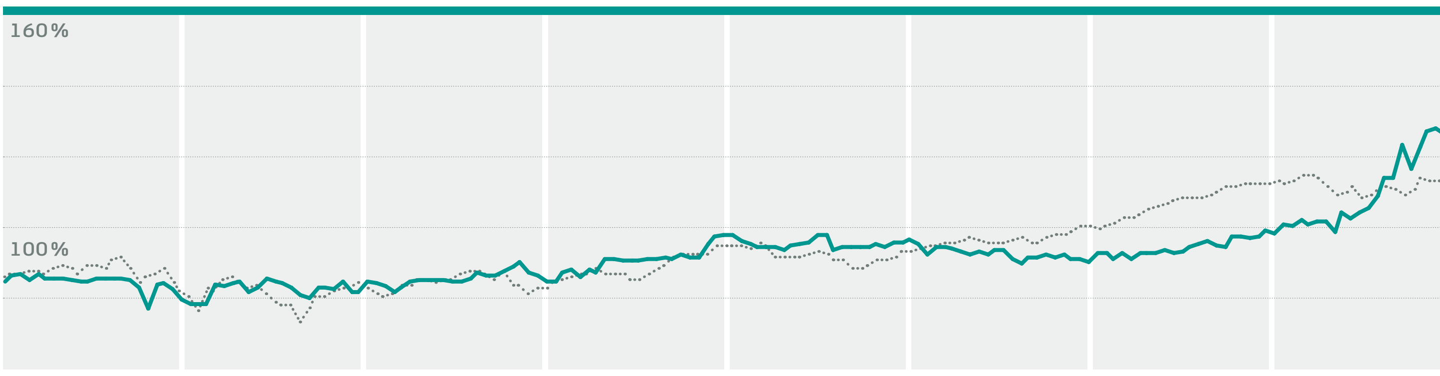
Robert Spartmann

(Robert Spartmann)

GESCO-SHARES

DEVELOPMENT GESCO SHARE VS. SDAX

in %



At the same time as the real economy, the capital markets went through a steep upturn in 2010. In financial year 2010/2011, the price of the GESCO share rose by 47.2 %, while our benchmark index, the SDAX went up by 32.0 %. In calendar year 2010, the GESCO share recorded a plus of 47.2 % compared to 45.8 % on the SDAX. The DAX, MDAX and TecDAX all lagged behind these figures.

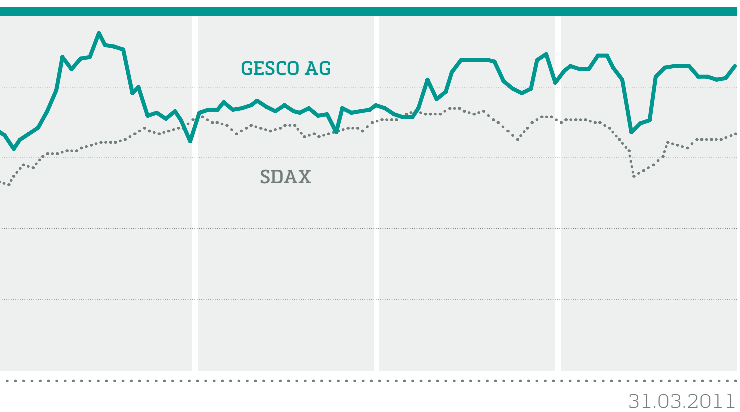
Trading liquidity of the GESCO share went up to an average daily volume of around € 327 thousand in the reporting year (previous year: € 270 thousand), corresponding to around 6,700 shares per day (previous year: 7,000 shares). At the end of the financial year, the GESCO share was steadily positioned on the SDAX.

The GESCO share remains widely spread. Free float decreased from 95 % to 90 % in the reporting year; on 11 January 2011, the entrepreneur Stefan Heimöller notified us of having exceeded the 10 % mark after having already exceeded the reportable 3 % and 5 % marks in 2009. The German Securities Trading Act (WpHG) stipulates that holders of major shares in excess of 10 % must inform the issuer of the purpose of the acquisition of voting rights and the origin of funds used. The law states a number of questions that must be answered in this context. In a statement pursuant to Section 27a WpHG, Stefan Heimöller informed the Group in January 2011, in answer to these questions, that his investment served long-term financial interests, that he intended to acquire further voting rights and that he aimed to obtain influence over the appointment of members of the administrative, managerial and supervisory bodies. He stated that he did not intend to make significant changes to the Group's capital structure and dividend policy. Stefan Heimöller also declared that he had used his own funds to acquire the voting rights. GESCO AG engages in regular dialogue with Stefan Heimöller; he is an anchor shareholder from the SME sector with a high degree of expertise in the field of metal processing.

According to the regulations of Deutsche Börse AG, private shareholdings exceeding 5 % have to be deducted from free float. To our knowledge, of the remaining free float of 90 %, around 30 % is held by institutional investors and about 60 % by private investors.

In 2010, equinet Bank AG was the designated sponsor of the GESCO share in XETRA trading. On 15 March 2011, we appointed Close Brothers Seydler Bank AG as an additional designated sponsor. This move is aimed at further increasing the liquidity of the GESCO share and also at raising its profile, particularly amongst German and foreign institutional investors.

Research into the GESCO share is currently being compiled by equinet Bank AG, Close Brothers Seydler Bank AG, HSBC Trinkaus & Burkhardt, Bankhaus Lampe, GSC Research and Performaxx. On the reporting date, five analysts rated the share as "buy" and one as "overweight". After concluding our cooperation with HSBC Trinkaus & Burkhardt as a designated sponsor in January 2010, the bank terminated its coverage of the GESCO share in May 2011.



GOOD REASONS TO BUY THE GESCO SHARE

+ THE GESCO SHARE PROVIDES ACCESS TO THE AMBITIOUS SME SECTOR
+ STABLE BUSINESS MODEL PROVEN OVER MANY YEARS
+ SOUND, HEALTHY ASSETS WITH LOW BALANCE SHEET RISKS
+ SUSTAINABLE, CALCULABLE DIVIDEND POLICIES
+ HIGH LEVEL OF MANAGEMENT EXPERTISE WITH INDUSTRY EXPERIENCE
+ OPPORTUNITIES THROUGH NUMEROUS UNSOLVED SUCCESSION ISSUES
+ ACTIVE INVESTOR RELATIONS AND HIGHLY TRANSPARENT REPORTING

INFORMATION ABOUT THE GESCO SHARE [1)]

International Securities Identification Number ISIN	DE0005875900
Securities identification number	587 590
Stock market abbreviation	GSC
Share capital	€ 7,859,800,00
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 2010)	€ 40.00
Year-end price, reporting year (31 March 2011)	€ 58.89
High reporting year (14 December 2010)	€ 61.90
Low reporting year (27 April 2010)	€ 37.70
Market capitalisation (31 March 2011)	€ 178.0 million
Free float	90 %
Market capitalisation of free float (31 March 2011)	€ 160.2 million
Shares held by members of the Supervisory Board (31 March 2011)	0.4 %
Shares held by members of the Executive Board (31 March 2011)	0.5 %
Transparency standard	Prime Standard
Indices	SDAX CDAX overall index Prime All Share Prime Industrial Classic All Share Prime Industrial Diversified

KEY INDICATORS GESCO SHARE FOR 2010/2011

(Previous year values in brackets)

Dividend per share	€ 2.00 [2)] (€ 1.30)
Earnings per share acc. to IFRS	€ 5.05 (€ 2.95)

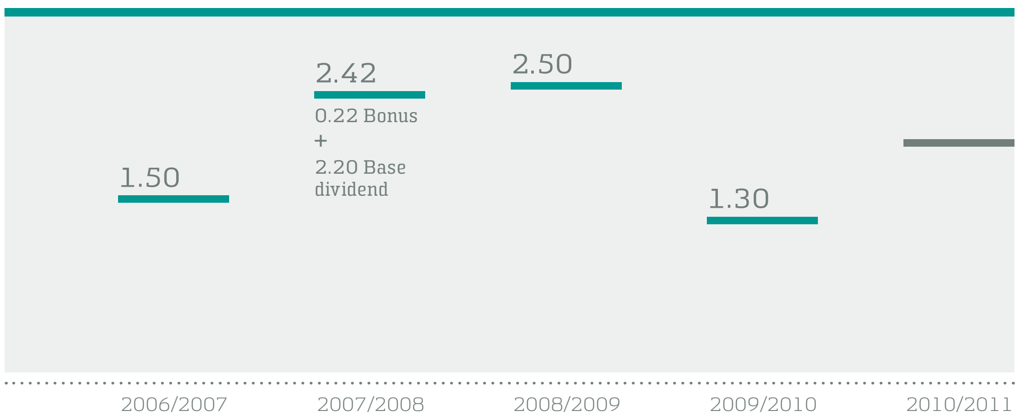
STOCK EXCHANGES

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

[1)] All share prices reflect the XETRA closing price

[2)] Dividend proposal

DIVIDEND PER SHARE
in €



2.00

EURO DIVIDEND PER SHARE FOR THE REPORTING YEAR.

DIVIDEND POLICIES

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

On 3 September 2010, a dividend for the 2009/2010 financial year amounting to € 1.30 per share was paid out, corresponding to a total volume of around € 3.9 million. At the Annual General Meeting on 21 July 2011, the Executive Board and Supervisory Board will propose a dividend of € 2.00 per share for financial year 2010/2011, which is 53.8 % higher than in the previous year. At the time this decision was made, the dividend return, based on the proposed dividend, amounted to 3.5 %.

INVESTOR RELATIONS

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

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

GESCO AG won second place at the **GBC Award 2010** during the Capital Market Conference in Munich. Criteria of this award include the continuity of IR communication as well as the quality of publications and company presentations.

Our website **www.gesco.de** is a central information platform for all issues relating to the GESCO share, GESCO AG and GESCO Group companies. In financial year 2010/2011, we started publishing video commentaries on the quarterly figures by Executive Board member Dr. Mayrose, who is responsible for Investor Relations, on our website. We see this as a contemporary method of conveying information to supplement the comprehensive written reports. These videos can also be recalled on Youtube.

We maintained active investor relations and general public relations activities during the 2010/2011 financial year. These activities mainly consisted of replying to shareholder questions, holding one-on-one meetings with domestic and foreign investors and analysts, and presenting our business model during capital market events.

The following events deserve special mention:

- **29 June 2010**
  Annual Accounts Press Conference and Analysts' Meeting, Hatzfeld
- **30 June 2010**
  Mid Cap Event Close Brothers Seydler AG, Paris
- **31 August 2010**
  DVFA Small Cap Conference, Frankfurt/Main
- **15 September 2010**
  26th Baader Small and Mid Cap Conference, Munich
- **30 September 2010**
  Scherrer Small Cap Conference, Zurich
- **26 October 2010**
  WestLB Family Office Round Table, Frankfurt/Main
- **22 November 2010**
  Deutsches Eigenkapitalforum (German Equity Forum), hosted by Deutsche Börse AG and KfW Bank, Frankfurt/Main
- **1 December 2010**
  Vienna Investment Forum, Vienna
- **9 December 2010**
  Münchner Kapitalmarkt-Konferenz (Munich Capital Market Conference), Munich
- **30 March 2011**
  Süddeutsche Kapitalmarktkonferenz (South German Capital Market Conference) of Süddeutsche Aktienbank AG, Stuttgart

In the financial calendar at the end of this annual report, you will find an overview of important dates until the end of 2012.

DECLARATION OF COMPLIANCE AND CORPORATE GOVERNANCE REPORT

IN THIS REPORT, THE EXECUTIVE BOARD – ON ITS OWN BEHALF AND THAT OF THE SUPERVISORY BOARD – PROVIDES INFORMATION ON ITS CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE AND SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB).

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

The Executive Board and Supervisory Board submitted a declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) in December 2010 and made it permanently available to shareholders on the company website at (www.gesco.de). It is also included in this corporate governance report.

CORPORATE GOVERNANCE REPORT

The company dealt with the issue of corporate governance early on, already recognising the precursors to the Code published by the Government Commission on the Corporate Governance Code in February 2002. The version dated 2 July 2010 applies at present. Section 161 of the German Stock Corporation Act (AktG) requires an annual declaration of compliance with this Code. The current declaration of compliance and previous declarations are available to our shareholders and other interested parties on our website.

The Code requires a corporate governance report and, in particular, explanations regarding deviations from its recommendations. The preamble to the Code expressly provides for deviations from its recommendations, which are aimed at enhancing the “flexibility and self regulation with regard to the corporate legal structure of German companies”. This means that deviations are not negative per se, but can actually be beneficial for smaller companies in particular.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

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

EXECUTIVE BOARD AND SUPERVISORY BOARD

GESCO AG is a stock corporation under German law and as such is managed by two boards with individual ranges of competence – the Executive Board and Supervisory Board. Both boards maintain a close and trusting working relationship within the scope of their legally defined responsibilities. The Executive Board provides the Supervisory Board with regular, prompt and comprehensive information on company planning, earnings and financial position, risk management, strategic development and intended acquisitions. A list of transactions requiring approval by the Supervisory Board was compiled.

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

EXECUTIVE BOARD

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

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

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

SUPERVISORY BOARD

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

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

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

Supervisory Board members in the reporting year were Klaus Möllerfriedrich (Chairman), Rolf-Peter Rosenthal (Deputy Chairman) and Willi Back. Willi Back is a former member of the Executive Board of GESCO AG. He was Chairman of the Executive Board of GESCO AG until 31 March 2004 and was appointed as member of the Supervisory Board by the Annual General Meeting in 2004. The Annual General Meeting on 2 September 2010 re-elected the three members for another term.

DIVERSITY AMONGST MANAGERS, EXECUTIVE BOARD AND SUPERVISORY BOARD

The Executive Board and Supervisory Board deliberated the requirements of the Corporate Governance Code which state that companies should increase diversity amongst managers, Executive Board and Supervisory Board and pay special attention to appropriately consider women for such positions. As GESCO AG feels that its primary duty lies in considering the interests of the company when appointing managers, Executive Board members as well as Supervisory Board members, the suitable qualifications of an applicant for a vacant position must always be regarded as the most important criteria. We are convinced that appointing a fixed percentage of women would not appropriately reflect this principle. We also feel that at the present time, a stronger international orientation of the Supervisory Board is not an option as the direct subsidiaries of GESCO AG all have their headquarters in Germany. It must be taken into account that they are SMEs, both in size as well as company culture. Insofar as GESCO AG's subsidiaries and in turn their subsidiaries are export-oriented, their personnel structure is suitably matched to their international activities.

In the eyes of the Supervisory Board and Executive Board of GESCO AG, diversity is not just defined by gender and nationality, but also, and specifically, by professional diversity and a well-balanced mix of expertise from various specialist fields.

COMPREHENSIVE AND TRANSPARENT COMMUNICATION

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

DIRECTORS' DEALINGS AND SHAREHOLDINGS OF MEMBERS OF THE EXECUTIVE BODIES

In November 2010, Executive Board member Dr. Hans-Gert Mayrose informed the company of the acquisition of 1,000 GESCO shares. The shareholding ratio of the Executive Board was 0.5 % on the reporting date, while the ratio for the Supervisory Board was 0.4 %.

REMUNERATION REPORT

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

ACCOUNTING AND AUDIT OF FINANCIAL STATEMENTS

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

The Chairman of the Supervisory Board obtained the auditor's statement of independence in accordance with Section 7.2.1. of the Corporate Governance Code. In line with the resolution passed by the Annual General meeting on 2 September 2010, the Chairman of the Supervisory Board appointed the auditor for the individual and consolidated financial statements. The interim and quarterly reports were not audited in the reporting year.

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

The Executive Board and Supervisory Board of GESCO AG declare that the recommendations of the Government Commission on the Corporate Governance Code published by the Federal Ministry of Justice in the official section of the online Bundesanzeiger (Federal Gazette) were being followed pursuant to the version of the Code dated 18 June 2009 since issuing the last declaration of compliance in December 2009 until 1 July 2010, and were and are being followed pursuant to the version of the Code dated 26 May 2010 (published in the official section of the online Bundesanzeiger (Federal Gazette) on 2 July 2010) since 2 July 2010. The following exceptions apply.

- 4.2.1. – Executive Board: The Executive Board of GESCO AG consists of two people; no Chairman or Spokesman has been appointed.
- 5.1.2., 5.4.1. – Executive Board and Supervisory Board: No age limit has been determined for Executive Board and Supervisory Board members.
- 5.3. – Supervisory Board committees: The Supervisory Board of GESCO AG comprises three members; Supervisory Board committees are not required as all three Board members are involved in the entire decision-making process.

GESCO AG
Supervisory Board and Executive Board

Wuppertal, December 2010

GROUP MANAGEMENT REPORT

GENERAL CONDITIONS

The year 2010 brought the German economy a quick recovery from the recession in the previous year and a profound upturn. The gross domestic product rose by 3.6 %, while in 2009 it had still dropped by 4.7 %.

The Verband deutscher Maschinen- und Anlagenbau e. V. (VDMA – German Machinery and Plant Manufacturers Association), which is relevant for our largest segment tool manufacture and mechanical engineering, recorded an 8 % increase in sales in 2010, which was driven by recovering demand in Germany and in the export markets. Orders for machinery went up as much as a real 36 % in 2010, with domestic demand going up by 29 % and orders from abroad by 39 %. The German machinery and plant production sector, which had been badly hit by the financial and economic crisis the year before, has recovered considerably.

The Gesamtverband Kunststoffverarbeitende Industrie e.V. (GKV – Association of Plastic Goods Producers), which is the association relevant for our second, significantly smaller segment – plastics technology – reported sales growth of 14.0 %, driven by domestic (+13.0 %) and foreign (+15.5 %) demand.

When looking at the figures provided by both associations, it has to be remembered that the sectors they represent are each very diverse and the data therefore represents a huge number of different companies. As the GESCO Group companies are mostly specialised SMEs in niche markets, these figures only serve as a rough guide and say relatively little about the actual development of GESCO Group.

In the German M&A market segment for companies with sales in the region of approximately € 10 million to € 50 million, which is the segment relevant for us, the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (BVK – German Private Equity and Venture Capital Association) recorded 55 investments in 2010 compared to 33 in the previous year, equalling an increase of 67 %.

CHANGES TO THE SCOPE OF CONSOLIDATION

GESCO AG did not acquire any companies in financial year 2010/2011. In 2009, the Group acquired a 90 % share in Georg Kesel GmbH & Co. KG, Kempten, as part of a succession plan, while the managing director took over 10 %. Kesel is a niche supplier in milling machine construction and clamping technology. After being included in the consolidated income statement for a period of eight months in the year before, Kesel was included for a full financial year for the first time in the consolidated financial statements 2010/2011.

The internationalisation of GESCO Group progressed in the reporting year, with two intermediate holdings for foreign sales activities being established. Georg Kesel GmbH & Co. KG founded the wholly-owned subsidiary Kesel International GmbH, Kempten, which acts as a holding for foreign sales and service companies. Dörrenberg Edelstahl GmbH started up the holding Dörrenberg International PTE. Ltd., Singapore, which will comprise country-specific sales companies.

In September 2010, Frank Walz- und Schmiedetechnik GmbH acquired 26 % of the shares in its subsidiary Frank-Hungaria Kft., Òzd, Hungary, from the local management, and by doing so increased its share to 100 %.

In May 2011, after the end of the reporting period, GESCO AG sold 20 % of its shares in Hubl GmbH to the manager of the company, reducing GESCO AG's share to 80 %.

SALES AND EARNINGS

The financial year of GESCO AG and GESCO Group runs from 1 April to 31 March the following year, while the financial years of the subsidiaries coincide with the calendar year. In 2010, GESCO AG profited from the steep economic upturn on a broad scale.

While during the recession-hit 2009/2010 the number of incoming orders kept dropping and was lower than sales in each quarter, this figure suddenly recovered in the first quarter of financial year 2010/2011, then started climbing again in every quarter. Incoming orders were also higher than sales in each quarter and the book-to-bill ratio was above 1. In total, incoming orders rose by 74.7 % to € 377.2 million (€ 215.9 million). Order backlog went up 45.3 % to € 131.8 million (€ 90.7 million) during the course of financial year 2010/2011.

As most of GESCO Group's companies produce products with long throughput times, incoming orders only translate into sales after a certain amount of time. This delay can be up to several months depending on the business model of the subsidiary. In addition, the large order backlog from before the crisis still propped up sales in the previous year. Group sales therefore went up 20.7 %, less than the number of incoming orders, from € 277.7 million in the year before to € 335.2 million in financial year 2010/2011.

At 32.8 %, material expenditure increased higher than sales, closing in on the typical level of material expenditure ratio seen in the years before the crisis. In contrast, the 8.7 % rise in personnel expenditure was considerably lower than sales. As no serious cuts were carried out among the permanent workforces in the previous year, it did not have to be increased significantly again during the upturn. In the reporting year, individual subsidiaries used short term work as and when required, but to a much lesser extent than in the year before. Thanks to an improved capacity utilisation, earnings before interest, taxed, depreciation and amortisation (EBITDA) rose by 40.6 % to € 38.2 million (€ 27.2 million), a clear improvement on sales. Depreciation and amortisation were up 5.0 % to € 11.2 million (€ 10.7 million). At 63.7 %, earnings before interest and taxes (EBIT) climbed even higher than EBITDA, reaching € 27.0 million (€ 16.5 million).

The financial result amounted to € -2.9 million compared to € -2.5 million in the previous year. With a Group tax rate of 31.8 % (31.4 %) and the profit shares of the managing directors of our subsidiary corporations having risen considerably, Group net income after minority interest for the year went up by 71.4 % to € 15.3 million. This corresponds to earnings per share of € 5.05 pursuant to IFRS (€ 2.95).

All in all, financial year 2010/2011 was far more successful than we had anticipated. At the accounts press conference and analysts' meeting in June 2010, we forecast Group sales between € 290 million and € 320 million and Group net income after minority interest for the year between € 9 million and € 11 million. We increased this original guidance twice during the financial year. In November 2010, we put up sales to € 325 million and Group net income for the year to € 12.5 million, and in February 2011, we raised sales again to € 334 million and Group net income for the year to € 15 million. The economic upturn was much stronger than expected and the Group companies were able to improve their capacity utilisation. The resulting economies of scale and the generally higher earnings achieved during times of economic upturn, had a positive impact on margins.

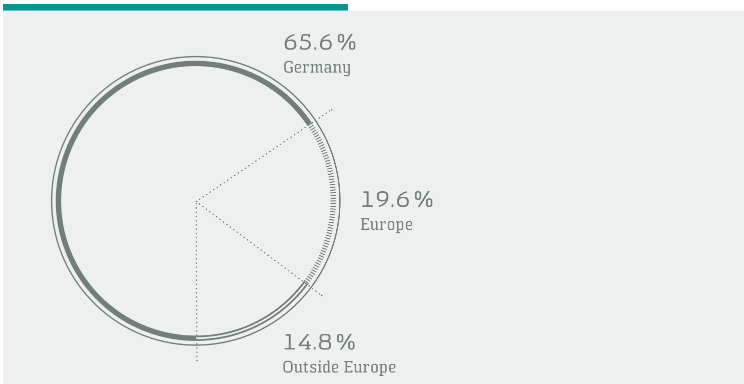
SALES AND EARNINGS BY SEGMENT

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

Both segments profited considerably from the economic recovery. Incoming orders went up steeply, sales rose and EBIT increased even more than sales.

SALES BY REGION

(Previous year values in brackets)



Germany	65.6 % (66.1 %)
Europe	19.6 % (20.5 %)
Outside Europe	14.8 % (13.4 %)

In the tool manufacture and mechanical engineering segment, sales went up by 20.9 % to € 302.9 million (€ 250.6 million), EBIT increased even more steeply by 53.2 % to € 29.0 million (€ 18.9 million), and incoming orders soared by 79.3 % to € 342.0 million.

The plastics technology segment saw sales rise by 20.1 % to € 31.9 million (€ 26.6 million) and EBIT by a disproportionate 35.2 % to € 4.0 million (€ 3.0 million). Also in this segment, incoming orders grew strongly by 39.5 % to € 34.7 million.

SALES BY REGION

The export ratio for the Group rose again slightly in the reporting year, reaching 34.3 % compared to 33.9 % in the previous year. Since many customers of our subsidiaries are export-driven, GESCO Group likely also has a significant amount of indirect exports which, of course, cannot be precisely quantified.

Setter (90 %), SVT (84 %), Kesel (74 %) and MAE (51 %) had especially high direct export ratios in the reporting year.

SALES BY CUSTOMER SECTOR

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

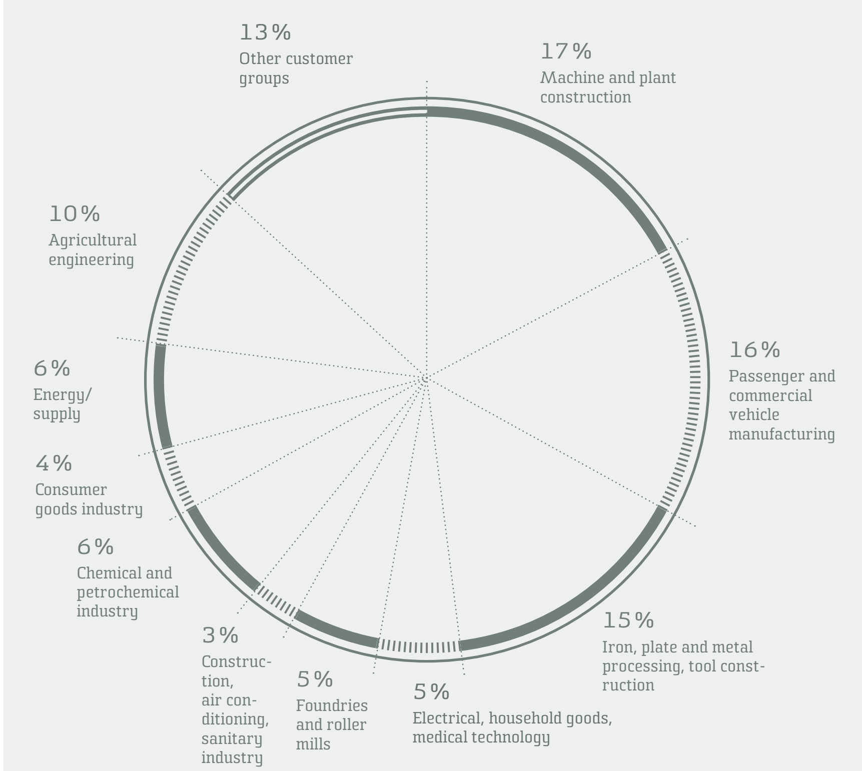
INVESTMENT AND DEPRECIATION

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

Two of the major investments in the reporting year were the construction of a new warehouse with a heavy lift crane at Dörrenberg Edelstahl GmbH’s site in Wiehl as well as the acquisition of two multi-spindle machines for Franz Funke Zerspanungstechnik GmbH & Co. KG.

SALES BY CUSTOMER SECTOR

(Previous year values in brackets)



Machine and plant construction	17 % (17 %)
Passenger and commercial vehicle manufacturing	16 % (18 %)
Iron, plate and metal processing, tool construction	15 % (11 %)
Electrical, household goods, medical technology	5 % (5 %)
Foundries and roller mills	5 % (4 %)
Construction, air conditioning, sanitary industry	3 % (4 %)
Chemical and petrochemical industry	6 % (8 %)
Consumer goods industry	4 % (4 %)
Energy/supply	6 % (7 %)
Agricultural engineering	10 % (11 %)
Other customer groups	13 % (11 %)

A total of € 10.9 million was invested in property, plant and equipment and intangible assets of the subsidiaries compared to € 9.5 million in the previous year.

Depreciation on property, plant and equipment and amortisation on intangible assets amounted to € 11.2 million in the reporting year, a slight growth on the previous year's figure (€ 10.7 million).

RESEARCH AND DEVELOPMENT

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

At Dörrenberg Edelstahl GmbH, research and development are an ongoing process carried out over many individual projects. The company cooperates with various universities and institutions, as required. In 2010, it again focused on energy efficient, resource-saving products and methods.

Hubl GmbH developed a product series of pallet tanks for the biotechnology sector that are used for the fluid management of biopharmaceutical production processes; with an innovative approach developed by Hubl itself, the products' heating and cooling performance was improved substantially.

MAE Maschinen- und Apparatebau Götzen GmbH focused on a laser measurement system and innovative straightening strategies for drive shafts with specific requirements. The company significantly increased the energy efficiency of its products with the help of innovative hydraulic drives, and by doing so accommodated for the current market trend. In spring 2011, MAE built the strongest levelling machine in the world with 25,000 kN of press force.

Dömer GmbH & Co. KG Stanz- und Umformtechnologie developed a one-step method for stamping and bending rings, casings, bushings and pipe segments and joining them with a precision laser welding seam. The company markets this innovative and economical method under the name of "Dömerring".

PROCUREMENT

GESCO Group companies consider procurement a strategic task; they strive to avoid dependencies and usually maintain long-term, constructive partnerships with their suppliers, with whom they also attempt to enter into framework agreements so as to obtain security for their planning.

Raw material, steel and energy costs went up during the course of 2010. Thanks to the positive economic environment, it was possible in most cases to account for these price rises in the pricing of products. The subsidiaries attempt to enter into framework agreements so as to obtain security for their planning. There were no serious supply bottlenecks in the reporting year. Some bottlenecks may occur in the new financial year, including shortages of steering and drive technology components, for instance, due to the disaster in Japan.

GROUP BALANCE SHEET

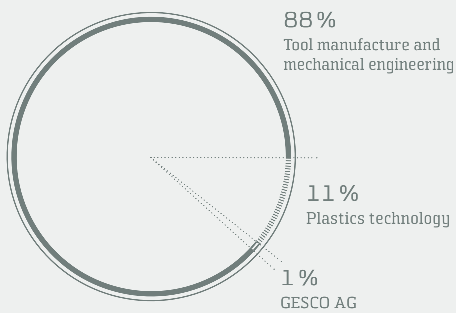
The balance sheet total rose 5.7 % year-on-year to € 260.3 million (€ 246.4 million) on account of the economic upswing.

On the asset side, financial assets included in non-current assets dropped by around € 3 million as some fell due or were sold. Under current assets, inventories went up only slightly by 1.6 % despite the marked increase in sales and trade receivables climbed by 17.8 %. Liquid assets increased significantly by 42.9 % to € 38.5 million (€ 26.9 million), mainly on account of high cash inflow from operating business and also the above-mentioned sale of financial assets.

On the liabilities side, equity rose to € 114.4 million compared to € 105.2 million on the previous reporting date thanks to the positive result for the year. Consequently, the equity ratio rose further to 43.9 % (42.7 %) despite the increased balance sheet total. Total non-current and current liabilities to financial institutions were reduced by € 6.9 million. Trade payables went up considerably as a result of the thriving operating business.

The overall balance sheet structure is very healthy. Goodwill amounts to merely € 6.8 million or 6.0 % of equity. Liquid assets and equity rose steeply yet again and the debt ratio, in other words the ratio between net liabilities to banks and EBITDA, was very low with a factor of 0.8. This further improvement of the balance sheet forms the financial basis for internal and external growth at GESCO Group.

EMPLOYEES BY SEGMENT
(PREVIOUS YEAR VALUES IN BRACKETS)



Tool manufacture and mechanical engineering	1,557 (1,528)	88 % (88 %)
Plastics technology	206 (192)	11 % (11 %)
GESCO AG	12 (13)	1 % (1 %)

ENVIRONMENTAL PROTECTION

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

This attitude manifests itself in a host of individual measures at our subsidiaries. As an example, Haseke GmbH & Co. KG was able to reduce the number of cardboard packs by 80 % and the utilisation of packaging foam by 60 % by using a flexible packaging machine that produces individually tailored packaging. After carrying out a materials efficiency analysis, the company also started increasing the capacity utilisation of its powder coating system and further optimised the use of parts coated in liquid paint with the help of an electrostatic spray gun. Our largest subsidiary Dörrenberg Edelstahl GmbH was the first German stainless steel producer to introduce a TÜV-certified environmental management system in 1997. This system is regularly audited and passed its last test in 2010.

By focusing their development and production on environmental issues, the companies are opening up attractive opportunities in the market. After all, saving resources and energy are a key selling point in these times of rising energy and raw materials prices. MAE Maschinen- und Apparatebau Götzen GmbH managed to reduce the energy consumption of its wheel presses by 90 % and at the same time lower noise emissions to an almost inaudible level by implementing re-engineering measures.

But not only products are relevant in terms of the environment. The construction or renovation of buildings at GESCO Group consistently comply with energetic guidelines so as to reduce follow-up costs and emissions.

EMPLOYEES

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

During the financial and economic crisis we retained permanent staff to avoid loss of know-how and so as not to damage the reputation as employer. This strategy paid off during the economic upturn in 2010. Without qualified and motivated staff, GESCO

Group would have not been able to fully exhaust the potential of the economic recovery.

As of the reporting date, the Group employed 1,775 people compared to 1,733 in the previous year.

In the autumn of 2010, GESCO AG offered all Group employees the opportunity to buy shares in the company at favourable terms under its 13th employee share scheme. Around 42 % of the Group's workforce took advantage of this opportunity to make a personal investment. This was the highest subscription rate since the start of the programme. We see this as a sign of trust in GESCO AG and feel that it is a particular acknowledgement of our HR policies in crisis-struck 2009.

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

Haseke GmbH & Co. KG, in cooperation with the technical school in Stadthagen (Technikerschule Stadthagen), successfully implemented a project work within the scope of product developments and plans to expand this cooperation.

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

REMUNERATION REPORT

In accordance with the Act on the Appropriateness of Executive Board Remuneration (VorstAG), the Supervisory Board of GESCO AG, with the help of independent experts, evaluated, developed and adjusted the previous system for the remuneration of the Executive Board, paying special consideration to sustainability. In its meeting on 31 May 2010, the Supervisory Board resolved to implement the new Executive Board remuneration system. In the spirit of “say on pay”, this system was presented to the Annual General Meeting on 2 September 2010 and put to vote. The system was approved with a 92.35 % majority.

The new remuneration system for Executive Board members still comprises three components: a fixed and a variable, performance-related component as well as a component with long-term incentive.

The fixed component comprises an annual base salary, additional benefits (mainly the private use of company vehicle and medical care) and pension commitments.

As before, the variable component is calculated as a performance-related bonus that is capped at twice the annual base salary. As the bonus is linked to Group net income after minority interest, it may not be paid out at all in certain cases. If Group net income after minority interest is negative, in other words the company has made a loss for the year, this loss is carried forward to the next year and reduces the measurement base for the bonus. Another sustainability component has been added to the performance-linked bonus for the case of Executive Board members leaving their position to increase the focus on sustainability and long-term perspectives as required by VorstAG. If Group net income after minority interest for the expired financial year prior to the Executive Board member leaving or in the same year of the member leaving is negative, the Executive Board member shares in the loss.

Remuneration components with long-term incentives are stock options issued to Executive Board members, based on the stock option programme approved by the

Supervisory Board in September 2007 for an initial three years that was extended and adjusted to meet the new legal requirements in 2010. The stock options are issued in yearly tranches at an exercise price corresponding with the average XETRA closing price of the GESCO share on the ten consecutive stock exchange trading days after the Annual General Meeting in the year the options are issued. The options are issued within one month after the Annual General Meeting. The stock option programme is designed so that Executive Board members have to contribute GESCO shares acquired with their own private funds, which may not be resold for the duration of the waiting period. Ten options can be purchased for each share. The waiting period is four years and two 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 waiting period for the tranches of the years 2007 to 2009 is two years and nine months. If and how many options can be exercised depends on the achievement of an absolute and relative performance target. The absolute performance target is met when the price of the GESCO share has developed positively at the time of execution. The relative performance target is met when the price of the GESCO share has outperformed the SDAX at the time of execution. If both targets are met, the Executive Board members are able to exercise all their options. If the absolute but not the relative target is reached, the Executive Board members can exercise 75 % of their options while the remaining 25 % expire completely without recourse. One option entitles the holder to acquire one GESCO share. If neither targets are met at the time of execution, all options of the corresponding tranche expire completely without recourse. The maximum gain of the Executive Board members is capped at 50 % of the exercise price.

The pension committment (including widow and orphan benefits of 60 % and 30 %) of Executive Board members amounts to a specified percentage of the annual base salary paid prior to retirement. The actual percentage calculated for each Executive Board member includes two components: a basic percentage of 10 % of the annual base salary paid prior to retirement after a waiting period of five years, and an additional 0.5 % increase of the basic percentage for each completed working year.

The Annual General Meeting of GESCO AG on 2 September 2010 authorised the company to acquire own shares according to Section 71 para. (8) of the German Stock Corporation Act (AktG) and to use these shares for a fourth tranche of the stock option programme launched in September 2007. Beneficiaries include the Executive Board and a small group of management employees of GESCO AG. The Supervisory Board of GESCO AG initiated this fourth tranche in September 2010. A total of 24,000 options were issued to members of the Executive Board and management employees of GESCO AG. GESCO AG reserves the right to provide partial or full cash compensation for gains under the programme instead of issuing some or all of the shares. Non-cash expenditure under this programme is determined using a common binomial model, recorded in earnings and recognised in other provisions. The model assumes volatility of 36.5 % and a risk-free interest rate of 5.0 %; the exercise price of the options issued in September 2010 is € 42.65. The waiting period is four years and two 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 € 7.18.

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. The Chairman of the Supervisory Board receives twice the amount and the Deputy Chairman of the Supervisory Board receives one and a half times the amount of fixed remuneration.

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

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

According to Sections 76 and 84 of the Stock Corporation Act (AktG) and Section 6 para. 1 of the GESCO AG Articles of Association, the Executive Board consists of one or more persons. According to Section 6 para. 2 of the Articles of Association and in accordance with legal regulations, the Supervisory Board appoints and dismisses the Executive Board and establishes the term of service and the number of members. The Supervisory Board may also appoint replacement members. According to Section 17 para. 1 of the Articles of Association, resolutions are passed by the Annual General Meeting with a simple majority of the votes cast, unless binding legal regulations state otherwise; where the law requires a capital majority in addition to a majority of votes cast, resolutions are passed with a simple majority of the share capital represented when the resolution is voted on. According to Section 17 para. 2 of the Articles of Association, the Supervisory Board has the right to make amendments to the Articles of Association which only concern the adoption.

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

The Annual General Meeting on 2 September 2010 authorised the company to acquire up to ten out of every hundred shares of the share capital until 1 September 2015 under consideration of own shares already held. Subject to the approval of the Supervisory Board and under certain conditions, the Executive Board is also authorised to dispose of the acquired shares in a manner other than via the stock exchange or by offering them to all shareholders, to use them for the purpose of acquiring companies or investments, or to retract some or all of them. The Executive Board has not made use of this authorisation to date.

Stefan Heimöller, Germany, informed us on 11 January 2011, that his voting rights in GESCO AG exceeded the 10.00 % threshold on 10 January 2011 and now amount to 10.01 % (302,648).

CORPORATE GOVERNANCE REPORT AND DECLARATION OF COMPLIANCE

The Corporate Governance Report and Declaration of Compliance in accordance with Section 289a of the German Commercial Code (HGB) are available on the company website at www.gesco.de.

OPPORTUNITY AND RISK REPORT

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

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

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

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

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

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

A jointly developed annual budget establishes the framework for business developments, personnel measures and investments of the subsidiaries. During the year, GESCO AG receives monthly figures from the subsidiaries as part of regular reporting. GESCO AG records and assesses this information, adds its own financial and accounting figures and consolidates everything.

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

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

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

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

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

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

Procurement risks: Raw material, steel and energy costs went up during the course of 2010. Thanks to the positive economic environment, it was possible in most cases to account for these price rises in the pricing of products. The subsidiaries attempt to enter into framework agreements so as to obtain security for their planning. There were no serious supply bottlenecks in the reporting year. Some bottlenecks may occur in the new financial year, including shortages of steering and drive technology components, for instance, due to the disaster in Japan.

Trade receivables are largely covered by credit insurance. Subsidiaries analyse the situation of relevant uninsured customers and define further action to be taken, usually in direct discussion with customers. If the uninsured risks appear significant, GESCO AG is consulted. This is of course always a balancing act between attempting to limit risks and the need to take advantage of entrepreneurial opportunities and not lose customers.

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

Currency risks from the operating business are hedged for significant orders.

Based on current knowledge, we are not aware of any **financing and/or equity** bottlenecks for our Group. We expect interest rates to remain low but to rise slightly in financial year 2011/2012. GESCO Group works with around two dozen different banks and is therefore not relying on any one institution. Under current capital market conditions, a capital increase is a probable option. However, there is no need for such a capital increase at present.

There were no material changes to the **tax situation** in financial year 2010/2011. We are also not aware of any developments related to legal conditions that would have a significant impact on the Group. The Accounting Law Reform Act (Bilanzrechtsmodernisierungsgesetz) passed in March 2009 had an impact on the accounting of subsidiaries. The conversion to the new accounting standards represented a one-time burden on finances and personnel.

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

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

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

OUTLOOK

The Federal Government is expecting the gross domestic product to grow by 2.6 % in 2011, and the VDMA is projecting sales of companies in its industry to rise by 14 %. The GKV expects sales in the plastics processing industry in 2011 to be up on 2010, but has not submitted a precise outlook.

At GESCO Group, incoming orders were up on sales in the full financial year 2010/2011 as well as in each individual quarter, a sign that is pointing towards further growth. We went into the new financial year 2011/2012 with a much higher order backlog than in the past financial year 2010/2011, giving the Group a very favourable starting position. The start to the new financial year was also very dynamic. We therefore are anticipating GESCO Group sales and earnings in financial year 2011/2012 to grow further. A forecast for financial year 2012/2013 is still extremely difficult at present. If the global economy does not hit any serious slumps, we anticipate sales and earnings in financial year 2012/2013 to be stable or even to rise.

But we must not forget that the economic development remains highly uncertain. Many government budgets are still suffering badly from effects of the financial and economic crisis and the Eurozone is facing structural problems. Political developments in the Arab world are giving rise to conflict and could, just as Germany's plans to shut down its nuclear power plants, contribute to rising energy costs.

Regardless of the economic growth figures in 2011 and 2012, GESCO Group is in an extremely solid position in terms of finance and operating business, and we are therefore very confident about our medium to long-term development.

In financial year 2011/2012, we aim to generate external growth by acquiring strategically interesting SMEs in the production industry. Concrete forecasts about company acquisitions cannot be made in view of the sometimes emotional nature of such transactions.

Apart from the sale of the minority interest in Hubl GmbH, no significant events occurred after the end of the reporting year.

Wuppertal, 24 May 2011

The Executive Board

Robert Spartmann Dr.-Ing. Hans-Gert Mayrose

GESCO AG
SUMMARY OF THE ANNUAL FINANCIAL STATEMENTS DATED 31 MARCH 2011

BALANCE SHEET

€'000	31.03.2011	31.03.2010
Assets		
Intangible Assets	18	37
Property, plant and equipment	311	106
Financial Assets	60,949	61,382
Non-current assets	**61,278**	**61,525**
Receivables and other assets	33,126	32,208
Securities and liquid funds	28,307	22,206
Current assets	**61,433**	**54,414**
Total assets	**122,711**	**115,939**
Equity and liabilities		
Equity	86,355	76,800
Provisions	6,943	5,509
Liabilities	29,413	33,630
Total Assets	**122,711**	**115,939**

INCOME STATEMENT

€'000	01.04.2010 -31.03.2011	01.04.2009 -31.03.2010
Earnings from investments	17,037	12,080
Other operating income and expenditure	221	-2,280
Personnel expenditure	-2,306	-2,001
Depreciation on property, plant and equipment and intangible assets	-109	-100
Financial result	-382	-1,359
Earnings from ordinary business activity	14,461	6,340
Extraordinary expenditure	-272	0
Taxes on income and earnings	-1,109	-529
Net income	**13,080**	**5,811**
Transfer to revenue reserves	-6,540	-1,884
Retained Profit	**6,540**	**3,927**

PROPOSED APPROPRIATION OF NET INCOME:

For the 2010/2011 financial year, the Executive Board and Supervisory Board of GESCO AG are proposing the following appropriation of retained profit for the year in the amount of € 6,540,240.12:

Payment of a dividend in the amount of € 2.00 per share on the current share capital entitled to dividends (3,023,000 shares less 71 treasury shares)	€ 6,045,858.00
Revenue reserves	€ 494,382.12
	€ 6,540,240.12

The complete financial statements of GESCO AG compiled in accordance with the regulations of the German Commercial Code (HGB) and the Stock Corporation Act (AktG) and audited by Dr. Breidenbach und Partner GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Wuppertal, and attested with an unqualified audit opinion, are published in the electronic version of the German Federal Gazette and submitted to the commercial registry under HRB (German Commercial Registry) number 7847. The financial statements are available from GESCO AG.

GESCO GROUP
CONSOLIDATED FINANCIAL STATEMENTS
DATED 31 MARCH 2011

GESCO GROUP BALANCE SHEET

€'000			31.03.2011	31.03.2010
Assets				
A.	NON-CURRENT ASSETS			
I.	Intangible assets			
1.	Industrial property rights and similar rights and assets as well as licences	(1)	8,843	9,636
2.	Goodwill	(2)	6,817	6,693
3.	Prepayments made	(3)	132	598
			15,792	**16,927**
II.	Property, plant and equipment			
1.	Land and buildings	(4)	30,757	29,970
2.	Technical plants and machinery	(5)	21,656	22,375
3.	Other plants, fixtures and fittings	(6)	16,420	16,777
4.	Prepayments made and plants under construction	(7)	2,029	1,196
5.	Property held as financial investments	(8)	3,122	3,276
			73,984	**73,594**
III.	Financial investments			
1.	Shares in affiliated companies	(9)	60	15
2.	Shares in associated companies	(10)	1,221	1,114
3.	Investments	(11)	38	38
4.	Securities held as fixed assets	(12)	1,000	4,069
5.	Other loans		251	305
			2,570	**5,541**
IV.	Other assets	(13)	1,333	2,497
V.	Deferred tax assets	(14)	2,729	3,011
			96,408	**101,570**
B.	CURRENT ASSETS			
I.	Inventories	(15)		
1.	Raw materials and supplies		16,872	16,019
2.	Unfinished products and services		19,225	17,481
3.	Finished products and goods		37,861	38,957
4.	Prepayments made		232	531
			74,190	**72,988**
II.	Receivables and other assets	(13)		
1.	Trade receivables		43,136	36,605
2.	Amounts owed by affiliated companies		807	523
3.	Amounts owed by companies with which a shareholding relationship exists		821	1,372
4.	Other assets		6,148	5,978
			50,912	**44,478**
III.	Securities	(16)	18	18
IV.	Cash and credit with financial institutions	(17)	38,494	26,942
V.	Accounts receivable and payable		322	360
			163,936	**144,786**
			260,344	**246,356**

€'000			31.03.2011	31.03.2010
Equity and liabilities				
A.	EQUITY			
I.	Subscribed capital	(18)	7,860	7,860
II.	Capital reserves		36,167	36,529
III.	Revenue reserves		64,879	55,130
IV.	Own shares		-3	-77
V.	Exchange equalisation items		-252	-272
VI.	Subsequent valuation acc. to IAS 39		0	-59
VII.	Minority interests (incorporated companies)	(19)	5,710	6,062
			114,361	**105,173**
B.	NON-CURRENT LIABILITIES			
I.	Minority interest (partnerships)	(19)	2,968	3,037
II.	Provisions for pensions	(20)	9,360	9,341
III.	Other long-term provisions	(20)	1,685	1,832
IV.	Liabilities to financial institutions	(21)	47,258	51,852
V.	Other liabilities	(21)	3,690	3,548
VI.	Deferred tax liabilities	(14)	3,967	4,403
			68,928	**74,013**
C.	CURRENT LIABILITIES			
I.	Other provisions	(20)	8,071	7,317
II.	Liabilities	(21)		
1.	Liabilities to financial institutions		20,338	22,597
2.	Trade creditors		11,170	7,372
3.	Prepayments received on orders		11,618	11,497
4.	Liabilities on bills		62	50
5.	Liabilities to companies with which a shareholding relationship exists		15	182
6.	Other liabilities		25,576	17,962
			68,779	**59,660**
III.	Accounts receivable and payable		205	193
			77,055	**67,170**
			260,344	**246,356**

GESCO GROUP INCOME STATEMENT

€'000		01.04.2010-31.03.2011	01.04.2009-31.03.2010
Sales revenues	**(22)**	335,237	**277,664**
Change in stocks of finished and unfinished products		2,129	-10,023
Other company-produced additions to assets	(23)	753	714
Other operating income	(24)	4,796	6,201
Total income		342,915	**274,556**
Material expenditure	(25)	-180,230	-135,690
Personnel expenditure	(26)	-86,235	-79,325
Other operating expenditure	(27)	-38,270	-32,385
Earnings before interest, tax, depreciation and amortisation (EBITDA)		38,180	**27,156**
Depreciation on property, plant and equipment and intangible assets	(28)	-11,222	-10,686
Earnings before interest and tax (EBIT)		26,958	**16,470**
Earnings from securities		160	157
Earnings from investments in associated companies		64	-25
Other interest and similar income		434	513
Interest and similar expenditure		-3,290	-2,905
Minority interest in partnerships		-235	-245
Financial result		-2,867	**-2,505**
Earnings before tax (EBT)		24,091	**13,965**
Taxes on income and earnings	(29)	-7,651	-4,389
Group net income for the year after tax		16,440	**9,576**
Minority interest in incorporated companies		-1,189	-680
Group net income for the year after minority interest		15,251	**8,896**
Earnings per share (€) acc. to IFRS	(30)	5.05	2.95

STATEMENT OF COMPREHENSIVE INCOME

€'000	01.04.2010-31.03.2011	01.04.2009-31.03.2010
Group net income for the year	16,440	**9,576**
Currency translation differences	25	-16
Revaluation of securities not impacting on income	59	-59
Income and expenditure recorded directly in equity	84	**-75**
Total result for the period	16,524	**9,501**
of which shares held by minority interests	1,194	681
of which shares held by GESCO shareholders	15,330	8,820

GESCO GROUP CASH FLOW STATEMENT

€'000	01.04.2010-31.03.2011	01.04.2009-31.03.2010
Group net income for the year (including share attributable to minority interest in incorporated companies)	16,440	**9,576**
Depreciation on property, plant and equipment	11,222	10,686
Gains from investments in associated companies	-64	25
Share attributable to minority interest in partnerships	235	245
Decrease in long-term provisions	-128	74
Other non-cash expenditure	309	1,520
Cash flow for the year	28,014	**22,126**
Losses from the disposal of property, plant and equipment/intangible assets	149	59
Gains from the disposal of property, plant and equipment/intangible assets	-112	-200
Gains from the disposal of financial assets	-49	0
Increase in stocks, trade receivables and other assets	-6,152	20,271
Increase in trade creditors and other liabilities	9,755	-19,920
Cash flow from ongoing business activity	31,605	**22,336**
Incoming payments from disposals of property, plant and equipment/intangible assets	358	823
Disbursements for investments in property, plant and equipment	-9,915	-8,267
Disbursements for investments in intangible assets	-1,006	-1,065
Incoming payments from disposals of financial assets	3,235	66
Disbursements for investments in financial assets	-49	-265
Incoming payments from the sale of consolidated companies	0	344
Disbursements for the acquisition of consolidated companies and other business units	0	-7,632
Cash flow from investment activity	-7,377	**-15,996**
Disbursements to shareholders (dividend)	-3,927	-7,537
Disbursement for the purchase of own shares	-254	0
Incoming payments from the sale of own shares	349	233
Incoming payments from minority interests	12	0
Disbursements to minority interests	-2,003	-1,304
Incoming payments from raising (financial) loans	5,031	16,240
Outflow for repayment of (financial) loans	-11,884	-17,377
Cash flow from funding activities	-12,676	**-9,745**
Cash increase in cash and cash equivalents	11,552	**-3,405**
Financial means on 01.04.	26,960	30,365
Financial means on 31.03.	38,512	**26,960**

GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

€'000	Subscribed capital	Capital reserves	Revenue reserves	Own shares
As at 01.04.2009	**7,860**	**36,338**	**53,731**	**-270**
Dividends			-7,537	
Disposal of own shares			40	193
Stock option programme		191		
Result for the period			8,896	
As at 31.03.2010	**7,860**	**36,529**	**55,130**	**-77**
Dividends			-3,927	
Acquisition of own shares				-254
Disposal of own shares			21	328
Stock option programme		-362		
Other neutral changes			-1,596	
Result for the period			15,251	
As at 31.03.2011	**7,860**	**36,167**	**64,879**	**-3**

GESCO GROUP SEGMENT REPORT

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	2010/2011	**2009/2010**	2010/2011	**2009/2010**
Order backlog	125,585	86,436	6,223	4,299
Incoming orders	341,983	190,780	34,725	24,896
Sales revenues	302,862	250,602	31,888	26,551
of which with other segments	24	0	0	0
Depreciation	7,686	7,213	1,645	1,744
EBIT	29,001	18,925	4,020	2,974
Investments	8,748	8,762	1,821	751
Employees (No./reporting date)	1,557	1,528	206	192

Exchange equalisation items	Revaluation IAS 39	Total	Minority interest incorporated companies	Equity capital
-255	**0**	**97,404**	**5.881**	**103,285**
		-7,537	-500	-8,037
		233		233
		191		191
-17	-59	8,820	681	9,501
-272	**-59**	**99,111**	**6,062**	**105,173**
		-3,927	-1,448	-5,375
		-254		-254
		349		349
		-362		-362
		-1,596	-98	-1,694
20	59	15,330	1,194	16,524
-252	**0**	**108,651**	**5,710**	**114,361**

GESCO AG		Other/Consolidation		Group	
2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010
0	0	0	0	131,808	90,735
0	0	511	195	377,219	215,871
0	0	487	511	335,237	277,664
0	0	-24	0	0	0
109	100	1,782	1,629	11,222	10,686
-3,298	-4,460	-2,765	-969	26,958	16,470
303	4	48	0	10,920	9,517
12	13	0	0	1,775	1,733

GESCO AG –
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, 31 MARCH 2011

GENERAL INFORMATION

GESCO AG is a private limited company with headquarters in Wuppertal, Germany. The company is registered under commercial register number HRB 7847 at Wuppertal district court. The company is dedicated to acquiring investments in SMEs and providing consulting and other services. The consolidated financial statements of GESCO AG, Wuppertal, dated 31 March 2011 were prepared based on the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as they apply in the EU and under consideration of Section 315a para. 1 of the German Commercial Code (HGB).

APPLICATION AND IMPACT OF NEW OR AMENDED STANDARDS

These consolidated financial statements of GESCO AG were prepared under consideration of all standards applicable to annual reporting years commencing prior to 31 March 2010. Standards that only became effective after the start of the 2010/2011 financial year were not applied in advance.

The following new or amended standards had to be considered for the 2010/2011 financial year:

- IFRIC 12 “Service Concession Arrangements”
- IFRIC 15 “Agreements for the Construction of Real Estate”
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”
- IFRIC 17 “Distribution of Non-cash Assets to Owners”
- IFRIC 18 “Transfers of Assets from Customers”
- Amendments to IAS 27 “Consolidated and Separate Financial Statements”
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement (Eligible Hedged Items)”
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” (Additional Exemptions)
- Amendments to IFRS 2 “Share-based Payment” (Group Cash-settled Share-based Payment Transactions)
- Amendments to IFRS 3 “Business Combinations”
- Improvements to IFRS 2008
- Improvements to IFRS 2009

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

The following standards and interpretations have been published and endorsed by the EU, but they are only mandatory for financial years beginning after 1 April 2010.

- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters)
- Amendments to IAS 24 “Related Party Disclosures”
- Amendments to IAS 32 “Financial Instruments: Presentation” (Classification of Rights Issues)
- Amendments to IFRIC 14 “Prepayments of a Minimum Funding Requirement”
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”

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

- Amendments to IAS 12 “Income Taxes”
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”
- Amendments to IFRS 7 “Financial Instruments: Disclosures”
- IFRS 9 “Financial instruments: Recognition and Measurement”
- Improvements to IFRS 2010

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

CONSOLIDATED FINANCIAL STATEMENTS – REPORTING DATE

The reporting date for the consolidated financial statements is the reporting date of the parent company (31 March 2011). The financial years of the subsidiaries and associated companies included in the consolidated financial statements generally match the calendar year, and therefore do not deviate from the parent company’s financial year by more than three months. As a result, interim financial statements were not prepared for 31 March 2011 in accordance with IAS 27.36. There are only a few buying and selling relationships between the operating subsidiaries. Their products and services differ. Some loan relationships exist between the parent company and certain subsidiaries. Any significant events affecting included companies that occurred by the consolidated reporting date were considered in the preparation of the consolidated financial statements. Preparing and auditing additional interim financial statements would mean a disproportionately high expenditure of time and cost, with no corresponding gain of information.

SCOPE OF CONSOLIDATION

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

On 17 April 2009, GESCO AG acquired 90 % of the shares in Georg Kesel GmbH & Co. KG, Kempten (Allgäu). The company is included for a full twelve months in the consolidated financial statements 2010/2011. In the previous year, it had been included for a period of eight months.

In May 2010, Dörrenberg Edelstahl GmbH established the sales holding Dörrenberg International PTE. Ltd., Singapore, with subscribed capital of € 250 thousand. The company is included for a period of seven months in the reporting year.

In September 2010, Georg Kesel GmbH & Co. KG founded the sales company Kesel International GmbH, Kempten, with subscribed capital of € 25 thousand. The company is included for a period of three months in the reporting year.

In September 2010, Frank Walz- und Schmiedetechnik GmbH acquired 26 % of the shares in its subsidiary Frank-Hungaria Kft., Òzd, Hungary, from the local management, and by doing so increased its share to 100 %.

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

€'000	31.03.2011	31.03.2010
Intangible assets	0	3,035
Property, plant and equipment	0	1,428
Financial investments	0	34
Current assets (excluding liquid assets)	0	5,553
Liquid assets	275	6
Provisions	0	147
Liabilities	0	4,496

This addition affected Group earnings by € -3 thousand.

A total of 36 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.

Four subsidiaries (foreign distribution companies) with an immaterial effect on the assets, financial position and earnings were not consolidated but instead valued at their respective cost of acquisition. The effect on sales, earnings and total assets is less than 1.0 %. Another company, which is also not of material significance, was valued at cost of acquisition. This affected earnings and total assets by less than 0.2 % overall.

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

After the end of the reporting period, GESCO AG sold 20 % of its shares in Hubl GmbH to the manager of the company, reducing GESCO AG's share to 80 %. A fixed purchase price of € 840 thousand and additional purchase price adjustments, which are dependent on future earnings, were agreed on sale.

CONSOLIDATION METHODS/EQUITY METHOD

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

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

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

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

ACCOUNTING AND VALUATION METHODS

The financial statements, on which the consolidated financial statements dated 31 March 2011 are based, are consistently prepared according to uniform accounting and valuation methods.

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

The companies outside the Eurozone prepare their financial statements in the respective national currency according to the functional currency concept. Assets and liabilities in these financial statements are converted to Euros using the exchange rate in effect on the reporting date. Equity is reported at the historical exchange rate, with the exception of items recorded directly in equity. Income statement items are converted at average exchange rates and the resulting exchange rate differences are recognised directly equity. The following table lists the exchange rates that were used:

		Reporting date rate		Historical rate	Average rate	
	1 €=	31.12.2010	31.12.2009		2010	2009
Hungary	HUF	277.9500	270.4200	272.2300	275.4805	280.3270
Singapore	SGD	1.7136	2.0194	1.9323	1.8055	2.0364
Turkey	TRY	2.0694	2.1547	1.7548	2.0029	2.1709

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

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

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

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

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

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

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

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

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

Minority interests in our incorporated companies and partnerships pertain to the investments of managers in the companies they manage as well as the proportion of earnings to which they are entitled. Minority interests in our incorporated companies are reported as separate items in equity. In accordance with IAS 32, minority interests in our partnerships are reported as separate items in debt capital.

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

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

To the extent they exceed 10 % of the total liability (DBO), 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 always reported at their respective cash value. Foreign currency liabilities are converted using the exchange rates in effect on the reporting date. Gains and losses from exchange rate fluctuations are included in earnings. Discounts are deducted from liabilities to financial institutions and credited to the respective loan over its term.

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

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

INFORMATION ON THE GROUP BALANCE SHEET

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

Group Statement of fixed Assets as at 31.03.2011

€'000	Cost of acquisition or manufacture					
	As at 01.04.2010	Additions	Transfers	Disposals	Revaluation	Change Exchange rate difference
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
b. Computer software	4,582	750	622	233	0	-2
c. Technology	17,243	0	0	0	0	0
d. Customer base	2,126	0	0	0	0	0
	23,971	**750**	**622**	**233**	**0**	**-2**
2. Goodwill	7,559	124	0	0	0	0
3. Prepayments made	598	132	-598	0	0	0
	32,128	**1,006**	**24**	**233**	**0**	**-2**
II. TANGIBLE ASSETS						
1. Land and buildings	42,960	1,424	693	0	0	-30
2. Technical plant and machinery	62,734	3,094	155	347	0	-24
3. Other plant, fixtures and fittings	53,708	3,405	137	1,635	0	-12
4. Prepayments made and plant under construction	1,196	1,992	-1,009	148	0	-2
5. Property held as a financial investment	6,941	0	0	0	0	0
	167,539	**9,915**	**-24**	**2,130**	**0**	**-68**
III. FINANCIAL ASSETS						
1. Shares in affiliated companies	15	45	0	0	0	0
2. Investment in associated companies	1,114	64	0	0	0	43
3. Investments	38	0	0	0	0	0
4. Securities held as fixed assets	11,648	0	0	10,648	0	0
5. Other loans	305	4	0	58	0	0
	13,120	**113**	**0**	**10,706**	**0**	**43**
	212,787	**11,034**	**0**	**13,069**	**0**	**-27**

	Depreciation						Book values	
As at 31.03.2011	As at 01.04.2010	Additions	Disposals	Revaluation	Change Exchange rate difference	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
20	16	0	0	0	0	16	4	4
5,719	3,715	429	233	0	-1	3,910	1,809	867
17,243	9,727	1,433	0	0	0	11,160	6,083	7,516
2,126	877	302	0	0	0	1,179	947	1,249
25,108	**14,335**	**2,164**	**233**	**0**	**-1**	**16,265**	**8,843**	**9,636**
7,683	866	0	0	0	0	866	6,817	6,693
132	0	0	0	0	0	0	132	598
32,923	**15,201**	**2,164**	**233**	**0**	**-1**	**17,131**	**15,792**	**16,927**
45,047	12,990	1,302	0	0	-2	14,290	30,757	29,970
65,612	40,359	3,900	291	0	-12	43,956	21,656	22,375
55,603	36,931	3,702	1,444	0	-6	39,183	16,420	16,777
2,029	0	0	0	0	0	0	2,029	1,196
6,941	3,665	154	0	0	0	3,819	3,122	3,276
175,232	**93,945**	**9,058**	**1,735**	**0**	**-20**	**101,248**	**73,984**	**73,594**
60	0	0	0	0	0	0	60	15
1,221	0	0	0	0	0	0	1,221	1,114
38	0	0	0	0	0	0	38	38
1,000	7,579	0	7,579	0	0	0	1,000	4,069
251	0	0	0	0	0	0	251	305
2,570	**7,579**	**0**	**7,579**	**0**	**0**	**0**	**2,570**	**5,541**
210,725	**116,725**	**11,222**	**9,547**	**0**	**-21**	**118,379**	**92,346**	**96,062**

Group Statement of fixed Assets as at 31.03.2010

€'000	Cost of acquisition or manufacture					
	As at 01.04.2009	Changes Scope of consolidation	Additions	Transfers	Disposals	Revaluation
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
b. Computer software	3,953	8	501	124	3	0
c. Technology	14,216	3,027	0	0	0	0
d. Customer base	2,126	0	0	0	0	0
	20,315	**3,035**	**501**	**124**	**3**	**0**
2. Goodwill	7,244	365	0	0	50	0
3. Prepayments made	87	0	598	-87	0	0
	27,646	**3,400**	**1,099**	**37**	**53**	**0**
II. TANGIBLE ASSETS						
1. Land and buildings	41,703	924	341	0	0	7
2. Technical plant and machinery	59,155	212	4,110	116	849	0
3. Other plant, fixtures and fittings	51,436	292	2,771	207	1,003	10
4. Prepayments made and plant under construction	723	0	1,195	-360	362	0
5. Property held as a financial investment	6,941	0	0	0	0	0
	159,958	**1,428**	**8,417**	**-37**	**2,214**	**17**
III. FINANCIAL ASSETS						
1. Shares in affiliated companies	15	0	0	0	0	0
2. Investment in associated companies	1,142	0	0	0	25	0
3. Investments	38	0	0	0	0	0
4. Securities held as fixed assets	11,620	34	0	0	6	0
5. Other loans	100	0	265	0	60	0
	12,915	**34**	**265**	**0**	**91**	**0**
	200,519	**4,862**	**9,781**	**0**	**2,358**	**17**

Including:

[1)] Revaluation acc. to IAS 39 (no impact on income): 59

		Depreciation						Book values	
Change Exchange rate difference	As at 31.03.2010	As at 01.04.2009	Additions	Disposals	Revaluation	Change Exchange rate difference	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
0	20	15	1	0	0	0	16	4	5
-1	4,582	3,413	305	3	0	0	3,715	867	540
0	17,243	8,407	1,320	0	0	0	9,727	7,516	5,809
0	2,126	575	302	0	0	0	877	1,249	1,551
-1	**23,971**	**12,410**	**1,928**	**3**	**0**	**0**	**14,335**	**9,636**	**7,905**
0	7,559	866	0	0	0	0	866	6,693	6,378
0	598	0	0	0	0	0	0	598	87
-1	**32,128**	**13,276**	**1,928**	**3**	**0**	**0**	**15,201**	**16,927**	**14,370**
-15	42,960	11,778	1,218	0	-6	0	12,990	29,970	29,925
-10	62,734	37,272	3,799	715	0	3	40,359	22,375	21,883
-5	53,708	34,210	3,587	866	0	0	36,931	16,777	17,226
0	1,196	0	0	0	0	0	0	1,196	723
0	6,941	3,511	154	0	0	0	3,665	3,276	3,430
-30	**167,539**	**86,771**	**8,758**	**1,581**	**-6**	**3**	**93,945**	**73,594**	**73,187**
0	15	0	0	0	0	0	0	15	15
-3	1,114	0	0	0	0	0	0	1,114	1,142
0	38	0	0	0	0	0	0	38	38
0	11,648	7,520	0	0	59 [1)]	0	7,579	4,069	4,100
0	305	0	0	0	0	0	0	305	100
-3	**13,120**	**7,520**	**0**	**0**	**59**	**0**	**7,579**	**5,541**	**5,395**
-34	**212,787**	**107,567**	**10,686**	**1,584**	**53**	**3**	**116,725**	**96,062**	**92,952**

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

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

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

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

(2) GOODWILL

In accordance with IFRS 3, goodwill is not subject to regular amortisation but is instead subjected to an annual impairment test. This process uses the cash flows from the current company budget for the next three years; a continuous growth rate of 1 % is assumed for subsequent periods. The resulting values are discounted using a weighted average cost of capital of 10 %. This results in a present value (value in use) that is compared to the reported goodwill. As in the previous year, 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 addition relates to the difference arising from the settlement of an earn-out agreement.

(3) PREPAYMENTS MADE

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

(4) LAND AND BUILDINGS

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

(5) TECHNICAL PLANTS AND MACHINERY

Technical plants and machinery are always depreciated over a five to 15 year period using the straight-line method. This balance sheet item also includes equipment under financing leases with a book value (cash value of the lease payments less planned depreciation) of € 54 thousand on the reporting date (previous year: € 95 thousand). The company is not free to dispose of the assets held under financing lease contracts. These assets are depreciated over their expected useful lives.

(6) OTHER PLANTS, FIXTURES AND FITTINGS

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

(7) PREPAYMENTS MADE AND PLANTS UNDER CONSTRUCTION

The amount reported primarily relates to buildings and machinery.

(8) PROPERTY HELD AS FINANCIAL INVESTMENT

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

These properties are valued at the cost of acquisition less straight-line depreciation on parts of the buildings over the estimated useful life of 40 years. The fair value of property held as financial investment was € 3,615 thousand (previous year: € 3,617 thousand). The fair values for each property were calculated using the gross rental method. This calculation was based on market interest rates of approximately 8.0 % (previous year: 8.0 %) No expert opinions regarding the attributable present values were obtained.

Property held as financial investment generated rental income in the amount of € 511 thousand (previous year: € 514 thousand) and resulted in directly attributable operating expenditure in the amount of € 129 thousand (previous year: € 134 thousand) and depreciation of € 154 thousand (previous year: € 154 thousand).

(9) SHARES IN AFFILIATED COMPANIES

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

(10) INVESTMENTS IN ASSOCIATED COMPANIES

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

Currency translation differences are included in equity without affecting income.

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

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

€'000	31.03.2011	31.03.2010
Assets	10,926	9,190
Liabilities	4,819	3,621
Sales	12,860	8,158
Net profit (loss)	319	-126

(11) INVESTMENTS

Companies of minor significance are reported under investments.

(12) SECURITIES HELD AS NON-CURRENT ASSETS

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

The recognised item relates to fixed-interest bearing loans with a term until March 2014. In the reporting year, a € 1 million bearer bond fell due and securities to the value of around € 2 million were sold. No securities were sold in the previous year.

(13) RECEIVABLES AND OTHER ASSETS

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

€'000	31.03.2011	31.03.2010
Non current		
Loan receivables	1,318	1,449
Claims arising from purchase price adjustments	0	765
Miscellaneous	15	283
Total	1,333	**2,497**

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

€'000	31.03.2011	31.03.2010
Current		
Loan receivables	143	219
Income tax refund claims	3,732	2,706
Tax prepayments	451	454
Claims arising from purchase price adjustments	641	1,350
Miscellaneous	1,181	1,249
Total	**6,148**	**5,978**

Allowances on other financial assets are as follows:

€'000	2010/2011	2009/2010
As of 01.04.	**304**	**341**
Reversals	-156	-37
As of 31.03.	**148**	**304**
(specific adjustments out of this amount)	(148)	(304)

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

Allowances on trade receivables developed as follows:

€'000	2010/2011	2009/2010
As of 01.04.	**1,407**	**1,451**
Claims	-240	-248
Reversals	-258	-381
Additions	264	585
As of 31.03.	**1,173**	**1,407**
(specific adjustments out of this amount)	(665)	(953)

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

The maturity structure of receivables before allowances is as follows:

Book value		Not due				overdue up to ... days	
€'000			30	60	90	180	Over 180
31.03.2011	44,309	35,550	4,035	1,715	551	1,501	957
31.03.2010	38,012	29,931	4,184	1,096	613	1,133	1,055

(14) DEFERRED TAX ASSETS AND LIABILITIES

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

€'000	31.03.2011		31.03.2010	
	Deferred taxes		Deferred taxes	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	1,533	1,249	1,556	1,380
Property, plant and equipment	209	3,902	223	3,913
Inventories	106	0	32	408
Pension provisions	564	0	515	0
Other provisions	265	0	72	52
Liabilities	290	0	472	1
Tax loss carry forwards	960	0	1,514	0
Other	100	114	81	103
	4,027	5,265	4,465	5,857
Net figure [1]	-1,298	-1,298	-1,454	-1,454
Total	2,729	3,967	3,011	4,403

[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 € 607 thousand (previous year: € 622 thousand) from loss carry-forwards for tax purposes were not reported since it is not considered very likely that a trade tax will be applied.

(15) INVENTORIES

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

€'000	Raw materials and supplies		Unfinished products and services		Finished products and services		Prepayments made		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Cost of acquisition or manufacture	18,477	18,029	20,437	18,292	40,608	42,436	232	531	79,754	79,288
Write-downs	1,605	2,010	1,212	811	2,747	3,479	0	0	5,564	6,300
As of 31.03.	**16,872**	**16,019**	**19,225**	**17,481**	**37,861**	**38,957**	**232**	**531**	**74,190**	**72,988**

(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 current fixed deposits and current account credit balances denominated in Euros and held by various banks.

(18) EQUITY

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

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

The ordinary General Meeting on 2 September 2010 authorised the company to acquire up to 10 out of every 100 shares of the share capital until 1 September 2015 under consideration of own shares already held. The Executive Board has not made use of this authorisation to date. On the back of acquiring own shares according to Section 71 para. 1 no. 2 of the Stock Corporation Act (AktG), own shares were acquired as part of an employee share scheme.

Shares in circulation and **own shares** developed as follows:

	Shares in circulation	Own shares held	
	No.	No.	Share of the share capital in %
As of 01.04.2009	**3,014,740**	**8,260**	**0.27**
Purchases	0	0	0.00
Employee share scheme	5,900	-5,900	0.20
As of 31.03.2010	**3,020,640**	**2,360**	**0.08**
Purchases	-5,850	5,850	0.19
Employee share scheme	8,139	-8,139	0.27
As of 31.03.2011	**3,022,929**	**71**	**0.00**

In the past, the company offered an employee share scheme limited to approximately two months in the second half of the calendar year after the respective Annual General Meeting. The purpose of this scheme was to provide employees of GESCO Group with the opportunity to acquire GESCO AG shares at a discount from the market price. Shares with a total value of € 328 thousand (previous year: € 193 thousand) disposed of under the employee share scheme were issued to employees at a total selling price of € 163 thousand (previous year: € 110 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 € 36,167 thousand (previous year: € 36,529 thousand) is the result of shares issued at a premium.

The Annual General Meeting of GESCO AG on 2 September 2010 authorised the company to acquire own shares according to Section 71 para. (8) of the German Stock Corporation Act (AktG) and to use these shares for a fourth tranche of the stock option programme launched in September 2007. Beneficiaries include the Executive Board and a small group of management employees of GESCO AG. The Supervisory Board of GESCO AG initiated this fourth tranche in September 2010. A total of 24,000 options were issued to members of the Executive Board and management employees of GESCO AG. GESCO AG reserves the right to provide partial or full cash compensation for gains under the programme instead of issuing some or all of the shares. Non-cash expenditure under this programme is determined using a common binomial model, recorded in earnings and recognised in liabilities. The model assumes volatility of 36.5 % and a risk-free interest rate of 5.0 %; the exercise price of the options issued in September 2010 is € 42.65. The waiting period is four years and two 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 € 7.18. These annual financial statements are the first to include the expenditure (€ 37 thousand) resulting from the stock option programme initiated in the reporting year for a seven-month period. Total expenditure for the first to fourth tranche amounted to € 278 thousand in the reporting year; in the previous year total expenditure was € 191 thousand. Liabilities came to € 621 thousand as of the reporting date.

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

					Tranche
		2010	2009	2008	2007
End of waiting period		01.11.2014	26.05.2012	20.05.2011	22.05.2010
End of term		15.03.2016	15.03.2014	15.03.2013	15.03.2012
Exercise price	€	42.65	39.11	52.18	54.15
No. of options issued		24,000	24,000	24,000	24,000
Profit limit per option	€	21.33	19.56	26.09	27.07
Fair value per option as of the reporting date 31.03.2011	€	11.09	12.55	10.31	8.03
Fair value per option at the time of issue	€	7.18	6.44	8.83	9.16

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

	2010/2011		2009/2010	
	No. of options	Weighted average exercise price €	No. of options	Weighted average exercise price €
Outstanding options 01.04.	72,000	48.48	48,000	53.17
In the financial year				
granted	24,000	42.65	24,000	39.11
returned	0		0	
exercised	-3,000	54.15	0	
expired	0		0	
Outstanding options 31.03.	93,000	46.79	72,000	48.48
Options that can be exercised 31.03.	21,000		0	

The company settled any profits for already exercised options in cash.

During the reporting year, **revenue reserves** increased by net earnings for the year in the amount of € 15,251 thousand. The figure was reduced in particular by the dividend of € 3,927 thousand (€ 1.30 per share) for the previous year and the option of a minority shareholder to request from GESCO AG to acquire its share at a later date at a defined value, which was recorded directly in equity. In order to allow this option, this minority shareholder forewent its future profit share. The option was valued at € 1,456 thousand.

The **proposed dividend** per share was € 2.00 on the financial statement preparation date. With 3,022,929 shares currently issued and outstanding, the proposed dividend payout is € 6,046 thousand. This dividend payout has no income tax consequences for the company.

(19) MINORITY INTERESTS

Minority interests consist of capital and earnings interests in the incorporated companies and partnerships. Minority interest in the incorporated companies is reported under equity and is the result of investments in Ackermann Fahrzeugbau GmbH, Dörrenberg Edelstahl GmbH, Dörrenberg Tratamientos Térmicos S.L., Dörrenberg Special Steels PTE. Ltd., Dörrenberg International PTE. LTD. and SVT GmbH.

In accordance with IAS 32, minority interest in partnerships is included under non-current liabilities. It is the result of investments in AstroPlast Kunststofftechnik GmbH & Co. KG, Franz Funke Zerspanungstechnik GmbH & Co. KG, Georg Kesel GmbH & Co. KG and Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG.

Both the company's equity and minority interest in partnerships are recognised in equity on the balance sheet.

(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:

€'000	2010/2011	2009/2010
As of 01.04.	9,832	**9,298**
Service costs	162	97
Interest costs	493	506
Pension annuities paid	-609	-600
Settlements	0	-11
Actuarial losses	177	542
As of 31.03.	10,055	**9,832**

Development of plan assets (liability insurance):

€'000	2010/2011	2009/2010
As of 01.04.	726	**702**
Employer contributions	34	34
Benefits paid	-18	-18
Actuarial losses	5	8
As of 31.03.	747	**726**

Pension provisions are derived as follows:

€'000	2011	2010
Projected pension obligations	10,055	9,832
Plan assets (liability insurance)	-747	-726
Actuarial gains not recorded		235
As of 31.03.	9,308	**9,341**

Asset coverage of pension obligations:

€'000	31.03.2011		31.03.2010	
	Projection	Plan assets	Projection	Plan assets
Without asset cover	9,215	0	9,012	0
Some asset cover	840	747	820	726
As of 31.03.	**10,055**	**747**	**9,832**	**726**

Pension costs consist of the following:

€'000	2010/2011	2009/2010
Service costs	162	97
Interest accruing on expected pension obligations	493	506
Actuarial gains	0	0
	655	**603**

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

in %	2010/2011	2009/2010
Interest rate	5.30	5.50
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:

€'000	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
Projection	10,055	9,832	9,298	10,210	10,602
Plan assets	-747	-726	-702	-720	-758
Funded status	9,308	9,106	8,596	9,490	9,844

Expected contribution payments for the 2011/2012 financial year are € 34 thousand.

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

€'000	As of 01.04.2010	Utilisation	Addition/ new creation	Release	As of 31.03.2011
Non-current					
Purchase price annuity obligation	623	-4	0	0	619
Purchase price obligation	1,209	-264	121	0	1,066
Total	**1,832**	**-268**	**121**	**0**	**1,685**
Current					
Recultivation obligation	880	0	0	0	880
Guarantees and warranties	2,932	-873	1,662	-401	3,320
Cost of annual financial statements	594	-588	620	-7	619
Follow-up costs	1,254	-1,108	1,658	0	1,804
Structural measures	0	0	152	0	152
Impending losses	125	-66	27	-59	27
Other	1,532	-86	283	-460	1,269
Total	**7,317**	**-2,721**	**4,402**	**-927**	**8,071**

The purchase price annuity obligation resulted from the acquisition of shares in a subsidiary and is reported at the projected unit credit according to IAS 19.
Provisions for pending losses relate to risks from potential market price alterations.
Other provisions mainly relate to taxes and additions to tax.

(21) LIABILITIES

€'000	As of 31.03.2011 (31.03.2010)	Residual term up to 1 year	Residual term up to 5 years	Residual term > 5 years
Liabilities to financial institutions	67,596	20,338	42,796	4,462
	(74,449)	(22,597)	(39,672)	(12,180)
Trade creditors	11,170	11,170	0	0
	(7,372)	(7,372)	(0)	(0)
Prepayments received on orders	11,618	11,618	0	0
	(11,497)	(11,497)	(0)	(0)
Liabilities on bills	62	62	0	0
	(50)	(50)	(0)	(0)
Liabilities to companies with which a shareholding relationship exists	15	15	0	0
	(182)	(182)	(0)	(0)
Other liabilities	29,266	25,576	3,690	0
	(21,510)	(17,962)	(3,360)	(188)
Total	119,727	**68,779**	**46,486**	**4,462**
	(115.060)	**(59.660)**	**(43.032)**	**(12.368)**

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

€'000	As of 31.03.2011 (31.03.2010)	Residual term up to 30 days	Residual term 30 to 90 days	Residual term 90 to 360 days
Liabilities to	20,338	7,561	3,596	9,181
financial institutions	(22,597)	(5,635)	(3,937)	(13,025)
Trade creditors	11,170	10,376	587	207
	(7,372)	(6,950)	(312)	(110)
Prepayments received	11,618	570	2,899	8,149
on orders	(11,497)	(4,109)	(1,892)	(5,496)
Liabilities on bills	62	0	62	0
	(50)	(50)	(0)	(0)
Liabilities to companies with which	15	15	0	0
a shareholding relationship exists	(182)	(182)	(0)	(0)
Other liabilities	25,576	9,799	2,788	12,989
	(17,962)	(9,053)	(1,828)	(7,081)
Total	**68,779**	**28,321**	**9,932**	**30,526**
	(59,660)	**(25,979)**	**(7,969)**	**(25,712)**

Liabilities to financial institutions are mainly secured by:

€'000	31.03.2011	31.03.2010
Load charges	30,152	30,391
of which on property held as financial investment	4,090	4,090
Book value of property	27,903	27,638
Assignment of		
movable fixed assets as security	15,363	13,668
inventories	12,933	17,232
Assignment of receivables	7,798	11,473

The parent company has also pledged shares in subsidiaries with a total book value of € 46,956 thousand (previous year: € 46,821 thousand).

€ 56,548 thousand (previous year: € 32,334 thousand) of the liabilities to financial institutions result from long-term loans of domestic companies with fixed repayment terms and a remaining term between one and 11 years (previous year between one and 11 years).

Interest rates for the Euro loans vary between 1.30 % and 5.70 % (previous year: 1.41 % and 6.58 %). These interest rates correspond to the market rates for the respective loans and companies. € 798 thousand relates to liabilities of foreign companies at an interest rate of between 3.74 % and 5.81 %. Other liabilities to financial institutions consist of current accounts.

In the previous year, approximately € 36,713 thousand of the liabilities to financial institutions resulted from long-term financing in Swiss francs with a short-term fixed interest rate (usually for three months). Loans denominated in Swiss francs were owed to German financial institutions, which means they were so-called hybrid financing instruments according to IAS 39. In the reporting year, GESCO AG's existing loan tranches denominated in Swiss francs were converted into Euros. In addition, the Swiss francs loans of the subsidiaries were first hedged with an option in April 2010, then converted into Euros during the course of financial year 2010/2011. The option was used for limiting the currency risks from the foreign currency loans.

Other liabilities consist of the following:

€'000	31.03.2011	31.03.2010
Wages, salaries, social security	11,015	9,651
Other taxes	2,866	1,817
Income taxes	5,493	2,387
Outstanding incoming invoices	1,419	1,167
Finance leasing	93	147
Purchase price commitments minority interest	3,844	2,233
Miscellaneous liabilities	4,536	4,108
Total	**29,266**	**21,510**

A total of € 2,388 thousand (previous year: € 2,233 thousand) in subsequent purchase payments will be due in more than one year. Most of the other liabilities result from current liabilities owed to third parties. Wage, salary and social security liabilities include partial retirement and anniversary obligations in the amount of € 990 thousand (previous year: € 1,023 thousand) that will be due in more than one year.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Georg Kesel GmbH & Co. KG, Kempten, which was acquired in April 2009, was included in the income statement of the consolidated financial statements for the first time for a 12-month period (previous year: eight months).

(22) SALES REVENUES

Sales revenues are always 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 reportable expenditure for technical equipment and tools.

(24) OTHER OPERATING INCOME

Other operating income breaks down as follows:

€'000	2010/2011	2009/2010
Income from writing back/utilising provisions	1,937	3,091
Price gains	390	246
Income from the disposal of fixed assets	161	200
Income from insurance refunds	162	295
Miscellaneous	2,146	2,369
Total	**4,796**	**6,201**

(25) MATERIAL EXPENDITURE

Material expenditure includes:

€'000	2010/2011	2009/2010
Expenditure on raw materials and supplies and goods purchased	163,669	120,995
Expenditure on services purchased	16,561	14,695
Total	**180,230**	**135,690**

(26) PERSONNEL EXPENDITURE

Personnel expenditure includes:

€'000	2010/2011	2009/2010
Wages and salaries	71,961	65,369
Social security contributions/expenditure on pensions and benefits	14,274	13,956
Total	**86,235**	**79,325**

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

(27) OTHER OPERATING EXPENDITURE

Other operating expenditure breaks down as follows:

€'000	2010/2011	2009/2010
Operating expenditure	12,766	11,542
Administrative expenditure	4,744	4,187
Expenditure on distribution	14,928	11,602
Miscellaneous expenditure	5,832	5,054
of which allowances on receivables and other assets	264	585
Total	**38,270**	**32,385**

(28) DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT AND AMORTISATION ON INTANGIBLE ASSETS

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

(29) TAXES ON INCOME AND EARNINGS

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

€'000	2010/2011	2009/2010
Actual taxes	7,805	5,200
Deferred taxes	-154	-811
Total	**7,651**	**4,389**

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

€'000	2010/2011	2009/2010
Group result before income tax	24,091	13,965
Anticipated income tax expenditure	-7,348	-4,259
Permanent differences arising on expenditure which is not tax deductible	-494	-274
Tax-free income	110	210
Income tax for different reporting periods	121	-13
Consolidation effects	-79	0
Temporary differences for losses, for which no deferred taxes have been capitalised	-10	-106
Differences in tax rates	-52	-79
Miscellaneous	101	132
Total	**-7,651**	**-4,389**

The Use (previous year: capitalisation) of future tax savings from tax loss carryforwards led to a tax liability of € 0.6 million (previous year: tax asset of 0.9 million) in the 2010/2011 reporting year.

(30) EARNINGS PER SHARE

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

	2010/2011	2009/2010
Group net income (€'000)	15,251	8,896
Weighted number of shares (number)	3,020,262	3,016,903
Earnings per share in accordance with IAS 33 (€)	**5.05**	**2.95**

There are no factors that would cause dilution.

INFORMATION ON THE CASH FLOW STATEMENT

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

Cash flow from investment activity includes € 77 thousand (previous year: € 184 thousand) in unpaid investments.

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

€'000	2010/2011	2009/2010
Interest paid	1,729	2,241
Interest received	345	487
Taxes paid	5,079	6,909

INFORMATION ON THE SEGMENT REPORT

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

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

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

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

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

Sales revenues are divided by **region** as follows:

	2010/2011		2009/2010	
	€'000	%	€'000	%
Germany	219,981	65.6	183,536	66.1
Europe (excluding Germany)	65,499	19.6	56,921	20.5
Other	49,757	14.8	37,207	13.4
Total	**335,237**	**100.0**	**277,664**	**100.0**

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

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

	2010/2011		2009/2010	
	€'000	%	€'000	%
Germany	86,398	96.2	87,262	96.4
Other regions	3,378	3.8	3,259	3.6
Total	**89,776**	**100.0**	**90,521**	**100.0**

OTHER INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

RESEARCH AND DEVELOPMENT COSTS

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

INFORMATION ON FINANCIAL INSTRUMENTS

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

€'000	Book value		Fair value	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Trade receivables	43,136	36,605	43,136	36,605
Other receivables	5,377	7,664	5,377	7,664
Cash and cash equivalents	38,512	26,960	38,512	26,960
Financial assets	**87,025**	**71,229**	**87,025**	**71,229**
Trade creditors	11,170	7,372	11,170	7,372
Liabilities to financial institutions	67,596	74,449	67,596	74,449
Other liabilities	35,468	30,852	35,468	30,852
Financial liabilities	**114,234**	**112,673**	**114,234**	**112,673**

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

€'000	Balance sheet amount		Net result on the income statement	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Loans and receivables	87,025	71,229	406	506
Assets available for sale	1,000	4,069	285	292
Financial assets	**88,025**	**75,298**	**691**	**798**
Liabilities held for trading	0	0	0	0
Other financial liabilities	114,234	112,673	-2,279	-2,315
Financial liabilities	**114,234**	**112,673**	**-2,279**	**-2,315**

CONTINGENT LIABILITIES

€'000	2010/2011	2009/2010
Liabilities from the issue and assignment of bills	94	384
Liabilities under guarantees	38	38

Investment projects initiated during the reporting year resulted in commitments in the amount of € 1,213 thousand (previous year: € 20 thousand). These investments will be concluded in the 2011/2012 financial year.

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

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

RENTAL AND LEASE AGREEMENTS

The following payment obligations exist for finance lease arrangements:

€'000	Total	2011/12	2012/13 - 2013/14	2014/15 & Following years
Minimum lease payments	95	59	36	0
Discounting amount	6	5	1	0
Cash value	89	**54**	**35**	**0**

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

Rental and lease agreements (operating leases) have been concluded for buildings as well as other plant, fixtures and fittings. Related rental and lease payments amounted to € 2,550 thousand for the reporting year (previous year: € 2,744 thousand).

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

€'000	2010/2011	2009/2010
Up to one year	2,354	2,302
One to five years	3,301	2,987
Over five years	2,998	2,071
Total	**8,653**	**7,360**

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

RISK MANAGEMENT

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

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

Credit risk mainly affects trade receivables.

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

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

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

Information on the individual risk categories:

1. CREDIT RISK

Credit risk consists of the potential for an economic loss when a contractual partner does not pay on time or fails to meet all or part of the payment obligations. Great emphasis is placed on the management of trade receivables within the Group companies. 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 derivate 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 cash inflows from business operations. Peak financing requirements are covered by the existing liquidity 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 changes related to financing and fluctuations in the market price of securities.

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

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

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

Interest rate risk mainly results from debt financing. According to IFRS 7, interest rate risk is represented by means of a sensitivity analysis. The sensitivity analysis illustrates the effects of hypothetical changes in market interest rates on interest income and expenditure. Had market interest rates been 100 basis points higher or lower during the reporting year, Group net earnings and consolidated equity after minority interests would have been € 462 thousand (previous year: € 512 thousand) lower or higher.

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

Trade receivables denominated in foreign currencies amounted to € 1,636 thousand (previous year: € 1,233 thousand) on the reporting date. This corresponds to 3.8 % (previous year: 3.4 %) of total trade receivables. Receivables are denominated in the following currencies:

€'000	2010/2011	2009/2010
US dollar:	774	244
Singapore dollar:	672	848
Hungarian forint:	64	41
African rand:	126	100

A 10 % fluctuation in exchange rates on the reporting date would have affected both equity and Group net earnings after minority interests by either € -96 thousand or € +117 thousand (previous year: € -71 thousand or € +86 thousand).

INFORMATION ON RELATIONSHIPS WITH AFFILIATED COMPANIES

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

EMPLOYEES

The average number of employees was as follows:

	2010/2011	2009/2010
Factory staff	1,088	1,095
Office staff	574	564
Trainees	86	97
Total	**1,748**	**1,756**

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

EXEMPTION REQUIREMENTS FOR GROUP COMPANIES

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

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

PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements will be published on 7 June 2011 in conjunction with an annual accounts press conference and analysts' meeting in Vaihingen/Enz.

CORPORATE GOVERNANCE

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

The Executive Board holds a total of 0.5 % of company shares. Members of the Supervisory Board hold a total of 0.4 % of company shares.

AUDITOR

The fee included in expenditure for the financial year amounted to € 128 thousand (previous year: € 120 thousand) for the audit of the annual and consolidated financial statements of GESCO AG, € 3 thousand (previous year: € 73 thousand) for other audit services, € 16 thousand (previous year: € 5 thousand) for tax consulting services and € 2 thousand (previous year: € 0 thousand) for other services.

Fees were also incurred in the amount of € 203 thousand (previous year: € 200 thousand) for the audit of consolidated subsidiaries, € 70 thousand (previous year: € 30 thousand) for tax consulting services and € 1 thousand (previous year: € 4 thousand) for other services.

EXECUTIVE BODIES OF THE COMPANY

EXECUTIVE BOARD

Robert Spartmann, Gevelsberg
Member of the Executive Board

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

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

€'000	Fixed remuneration		Variable remuneration		Stock option		Total	
Robert Spartmann	235	(222)	229	(109)	54	(60)	518	(391)
Dr.-Ing. Hans-Gert Mayrose	223	(210)	229	(109)	54	(60)	506	(379)
Total	**458**	**(432)**	**458**	**(218)**	**108**	**(120)**	**1,024**	**(770)**

The stock option values reported are based exclusively on financial-mathematical calculations. This does not mean that Executive Board members have already received a gain. Each Executive Board member received 7,500 stock options.

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

Robert Spartmann	12.5 %
Dr.-Ing. Hans-Gert Mayrose	13.0 %

On the reporting date, defined benefit obligations (DBO) and changes for 2010/2011 came to:

€'000	Pension commitments	Additions
Robert Spartmann	275 (217)	58 (45)
Dr.-Ing. Hans-Gert Mayrose	296 (236)	60 (46)
Total	**571 (453)**	**118 (91)**

Remuneration received by a former member of the Executive Board amounted to € 51 thousand in the financial year (€ 51 thousand). To cover this, the company's pension obligations amounted to € 606 thousand (€ 615 thousand) on 31 March 2011.

SUPERVISORY BOARD

Klaus Möllerfriedrich, Wuppertal
Chairman, Auditor
Chairman of the Supervisory Board:
- COREST AG, Düsseldorf
- TopAgers AG, Langenfeld

Member of the Supervisory Board:
- MicroVenture GmbH & Co. KGaA Beteiligungsgesellschaft, Düsseldorf
- Dr. Ing. Thomas Schmidt AG, Köln

Rolf-Peter Rosenthal, Wuppertal
Deputy Chairman, Retired bank director
Chairman of the Advisory Board:
- Siegfried Leithäuser GmbH & Co. KG, Hamm

Member of the Advisory Board:
- Jackstädt Holding GmbH, Wuppertal
- Coroplast Fritz Müller GmbH & Co. KG, Wuppertal

Deputy Chairman of the Supervisory Board:
- ETRIS Bank GmbH, Wuppertal

Willi Back, Neckargemünd
Retired Chairman of the Executive Board of GESCO AG, Wuppertal
Member of the Advisory Board:
- Metall-Chemie Holding GmbH, Hamburg

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

€'000	Fixed remuneration		Variable remuneration		Total	
Klaus Möllerfriedrich	18	(16)	58	(29)	76	(45)
Rolf-Peter Rosenthal	15	(14)	58	(29)	73	(43)
Willi Back	13	(11)	58	(29)	71	(40)
Total	**46**	**(41)**	**174**	**(87)**	**220**	**(128)**

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 € 38 thousand (previous year € 37 thousand) were paid during the 2010/2011 financial year.

Wuppertal, 24 May 2011

The Executive Board

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

STATEMENT OF THE LEGAL REPRESENTATIVES

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

Wuppertal, 24 May 2011

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
Degedenar 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	90
Dörrenberg International PTE. Ltd., Singapore	95
Frank Walz- und Schmiedetechnik GmbH, Hatzfeld	100
Frank-Hungaria Kft., Òzd, Hungary	100
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern	80
Franz Funke Verwaltungs GmbH, Sundern [2]	100
Georg Kesel GmbH & Co. KG, Kempten	90
Kesel International GmbH, Kempten	100
Kesel & Probst Verwaltungs-GmbH, Kempten [2]	100
Haseke GmbH & Co. KG, Porta Westfalica	100
Haseke Beteiligungs-GmbH, Porta Westfalica [2]	100
Hubl GmbH, Vaihingen/Enz	100
MAE Maschinen- und Apparatebau Götzen GmbH, Erkrath	100
Molineus & Co. GmbH + Co. KG, Wuppertal	100
Grafic Beteiligungs-GmbH, Wuppertal [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
Tomfohrde GmbH & Co. Industrieverwaltungen KG, Wuppertal	100
Tomfohrde GmbH, Wuppertal [2]	100
VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH, Herschbach	100

[1] Share capital held directly or via majority shareholdings
[2] Corporation as the general partner
[3] Special purpose entity according to SIC 12

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
Dörrenberg Special Steels Taiwan LTD., Taiwan	100
Frank Lemeks Tow, Ternopil, Ukraine	75

[1] Share capital held directly or via majority shareholdings

AUDITOR´S REPORT

We have audited the consolidated financial statements prepared by GESCO AG comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the financial year from 1 April 2010 to 31 March 2011. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of Section 315a para. 1 of the German Commercial Code (HGB) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

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

Our audit did not lead to any reservations.

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

Wuppertal, 25 May 2011

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

(Dr. Wollenhaupt)	(Straube)
Auditor	Auditor

REPORT FROM THE SUPERVISORY BOARD

GESCO Group was able to benefit considerably from the economic upturn in financial year 2010/2011. During the upswing it proved right that the Group had hung on to its permanent workforces in the year of the recession and always acted with opportunities in mind, even when it was absolutely necessary to save costs.

In this report, the Supervisory Board provides information about its activities in the financial year 2010/2011. The main topics are its continuous dialogue with the Executive Board and the audit of the annual financial statements and consolidated financial statements.

RE-ELECTION OF THE SUPERVISORY BOARD

The Annual General Meeting on 2 September 2010 re-elected the Supervisory Board members Willi Back, Klaus Möllerfriedrich and Rolf-Peter Rosenthal for another term. At the constitutive meeting of the Supervisory Board, Klaus Möllerfriedrich was appointed Chairman and Rolf-Peter Rosenthal Deputy Chairman.

WORK OF THE SUPERVISORY BOARD

Throughout the reporting year, the Supervisory Board observed the tasks incumbent upon it in accordance with German law and the Articles of Association. These tasks included the regular exchange of information with the Executive Board and the supervision of the company's management. The Supervisory Board was directly involved in all decision-making of fundamental importance to the company. The financial position of GESCO AG and the subsidiaries as well as the internal and external development of the Group were discussed in details. 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. The Supervisory Board received detailed reports of the internal control and risk management system from the responsible employees at its four regular meetings. The Supervisory Board deals with the structure and content of this system. Detailed annual plans of the main subsidiaries were submitted to the Supervisory Board and discussed with the Executive Board Deviations in the course of business from the respective annual plans and objectives were explained to the Supervisory Board in detail and collectively analysed by both the Executive Board and Supervisory Board. The members of the Supervisory Board and the Chairman in particular were also in regular contact with the Executive Board outside Supervisory Board meetings and stayed informed on current trends in the business situation and any significant business transactions. The Supervisory Board thoroughly investigated the reports and proposals for resolutions from the Executive Board and, as far as this was required in accordance with legal and statutory provisions, cast its vote.

Acquisition plans were extensively discussed by the Supervisory and Executive Boards. In the run-up to an acquisition, target companies are also appraised at their locations by a 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. This also applies to an accounting committee, whose tasks are carried out by the entire Supervisory Board. Supervisory Board committees were therefore not created in the financial year 2010/2011.

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

A total of ten Supervisory Board meetings took place in financial year 2010/2011. All members of the Supervisory Board participated in every meeting, except one. The Supervisory Board was also briefed in detail between meetings in the form of written reports on all projects and plans which were of particular importance to the company.

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

CORPORATE GOVERNANCE

The Supervisory Board continuously monitored the development of the corporate governance standard. The Executive Board also reports on behalf of the Supervisory Board on corporate governance at GESCO AG pursuant to Section 3.10 of the German Corporate Governance Code. The Executive Board and Supervisory Board submitted an updated declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) in December 2010 and made it permanently accessible to the shareholders on the company's website. GESCO AG complies with the recommendations of the Government Committee on the German Corporate Governance Code in accordance with the version of the Code published in June 2010 with the exception of the deviations given in the declaration of compliance.

An efficiency audit was carried out in May 2011. It was carried out as a survey based on a structured questionnaire. The questionnaire is filled out separately by the members and results are then documented and evaluated by the Chairman of the Supervisory Board. The audit did not highlight any changes that should be made to the working methods of the Supervisory Board. In 2010, the Chairman of the Supervisory Board participated in training events held by Deutsche Aktieninstitut and the Frankfurt School of Finance and therefore complied with the recommendations of the Corporate Governance Code.

REMUNERATION OF THE EXECUTIVE BOARD

The management report and notes to the consolidated and individual financial statements include detailed information on the structure of Executive Board remuneration. In financial year 2009/2010, the Supervisory Board, with the help of external advisors, assessed the effects of the Act on the Appropriateness of Executive Board Remuneration (VorstAG). The Annual General Meeting approved the amended remuneration system on 2 September 2010.

AUDIT OF ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Corresponding to the legal provisions, the auditor selected by the Annual General Meeting on 2 September 2010, Dr. Breidenbach und Partner GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Wuppertal, was commissioned by the Supervisory Board to audit the annual financial statements and consolidated financial statements on 8 September 2010. The auditor confirmed its independence to us in a letter dated 20 May 2010. 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 2010 to 31 March 2011 by the Executive Board in accordance with the regulations of the German Commercial Code (HGB) and the management report of GESCO AG were audited by the auditor. The auditor issued an unqualified auditor's report.

The consolidated financial statements and Group management report of GESCO Group for the financial year from 1 April 2010 to 31 March 2011 were drawn up by the Executive Board and audited by the auditor on the basis of the International Financial Reporting Standards (IFRS), taking into account Section 315a of the German Commercial Code (HGB). The auditor furnished the consolidated financial statements and Group management report with an unqualified auditor's report.

This year, the focal points of the audit by the auditor for the individual financial statements of GESCO AG were the valuation of investments, accrual and recoverable amount of receivables from associated companies and the completeness and valuation of other provisions. The focal point of the audit of the consolidated financial statements included company acquisition (acquisition of minority interests), impairment tests, reporting of deferred taxes including their corresponding notes and the completeness of the notes to the consolidated financial statements. The complete financial statements as well as the accompanying auditor's reports were sent to all members of the Supervisory Board in good time before the accounts meeting. They were the subject of intensive discussions in the meeting of the Supervisory Board on 24 May 2011. The auditors reported on the main results of the audits and were available to the Supervisory Board for questions and additional information. The auditors gave comprehensive answers to all questions from the Supervisory Board. No objections were raised to the annual financial statements and the management report after the final result of the audit carried out by the Supervisory Board. After its own audit of the annual financial statements, the consolidated financial statements, the management report and the Group management report, the Supervisory Board approved the result of the audit by the auditor and accepted the annual financial statements and the consolidated financial statements in the meeting on 26 May 2011. 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.

Wuppertal, 31 May 2011

Klaus Möllerfriedrich
Chairman of the Supervisory Board

FINANCIAL CALENDAR / SHAREHOLDER CONTACT

FINANCIAL CALENDAR

7 June 2011
Annual Accounts Press Conference and Analysts' Meeting

21 July 2011
Annual General Meeting in the Stadthalle, Wuppertal

August 2011
Announcement of figures for the first quarter (01.04.-30.06.2011)

November 2011
Despatch of the interim report (01.04.-30.09.2011)

February 2012
Announcement of figures for the first nine months (01.04.-31.12.2011)

28 June 2012
Annual Accounts Press Conference and Analysts' Meeting

August 2012
Announcement of figures for the first quarter (01.04.-30.06.2012)

30 August 2012
Annual General Meeting in the Stadthalle, Wuppertal

November 2012
Despatch of the interim report (01.04.-30.09.2012)

SHAREHOLDER CONTACT

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please let us know and ask to be included
on our mailing list.

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GESCO PLUS:
CREATING ADDED VALUE.

GESCO GROUP:
SPOTLIGHT ON KEY SUBSIDIARIES.

GESCO PLUS

THIS IS THE SLOGAN OF OUR ANNUAL REPORT THIS YEAR. THE PHRASE REPRESENTS THE PLUS SIGN, FOR ADDED VALUE, FOR SOMETHING EXTRA.

FOR INDIVIDUAL ELEMENTS THAT ARE INTEGRATED WITH AN INTELLIGENT CONCEPT. WITH A GROUP THAT STRENGTHENS ITS MEMBERS.

THIS WAY, WE CAN CREATE ADDED VALUE FOR EVERYONE INVOLVED.

+ ADDED VALUE FOR THE BUSINESS OWNERS WHO ENTRUST THEIR LIVES' WORK TO GESCO'S CAPABLE STEWARDSHIP.

+ ADDED VALUE FOR EMPLOYEES, WHOSE JOBS WILL SEE CONTINUED DEVELOPMENT THANKS TO INVESTMENTS AND INNOVATIONS.

+ ADDED VALUE FOR THE NEW MANAGERS, WHO CAN ACT INDEPENDENTLY AND SHAPE COMPANIES' OPERATING BUSINESS WHILE AT THE SAME TIME BENEFITTING FROM A STRONG GROUP.

+ ADDED VALUE FOR CUSTOMERS IN THE FORM OF EXCELLENT TECHNOLOGY, SOPHISTICATED SERVICES, CLOSENESS AND SUPPORT.

+ ADDED VALUE FOR GESCO'S SHAREHOLDERS IN THE FORM OF DIVIDENDS AND SHARE PRICE PERFORMANCE.

IDEA

+ A slimline holding as a parent company for a group of strategically interesting industrial companies. GESCO acquires majority holdings on a long-term basis, with succession issues forming a speciality.

WHAT'S IMPORTANT TO US – HOW WE VIEW OURSELVES

+ Earning power, solid finances, a strong balance sheet with high equity levels and moderate liabilities. These form the foundation for external and internal growth, for strategic freedom and for our ability to pay our investors their dividends.
+ Sustainability, predictability and transparency.
+ Fairness and reliability as the basis for a positive, constructive climate within GESCO Group.

TRADITION

VISION

FOUNDATION

+ In 1989 by a group of private businesspeople associated with SMEs in the Bergisches Land region.

12

EMPLOYEES ARE COMPRISED BY THE STREAMLINED HOLDING COMPANY OF GESCO THEIR TASKS: MONITORING AND SUPPORTING THE EXISTING SUBSIDIARIES, IDENTIFYING NEW COMPANIES AND INTERFACING WITH THE CAPITAL MARKETS.

HISTORY

+ Our business model has essentially remained unchanged since our foundation.
+ Our IPO took place in 1998.
+ 2005 and 2007 saw “small” capital increases of just under 10 %.
+ Our shares have been listed on the SDAX since 2008.
+ Over the years, we have created a portfolio which currently comprises 14 directly held subsidiaries.
+ Today, GESCO AG is an established name, and it enjoys a good reputation with entrepreneurs, among companies involved in M&A and the capital market.

SUCCESSION

~22,000

COMPANIES THROUGHOUT GERMANY ARE FACED WITH THE ISSUE OF SUCCESSION EACH YEAR. IN FEWER THAN HALF OF THESE CASES DOES POWER GET TRANSFERRED WITHIN THE FAMILY.

(SOURCE:
IFM INSTITUT FÜR MITTELSTANDSFORSCHUNG, BONN)

TYPICAL SUCCESSION ISSUES: THE "CLASSICAL" SITUATIONS

+ Thanks to our extensive M&A network, we receive offers from companies which have been tendered for sale.
+ If these companies meet our criteria, all sides reach an agreement regarding the sale and due diligence investigations come to a positive conclusion, GESCO AG purchases 100 % of shares from the original owners. This solves the issue of succession with regard to the company´s ownership.
+ As company owners of SMEs are generally at the same the firms' managers, succession within management is another matter that has to be sorted out.
+ If there is no suitable candidate within the company that has been acquired, the original owner retains the position of manager until their successor has been found and trained in by him.
+ We work to ensure that actual joint handover period remains short – ranging from three to max. six months.
+ After a period of acclimatisation, the successor managers acquire a stake in the company that they now lead. Depending on the size of this company, this stake typically ranges between 10 % and 20 %.
+ This structure ensures that the interests of all participants in the company are balanced. Both sides are dedicated to achieving adequate annual dividend payments, and both also work to achieve long-term positive development at the group's subsidiaries. These companies are not "bled dry": instead, the owners place great value on ensuring that the firms' technology and HR policies remain sustainable and competitive.

UPTURN

ACQUISITION + DEVELOPMENT

- We buy healthy companies that show potential for further development. We avoid companies that need extensive restructuring.
- Changing management is always something of a risk, but it also represents opportunities: new ideas, frequently an increase in export activities, stronger affinity with contemporary management and leadership techniques.
- Investment activities are also less prone to restrictions at a company that is managed by a professional institute than at companies led by a single owner. Our actions take advantage of opportunities and, if the situation demands, we can undertake substantial investments to ensure that a company can substantially expand its activities.

MACHINES + PEOPLE

THE KEY TO SUCCESS: STAFF

+ Our subsidiaries develop and produce cutting-edge technological products and provide their customers with professional services. In this demanding, knowledge-intensive setting, it is the staff at each company which represent the key to success.
+ For this reason, we believe that human resource issues are strategic tasks of decisive importance. We have in place a range of active training policies, and we have positioned our subsidiaries as attractive employers.
+ Strong employee identification with their employers, their commitment to high productivity and understanding for their companies' larger requirements are the hallmarks of well-managed SMEs and family-run companies. This attitude is something that we work to maintain and support at the businesses in our portfolio.

INVOLVED + MOTIVATED: MANAGEMENT

+ Our managers are experts within their sectors and have proven their leadership skills; they steer their companies' independent operating activities, manage the firms' internal actions and represent them to the outside world.
+ What we want are people who are capable of handling the very real responsibilities that come with SMEs, and who also want to play an active role in shaping these companies' futures.
+ The participating managers may be minority stakeholders, but they pay the going market rate for their share in the companies they lead and thereby displayed their entrepreneurialism.

>€ 50 MILLION

INVESTMENTS IN
PROPERTY, PLANT AND
EQUIPMENT ONLY IN THE
PAST FIVE YEARS.

STATE OF THE ART: MACHINE PARKS

+ As a long-term investor, when purchasing a company, we pay attention to its unique selling points and to its market entry barriers. For GESCO´s subsidiaries, such advantages are usual technology-driven and can affect products, processes, techniques or services.
+ Regular investment in machinery and equipment are something we undertake as a matter of course: this is the only way that we can ensure that our companies can thrive in the medium and long terms.
+ If our customers require it, we are also ready to undertake anti-cyclical investments. For example, when the recession was at its most severe in 2009, a new Trumpf punch laser processing centre was acquired by Hubl GmbH, and a new production hall was construced for VWH Vorrichtungs- und Werkzeug-bau Herschbach GmbH. These investments already contributed to results in 2010.

METAL + PLASTICS

GESCO GROUP'S SEGMENTS

+ GESCO AG divides its portfolio into two segments: tools manufacturing/mechanical engineering and plastics technology. Each subsidiary is assigned to one of these two segments, and this twofold division of the group is also reflected in the segment subdivisions in the group's annual reports.
+ This separation enables GESCO to present a sharp profile to the capital market: GESCO's portfolio is not a "pick and mix" of companies but is instead that of a clearly defined industrial group.
+ Within Germany, both segments include a number of very different business models – the German engineering sector is of itself an industry which displays a high degree of diversity.
+ These segments also facilitate the creation of a varied customer base – this diversification is very important to us as it helps us counteract dependency on particular sectors and overcome cyclical developments.
+ Over the years, GESCO AG has established its own expertise within these segments, and we possess the necessary know-how to deliver expert consultancy services for our subsidiaries.
+ When evaluating and judging takeover candidates, we can also count on professional information from our subsidiaries, with their experts and industry insiders.

CASH

EQUITY

FINANCES

- Solid finances are the precondition for operating success and companies' capacity to engage in strategic activities.
- Solid finances include several factors, including strong equity (currently 44 % within the group, 70 % at GESCO AG and approximately 30 % at each of the subsidiaries), adequate liquidity and moderate liabilities (our ratio of EBITDA to net bank loans is currently under 1; a factor of 3 would represent the upper level for us).
- Goodwill is currently at a level of merely 6 % of equity.
- Solid finances are the result of years of pursuing sustainable policies.

PARENT SUBSIDIARY

LIFE WITHIN THE GROUP

+ While each of its subsidiaries enjoys its independence, GESCO AG nonetheless places great emphasis on fostering a constructive climate of partnership within the group.
+ As part of annual meetings, managers from the different companies can get to know their peers within the group in person and obtain insights into the activities of the other companies by taking part in tours of firms. In this way, they can identify opportunities for collective undertakings, which can extend from joint purchasing activities to mutual customer-supplier relationships.
+ No matter what kind of joint activities arise, they are always entirely voluntary in nature – they only occur if both sides believe they will benefit from this collective action. Cooperation is never “ordained from on high”: this would undermine the autonomy of the separate companies and dilute the responsibility they all have for themselves.

OPERATING INDEPENDENCE + ACTIVE SUPPORT

+ GESCO AG acquires its subsidiaries on a stand-alone basis: each has to be independently successful, each acquisition has to viable on its own.
+ For this reason, synergies play no role when purchasing companies, so we do not need to pay inflated purchase prices in the hope of benefitting from them.
+ The companies operate independently of each other: GESCO does not dictate their day-to-day activities from its headquarters in Wuppertal.
+ At the same time, the holding actively accompanies and supports the activities of our subsidiaries.
+ The business framework for all business activities is laid out in a detailed annual plan which is worked out and finalised by the managers of the individual companies working in tandem with GESCO's executive board.
+ Every month, the subsidiaries submit their business figures to the holding, which then integrates them with the management information system and consolidates them for the group as a whole.
+ Monthly talks held at the subsidiaries' premises give the relevant business administration executives and the individual company's financial experts the opportunity to analyse these figures.
+ At least once every quarter, one of GESCO's two executive board members holds talks with the management at each of the group's subsidiaries. The discussions focus on the current economic situation, identify opportunities and risks and work on strategy-related issues.
+ A strategy conference takes place annually at every subsidiary. The individual company's management and top-level figures work with the executive board and corresponding business administration executives to conduct an extensive analysis, proposing business scenarios and measures that are eventually included in task lists.
+ GESCO AG plays an actively supportive role in numerous special issues, from introducing ERP systems to establishing sales activities outside of Germany.

FAMILY-RUN COMPANY

CAPITAL MARKET

HAVING THE VERY BEST OF BOTH WORLDS

+ As a general rule, we purchase family-run companies, businesses that are managed by their owners – companies which are believed to be particularly viable. They display a host of features: long-term thinking, sensible staff policies, employees' strong identification with their companies, operative strength and flexibility, a readiness to make important decisions, closeness to markets and customers. "Sustainability" is a word that is frequently mentioned.
+ These are the strengths which we wish to maintain after acquiring a country, because they are what make a company successful.
+ All the same, many SMEs need a certain amount of streamlining, and certain features can benefit from optimisation. Bookkeeping and accounting practices are a typical starting point, not all companies have the most modern software for planning and steering production processes, and the vital, systematic handling of strategic issues can sometimes fall victim to the pressures arising from the day-to-day running of a company. If weaknesses like this are apparent at a subsidiary, we work together with its management to ameliorate the situation.
+ GESCO AG is also a company listed on the stock market, with all of the obligations and visibility that this entails – openness in accounting, high transparency for the benefit of our shareholders, the capital market and wider public.
+ This openness and accountability are something that a lot of sellers view positively. The fact that we have to publicly live up to their statements only serves to strengthen trust in our group.
+ Our summary: the spirit of SMEs is definitely something that can be successfully combined with activities on the capital market.

OUR ULTIMATE GOAL…

… IS TO ENSURE THAT THE COMPANIES WITHIN GESCO GROUP ARE MORE SUCCESSFUL THAN THEIR COMPETITORS. OUR SUCCESS RESULTS FROM A PARTICULARLY POTENT COMBINATION: THE FLEXIBILITY OF STREAMLINED UNITS AND THE POWER AND KNOW-HOW OF A STRONG GROUP.

INDEPENDENT OPERATIONS THAT ARE PART OF A STRONG GROUP.

AN OVERVIEW OF THE MAIN OPERATING SUBSIDIARIES AND THEIR PRODUCTS, MARKETS AND MANAGEMENT.

GESCO AG'S SIGNIFICANT HOLDINGS

Company	Sales 2010 €'000	Staff 31.12. 2010	GESCO AG shareholding in %
Ackermann Fahrzeugbau GmbH, Wolfhagen	7,590	70	80
AstroPlast Kunststofftechnik GmbH & Co. KG, Sundern	11,822	69	80
Paul Beier GmbH Werkzeug-und Maschinenbau & Co. KG, Kassel	6,964	84	80
Dömer GmbH & Co. KG Stanz- und Umformtechnologie, Lennestadt	11,546	90	100
Dörrenberg Edelstahl GmbH, Engelskirchen-Ründeroth	140,188	463	90
Frank-Group, Hatzfeld	25,427	258	100
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern	14,300	75	80
Haseke GmbH & Co. KG, Porta Westfalica	10,498	48	100
Hubl GmbH, Vaihingen/Enz	11,012	102	80 *)
Georg Kesel GmbH & Co. KG, Kempten	7,027	48	90
MAE Maschinen- und Apparatebau Götzen GmbH, Erkrath	25,211	120	100
Setter-Group, Emmerich	12,533	67	100
SVT GmbH, Schwelm	38,904	168	90
VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH, Herschbach	9,831	99	100

*) Until 31.03.2011: 100%

MICHAEL TABOURATZIDIS,
MANAGING DIRECTOR

ACKERMANN FAHRZEUGBAU GMBH, WOLFHAGEN
FOAMING + INSULATING

STRATEGY AND BUSINESS SEGMENTS

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

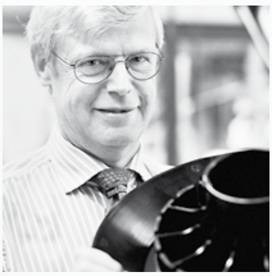
GESCO AG shareholding	80 %
Management shareholding	20 %
Capital ratio (31.12.2010)	46.0 %
2010 sales (in € million)	7.6 (+2.4 %)
Staff (31.12.2010)	70 (-1.4 %)
Member of the GESCO Group	since 15.05.1996

FINANCIAL YEAR 2010

The recession's impact on the commercial vehicles sector came particularly quickly and was especially severe. However, the market segments which Ackermann services continued to suffer from oversupply and resulting low prices for standard vehicles and trailers in 2010. After weathering the depths of the crisis in 2009, Ackermann recovered with sales growing by 2.4 %, a moderate performance that was unable to produce the same level of sales than before the crisis. Declining domestic demand stood in stark contrast to flourishing exports, with the company's export ratio climbing from 5 % to 12 %.

OUTLOOK AND GOALS FOR 2011

Ackermann forecasts that demand will be higher in 2011, especially for temperature-controlled transportation and it expects further increases in sales.



DR. WOLFGANG KEMPER,
MANAGING DIRECTOR

ASTROPLAST KUNSTSTOFFTECHNIK GMBH & CO. KG, SUNDERN
SPOOLS + TECHNICAL COMPONENTS

GESCO AG shareholding	80 %
Management shareholding	20 %
Capital ratio (31.12.2010)	38.1 %
2010 sales (in € million)	11.8 (+32.6 %)
Staff (31.12.2010)	69 (+1.5 %)
Member of the GESCO Group	since 01.05.1995

STRATEGY AND BUSINESS SEGMENTS

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

FINANCIAL YEAR 2010

AstroPlast was able to expand is business considerably, both its own programme and for technical parts, and produce growth of 32.6 %. Its export ratio rose to 22 % (previous year: 13 %), returning to its pre-crisis level.

OUTLOOK AND GOALS FOR 2011

The company remains optimistic for 2011 and plans to further increase sales growth. AstroPlast will expand its capacity with a new 1,000 ton machine.

SIEGFRIED HEINRICH,
MANAGING DIRECTOR

PAUL BEIER GMBH WERKZEUG- UND MASCHINENBAU & CO. KG, KASSEL
GRADING TOOLS + PRECISION PARTS

STRATEGY AND BUSINESS SEGMENTS

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

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

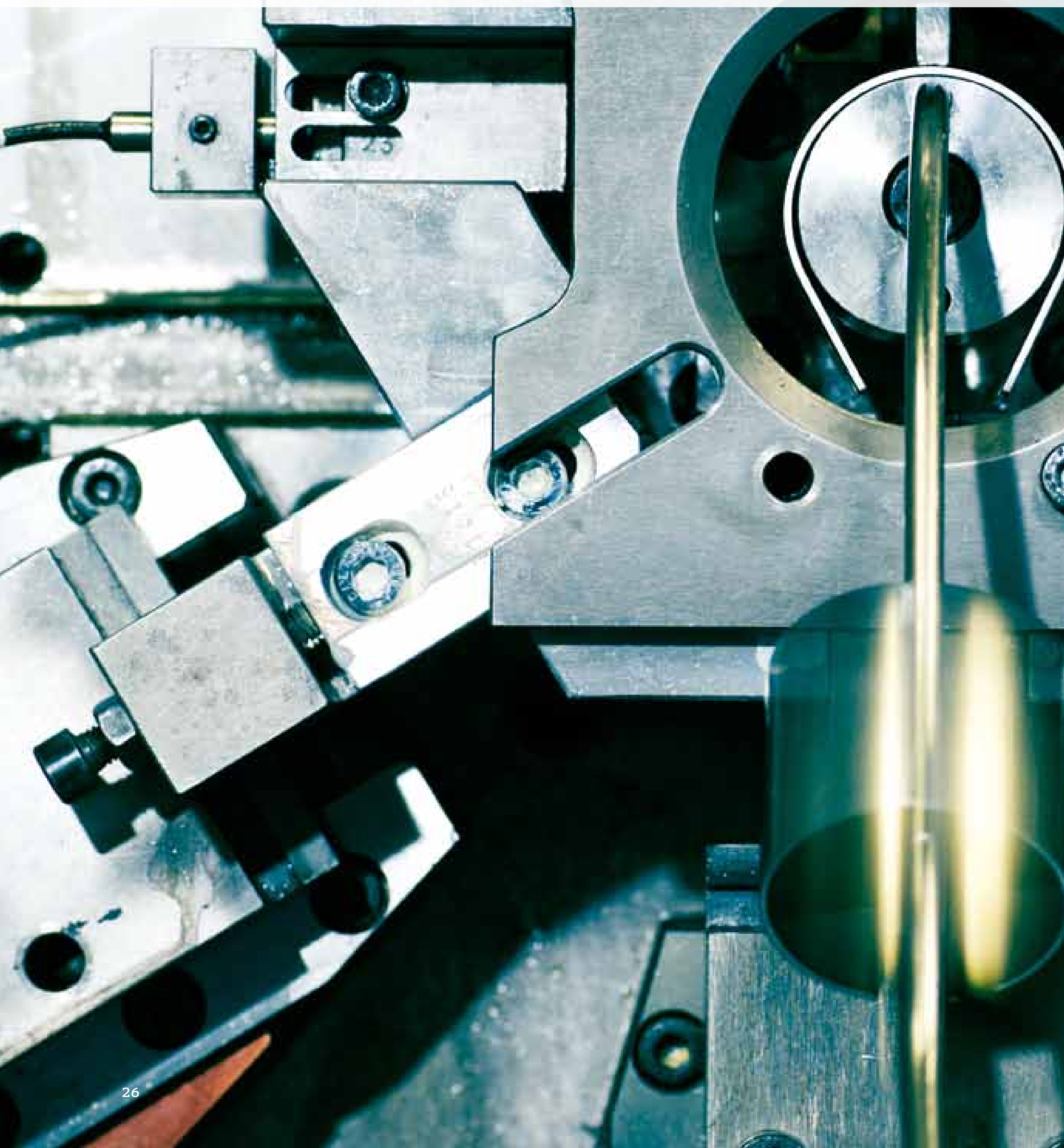
GESCO AG shareholding	80%
Management shareholding	20%
Capital ratio (31.12.2010)	62.2%
2010 sales (in € million)	7.0 (-23.4%)
Staff (31.12.2010)	84 (-1.2%)
Member of the GESCO Group	since 01.04.1999

FINANCIAL YEAR 2010

The recession's impact on Beier was delayed and the company finished the 2010 financial year as expected, with a significant dip in sales. This was largely due to the sluggish rate of incoming orders in 2009, which meant that Beier started 2010 with a low level of orders on its books. While the machinery segment was able to hold its ground in terms of sales, output fell considerably in tool manufacturing.

OUTLOOK AND GOALS FOR 2011

Beier expects the new financial year, 2011, to produce significant growth in sales. Some major contracts signed in 2010 with customers in Germany and abroad will have an impact on business developments in 2011.



DR. JOCHEN ASBECK,
MANAGING DIRECTOR

DÖMER GMBH & CO. KG STANZ- UND UMFORMTECHNOLOGIE, LENNESTADT
STAMPING + BENDING

GESCO AG shareholding	100 %
Capital ratio	43.7 %
2010 sales (in € million)	11.5 (+38.4 %)
Staff (31.12.2010)	90 (+7.1 %)
Member of the GESCO Group	since 30.08.2005

STRATEGY AND BUSINESS SEGMENTS

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

FINANCIAL YEAR 2010

Dömer used the crisis in 2009 to push forward with innovations and expand its customer base and number of sectors it supplies. In 2010, the company chalked up a substantial sales increase of 38.4 %, putting it back on the same level as in the years prior to the crisis. The upswing in demand was visible in several sectors, including the automotive and rail vehicle industries.

OUTLOOK AND GOALS FOR 2011

Dömer expects business to remain buoyant in 2011 and believes that sales will continue to rise.

GERD BÖHNER (L.) AND
DR. FRANK STAHL,
MANAGING DIRECTORS

DÖRRENBERG EDELSTAHL GMBH, ENGELSKIRCHEN-RÜNDEROTH
METALLURGY + CONSULTING

STRATEGY AND BUSINESS SEGMENTS

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

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

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

FINANCIAL YEAR 2010

The company was able to benefit substantially from the economic upswing and increased its sales on the previous year's figures by 48.7 %.

OUTLOOK AND GOALS FOR 2011

Dörrenberg is confident for 2011 and forecasts continued sales growth.

GESCO AG shareholding	90 %
Management shareholding	10 %
Capital ratio (31.12.2010)	54.7 %
2010 sales (in € million)	140.2 (+48.7 %)
Staff (31.12.2010)	463 (-3.7 %)
Member of the GESCO Group	since 01.01.1996

ANDREAS MOSLER,
MANAGING DIRECTOR

FRANK-GROUP, HATZFELD
ROLLING + FORGING

STRATEGY AND BUSINESS FIELDS

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

GESCO AG shareholding	100 %
Capital ratio (31.12.2010)	38.6 %
2010 sales (in € million)	25.4 (-6.0 %)
Staff (31.12.2010)	258 (+0.4 %)
Member of the GESCO Group	since 01.08.2006

FINANCIAL YEAR 2010

Sales at the Frank group displayed a slight negative trend in 2010. The economic situation for the group's customers remained difficult, particularly in eastern Europe.

OUTLOOK AND GOALS FOR 2011

Frank has an optimistic outlook for 2011 and believes sales will increase.

DR. WOLFGANG KEMPER,
MANAGING DIRECTOR

FRANZ FUNKE ZERSPANUNGSTECHNIK GMBH & CO. KG, SUNDERN
BRASS + MACHINERY

GESCO AG shareholding	80 %
Management shareholding	20 %
Capital ratio (31.12.2010)	26.8 %
2010 sales (in € million)	14.3 (+20.9 %)
Staff (31.12.2010)	75 (+13.6 %)
Member of the GESCO Group	since 01.05.1995

STRATEGY AND BUSINESS SEGMENTS

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

FINANCIAL YEAR 2010

After the severe downturn in 2009, Funke managed to increase its sales in 2010 by 20.9 % and expand its customer base. The main reason for this performance was particularly robust demand from the heating, plumbing and air-condition sectors.

OUTLOOK AND GOALS FOR 2011

The company views 2011 as a year for consolidation and expects sales to hold steady at 2010's levels.

UWE KUNITSCHKE,
MANAGING DIRECTOR

HASEKE GMBH & CO. KG, PORTA WESTFALICA
ERGONOMICS + DESIGN

STRATEGY AND BUSINESS SEGMENTS

Haseke manufactures ergonomically optimised interfaces between man and machine, e.g. equipment for optimally placing monitors or operator panels in working environments. The company develops and sells applications for medical technology and solutions for industrial and office technology that use its "raise, lower, swivel" concept.

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

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

FINANCIAL YEAR 2010

While the company's medical division saw negative growth in the 2010 financial year, its industrial segment displayed a strong performance after recession-plagued 2009. Total sales were practically unchanged from the previous year. The company successfully increased its export quota from 3.4 % to 9.6 %, a result shaped to a certain degree by expansion into the French market.

OUTLOOK AND GOALS FOR 2011

2011 will, Haseke believes, deliver promising developments for both of its business segments, and the company expects rising sales.

GESCO AG shareholding	100 %
Capital ratio (31.12.2010)	37.7 %
2010 sales (in € million)	10.5 (unchanged)
Staff (31.12.2010)	48 (+4.3 %)
Member of the GESCO Group	since 01.01.1990

RAINER KIEFER,
MANAGING DIRECTOR

HUBL GMBH, VAIHINGEN/ENZ
HIGH-GRADE STEEL + DESIGN

GESCO AG shareholding	80 %
Management shareholding	20 %
Capital ratio (31.12.2010)	40.6 %
2010 sales (in € million)	11.0 (+49.3 %)
Staff (31.12.2010)	102 (+20.0 %)
Member of the GESCO Group	since 01.01.2002

STRATEGY AND BUSINESS SEGMENTS

Hubl GmbH was founded in 1976 and develops and produces high-end precision machine cladding, coverings, housings and stainless steel sheet components. Important consumers include the photovoltaic, semiconductor, clean room engineering, air conditioning technology and food technology sectors as well as the pharmaceutical and medical technology industries and also mechanical engineering. Hubl's strengths include the construction department with its excellent staff and state-of- the-art equipment as well as a high quality machine park. Using its creativity and flexibility the company develops superior solutions with sophisticated designs. Hubl has positioned itself as a system supplier to a wide range of customers and sectors, and provides complex development and construction services to its customers or is actively involved in respective customers' processes. The company focuses on product development, custom-made products and small series equipment.

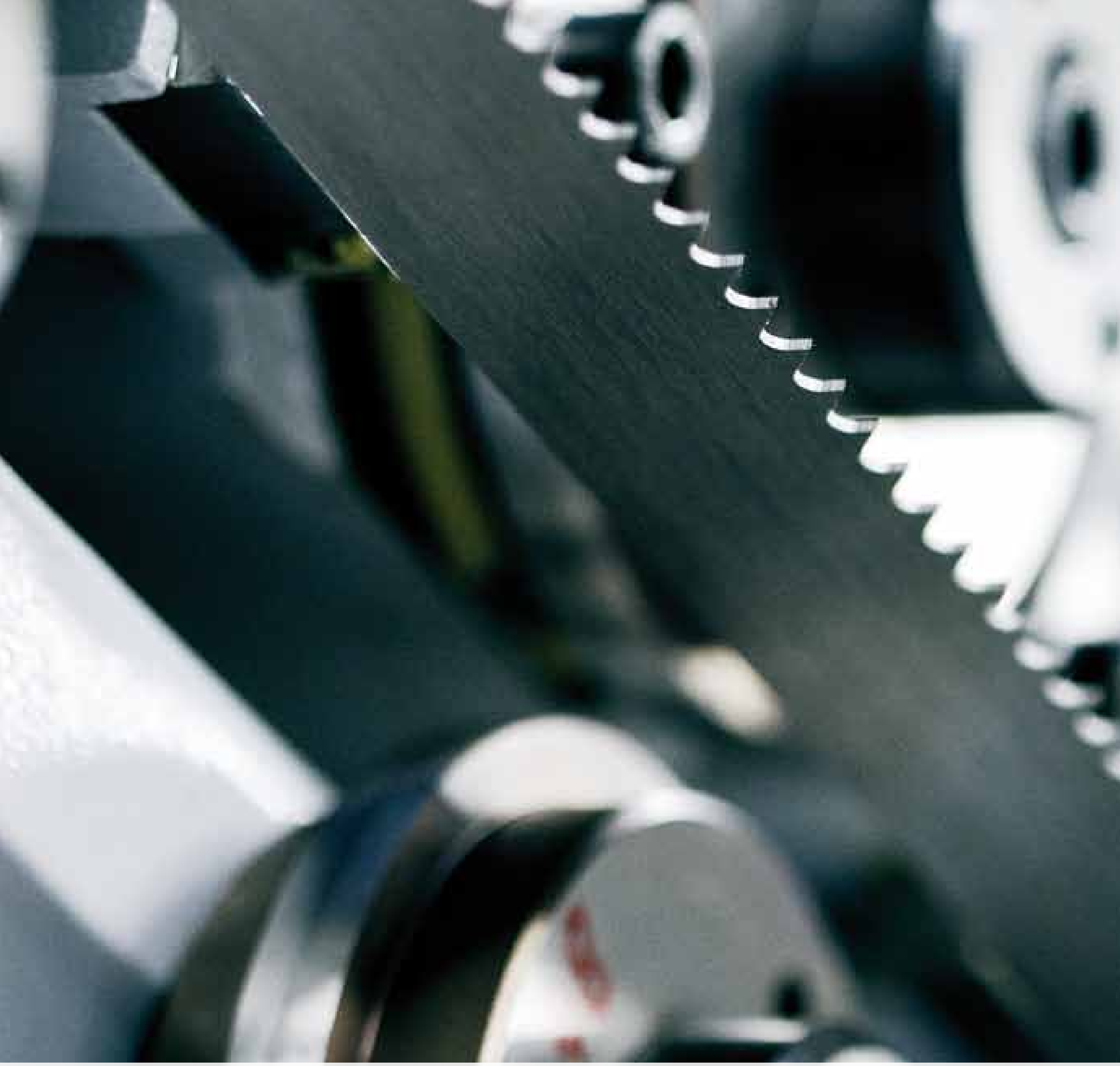
FINANCIAL YEAR 2010

In recession-hit 2009, Hubl undertook an anticyclical investment, acquiring an ultramodern centre for punch laser processing from Trumpf, and also introduced an ERP system for optimising its processes. The company began to benefit from the fruits of this investment as early as in 2010. Demand grew apace, the company's mix of customer segments was optimised and Hubl's own innovations contributed to expanding its business activities. The sectors which saw the strongest development were the segments for semiconductors, photovoltaics and medical/pharmaceuticals.

OUTLOOK AND GOALS FOR 2011

The company is confident that 2011 will also be a good year, and it expects there to be further sales growth.

In May 2011, after the end of the reporting period, manager Rainer Kiefer bought 20 % of Hubl GmbH shares from GESCO AG.



MARTIN KLUG,
MANAGING DIRECTOR

GEORG KESEL GMBH & CO. KG, KEMPTEN
MILLING MACHINES + CLAMPING SYSTEMS

STRATEGY AND BUSINESS SEGMENTS

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

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

GESCO AG shareholding	90 %
Management shareholding	10 %
Capital ratio (31.12.2010)	48.3 %
2010 sales (in € million)	7.0 (+10.9 %)
Staff (31.12.2010)	48 (+14.3 %)
Member of the GESCO Group	since 23.04.2009

FINANCIAL YEAR 2010

After the recession peaked in 2009, Kesel was able to grow its sales by 10.9 % in 2010. Demand rose impressively, above all in the second half of the year. The export ratio stood at 74 % compared with 89 % in the previous year. Kesel International GmbH was founded as a wholly-owned subsidiary in 2010 to strengthen the company's performance outside Germany, with Asia's markets being a particular focus of attention.

OUTLOOK AND GOALS FOR 2011

In Q4 2010, Kesel registered a clear increase in incoming orders, and the company will see strong sales growth in 2011.

RÜDIGER GÖTZEN,
MANAGING DIRECTOR

MAE MASCHINEN- UND APPARATEBAU GÖTZEN GMBH, ERKRATH
POWER + CONTROL

GESCO AG shareholding	100 %
Capital ratio (31.12.2010)	58.6 %
2010 sales (in € million)	25.2 (-2.8 %)
Staff (31.12.2010)	120 (+4.3 %)
Member of the GESCO Group	since 01.01.1997

STRATEGY AND BUSINESS SEGMENTS

The company, founded in 1931, is a global leader in automatic levelling machines as well as in wheel presses for rolling stock. In recent years, ground-breaking innovations have enabled the company to expand its market position in both product groups and win over new target groups. These activities are complemented by a standard range of manual level presses and special machines for clearing, assembling, checking and forming. Major customer sectors are the automotive and automotive supply industry, railway vehicle manufacturers and maintenance workshops, mechanical engineering and the machine tools and steel industries.

FINANCIAL YEAR 2010

MAE defied widespread trends during 2009, when the economic crisis was at its peak, to close the year with its best annual results ever. Its performance in 2010 virtually replicated the record-breaking results from 2009. Developments were particularly impressive in the rail segment, where MAE profited with its wheel pressing activities due to infrastructure expansion projects in emerging markets. Incoming orders lay significantly above sales in 2010 and approached a new record for the company. The export quota remained almost unchanged at 51 % (previous year: 52 %).

OUTLOOK AND GOALS FOR 2011

MAE's order books are full, and 2011 will see the company increase its sales still further. In May 2011, it built the largest levelling machine in its history. The machine possesses 25,000 kN of press force. In 2011, the company will invest in considerably expanding its spacial production capacities.

ROBERT PRAGER,
MANAGING DIRECTOR

SETTER-GROUP, EMMERICH
PAPER + PLASTIC STICKS

GESCO AG shareholding	100 %
Capital ratio (31.12.2010)	87.9 %
2010 sales (in € million)	12.5 (+20.9 %)
Staff (31.12.2010)	67 (+28.8 %)
Member of the GESCO Group	since 30.04.2004

STRATEGY AND BUSINESS SEGMENTS

Setter Group was founded in 1963 and comprises Setter GmbH & Co. Papierverarbeitung and its wholly-owned subsidiary Q-Plast GmbH & Co. as well as HRP Leasing GmbH. The company produces plastic and paper sticks and generates some 90 % of its sales revenue from exports. It also sees itself as the quality and volume leader in this niche market. Setter supplies companies in the sweets and hygiene industry. The sticks are used in products like lollipops or in medical and consumer cotton buds.

FINANCIAL YEAR 2010

Setter Group performed very well during 2009 despite the recession, and it was able to go against the general trend by upping sales in 2010.

OUTLOOK AND GOALS FOR 2011

Setter remains confident for 2011.

KLAUS MERTENS,
MANAGING DIRECTOR
UNTIL 31.12.2010

HARM STÖVER,
MANAGING DIRECTOR
SINCE 01.01.2011

SVT GMBH, SCHWELM
LOADING TECHNOLOGY + SAFETY

GESCO AG shareholding	90 %
Management shareholding	10 %
Capital ratio (31.12.2010)	58.7 %
2010 sales (in € million)	38.9 (-8.0 %)
Staff (31.12.2010)	168 (+1.2 %)
Member of the GESCO Group	since 01.01.2002

STRATEGY AND BUSINESS SEGMENTS

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

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

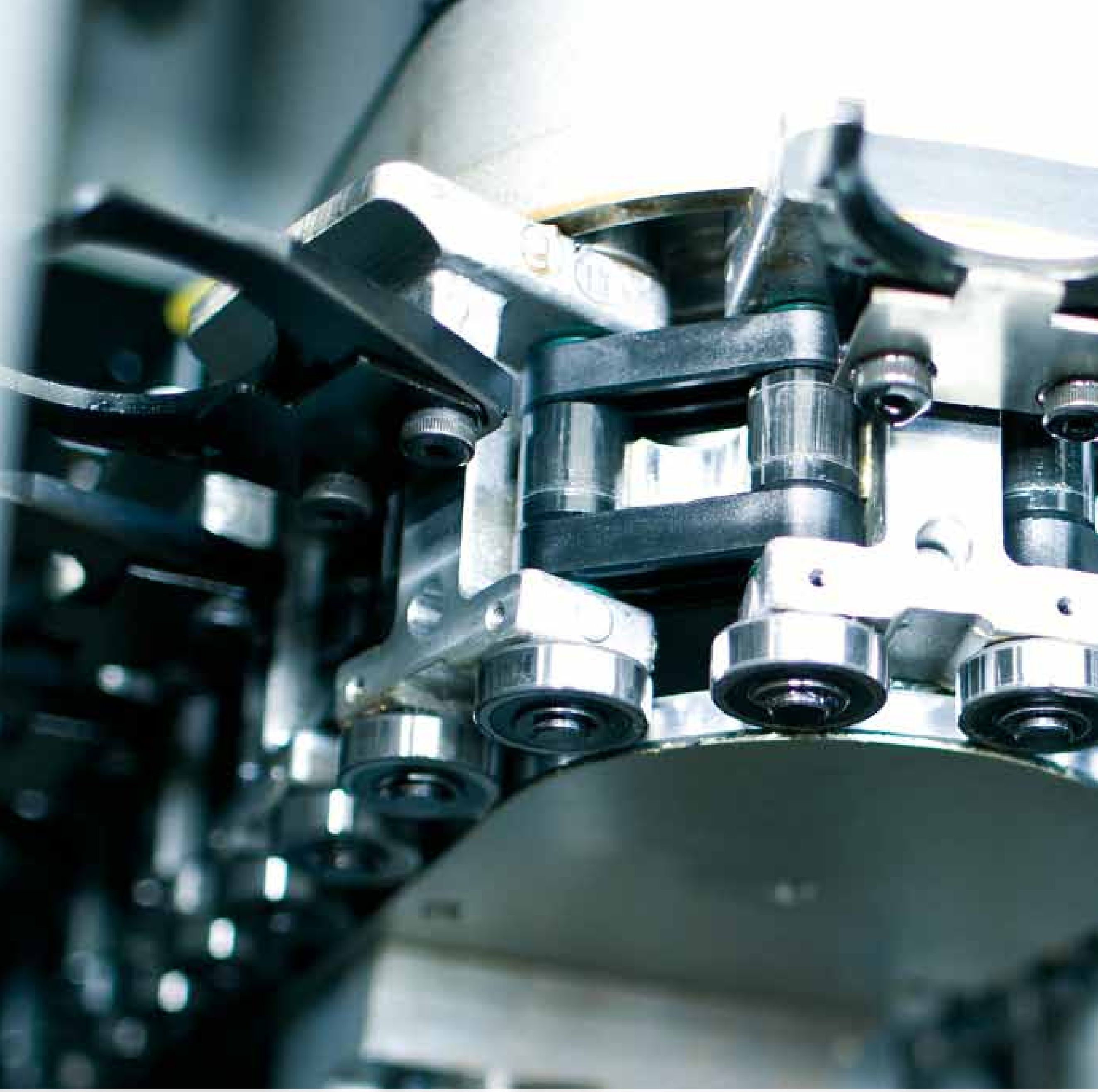
FINANCIAL YEAR 2010

SVT can look back on several years of growth, and in 2010 it achieved the second-highest sales figures in its corporate history. Its export quota stood at 84 % (previous year 80 %).

At the end of 2010, long-serving managing director Klaus Mertens stepped down from his position to retire. Harm Stöver was appointed to replace him starting on 1 January 2011. He has been at SVT for several years, having previously held the position of technical manager.

OUTLOOK AND GOALS FOR 2011

SVT's outlook remains positive. The company believes that 2011 will again be a good year and that sales will grow.



THOMAS STURM,
MANAGING DIRECTOR

VWH VORRICHTUNGS- UND WERKZEUGBAU HERSCHBACH GMBH, HERSCHBACH
AUTOMATION TECHNOLOGY + MOULD CONSTRUCTION

STRATEGY AND BUSINESS SEGMENTS

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

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

GESCO AG shareholding	100 %
Capital ratio (31.12.2010)	30.2 %
2010 sales (in € million)	9.8 (+15.0 %)
Staff (31.12.2010)	99 (unchanged)
Member of the GESCO Group	since 25.04.2007

FINANCIAL YEAR 2010

At the start of 2010, VWH brought a new assembly hall on-line after completing construction in 2009. The new hall is designed for constructing and testing large components and systems, something that was not possible in the company's previous premises. 2010 also saw demand from VWH's customers pick up, and sales at the company also increased significantly.

OUTLOOK AND GOALS FOR 2011

VWH predicts that 2011's sales will remain at the level of the previous year.

GESCO AG + JOHANNISBERG 7 + D-42103 WUPPERTAL + WWW.GESCO.DE