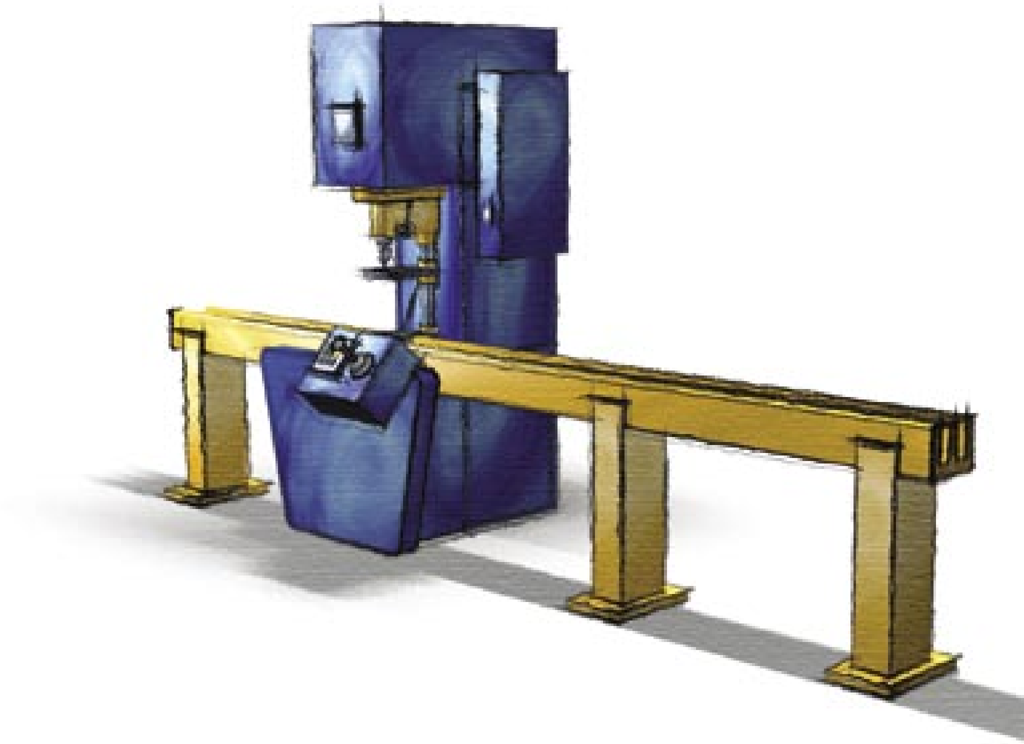
GESCO AG · GESCO GROUP



Tradition
Innovation
Vision

ANNUAL REPORT 2004/2005

The theme of this year's annual report

The theme of this year's annual report is entrepreneurs. Business founders, owners of small and medium-sized businesses, managing partners – these are the people who drive economic growth in Germany. They maintain and create jobs, invest in locations and pay the taxes which enable our communities to survive.

Just like business models, entrepreneurs come in all different guises, but they all share certain characteristics. They are prepared to take risks, they have drive and dedication and staying power. They have the ability to identify enthusiastically with targets and goals and to generate such enthusiasm in others. They are willing to take responsibility and pay a high price at a personal level for doing so. Some of these entrepreneurial characteristics are highlighted in the annual report to help dispel the public image, which is often one-sided and distorted.

We admire entrepreneurs. We respect entrepreneurial spirit and promote it. GESCO AG acquires SMEs as part of the companies' succession arrangements. If the former owner is retiring, we appoint a new managing director. After a period of probation, the new managing director will take a stake in the company he manages. As a result, the end of one entrepreneur's professional career is the start of another's.

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This Annual Report is also available in German.

GESCO – SUBSTANCE WITH VISION

GESCO AG	
SEGMENT TOOL MANUFACTURE AND MECHANICAL ENGINEERING	SEGMENT PLASTICS TECHNOLOGY

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

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

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

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

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

- Their affiliation to the Group gives subsidiaries an excellent standing vis-à-vis banks, customers and suppliers.

- GESCO shares offer investors sound substance and high value.

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

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

- GESCO shares are listed in the Prime Standard segment of the official market.

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

THE GESCO GROUP AT A GLANCE

Financial year 01.04.-31.03.		HGB 1996/1997	1997/1998	1998/1999	1999/2000	2000/2001 *	IFRS 2001/2002	2002/2003	2003/2004***	2004/2005	Change
Sales	EUR'000	109,704	128,908	173,521	200,274	146,481	158,627	153,835	171,234	192,264	12.3 %
of which domestic	EUR'000	92,253	104,721	133,911	167,229	118,206	124,411	124,165	133,220	140,768	5.7 %
foreign	EUR'000	17,451	24,187	39,610	33,045	28,275	34,216	29,670	38,014	51,496	35.5 %
EBITDA [1]	EUR'000	8,221	12,555	14,566	17,514	14,710	15,638	14,580	17,947	20,114	12.1 %
EBIT [1]	EUR'000	4,717	8,669	9,643	10,587	9,774	10,088	8,063	10,711	12,512	16.8 %
Earnings before tax	EUR'000	2,504	6,883	8,902	10,098	8,532	4,348	-1,600 **	8,782	11,850	34.9 %
Taxes on income and earnings	EUR'000	-765	-1,331	-2,899	-4,286	-3,567	-548	-758	-3,985	-4,868	22.2 %
Taxation rate	%	30.5	26.4	32.6	42.4	41.8	12.6	–	45.4	41.1	-9.5 %
Group net income for the year	EUR'000	1,602	3,166	5,463	5,149	4,102	2,939	-3,177 **	4,198	6,228	48.4 %
Group net income per share	EUR	0.64	1.27	2.18	2.06	1.64	1.19	-1.29 **	1.73	2.50	44.5 %
Investment	EUR'000	8,885	5,816	11,374	14,472	14,519	27,258	20,432	5,558	11,117	–
of which in tangible assets	EUR'000	7,966	4,547	10,933	11,368	8,360	10,348	5,292	5,258	6,404	21.8 %
Depreciation [2]	EUR'000	4,010	3,937	4,948	7,027	5,796	8,304	14,126	7,236	7,602	5.1 %
of which on tangible assets	EUR'000	3,220	3,525	4,489	6,699	4,686	4,754	5,330	6,039	6,318	4.6 %
Shareholders' capital	EUR'000	11,432	32,090	37,079	35,252	38,276	36,107	29,444	36,333	41,878	15.3 %
Total assets	EUR'000	75,107	93,857	122,946	97,781	104,912	134,204	138,515	138,370	145,070	4.8 %
Capital ratio	%	15.2	34.2	30.2	36.1	36.5	26.9	21.3	26.3	28.9	9.9 %
Employees											
(as at 31.12.)	No.	780	897	1,471	1,816	1,015	1,157	1,203	1,192	1,215	1.9 %
of which trainees	No.	26	32	45	50	52	61	69	63	60	-4.8 %
Year-end share prices as at 31.03.	EUR	–	21.47	17.10	14.92	16.00	12.70	9.10	16.70	23.61	41.4 %
Dividend	EUR	0.23	0.38	0.56	0.66	0.72	0.75	0.50	0.70	0.90	28.6 %

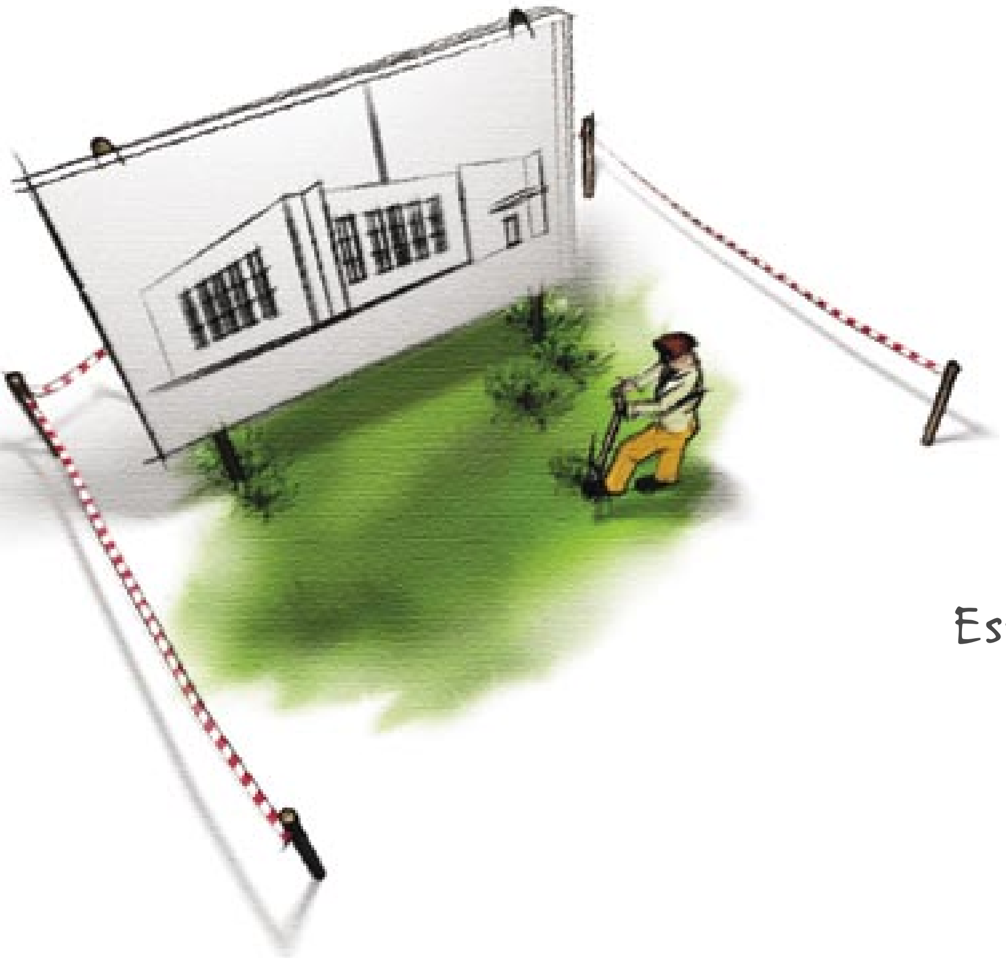
* The downturn in the indicators in financial year 2000/2001 compared to the two previous years is due to the disposal of Elba Bürosysteme GmbH on 01.01.2000. Elba was included for the full 12 months in financial year 1999/2000 and five months of financial year 1998/1999. This participation was always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

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

*** The figures for financial year 2003/2004 have been adjusted due to the retrospective application of the new IFRS 3. For further details, please refer to the annual financial statements.

1 See Profit and Loss Account (page 50) for calculation.

2 Including depreciation on financial assets and securities held as current assets

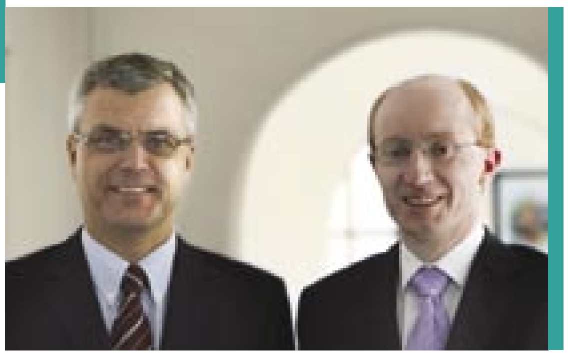


Establishment

It starts with entrepreneurial spirit. An idea, a technical innovation, an empty building, perhaps a few second-hand machines. The start-up capital is normally small and often represents everything that the founder possesses. The goal is clear, but the path towards it full of uncertainty. The willingness to take this on and not shy away from the risks, the desire to seize the opportunity – this is what sets entrepreneurs apart from the crowd.

FOREWORD

FOREWORD



EXECUTIVE BOARD –
DR. HANS-GERT MAYROSE AND
ROBERT SPARTMANN

DEAR SHAREHOLDERS,

Financial year 2004/2005 (1 April 2004 to 31 March 2005) was a particularly successful year for the GESCO Group. All operating companies in the Group are in the black and performing well. A few companies benefited from special economic influences, developing much better than forecast. In February 2005, we revised our forecasts upwards for the year as a whole and succeeded in exceeding these forecasts at the end of the year. As a result, the Group has recorded its best result to date.

At EUR 192.3 million, sales were up 12.3 % on the previous year's figure of EUR 171.2 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose in line with sales from EUR 17.9 million to EUR 20.1 million. With almost no change in depreciation, earnings before interest and tax (EBIT) rose overproportionally by 16.8 % from EUR 10.7 million to EUR 12.5 million. After deduction of taxes and the profit shares paid out to the managing directors who have a stake in the companies they run, Group net income of EUR 6.2 million (EUR 4.2 million) equates to earnings per share of EUR 2.50 (EUR 1.73). Group net income included two non-recurring effects totalling EUR 0.8 million, which equates to EUR 0.32 per share.

Changes in the scope of consolidation had almost no effect on Group sales in the reporting period. In April 2004, we acquired 100 % of the shares in the Setter Group in Emmerich, which we had already reported on in the 2003/2004 Annual Report. Setter produces plastic and paper sticks, which are used in the food and bodycare industries, and achieves sales of approximately EUR 10 million. The divestment of Kühlmann Kunststoff-Technik GmbH is set off by this acquisition.

In order to ensure that our shareholders continue to benefit in line with the company's positive financial development, the Supervisory Board and the Executive Board will propose a dividend increase of 28.6 % from EUR 0.70 to EUR 0.90 per share at the General Meeting on 1 September 2005. This means a record payout.

The good figures are also recognised by the capital market: GESCO shares increased by 41.4 % in the reporting period, while our benchmark, the SDAX, rose by 21.8 %. GESCO shares reached an all time high on 12 April 2005 with a peak price of EUR 24.92.

We should like to express our sincere thanks to the employees of the GESCO Group, as well as the managing directors of our subsidiaries for their outstanding performance. We also thank our customers, suppliers and business associates, and of course, you, the shareholders of GESCO AG, for your confidence in the company.

The Annual General Meeting which took place on 9 September 2004 elected Willi Back to the Supervisory Board. Willi Back retired at the end of financial year 2003/2004 after many years as Chairman of the Executive Board.

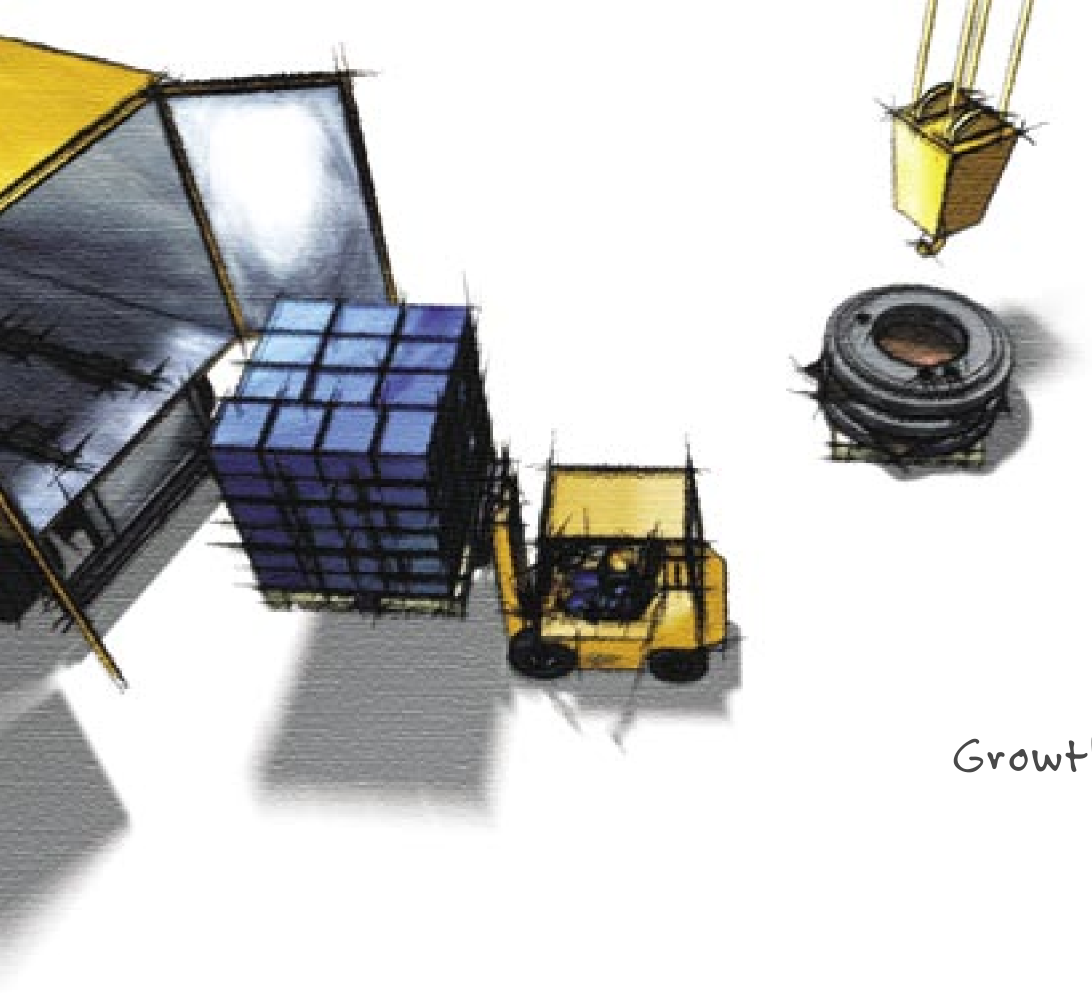
The outlook for financial year 2005/2006 is positive. With incoming orders currently outstripping sales, we anticipate growth in sales and earnings.

We should finally like to touch on a subject that has featured frequently in the media over the past few months: the treatment of acquisitions and, in particular, how goodwill is reported in the balance sheet in accordance with the new IFRS 3 accounting standard. This is explained in detail in the Group Directors' Report. The new standard means that scheduled goodwill amortisation no longer applies, which for many companies results in higher earnings. The GESCO Group result has risen by around EUR 0.3 million due to goodwill amortisation no longer applying. However, the balance sheets of some companies show the downside of this new accounting principle, with the same goodwill being reported for an unlimited period or until it is subject to unscheduled amortisation as part of the annual impairment tests. This increases the risk of a negative impact, as a high level of goodwill represents a risk position when earnings are low. At some companies goodwill equals or exceeds the level of equity. In light of this, we have made use of the option under IFRS 3 to also allocate historic goodwill items in a more differentiated approach than to date to other intangible assets which can still be amortised. The aim is to keep goodwill at a low level, even if this reduces the profit reported in the short term. We expressly adhere to this conservative, risk-averse accounting policy. When comparing annual accounts, investors take into account these factors. As an issuer, we therefore see it as our duty to provide transparency.

Yours sincerely

Dr. Hans-Gert Mayrose

Robert Spartmann



Growth

Growth needs to be managed and standards must be consistently raised, including when it comes to the entrepreneur. Good managers need to be able to delegate, they must be able to organise processes which in small companies may still rely on team members calling upon others for assistance. Production, sales, internal organisation: the tasks are numerous and there are always areas that need to be reviewed. Laws and regulations do not make life any easier, but success is a great motivator.

SHARE

GESCO SHARES/CORPORATE GOVERNANCE

GESCO SHARES

GESCO's share price climbed 41.4 % during the year under review, clearly outperforming our benchmark index, the SDAX, which rose by 21.8 % in the same period. In financial year 2004/2005, at its highest, the share price stood at EUR 24.40 and subsequently reached an all-time high of EUR 24.92 at the end of the reporting period on 12 April 2005.

The Executive Board and the Supervisory Board will propose a dividend of EUR 0.90 per share to the Annual General Meeting on 1 September 2005. At the time of the relevant resolution, this corresponded to a dividend yield of around 4 %. This means that, despite the sharp increase in the share price in recent years, GESCO shares continue to offer an attractive return. In our view, the risk/return profile is also balanced.

The shareholder structure remained unchanged in the year under review, with around 5,500 private investors holding approximately 80 % of the shares and the remaining 20 % held by institutional investors. To date, no investor has indicated a shareholding of 5 % or more, which is subject to reporting.

We have pursued our proactive approach to Investor Relations and PR in financial year 2004/2005. This included answering enquiries from shareholders and meetings with investors and analysts as well as a series of events at which we presented the GESCO business model to private investors and the financial community and provided information about the Group's performance.

- 23 April 2004: Munich Investor Conference organised by UBJ
- 1 September 2004: Small Cap Conference (SCC) organised by the DVFA in Frankfurt/Main
- 2 September 2004: Frankfurt Investment Forum, co-organised by Independent Research
- 13 November 2004: Munich Stock Exchange Day, organised by Münchner Investment Club (MIC, Munich Investment Club)
- 17 November 2004: Munich Investment Forum, organised by Baader Wertpapierhandelsbank and Kayenburg AG
- 24 November 2004: German Equity Forum, organised by Deutsche Börse AG and KfW-Bank
- 2 March 2005: Investor Meeting at GSC Research in Düsseldorf

After the end of the period under review, GESCO was represented at the Invest exhibition in Stuttgart, which took place from 8 to 10 April 2005. As a Gate-M company, we shared a stand with other issuers, an arrangement which was organised by the Stuttgart stock exchange.

Most of these events are aimed at private and institutional investors. At the same time, however, they represent an excellent platform for raising the profile of our company. This helps to promote the expansion of our network of contacts who help us with the acquisition of additional companies.

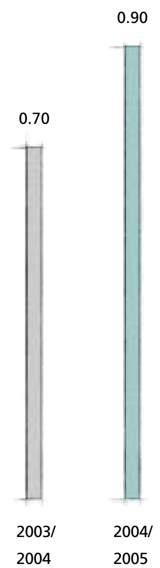
As a member of the Deutscher Investor Relations Verband e.V. (DIRK, German Investor Relations Association), we have adopted an active, open and continuous communication policy. Our reporting is transparent and enables investors to make comparisons with other (listed) companies.

CORPORATE GOVERNANCE

We started to look at the subject of Corporate Governance at a very early stage. In our interim report dated November 2001, we adopted the Corporate Governance Code produced by the Frankfurter Grundsatzkommission (Frankfurt Policy Commission) and explained any deviation from the recommendations on our website, in line with the principle of "Comply or Explain".

In February 2002, the Corporate Governance government commission submitted its proposal for a Code and a revised version of the Code was published in July 2003. The requirement for an annual declaration of compliance with the Code is stated in § 161 AktG (German Stock Corporation Act), which is included as part of the Transparenz- und Publizitätsgesetz (TransPuG, Transparency and Publication Act). The Executive Board and the Supervisory Board of GESCO AG have declared their agreement with the aim of the Code, which is to promote sound management that is governed by the interests of and based on the trust of shareholders, employees and customers. Our corporate policy is aimed at increasing the company value on a sustained basis. The declaration can be viewed by shareholders and any interested parties on our website. The preamble to the Code expressly provides for deviations from its guidelines, which are aimed at "enhancing the flexibility and self-regulation with regard to the corporate legal structure of German companies."

Dividend per share in EUR



DECLARATION OF COMPLIANCE IN ACCORDANCE WITH § 161 AKTG

The Executive Board and the Supervisory Board of GESCO AG declare that the company has complied with, and will continue to comply with, the recommendations of the Government Commission German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the online Bundesanzeiger (Federal Gazette) on 4 July 2003 and that GESCO AG's policy differs from those guidelines in the following points only:

- **4.2.1. – Executive Board:** the Executive Board of GESCO AG comprises two people; no Chairman or Spokesman has been appointed.

- **4.2.3., 4.2.4., 5.4.5. – Remuneration:** the breakdown of remuneration for the Executive Board is disclosed and explained in the Annual Report which is published on the GESCO AG website. A list of the remuneration per individual member of the Executive Board and Supervisory Board will not be published.

- **5.1.2., 5.4.1. – Executive Board and Supervisory Board:** no age limit is set for members of the Executive Board or Supervisory Board.

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

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

GESCO AG

Wuppertal, April 2005

GESCO SHARE DATA[1]

International Securities Identification Number ISIN	DE0005875900
Securities identification number	587 590
Stock market abbreviation	GSC
Share capital	EUR 6,500,000
Number of unit bearer shares	2,500,000
IPO	24 March 1998
Issue price	DM 42/EUR 21.47
Year-end price previous year (31.03.2004)	EUR 16.70
Year-end price reporting year (31.03.2005)	EUR 23.61
High (18.03.2005)	EUR 24.40
Low (01.04.2004)	EUR 16.70
Market capitalisation as at 31.03.2005	EUR 59,025,000
Free float	100 %
Shares held by members of the Supervisory Board (31.03.2005)	1.0 %
Shares held by members of the Executive Board (31.03.2005)	0.4 %

KEY INDICATORS PER GESCO SHARE FOR 2004/2005

Dividend	0.90 EUR
Group net income per share	2.50 EUR
DVFA/SG earnings per share	2.48 EUR

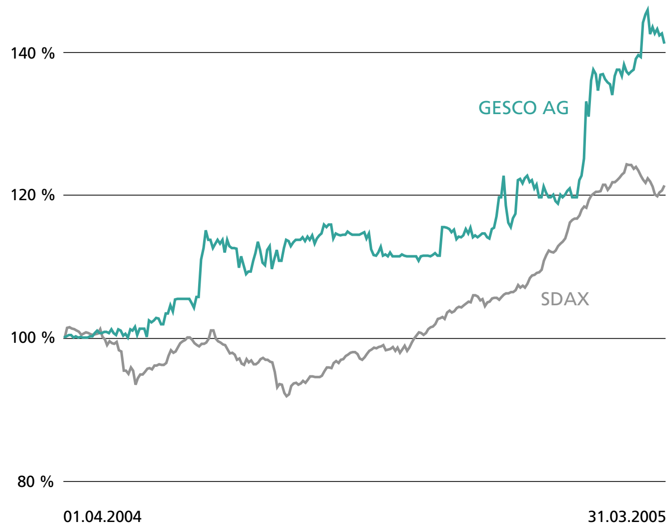
STOCK EXCHANGES

Frankfurt (official market)
Düsseldorf (official market)
Berlin-Bremen (over the counter)
Hamburg (over the counter)
Munich (over the counter)
Stuttgart (regulated market), Gate-M segment (since 07.05.2004)
XETRA

[1] all share prices reflect the closing price on the Frankfurt stock exchange

The financial calendar at the end of this Annual Report provides a list of key dates up until the end of 2006.

GESCO AG share price against the SDAX



Crisis management

Being an entrepreneur is not a fair weather exercise. Crises will happen. Markets and technologies change, the economy can go into recession and new competitors may appear. One problem can easily lead to another, thereby exacerbating the situation. Doubts may arise and suddenly many things are up for review. For entrepreneurs themselves, the personal pressure is huge and what little time is left for a private life can disappear completely.

STRATEGY

THE GESCO STRATEGY

STRATEGY

A solution has a good chance of succeeding long-term if it meets the needs of all the stakeholders involved. This is particularly true when it comes to the last big decision business entrepreneurs have to make: who will take over the company when they retire. For entrepreneurs who want to ensure that their life's work is in good hands, GESCO offers a sustainable solution in the form of its special participation concept. This solution is available to entrepreneurs stepping down because they have reached retirement age as well as those who want to secure the shareholder position of the company ahead of retirement, while continuing in their role as managing director of the relevant company.

THE TYPE OF COMPANY WE BUY...

We acquire small and medium-sized industrial and manufacturing companies with sales upward of around EUR 10 million. Our focus is on tool manufacture, mechanical engineering and plastics technology. The companies must be financially sound and preferably have a unique technical selling point with no major dependency on any particular customers. We are especially interested in manufacturers of complex and demanding products who are the technological leaders in their respective markets and offer a value added combination of technical expertise and customer-oriented services. Ideally, they should operate in a niche market with high market entry barriers. We only consider companies that require restructuring in extremely well-founded exceptional cases.

...HOW WE ACHIEVE THE TRANSITION...

We only take majority shareholdings and, in general, acquire 100 % of the shares. This solves the problem of succession at shareholder level. If the previous owner wishes to retire once the business is sold, GESCO AG will look for a new managing director for the company, with the assistance of the former owner. After a probationary period of one to two years, new managing directors will take a stake in the company they run, which generally amounts to between ten and twenty per cent. Our target candidates for this role are managers with an entrepreneurial approach who see their new position as a vocation. The investment in the company in the form of the appropriate shareholding ensures that the new company management and GESCO AG are pursuing the same goal: the sustained positive development of the company to increase its value.

...AND HOW WE TREAT THE SUBSIDIARIES AFTER THE SALE

All our acquisitions are individual companies and no consideration is given to synergies when making the purchase decision. Each subsidiary has to be financially successful in its own right and the full responsibility for the operating business lies with the respective managing director. We consistently avoid the typical group approach of management fees, cash pooling and intra-Group offsetting. However, we do actively promote the exchange of ideas and experiences between the companies in the Group. We also support cooperation between member companies but such cooperation is not mandatory and free market forces are never cancelled out.

The financial budget is drawn up by the company in conjunction with GESCO AG and provides the framework for jointly monitoring the commercial progress of the company. This includes monthly reporting to GESCO and a visit from a GESCO consultant each month to jointly monitor the commercial progress of the company. Every six to eight weeks, a member of the GESCO AG Executive Board also visits each subsidiary to discuss matters of strategy.

THE IDEAL SOLUTION FOR ALL PARTIES

Entrepreneurs must first decide on their intentions and priorities. Do they intend to retire immediately after the sale or want to stay on for a few years as managing director? Are they looking to achieve the maximum possible price or do they want to ensure that their life's work is in good hands that the company will continue and retain its identity? What about their responsibilities towards the workforce? The aspect of social responsibility is often important, as many founder owners want to be able to look back with pride at their life's work even after they have retired and want to be respected as an entrepreneur in their home town.

The **employees** are obviously interested in the continued existence of the company and job security and they want a solution to be found in good time. Entrepreneurs who postpone dealing with the issue of succession for too long run the risk of losing their best employees.

Customers and **suppliers** also benefit if their business partner carries on as a going concern. Often people start to question the long-term supply capability of SMEs with unresolved succession arrangements and the advent of a renowned shareholder with strong financial backing is welcomed.

The **banks** too see unresolved succession issues as an uncertainty factor. A stable solution on the shareholder side has a positive impact on the company's credit standing.

The **investors**, that is the new owners, want to earn a return on their investment. But the expectations, aims and approaches of the different investor groups vary widely. Strategic investors, for example, are interested in technologies, market share and trademarks and are looking at completing value added chains or rounding off their product and service offering. Typical financial investors, such as private equity companies, are exit-oriented and intend to sell the company on at a profit a few years later. By contrast, holding companies that keep their investments long-term, like GESCO AG, are in the minority. Furthermore, unlike other long-term holding companies, GESCO AG also encourages new managers to take a stake in the companies they run. As a result, the end of one entrepreneur's professional career is the start of another's.

New managing directors joining the Group want to develop professionally and manage their organisational unit autonomously and will be looking to take the appropriate stake in "their" company. Our concept also offers new managing directors the advantages of a network comprising not only the GESCO AG team, but also the other established managing directors of the companies in the Group.

Many of **GESCO AG's shareholders** make a conscious decision to invest in the German SME sector. They are looking for a robust business model that will remain stable even when the economy is weak and they expect an attractive return with manageable levels of risk.

All in all, the GESCO model is the ideal solution to successor problems, meeting the needs of all stakeholders and thereby providing the best basis for long-term success.

OUR INVESTMENT PHILOSOPHY

- majority acquisition, generally 100 %
- usually as part of a successor arrangement
- new managing director appointed
- managing director investment, usually 20 % ("a company of entrepreneurs")
- long-term focus, not exit-oriented

OUR ACQUISITION CRITERIA

- tool manufacture/mechanical engineering and plastics technology segments
- established niche providers with healthy finances
- sales upward of around EUR 10 million
- sufficient shareholders' capital

WE OFFER OUR COMPANIES

- full operational autonomy for subsidiaries
- coaching, consulting and (financial) control by GESCO
- many years' expertise in managing and developing manufacturing companies
- top standing with banks, suppliers and customers
- a constructive climate of partnership within the GESCO Group

Employees

Satisfied customers spell entrepreneurial success. Good services mean satisfied customers. Qualified, motivated employees deliver good services. One of the key tasks of a manager is to strengthen the employees' sense of identification with the company. Motivating employees is essential to the long-term success of any company.

PROFILE

A PROFILE OF HUBL GMBH

Each year we include a detailed profile of one of our subsidiaries in our Annual Report. This year, the focus is on Hubl, which joined the GESCO Group in April 2002.

Previous Annual Reports have featured:

- MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG (Annual Report 1999/2000)
- Dörrenberg Edelstahl GmbH (Annual Report 2000/2001)
- AstroPlast Kunststofftechnik GmbH & Co. KG und Franz Funke Zerspanungstechnik GmbH & Co. KG (Annual Report 2001/2002)
- Haseke GmbH & Co. KG (Annual Report 2002/2003)
- Ackermann Fahrzeugbau GmbH (Annual Report 2003/2004)

It all started in 1976 with the entrepreneurial spirit of Reinhard Hubl and his father Kurt, who set up their own business to produce stainless steel extraction hoods for large kitchens. The first few years were far from easy with only their hard work, technical expertise and spirit on their side. During this period, Reinhard Hubl also completed a university degree in mechanical engineering alongside his activities for the business.

In 1985 Hubl GmbH moved into a new production facility which gave the company room for future growth. As a second mainstay, the company began to produce clean room technology products such as equipment and machinery racks, casings and coverings. This proved a clever move into a high quality market with fewer competitors, where price is no longer the only criterion. Over the years the company added other demanding customer segments, including medical technology, biotechnology, the semi-conductor industry, CD/DVD equipment manufacturers as well as traditional mechanical engineering. The company enjoyed consistent and rapid growth. In 1995, Hubl started to build up a design department which was extremely well resourced both in terms of staff and technology and the company evolved from a contract manufacturer to a system partner for its customers. Today 70 employees at the company’s head office in Vaihingen an der Enz in Baden-Württemberg generate sales of around EUR 10 million. Reinhard Hubl has been the sole managing director for several years since his father went into retirement. The one-time sheet metal housing manufacturer has become a stainless steel precision engineer delivering the highest quality surface finish. The company is also recognised as a high-performance provider of system solutions to customers in the demanding industries in which it operates. It processes stainless steel ranging from 0.5 mm to 20 mm thick, and to a lesser degree also aluminium, brass and copper. The size of the finished components varies from millimetres to equipment measuring eight by five metres and complete three dimensional machine casings.

LOOKING BACK IT WAS EASY

Such a success story only looks easy when you look back on it. In fact, it is the product of a series of correct commercial decisions as well as the right positioning and product differentiation. So what is it that makes Hubl GmbH stand apart from the rest?

One of the keys to the company's success is its extraordinarily strong design department which employs a team of seven and uses the latest in CAD technology. This facilitates an unbroken data flow from the customer to the Design department and through to production. At Hubl, the design process is linked closely with production. The designers think in terms of production, which means the products are designed to be built for optimum use. The design team also aim to find intelligent solutions which save time and money on processing; this means using plug-in connections where possible or crafting complex components from one piece to minimise the need for further processing. In general, this also means replacing traditional welded designs and machined components with laser-cut, punched and bent sheet steel. The resultant products are more cost-effective than those manufactured in several production stages, deliver convincing functionality and look better due to their smooth surfaces and edges. Design has always been a priority at Hubl and contributes to the reputation its products enjoy.

To maintain and extend its competitive advantage, the company regularly invests in technology and its machinery is always state-of-the-art. A fully-automated CNC laser cutting machine, modern punching and nibbling centre, several precision bending presses, fully-equipped welding facility and blasting plant along with other additional components ensure the highest quality and excellent processing standards.

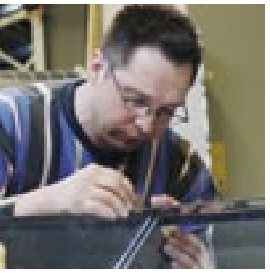
REINHARD HUBL,
MANAGING DIRECTOR

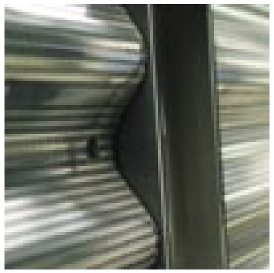
the coordination, instruction and monitoring of large-scale series production by a specialist third party if required. This provides customers with continuity, the guaranteed quality and deadline delivery. At the same time, customers have the cost benefits of series production.

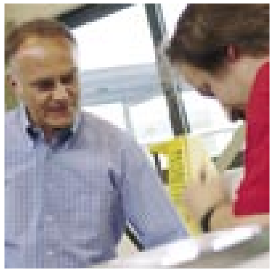
The success story of Hubl GmbH is of course not just one of products and processes, but above all a story of people. In other words, it is the result of a consciously structured and fostered corporate culture. Visitors regularly comment on how friendly all the employees are. The company started life as a family business and this family atmosphere and spirit has been maintained throughout the company’s growth and any imposition of organisational structures. “We foster a family atmosphere and have a very open and friendly relationship with one another,” explained the company’s founder. “We all think about the company as a whole and we are all pulling in the same direction”, as they say. And the more trust Reinhard Hubl has in his team, the easier it is for him to delegate and “let go”, which for someone who has the company in his blood is never easy.

“IDEAS IN SHEET METAL”

The employees at Hubl GmbH think in terms of the customer’s processes; they are often included early on in the design stage and, where necessary, work together with renowned industrial designers. The company’s motto, “Every day a new idea in sheet metal”, inspires creativity. The company is increasingly called upon as a system supplier and (co-)develops, produces and sells pre-mounted and prefabricated components. The strengths of the company are demonstrated to the full in its prototypes, pre-series production and small series production. If the production volume for a specific customer increases to industrial level, Hubl GmbH will take on







"SOLD!"

It therefore came as a great shock to the workforce when Reinhard Hubl announced in April 2002 that he had sold his company. But the reasons behind this move were clear to everyone. Reinhard Hubl was always certain that he did not want to cling on to his company right until the end; nor did he want to force his sons into taking up the reins.

But more importantly, the company had grown to such a size that strengthening the shareholder side was the most logical step. The need to look after the 70 employees and their families was another compelling reason to secure the future of the company and every now and again industrial customers had also asked who would be able to run the company in the event of the death of the Managing Director. So, when he was in his mid-forties, Reinhard Hubl started to look for a buyer, knowing that he could take his time and make his choice without any pressure.

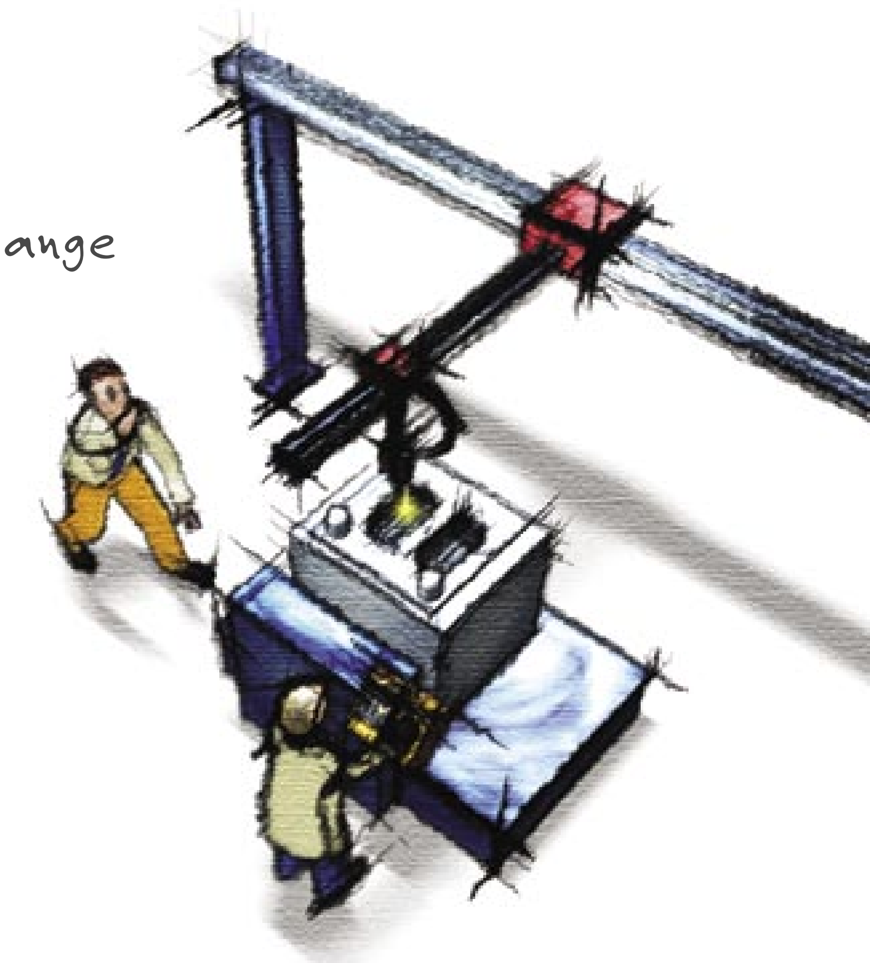
It was also important for acceptance of the change by the employees that they could see that GESCO had been brought in by Reinhard Hubl as a long-term investor. GESCO's focus on SMEs and its commercial expertise were also well received by the workforce. Reinhard Hubl sums up the situation saying, "I am employed as the Managing Director and am doing the same job as before but without the pressure of having to bear the responsibility on my shoulders alone." The advent of GESCO AG as the sole shareholder also gives the company a stable foundation for further growth.

DEBATE AND DIALOGUE

Securing the future of the company on the shareholder side is not the only benefit that GESCO as an investor has been able to bring to the table. On the commercial side, for example with regard to investments or the increasingly complex matter of financing, GESCO AG provides solid support and is able to present sophisticated concepts. Reinhard Hubl particularly appreciates the debates which take place in the GESCO team when it comes to matters of strategy.

Visitors to Hubl GmbH are always impressed by the open and friendly atmosphere which has allowed a high degree of professionalism to prosper. But the company is not just a fair weather operation; there are highs and lows and a great deal of hard work. Nevertheless, Hubl GmbH has proved again and again that such a cooperative approach in the workplace can go hand in hand with commercial success.

Change



Close to the customers and the markets, with the ability to think and act quickly and be pragmatic and flexible. SMEs are more concerned with the needs of their target groups than they are with themselves. This is a real strength. Innovations are also important, but change costs a great deal in terms of time and energy and the risks and rewards are constantly changing places. The pace at which everything happens accelerates.

GROUP DIRECTORS´ REPORT

GENERAL CONDITIONS

The German economy recovered slightly during 2004 with gross domestic product up by 1.6 %. Yet it was not a lasting recovery and stagnation set in during the final quarter. Private consumption tended to be low as in previous years; exports provided the main vehicle of growth in the capital goods sector, with domestic demand remaining moderate as before.

The Verband deutscher Maschinen- und Anlagenbauer e.V. (VDMA – German Machinery and Plant Manufacturers Association) which is the relevant body for our tool manufacture and mechanical engineering division recorded 7.7 % growth in sales during 2004. This was generated almost entirely abroad. The Gesamtverband kunststoffverarbeitende Industrie e.V. (GKV – Association of Plastic Goods Producers), which represents the sectors relevant to our plastics technology segment, recorded 3.6 % growth in sales for 2004. This growth was also generated primarily by exports.

IMPORTANT CHANGES TO THE SCOPE OF CONSOLIDATION

The **Setter Group** in Emmerich which was acquired in April 2004 has been included in the present consolidated financial statements for an eight-month year. Another new addition is **Dörrenberg Tratamientos Térmicos S. L.**, Alasua/Navarra (Spain), a joint venture in which **Dörrenberg Edelstahl GmbH** took a 60 % stake in June 2004. The company deals with vacuum heat treatment in the field of surface technology and commenced operations during the first quarter of 2005. **Kühlmann Kunststoff-Technik GmbH (KKT)**, Geseke, is no longer included in the profit and loss account as a fully consolidated company, but is included at equity. The 40 % share in KKT was held by **AstroPlast Kunststofftechnik GmbH & Co. KG**, a GESCO subsidiary; in February 2005 AstroPlast sold its stake at book value to a group of investors. At the start of the financial year, GESCO AG sold its remaining 40 % holding in **Paroll Doppelboden-Systeme GmbH & Co. KG** to the company's management; Paroll had been included at equity in the consolidated financial statements in financial year 2003/2004.

CONVERSION OF ACCOUNTING FOR COMPANY ACQUISITIONS TO THE NEW IFRS 3

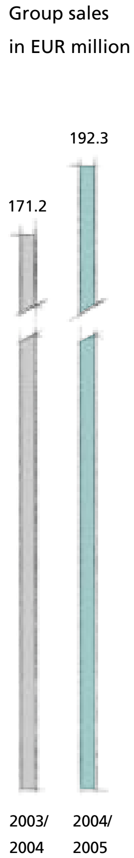
IFRS 3, the new Standard published in 2004, has introduced new guidelines for the treatment of company acquisitions and therefore goodwill. IFRS 3 requires the positive differences arising at initial consolidation on acquisition of a company to be even more specifically allocated to individual asset items; only the remaining amounts that cannot be allocated may be reported as goodwill. Any remaining goodwill is no longer subject to scheduled depreciation, but goes through an annual impairment test. The other intangible assets are subject to scheduled depreciation in accordance with their respective economic lives. In GESCO's consolidated financial statements, the more complex allocation of positive differences required by the Standard was applied retrospectively to all company acquisitions which have taken place since 1 April 1997. In accordance with the IFRS rules, the reporting for the previous year has been adapted to the altered system of accounting.

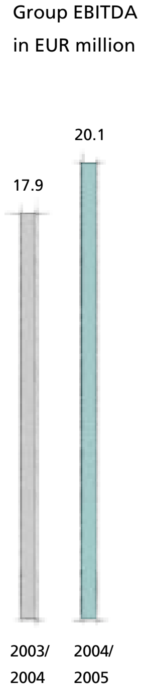
SALES AND PROFITS

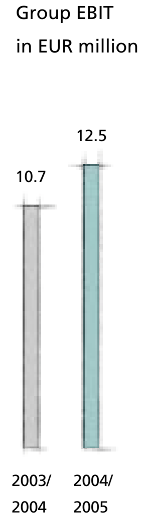
Sales by the GESCO Group increased from EUR 171.2 million to EUR 192.3 million during financial year 2004/2005. This rate of growth of 12.3 % shows that the Group has developed far better than the sectors in which our subsidiaries are operating. This growth in sales is to some extent due to increases in the price of materials which were able to be passed on to customers.

The figure showing the Group's operational earnings power, the earnings before interest, tax, depreciation and amortisation (EBITDA), grew in parallel with sales from EUR 17.9 million to EUR 20.1 million. Since depreciation only rose to a slight extent, earnings before interest and tax (EBIT) rose disproportionately from EUR 10.7 million to EUR 12.5 million, a rise of 16.8 %.

The financial result improved from EUR -1.9 million to EUR -0.7 million, and includes the one-off effect of selling a holding. Taken together, the higher EBIT and the markedly enhanced financial result led to a 34.9 % rise in the pre-tax result from EUR 8.8 million to EUR 11.9 million. With the Group taxation ratio lower by comparison with the previous year, the consolidated net income after deduction of the shares in profit of our managing directors who have a stake in the companies they run increased from EUR 4.2 million to EUR 6.2 million. With a weighted average number of shares in circulation of 2,492,815 (previous year: 2,431,952), the

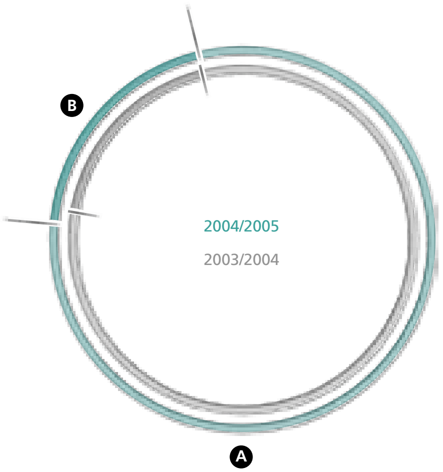






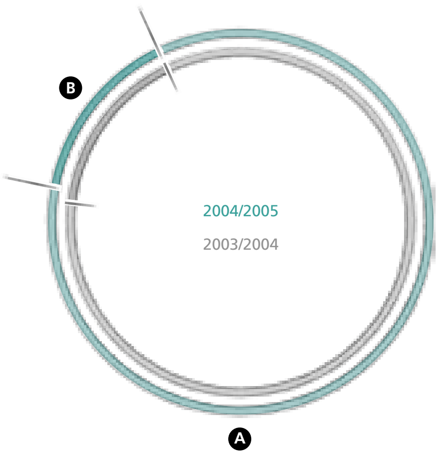
resultant earnings per share are EUR 2.50 (EUR 1.73). The DVFA/SG earnings per share amount to EUR 2.48 (EUR 1.73).

The consolidated net income of EUR 6.2 million, or EUR 2.50 per share, includes one-off effects amounting to EUR 0.8 million, or EUR 0.32 per share, resulting from the sale of a holding and from tax refunds which were originally in dispute; these effects will not occur again in the next financial year.



Share of EBITDA (EUR'000)

- **A** Tool manufacture/ mechanical engineering segment
  80 % 16,809
  81 % 15,935
- **B** Plastics technology segment
  20 % 4,201
  19 % 3,676



Share of sales (EUR'000)

- **A** Tool manufacture/mechanical engineering segment
  85 % 162,762
  84 % 142,942
- **B** Plastics technology segment
  15 % 28,952
  16 % 27,851

SALES AND PROFITS BY SEGMENT

The segment reporting reproduced in detail in the consolidated financial statements is separated into the segments tool manufacture and mechanical engineering, plastics technology, GESCO AG and other/consolidation.

Segment reporting facilitates a comparison of the different segments' operating situations and, in particular, their earnings power. As there are no notable sales or operating income to be reported under GESCO AG or other/consolidation, the comparison is only meaningful for the tool manufacture/mechanical engineering segment and plastics technology. Sales and EBITDA for these two segments are therefore shown together with the proportional contribution to total sales and EBITDA from the two segments.

Accounting for 85 % of Group sales (previous year: 84 %), tool manufacture and mechanical engineering is still the most important segment. This segment has a share of 80 % in EBITDA (previous year: 81 %). Sales revenue grew much more strongly in this segment (13.9 %) than in the sector as a whole. EBITDA was burdened in particular by the obvious rise in material prices, but also developed very positively with growth of 5.5 %.

The plastics technology segment accordingly has a share of 15 % (16 %) in sales and 20 % (19 %) in EBITDA. With 4.0 % sales growth, the segment developed slightly better than the sector. The 14.3 % rise in EBITDA also stems from changes in the scope of consolidation.

SALES BY REGION

The GESCO Group increased the share taken by exports from 22.2 % to 26.8 % in the year under review; this was primarily due to the addition of the Setter Group which generates approximately four-fifths of its sales abroad. SVT (79 %), MAE (36 %), AstroPlast (25 %) and Dörrenberg (18 %) also achieved a notable portion of their sales through exports. As the companies of the GESCO Group largely supply the capital goods industry, which in turn is highly export-orientated, indirect exports are also likely to be of a significant volume; however, the exact figures cannot be determined.

SALES BY CUSTOMER SECTOR

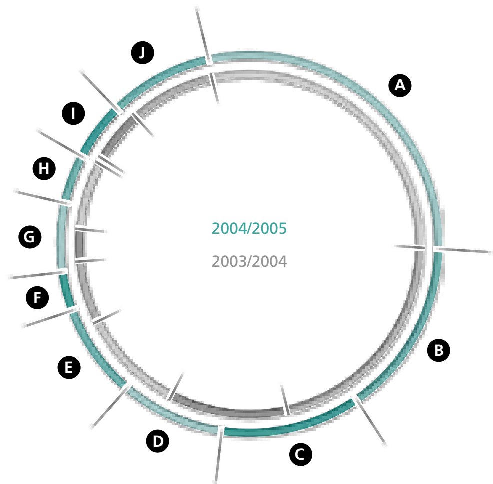
Stable economic development of the Group depends considerably on diversification of the customer sectors of the Group companies. The GESCO Group supplies a broad range of sectors and is therefore less highly susceptible to the effects of the business cycles of individual industries. The acquisition of the Setter Group which supplies the consumer goods industry has brought about a further diversification of customer sectors.

Sales by region

A Germany
73.2 %
77.8 %

B Europe
17.0 %
15.6 %

C Outside Europe
9.8 %
6.6 %



Sales by customer sector

A Plant construction and mechanical engineering
29 %
29 %

B Car and commercial vehicle construction
15 %
21 %

C Iron, sheet metal and metal processing, tool manufacture
12 %
11 %

D Electrical, domestic appliances and medical technology
9 %
10 %

E Foundries and rolling mills
8 %
6 %

F Construction, air conditioning, sanitation
3 %
3 %

G Chemical and petrochemical industries
6 %
7 %

H Consumer goods industry
4 %
0 %

I Energy/supply
5 %
5 %

J Other customer groups
9 %
8 %

INVESTMENT AND DEPRECIATION

Group investment in tangible and intangible assets (excluding additions due to changes in scope of consolidation) stayed within the planned range at EUR 6.5 million (EUR 5.5 million). In previous years, various subsidiaries have invested strongly in technical equipment and machinery, so that there is no investment backlog inside the GESCO Group. Notable developments during the year under review were the new construction of a hall at the headquarters of Dörrenberg Edelstahl GmbH in Ründeroth and the expansion of the surface technology division to include a highly modern induction case hardening plant and a production plant which uses the innovative PACVD process. AstroPlast Kunststofftechnik GmbH & Co. KG added a new warehouse and invested around EUR 1 million in injection-moulded plastics machines with 600 t and 1,500 t locking pressure.

The EUR 7.6 million depreciation on tangible and intangible assets (EUR 7.2 million) includes depreciation of the capital appreciation through consolidation amounting to EUR 1.2 million (EUR 1.0 million).

RESEARCH AND DEVELOPMENT

Our subsidiary, Dörrenberg Edelstahl GmbH, is carrying out intensive research and development in conjunction with universities and other institutes. The company has in-depth expertise in metallurgy and patented new developments in steel during 2004.

The Setter Group has developed a process for printing paper sticks with barcodes and logos. The company has also developed and patented new plastic sticks with a thinner membrane which are stabilised by a Y-shaped reinforcement. This reduces consumption of materials as well as weight.

The company MAE has developed a large-scale levelling system which uses 10,000 kN of power for automatic levelling of forged steel up to 0.36 metres in diameter and up to 20 metres in length.

SVT GmbH is currently developing a new 16-inch hydraulic coupling for liquefied natural gas. Articulating joints in lightweight construction designed to reduce the materials used in the entire loading equipment are at the test stage.

AstroPlast Kunststofftechnik has designed a recyclable plastic drum which is more durable than the conventional cardboard drums. The double-conical design of the drums allows stable, convenient stacking. The empty drums therefore require little space and can be stored and transported cheaply. This new type of wire packaging has already proven its worth in practice and has been registered for patenting.

PROCUREMENT

Steel and various other raw materials underwent some extreme price increases during the year under review. The companies in our Group as a rule maintain long-lasting relationships with their suppliers based on trust and avoid dependence on individual sources. During 2004 our companies were therefore again assured of continuous supplies of sufficient materials. Bottlenecks were avoided thanks to the forward-looking purchasing policy. To varying degrees, price increases were to some extent passed on to customers.

GROUP BALANCE SHEET

Total assets increased from EUR 138.4 million to EUR 145.1 million.

On the assets side of the balance sheet, this was determined to a great extent by the increase in current assets with the growth in sales along with the initial consolidation of the Setter Group. The rise in current assets has been financed from current cash flow. This and the repayment of bank debts led to a decrease in liquid funds to EUR 10.5 million (EUR 14.1 million).

Following the change to the system of accounting for company acquisitions with the new IFRS 3, the consolidated balance sheet shows total goodwill amounting to EUR 4.2 million. The item "Industrial property rights and similar rights and assets, as well as licences on such rights and assets", which essentially represents the knowledge accounted for at initial consolidation of subsidiaries, amounts to EUR 8.0 million.

On the liabilities side, the favourable Group result led to growth of the shareholders' capital and also to a higher capital ratio despite the increase in total assets. At EUR 41.9 million (EUR 36.3 million), the shareholders' capital amounts to 28.9 % (26.3 %) of total assets. At the same time, the amounts owed to banks were down by EUR 4.6 million so that the debt/equity ratio has been reduced.

Overall, the consolidated balance sheet shows extremely sound structures.

RISK REPORT AND RISK MANAGEMENT

Within the GESCO Group, risk management is a top priority. The starting point for reducing risk within the Group is GESCO AG's acquisition policy. The benchmark for company acquisitions is very high, with any potential acquisition being subject to a comprehensive due diligence process. In particular, the company's projected figures are carefully analysed. At portfolio level, acquisitions are managed in such a way as to prevent crises in certain sectors or the financial difficulties experienced by individual affiliated companies from jeopardising the Group's existence. The balanced portfolio and widely spread range of customer sectors play a key role in the Group's stability, even in difficult economic conditions.

As soon as a company is acquired, it is immediately integrated into the Group's reporting and risk management systems. The relevant data are analysed, interpreted and evaluated at monthly meetings on site. Potential adverse developments can therefore be identified at an early stage and suitable countermeasures initiated.

In their operating business, the companies are subject to normal opportunities and risks stemming from their particular business fields as well as the opportunities and risks arising from the development of the economy.

Even though raw material prices represent a substantial uncertainty factor for planning purposes, there are currently no notable risks or bottlenecks in procurement.

A major portion of the trade debtors within the Group is covered by credit insurance. The GESCO Group's insurance cover is regularly checked to ensure adequate insurance cover is provided at appropriate terms.

The GESCO Group is only exposed to exchange rate risks to a limited extent. As both GESCO AG and many of its subsidiaries are financed in Swiss francs because of the attractive interest rate, there is a certain level of risk relating to movements of the Swiss franc against the euro. The resultant gains or losses are, however, generally related to the reporting date and are only book entries, as the financing agreements provide for mandatory repayment obligations to only a comparatively limited extent. Exchange rate risks resulting from sales by subsidiaries outside the euro-zone are nearly all hedged through forward transactions.

For financial year 2005/2006, we expect interest rates to remain largely stable and currently see no risks associated with the provision of financing.

As far as the legal and fiscal conditions are concerned, we are not aware of any developments which could have a significant impact on the Group.

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

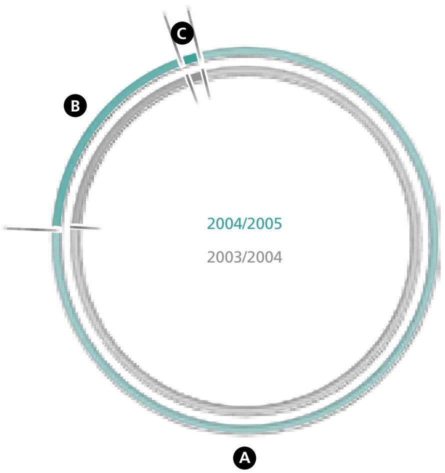
ENVIRONMENTAL PROTECTION

The duty to protect the environment above and beyond compliance with statutory obligations and directives is an integral part of the corporate philosophy of our subsidiaries. This includes using production resources sparingly and economically and encompasses the design of the products themselves with the inclusion of material recovery or recyling.

Our largest subsidiary, Dörrenberg Edelstahl GmbH, was the first German manufacturer of stainless steel to have an environmental management system certified by the Technical Inspection Authority (TÜV). A follow-up audit in March 2004 has again validated the system in full.

EMPLOYEES

At 1,215, the number of employees at GESCO was virtually unchanged on the previous year (1,192). The financial year 2004/2005 has again seen the companies of the GESCO Group vesting high priority in human resources and in particular in training and further development. Our subsidiaries are well-known for providing training in their particular regions. They are not fully screened from international competition, however, and employees are expected to make some concessions in terms of working hours and conditions. The management believes in cooperative solutions.



Employees by segment

A Tool manufacture and mechanical engineering
80.5 % 978
81.0 % 965

B Plastics technology
18.8 % 228
18.2 % 217

C GESCO
0.7 % 9
0.8 % 10

In Autumn 2004 GESCO AG offered all Group employees the opportunity to buy shares in the company at favourable terms under an employee share scheme for the seventh time in a row. As in previous years, around one third of all employees took advantage of this offer of private asset accumulation.

At management level, various remuneration and incentive schemes apply. When GESCO AG takes over companies as part of successor arrangements, the new managing directors are given the opportunity, usually after a probationary period of one to two years, to take a 10 to 20 % stake in the company they run. The managing directors are therefore also shareholders and participate in the profits accordingly. The remuneration of the managing directors comprises a large variable, performance-related component. The remuneration of the Executive Board of GESCO AG also comprises a fixed and a variable, performance-related component; a breakdown is shown in the Notes to the consolidated financial statements. There is no stock option scheme. In 2000, we reviewed the matter in detail and concluded that such a scheme would not offer an acceptable cost/performance ratio for a company of our size and structure. This view was reported to the Annual General Meeting in 2000 and widely accepted by the shareholders.

OUTLOOK

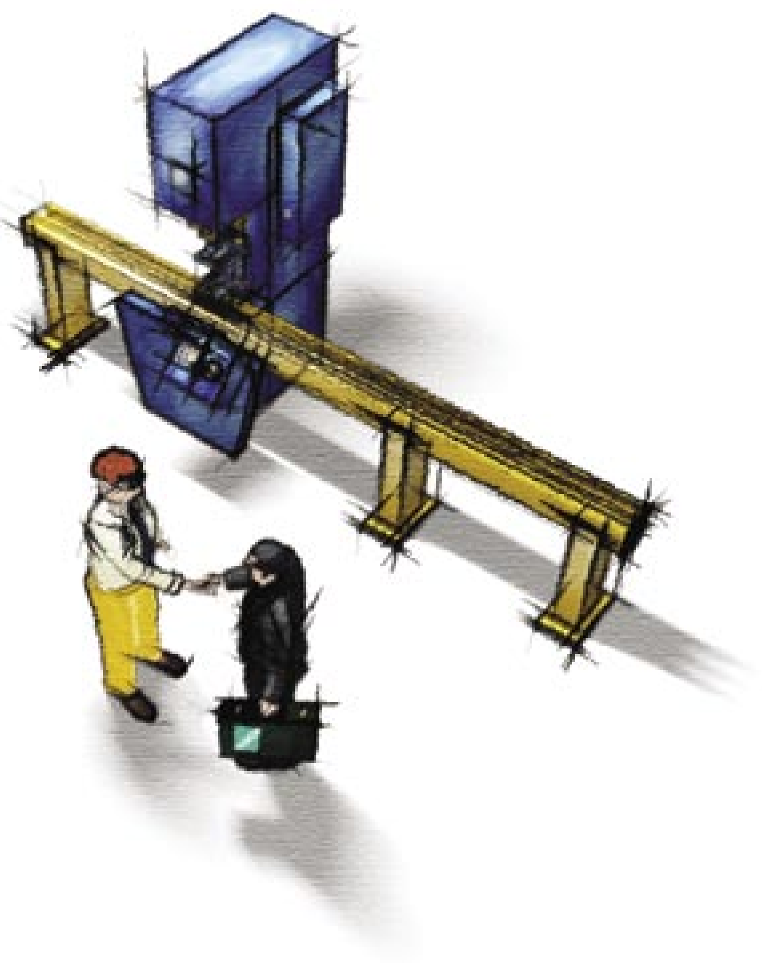
The economics institutes predict slow economic growth of 0.7 to 0.8 %. In the GESCO Group the first months of the new financial year commenced with good levels of incoming orders, yet there is uncertainty with regard to economic development during the second half of the year. Material price trends remain a factor which is difficult to calculate.

Provided the general economy does not go into decline during the second half of 2005 and following the strong growth of the year under review, we expect the high levels meanwhile reached by the GESCO Group to be consolidated during the new financial year 2005/2006. We also predict a slight increase in sales and in earnings adjusted for one-off effects.

In addition to this internal development of our portfolio, we are further aiming for external growth through the acquisition of strategically interesting, well positioned medium-sized industrial companies. We cannot forecast the acquisitions we may carry out, although we are continually looking into a number of concrete purchasing options. However, as before, the criteria we apply to acquisitions are very strict. Our long-term investment approach means that we have to be especially thorough when examining possible acquisitions.

No events of particular significance occurred after the end of the period under review.

Succession



They say that starting a business is hard, but letting go is just as difficult. Sorting out succession arrangements is one of the most difficult decisions any entrepreneur has to make. They not only have to find a buyer, but have to deal with a total change in their own circumstances. Entrepreneurs who want to ensure that their life's work is in good hands and that the buyer cares about the future of the company and the workforce, will choose their partner with great care.

RESULTS

GESCO AG

SUMMARISED ANNUAL FINANCIAL STATEMENTS OF GESCO AG AS AT 31 MARCH 2005

PROPOSED APPROPRIATION OF PROFITS

BALANCE SHEET

Assets	31.03.2005 EUR'000	31.03.2004 EUR'000
Intangible assets	1	18
Tangible assets	167	205
Financial assets	44,640	39,755
Fixed assets	**44,808**	**39,978**
Receivables and other assets	19,979	15,797
Securities and liquid funds	7,226	6,925
Current assets	**27,205**	**22,722**
Total assets	**72,013**	**62,700**

Liabilities

Shareholders´ capital	38,605	32,393
Provisions	3,217	4,328
Liabilities	30,191	25,979
Total liabilities	**72,013**	**62,700**

PROFIT AND LOSS ACCOUNT

	01.04.2004 -31.03.2005 EUR'000	01.04.2003 -31.03.2004 EUR'000
Earnings from investments	12,623	8,543
Other operating income and expenditure	287	-1,500
Personnel expenditure	-1,385	-1,410
Depreciation on fixed assets	-85	-102
Financial result	-1,077	-921
Earnings from ordinary business activity	**10,363**	**4,610**
Taxes on income and earnings	-2,407	-2,008
Net income for the year	**7,956**	**2,602**
Allocation to revenue reserves	-3,978	-852
Retained profit	**3,978**	**1,750**

GESCO AG – PROPOSED APPROPRIATION OF PROFITS

The Executive Board and Supervisory Board of GESCO AG propose that the retained profit for financial year 2004/2005 of EUR 3,978,171.21 (group net income of 7,956,342.42 EUR less allocation to other reserves of 3,978,171.21 EUR) be appropriated as follows:

a) Payment of a dividend of EUR 0,90 per unit share on the share capital currently entitled to receive dividends (2,500,000 shares less 2,160 own shares)	EUR 2,248,056.00
b) Allocation to other revenue reserves	EUR 1,730,115.21
Retained profit	**EUR 3,978,171.21**

The full annual financial statements of GESCO AG, which have been drawn up in accordance with the provisions of the German Commercial Code (HGB) and German Joint Stock Corporations Act (AktG) have been given an unqualified auditor's report by Dr. Breidenbach, Dr. Güldenagel & Partner KG, auditors and tax consultants, Wuppertal and will be published in the Bundesanzeiger (Federal Gazette) and deposited at the Wuppertal County Court under number HRB 7847. The annual financial statements can be requested from GESCO AG.

GESCO GROUP

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31. MARCH 2005

GESCO GROUP – BALANCE SHEET

Assets		31.03.2005 EUR'000	adjusted 31.03.2004 EUR'000	as reported 31.03.2004 EUR'000
A. Fixed assets				
I. Intangible assets				
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets	(1)	8,038	6,392	623
2. Goodwill	(2)	4,240	6,114	11,412
3. Prepayments made	(3)	10	20	20
4. Negative difference		0	0	-521
		12,288	**12,526**	**11,534**
II. Tangible assets				
1. Land and buildings	(4)	22,444	22,800	22,800
2. Technical plant and machinery	(5)	14,095	11,172	11,172
3. Other plant, fixtures and fittings	(6)	9,523	10,365	10,365
4. Prepayments made and plant under construction	(7)	530	17	17
5. Property held as financial investments	(8)	4,722	5,388	5,388
		51,314	**49,742**	**49,742**
III. Financial assets				
1. Shares in affiliated companies		1	1	1
2. Investments in associated companies	(9)	1,119	1,115	1,115
3. Investments	(10)	46	46	46
4. Securities held as fixed assets	(11)	3,342	2,942	2,942
		4,508	**4,104**	**4,104**
		68,110	**66,372**	**65,380**
B. Current assets				
I. Stocks	(12)			
1. Raw materials and supplies		9,307	7,103	7,103
2. Unfinished goods, unfinished services		8,501	7,200	7,200
3. Finished products and goods		14,428	11,103	11,103
4. Prepayments made		205	644	644
		32,441	**26,050**	**26,050**
II. Receivables and other assets	(13)			
1. Trade receivables		27,508	23,373	23,373
2. Claims on affiliated companies		867	558	558
3. Claims on companies with which a shareholding relationship exists		0	648	648
4. Other assets		3,765	5,069	5,069
		32,140	**29,648**	**29,648**
III. Securities	(14)	27	26	26
IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques	(15)	10,491	14,109	14,109
		75,099	**69,833**	**69,833**
C. Prepaid expenses		**78**	**77**	**77**
D. Deferred taxes	(16)	**1,783**	**2,088**	**1,643**
		145,070	**138,370**	**136,933**

Liabilities			adjusted	as reported
		31.03.2005	31.03.2004	31.03.2004
A. Shareholders´ Capital		EUR'000	EUR'000	EUR'000
I. Shareholders´ Capital	(17)	6,500	6,500	6,500
II. Capital reserves		21,142	21,142	21,142
III. Revenue reserves		10,668	6,123	4,937
IV. Own shares		-21	-85	-85
V. Revaluation IAS 39		400	0	0
		38,689	33,680	32,494
VI. Minority interests	(18)	3,189	2,653	2,653
		41,878	**36,333**	**35,147**
B. Provisions	(19)			
1. Provisions for pensions		8,310	8,246	8,246
2. Other provisions		7,293	6,082	6,082
		15,603	**14,328**	**14,328**
C. Liabilities	(20)			
1. Liabilities to financial institutions		52,631	57,243	57,243
2. Trade creditors		7,778	5,949	5,949
3. Prepayments received on orders		4,092	4,469	4,469
4. Liabilities from accepting bills drawn		1,721	757	757
5. Liabilities to companies with which a shareholding relationship exists		5	232	232
6. Other liabilities		17,502	15,304	15,304
		83,729	**83,954**	**83,954**
D. Deferred taxes	(16)	3,860	3,755	3,504
		145,070	138,370	136,933

GESCO GROUP – PROFIT AND LOSS ACCOUNT

		01.04.2004 -31.03.2005 EUR'000	adjusted 01.04.2003 -31.03.2004 EUR'000	as reported 01.04.2003 -31.03.2004 EUR'000
1. Sales revenue	(21)	**192,264**	**171,234**	**171,234**
2. Change in stocks of finished and unfinished products		1,706	-513	-513
3. Other company produced additions to assets	(22)	122	128	128
4. Other operating income	(23)	3,268	4,069	4,087
5. Total performance		**197,360**	**174,918**	**174,936**
6. Expenditure on materials	(24)	-96,716	-79,328	-79,328
7. Personnel expenditure	(25)	-57,626	-56,532	-56,917
8. Other operating expenditure	(26)	-22,904	-21,111	-21,111
9. Earnings before interest, tax, depreciation and amortisation (EBITDA)		**20,114**	**17,947**	**17,580**
10. Depreciation on intangible assets held as fixed assets, and tangible assets	(27)	-7,602	-7,236	-7,451
11. Earnings before interest and tax (EBIT)		**12,512**	**10,711**	**10,129**
12. Earnings from securities		1	1	1
13. Earnings from investments in associated companies		828	374	374
14. Other interest and similar income		536	640	640
15. Depreciation on securities held as fixed assets	(28)	0	-966	-966
16. Interest and similar expenditure		-2,027	-1,978	-1,594
17. Financial result		**-662**	**-1,929**	**-1,545**
18. Earnings before tax (EBT)		**11,850**	**8,782**	**8,584**
19. Taxes on income and earnings	(29)	-4,868	-3,985	-4,087
20. Earnings after tax		**6,982**	**4,797**	**4,497**
21. Share of the profit attributable to minority interests		-754	-599	-599
22. Group net income for the year		**6,228**	**4,198**	**3,898**
Earnings per share (EUR)	(30)	2.50	1.73	1.60

CASH FLOW STATEMENT

	01.04.2004 -31.03.2005 EUR'000	01.04.2003 -31.03.2004 EUR'000
Group net income for the year (including share of income attributable to minority interests)	**6,982**	**4,797**
Depreciation on fixed assets	7,602	8,202
Profit on investments in associated companies	-83	-374
Increase in long term provisions	64	210
Other non-cash income	-712	-2,077
Cash flow for the year	**13,853**	**10,758**
Profit from the disposal of fixed assets	-751	90
Increase in stocks, trade receivables and other assets	-4,892	-928
Increase in trade creditors and other liabilities	3,698	2,271
Cash flow from ongoing business activity	**11,908**	**12,191**
Incoming payments from the disposal of tangible assets/intangible assets	217	590
Disbursements for investments in tangible assets	-6,404	-5,258
Disbursements for investments in intangible assets	-102	-281
Incoming payments from the disposal of financial assets	824	175
Disbursements for investments in financial assets	0	-19
Incoming payments from the sale of consolidated companies	0	1,350
Disbursements for the acquisition of consolidated companies	-4,235	0
Cash flow from investment activities	**-9,700**	**-3,443**
Disbursements to shareholders (dividends)	-1,743	-1,200
Incoming payments from the sale of own shares	124	1,141
Incoming payments from minority shareholders	235	366
Disbursements to minority shareholders	-453	-438
Disbursements for the repayment of loans	-3,988	-3,154
Cash flow from funding activity	**-5,825**	**-3,285**
Cash increase in financial means	**-3,617**	**5,463**
Financial means on 01.04.	14,135	8,672
Financial means on 31.03.	**10,518**	**14,135**

MOVEMENT IN SHAREHOLDERS' CAPITAL

	Subscribed capital EUR'000	Capital reserves EUR'000	Revenue reserves EUR'000	Own shares EUR'000	Revaluation IAS 39 EUR'000	Total EUR'000	Minority interests EUR'000	Shareholders' capital EUR'000
As at 01.04.2003	6,500	21,142	2,854	-955	-1,459	28,082	2,248	30,330
Revaluation of securities not impacting on income					493	493		493
Revaluation of securities taken to income in the results for the year					966	966		966
Disposal of own shares			271	870		1,141		1,141
Dividends			-1,200			-1,200		-1,200
Other neutral changes						0	-194	-194
Results for the year			4,198			4,198	599	4,797
As at 31.03.2004	6,500	21,142	6,123	-85	0	33,680	2,653	36,333
Revaluation of securities not impacting on income					400	400		400
Disposal of own shares			60	64		124		124
Dividends			-1,743			-1,743		-1,743
Other neutral changes						0	-218	-218
Results for the year			6,228			6,228	754	6,982
As at 31.03.2005	6,500	21,142	10,668	-21	400	38,689	3,189	41,878

SEGMENT REPORT

	Tool manufacture and mechanical engineering		Plastics technology		GESCO AG		Other/consolidation		Group	
	2004/2005 EUR'000	2003/2004 EUR'000	2004/2005 EUR'000	2003/2004 EUR'000	2004/2005 EUR'000	2003/2004 EUR'000	2004/2005 EUR'000	2003/2004 EUR'000	2004/2005 EUR'000	2003/2004 EUR'000
Sales revenue	162,762	142,942	28,952	27,851	0	0	550	441	192,264	171,234
of which with other segments	0	0	0	0	0	0	0	0	0	0
EBIT	11,550	11,151	2,616	2,254	-1,274	-2,448	-380	-246	12,512	10,711
EBITDA	16,809	15,935	4,201	3,676	-1,189	-2,346	293	682	20,114	17,947
Financial result	-896	-1,006	548	-654	-435	48	121	-317	-662	-1,929
of which income from associated companies	0	0	744	-218	0	0	84	592	828	374
Depreciation	5,259	4,784	1,585	1,422	85	102	673	928	7,602	7,236
of which unscheduled	488	0	0	0	0	0	486	735	974	735
Segment assets	102,155	100,392	24,553	17,418	5,474	5,785	12,888	14,775	145,070	138,370
of which shares in associated companies	0	0	0	80	0	0	1,119	1,035	1,119	1,115
Segment debts	37,590	32,606	3,328	3,309	6,292	4,032	55,982	62,091	103,192	102,038
Investments	4,784	4,455	1,629	608	83	133	10	343	6,506	5,539
Employees (No./reporting date)	978	965	228	217	9	10	0	0	1,215	1,192

NOTES

GENERAL INFORMATION

The consolidated financial statements as at 31 March 2005 of GESCO AG have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the statements by the International Accounting Standards Board (IASB). All the relevant International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) have been applied, taking into account the interpretations of the Standing Interpretations Committee (SIC) and the IFRIC interpretation (IFRIC). The 2004 version of the statements has been applied.

The financial statements comply with the EU directive on accounting for corporate groups (Directive 83/349/EEC). To achieve equality with consolidated financial statements drawn up in accordance with the German Commercial Code (HGB), all information and explanations required under the HGB beyond those required under IASB have been provided. As the preconditions of § 292a HGB have been fulfilled, these consolidated financial statements prepared in accordance with IFRS exempt the company from the obligation to draw up consolidated financial statements in accordance with HGB. The assessment of these preconditions is based on the German Accounting Standard No. 1 (DRS 1) published by the Deutsches Rechnungslegungs Standards Committee DRSC e.V.

DIFFERENCES COMPARED WITH HGB

Material differences compared with the accounting and valuation methods under the German Commercial Code are described in detail as follows:

Capital consolidation is effected by offsetting the book value of the investment with the shareholders' capital of the subsidiaries valued in accordance with IFRS principles. Unlike the accounting treatment under HGB, first-time consolidation is carried out as at the date of acquisition of the relevant investment.

In consolidated financial statements prepared in accordance with HGB, the goodwill resulting from capital consolidation was offset against reserves. Under IFRS, differences arising on consolidation are allocated as far as possible to asset line items; any remaining goodwill is reported under assets and subjected to an impairment test at regular intervals. Negative differences arising from capital consolidation are charged to the profit and loss account. Under IFRS, the obligations resulting from two debtor warrants also have to be taken into account for the capital consolidation.

Contrary to HGB regulations, a property leasing company is recorded in the consolidated financial statements in line with the principles of full consolidation.

In the HGB consolidated financial statements, the calculation of depreciation for intangible and tangible assets is based on the depreciation periods allowed under tax legislation. In the IFRS accounts, it is the economic useful life that forms the basis for the calculation of depreciation. Special tax depreciation allowances have been eliminated.

The pension provisions and similar obligations accounted for in accordance with the fiscal partial value procedure pursuant to § 6a EstG (Income Tax Act) under HGB are calculated using the projected unit credit method, taking into account future salary and pension increases and current market interest rates.

Provisions for expenditure, in particular provisions for omitted maintenance are not permitted in accordance with IFRS.

Deferred taxes are accounted for using the balance sheet based liabilities method. Deferred taxes on losses carried forward are posted on the assets side where there is sufficient certainty on the reporting date that it will be possible to achieve tax mitigation potential.

In accordance with IFRS, own shares bought back are offset openly against shareholders' capital.

In addition to the general differences listed above, there are also the following differences between IFRS and HGB accounting regulations for the consolidated financial statements as at 31 March 2005:

- Capitalisation of assets and reporting of liabilities relating to finance leasing agreements under liabilities in accordance with IAS 17.

- Available for sale securities reported at fair value. Gains and losses on revaluation are reported under shareholders' capital with no effect on income until the investment is sold or a permanent reduction in value is to be charged to the profit and loss account.

Taking the above differences compared to HGB into account, the consolidated financial statements prepared in accordance with DRS 1 comply with Directive 83/349/EEC and pursuant to § 292a HGB exempt the company from preparing financial statements in accordance with HGB.

CONSOLIDATED FINANCIAL STATEMENTS – REPORTING DATE

The reporting date for the consolidated financial statements is the same as that for the parent company (31 March 2005). In principle, the financial years of the subsidiaries included in the consolidated financial statements are the same as the calendar year and they therefore do not differ from the financial year of the parent company by more than three months. It was therefore decided to dispense with compiling intermediate accounts as at 31 March 2005. Where there have been events of particular importance up until the Group reporting date, these have been taken into account in the consolidated financial statements.

SCOPE OF CONSOLIDATION

In addition to GESCO AG, all subsidiaries in which GESCO AG directly or indirectly holds the majority of the voting rights are included in the consolidated financial statements. Material associated companies are included at equity. In principle, the first-time consolidation or deconsolidation is carried out at the date of acquisition or disposal of the shareholding. A property leasing company has been included in the scope of consolidation in accordance with SIC 12, as the economic benefit of the property held by it is attributable to the Group.

The capital interest in Kühlmann Kunststoff-Technik GmbH (KKT GmbH), Geseke, amounted to 40 %, while the proportion of voting rights amounted to 80 % for a limited period. Since March 2004 only the voting rights corresponding to the capital share of 40 % have been exercised. In the consolidated financial statements for financial year 2004/2005, the company has been included in the consolidated financial statements using the equity method. In February 2005 the shareholding in KKT GmbH was sold.

The 40 % interest in Paroll Doppelboden-Systeme GmbH & Co. KG was sold in April 2004. In the previous year, the shareholding had been included in the consolidated financial statements using the equity method.

At the end of April 2004, GESCO AG acquired all of the shares in the Setter Group, Emmerich, comprising Setter GmbH & Co. Papierverarbeitung (paper processing) and its wholly-owned subsidiary Q-Plast GmbH & Co. Kunststoffverarbeitung (plastics processing). The Group produces paper and plastic sticks which are supplied to companies in the confectionary and hygiene industries. The sticks are used for items such as lollipops or as medical swabs or cotton buds for ears. The Setter Group has been included in the consolidated financial statements since 1 May 2004.

Dörrenberg Edelstahl GmbH, Engelskirchen, took over 60 % of the shares in the newly established Dörrenberg Tratamientos Térmicos, S.L. in Alsasua (Spain) in financial year 2004/2005. The object of the company is the manufacture and marketing of special and stainless steel, surface treatment and vacuum heat treatment. The company has been included in the scope of consolidation since 18 June 2004.

The impact of the additions and disposals on the fully consolidated companies is as follows:

	31.03.2005 EUR'000	31.03.2004 EUR'000
Intangible assets	2,935	0
Tangible assets	1,676	-2,182
Current assets (excluding liquid funds)	3,686	-2,786
Liquid funds	128	-10
Provisions	47	-296
Liabilities	4,158	-4,461

First-time consolidation and deconsolidation impacted on the Group result with + EUR 744 thousand. The deconsolidation in the previous year did not affect the Group result.

A total of 25 companies were fully consolidated and one associated company included in the consolidated financial statements using the equity method.

One subsidiary (foreign sales company) whose influence on the assets, financial position and earnings is of minor importance was not consolidated but valued at the cost of acquisition. The influence on sales, results and total assets amounts to less than 0.5 %. Three other companies, which are also of minor importance, were also valued at the cost of acquisition. The effect on the results and total assets was less than 0.5 %.

A full list of shareholdings has been deposited at the Commercial Register of the Wuppertal County Court (HRB 7847). The significant Group companies are listed in a table at the end of these Notes.

CONSOLIDATION METHODS/EQUITY METHOD

The capital was consolidated by carrying out a new full valuation as at the date of acquisition in each case. The costs of acquisition were thereby offset against the new value or, in the case of the equity method, against the pro rata newly valued shareholders' capital of the subsidiaries as at the date of acquisition. Assets and debts are reported at fair value.

The Standard IFRS 3 published in March 2004 reregulates the accounting treatment of company acquisitions and goodwill. IFRS 3 requires that positive differences arising on first-time consolidation following an acquisition are allocated to the asset items on a more differentiated basis than before with only the remaining unallocated amount to be reported as goodwill. In this regard, new identification criteria were stipulated for intangible assets. Where goodwill remains, it is no longer written down on a scheduled basis but subject to an annual impairment test. The other intangible assets are depreciated on a scheduled basis in line with their useful life.

Any negative difference arising on capital consolidation is recognised in the profit and loss account in accordance with IFRS 3. The Standard can be applied retrospectively.

IFRS 3 has been applied to the present financial statements with retrospective effect from 1 April 1997. As prescribed under IFRS 3, the amended versions of IAS 36 and IAS 38 have also been applied as of this date. As a result, the surplus values from first-time consolidations of EUR 8,554 thousand is no longer reported as goodwill but under other intangible asset line items. The comparative figures from previous years have been restated as follows:

	31.03.2004 EUR'000	31.03.2003 EUR'000
Intangible assets	5,769	6,625
Goodwill	-5,298	-6,370
Negative difference	521	540
Deferred taxes	194	91
Profit reserves	1,185	884
Depreciation	-216	-87
Taxes on income and earnings	-102	-84

Subsequent changes to the shareholders' capital of associated companies are recorded as a change in the level of holding reported for the relevant associated company.

Income and expenditure and receivables and liabilities between consolidated companies are eliminated.

Where there are temporary differences resulting from consolidation measures which impact on earnings but do not affect goodwill, these are taken into account for income tax purposes and reported under deferred taxes (IAS 12).

Accounting and valuation methods

In principle, the accounts included in the consolidated financial statements as at 31 March 2005 are drawn up in accordance with standardised accounting and valuation methods.

Intangible assets acquired against payment are valued at the cost of acquisition or manufacture less scheduled depreciation. Any negative difference arising from capital consolidation is recognised in the profit and loss account.

Tangible assets are valued at the cost of acquisition or manufacture. Public sector subsidies are deducted from the original cost of acquisition when the asset is capitalised. The cost of external capital is recorded directly as expenditure. Tangible assets are depreciated on a straight-line basis over their economic useful life.

Tangible assets rented under finance leases are capitalised at the attributable fair value or the lower present value of the lease instalments. Depreciation is carried out in the same way as for tangible assets owned by the Group (IAS 17). The company is entitled to purchase the leased items for an agreed price at the end of the leasing agreement.

Property held as financial investments is reported at the net book value or fair value if lower.

Holdings reported under financial assets are reported at the cost of acquisition or fair value if lower. Holdings in associated companies are valued at equity.

Securities held as fixed assets are valued at the stock exchange prices on the reporting date. Changes in value are openly deducted from shareholders' capital without any impact on income. Changes in value are recorded in the results for the relevant accounting period if the securities are sold or if there is a permanent reduction in value.

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

In principle, **receivables and other assets** are carried at fair value. Appropriate provisions have been created to take account of any receivables risks. Receivables denominated in foreign currencies were reported at the exchange rate on the reporting date. Exchange gains and losses are taken to the profit and loss account.

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

Provisions for pensions and similar obligations are calculated in accordance with actuarial methods pursuant to IAS 19, whereby not only the known pensions and projected benefits, but also expected future increases in salaries and pensions and the trend in interest rates are taken into account. Actuarial gains and losses exceeding 10 % of the scope of obligations of the relevant pension plan are spread across the average residual period of service. The service costs are reported under personnel expenditure and the interest portion of the allocation to provisions is reported under the financial result.

Other provisions take into account all discernible liabilities as at the reporting date which are based on past business transactions and whose amount or due date is uncertain. The provisions have been created for the amount which is most likely and have not been netted off against positive income balances. Provisions are only created if there is a legal or actual obligation to third parties. Provisions which have a residual term of more than one year are discounted at the usual market rate for that term for the Group on the reporting date, taking account of future inflation.

In principle, **liabilities** are reported at the relevant present value. Liabilities under finance leasing agreements are reported under liabilities at the present value of the leasing instalments. Liabilities denominated in foreign currencies were reported at the exchange rate prevailing on the balance sheet reporting date. Exchange gains and losses are taken to income in the profit and loss account. Discounts are deducted from liabilities to financial institutions and added back to the relevant loan on a scheduled basis over the life of the loan.

Deferred taxes arising from temporary differences in the value reported in the commercial and tax balance sheets are determined in accordance with the balance sheet based liability method and reported separately. Deferred tax assets comprise claims to tax reductions arising from the utilisation, which can be expected with sufficient certainty, of existing loss carryforwards. Deferred taxes are determined on the basis of current tax legislation. Deferred tax assets are netted off against deferred tax liabilities where the creditor and debtor are the same and the maturities are matching.

Contingent liabilities are possible or existing obligations which refer to past events and for which an outflow of funds is unlikely. Such obligations are therefore not reported in the balance sheet. The level of obligations reported for contingent liabilities corresponds to the extent of the liability as at the reporting date.

INFORMATION ON THE GROUP BALANCE SHEET

(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 subject to straight-line depreciation over a period of three to 13 years.

(2) Goodwill

In accordance with IFRS 3, goodwill is no longer written down on a scheduled basis, but subject to an annual impairment test. The impairment test as at the reporting date did not indicate a requirement for a write-down.

(3) Prepayments made

The amount reported refers to the acquisition of software.

(4) Land and buildings

In principle, buildings are depreciated on a straight-line basis over a period of 40 to 50 years.

(5) Technical plant and machinery

In principle, technical plant and machinery are subject to scheduled depreciation on a straight-line basis over a period of 5 to 15 years. This item also included equipment leased under a financing lease with a book value (present value under leasing obligations less scheduled depreciation) as at the Group reporting date of EUR 133 thousand (previous year EUR 178 thousand). Depreciation is carried out over the anticipated useful life of the assets.

(6) Other plant, fixtures and fittings

In principle, other plant, fixtures and fittings are depreciated on a straight-line basis over a period of 3 to 15 years.

(7) Prepayments made and plant under construction

The amount reported refers mainly to fixtures and fittings.

GROUP STATEMENT OF FIXED ASSETS AS AT 31.03.2005

	Cost of acquisition or manufacture					
	As at 01.04.2004 EUR	Additions Scope of consolidation EUR	Additions EUR	Transfers EUR	Disposals EUR	As at 31.03.2005 EUR
I. Intangible assets						
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets	11,487,086	2,848,026	92,228	0	103,773	14,323,567
2. Goodwill	6,113,501	96,319	0	0	1,970,000	4,239,820
3. Prepayments made	20,390	0	10,000	0	20,390	10,000
	17,620,977	**2,944,345**	**102,228**	**0**	**2,094,163**	**18,573,387**
II. Tangible assets						
1. Land and buildings	29,384,514	0	718,966	17,000	281,709	29,838,771
2. Technical plant and machinery	29,298,976	3,730,188	3,286,527	0	411,855	35,903,836
3. Other plant, fixtures and fittings	35,937,312	565,515	1,857,943	0	1,398,760	36,962,010
4. Prepayments made and plant under construction	17,000	0	530,357	-17,000	0	530,357
5. Property held as financial investments	7,997,204	0	10,231	0	0	8,007,435
	102,635,006	**4,295,703**	**6,404,024**	**0**	**2,092,324**	**111,242,409**
III. Financial assets						
1. Shares in affiliated companies	1	0	0	0	0	1
2. Investments in associated companies	1,333,686	0	83,349	0	298,080	1,118,955
3. Investments	4,422,600	0	0	0	750,000	3,672,600
4. Securities held as fixed assets	9,715,700	0	0	0	0	9,715,700
	15,471,987	**0**	**83,349**	**0**	**1,048,080**	**14,507,256**
	135,727,970	**7,240,048**	**6,589,601**	**0**	**5,234,567**	**144,323,052**

Including:

[1] Unscheduled depreciation in accordance with IAS 36: 182,485

[2] Unscheduled depreciation in accordance with IAS 36: 305,577

[3] Unscheduled depreciation in accordance with IAS 36: 485,823

[4] Revaluation in accordance with IAS 39 (no impact on income): -400,432

Depreciation					Net book values	
As at 01.04.2004 EUR	Additions Scope of consolidation EUR	Additions EUR	Disposals EUR	As at 31.03.2005 EUR	As at 31.03.2005 EUR	As at 31.03.2004 EUR
5,095,550	9,411	1,283,752	103,527	6,285,186	8,038,381	6,391,536
0	0	0	0	0	4,239,820	6,113,501
0	0	0	0	0	10,000	20,390
5,095,550	**9,411**	**1,283,752**	**103,527**	**6,285,186**	**12,288,201**	**12,525,427**
6,585,057	0	1,018,929 [1]	208,072	7,395,914	22,442,857	22,799,457
18,126,489	2,192,027	1,876,887	386,736	21,808,667	14,095,169	11,172,487
25,572,202	427,970	2,746,698 [2]	1,308,103	27,438,767	9,523,243	10,365,110
0	0	0	0	0	530,357	17,000
2,609,246	0	675,820 [3]	0	3,285,066	4,722,369	5,387,958
52,892,994	**2,619,997**	**6,318,334**	**1,902,911**	**59,928,414**	**51,313,995**	**49,742,012**
0	0	0	0	0	1	1
218,584	0	0	218,584	0	1,118,955	1,115,102
4,376,582	0	0	749,999	3,626,583	46,017	46,018
6,773,180	0	-400,432 [4]	0	6,372,748	3,342,952	2,942,520
11,368,346	**0**	**-400,432**	**968,583**	**9,999,331**	**4,507,925**	**4,103,641**
69,356,890	**2,629,408**	**7,201,654**	**2,975,021**	**76,212,931**	**68,110,121**	**66,371,080**

(8) Property held as financial investments

The company still has properties held as investments, which generate rental income.

The properties are valued at the cost of acquisition less the straight-line depreciation calculated on an economic useful life of 40 years as well as extraordinary depreciation. Extraordinary depreciation was carried out to adjust the book value to the lower fair value as at the reporting date. The fair value of the properties held as financial investments amounted to EUR 5,001 thousand (previous year EUR 5,913 thousand). The fair values of individual properties were calculated according to the gross rental method. The calculations are based on usual market rates of approx. 8.0 %. Surveys were not obtained on the attributable fair values.

The properties held as financial investments generated rental income of EUR 549 thousand (previous year EUR 441 thousand) compared with directly attributable calculable operating expenditure of EUR 169 thousand (previous year EUR 193 thousand) and depreciation of EUR 690 thousand (previous year EUR 928 thousand). Depreciation includes write-downs to lower fair values of EUR 486 thousand (previous year EUR 735 thousand).

(9) Investments in associated companies

The positive results of those companies valued at equity are reported in the Group statement of fixed assets as an addition. Shares in losses are reported as an addition under depreciation. Distributions and sales of shareholdings are reported under disposals.

Depreciation, losses and the share of income from companies valued at equity are included in the profit and loss account under net income from investments in associated companies.

The 40 % holding in Paroll Doppelbodensysteme GmbH & Co. KG, Radevormwald, and a 40 % holding in Kühlmann Kunststoff-Technik GmbH, Geseke, were sold. No depreciation accrued in the reporting year.

(10) Investments

This position includes holdings in three companies which are of minor importance.

(11) Securities held as fixed assets

All securities are available-for-sale and are valued at the stock exchange price on the reporting date as the attributable fair value. The book values reported in the Group statement of fixed assets correspond to the relevant fair value as at the reporting date. The historic cost of acquisition is reported in the statement of fixed assets. In the previous year, changes in fair value of EUR -966 thousand were recognised in the profit and loss account as they were deemed to be permanent in accordance with the information at the time. The changes in fair value in accordance with IAS 39 as at 31 March 2005 are reported under shareholders' capital with no impact on income.

(12) Stocks

The write-downs carried out refer to the individual items as follows:

in EUR'000	Raw materials and supplies		Unfinished and finished products and services		Finished products and goods		Prepayments made		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Cost of acquisition or manufacture	10,336	8,068	9,006	7,899	15,108	12,284	205	644	34,655	28,895
Write-downs	1,029	965	505	699	680	1,181	0	0	2,214	2,845
As at 31.03.	9,307	7,103	8,501	7,200	14,428	11,103	205	644	32,441	26,050

(13) Receivables and other assets

Charges have been made on receivables and other assets to account for the expected level of losses. The book values determined correspond to the fair values. Trade receivables are due within 12 months and do not bear interest. Other assets comprise the following:

	31.03.2005 EUR'000	31.03.2004 EUR'000
Loan receivables	1,866	1,810
Income tax refund claims	290	1,134
Tax prepayments	744	1,080
Other	865	1,045
Total	3,765	5,069

Loan receivables result mainly from the sale of minority holdings to the managing directors of the relevant subsidiaries and are secured by pledging the shares sold. The loans have a term of up to nine years and bear interest at market rates. Of the loans, EUR 1,091 thousand (previous year EUR 1,119 thousand) are not due until financial year 2006/2007 or thereafter.

As in the previous year, the item ‘other’ does not include any long term assets.

(14) Securities

The securities held as current assets are highly liquid and are subject to insignificant risk in terms of change in value.

(15) Credit balances with financial institutions

Essentially, this item contains short term fixed deposits and current account credit balances held in Euros at different banks.

(16) Deferred tax assets and liabilities

Deferred taxes are determined and reported using a rate of 40 % (previous year: 38 %) on the basis of temporary differences in the values carried for assets and liabilities in the commercial balance sheet under IFRS and the tax balance sheet, as well as on realisable loss carryforwards. The reported deferred taxes result from the following balance sheet items and loss carryforwards:

Deferred taxes from loss carryforwards are capitalised to the extent that as at the reporting date it can be assumed with sufficient certainty within a planning period of five years that their tax reducing potential can be realised. Deferred tax assets of around EUR 426 thousand from loss carryforwards were not reported, as under § 9 No. 1 Clause 2 ff. GewStG (Trade Tax Act) (exemption option for property companies) the application of trade tax is deemed to be highly unlikely.

Deferred Taxes	31.03.2005 Assets EUR’000	31.03.2005 Liabilities EUR’000	31.03.2004 Assets EUR’000	31.03.2004 Liabilities EUR’000
Intangible assets	1,141	441	670	476
Tangible assets	371	4,023	524	3,827
Pension provisions	687	–	640	–
Other provisions	55	242	126	215
Liabilities	158	317	128	27
Tax loss carryforwards	714	–	1,104	–
Other	58	238	11	325
	3,184	5,261	3,203	4,870
Net figure[1]	-1,401	-1,401	-1,115	-1,115
Total	**1,783**	**3,860**	**2,088**	**3,755**

[1] Deferred tax assets and liabilities are netted off, where the creditor and debtor are the same and the maturities match.

(17) Shareholders' capital

The **subscribed capital** of the Group corresponds to the subscribed capital of GESCO AG and amounts to EUR 6,500 thousand, divided into 2,500,000 bearer shares which carry full voting and dividend entitlements.

The ordinary General Meeting on 9 September 2004 authorised the Executive Board with the consent of the Supervisory Board to increase the share capital of the company by a total of up to EUR 3,250,000 by issuing new shares against cash contributions and/or contributions in kind up until 8 September 2009. The shareholders shall be granted a subscription right. The new shares can be underwritten by one or more financial institutions with the obligation to offer them to the shareholders (indirect subscription right). The Executive Board was also authorised with the consent of the Supervisory Board to exclude the subscription right of shareholders in order to realise fractions or in certain suitable cases to acquire companies or parts of companies against the transfer of shares or to issue shares for a capital increase against cash contribution at an issue price which does not fall significantly short of the stock exchange price and the number of shares issued under the authorisation does not exceed ten per cent of the share capital at the time of issue. The authorisation was entered in the commercial register in Wuppertal on 20 September 2004.

The ordinary General Meeting on 9 September 2004 authorised the company to acquire its own shares up to 10 per cent of the current share capital, including the shares already held, up until 8 March 2006.

The movement in **shares in circulation** and **own shares** is as follows:

	Shares in circulation	Own shares held	
	No.	No.	Share of the share capital in %
As at 01.04.2003	**2,400,000**	**100,000**	**4.00**
Purchases	0	0	0.00
Employee share scheme	16,140	-16,140	0.65
Sales to institutional investors	75,000	-75,000	3.00
As at 31.03.2004	**2,491,140**	**8,860**	**0.35**
Purchases	0	0	0.00
Employee share scheme	6,700	-6,700	0.26
Sales to institutional investors	0	0	0.00
As at 31.03.2005	**2,497,840**	**2,160**	**0.09**

In the past, after each General Meeting the company has carried out an employee share scheme in the second half of the calendar year, which is limited in time to around two months, during which employees are given the opportunity to buy shares in GESCO AG at a price which is discounted to the stock exchange price. The shares worth EUR 64 thousand (previous year EUR 154 thousand) sold under the employee share scheme were sold to employees for a total price of EUR 70 thousand (previous year EUR 94 thousand). The reduction granted to employees is recorded under other operating expenditure. The proceeds from the sale were used to repay liabilities.

There are no stock option plans.

The **capital reserves** result primarily from premiums on the issue of shares and remained unchanged at EUR 21,142 thousand.

During the year under review, the **revenue reserves** were increased by the net profit for the year of EUR 6,228 thousand as well as the sale of own shares amounting to EUR 60 thousand, which was not taken to the profit and loss account. They were reduced by the dividend of EUR 1,743 thousand for the previous year.

As at the time of preparing the consolidated financial statements, the **proposed dividend** per share stood at EUR 0.90. With 2,497,840 shares currently in circulation, this produces a proposed dividend of EUR 2,248 thousand.

(18) Minority interests

Minority interests refer to the share of capital and results in Ackermann Fahrzeugbau GmbH, AstroPlast Kunststofftechnik GmbH & Co. KG, Franz Funke Zerspanungstechnik GmbH & Co. KG, Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, SVT GmbH, Haseke GmbH & Co. KG, Dörrenberg Tratamientos Térmicos. S.L. and the property leasing company.

(19) Provisions

In addition to direct commitments relating to the final salaries for senior managers and members of the Executive Board, the **provisions for pensions** are based on fixed amount pension commitments for some of the employees. Increases under some of the pension plans for senior managers are based on the benefit plans of the Essener Verband. Provisions for pensions refer exclusively to the defined benefit plans and are calculated according to the projected unit credit method under IAS 19.

The movement in the **projected benefit obligation** was as follows:

	2004/2005 EUR'000	2003/2004 EUR'000
As at 01.04.	**7,915**	**7,985**
Change in the scope of consolidation	0	-200
Service costs	129	151
Interest costs	434	428
Pension annuities paid	-499	-389
Actuarial gains/losses	85	-60
As at 31.03.	**8,064**	**7,915**

The **provisions for pensions** are calculated as follows:

	2005 EUR'000	2004 EUR'000
Projected benefit obligation	8,064	7,915
Actuarial gains not recorded	246	331
As at 31.03.	**8,310**	**8,246**

Pension costs comprise the following:

	2004/2005 EUR'000	2003/2004 EUR'000
Service costs	129	151
Interest accruing on expected pension benefit obligation	434	428
Total	**563**	**579**

The calculations are based on the basic biometric values published by Prof. Dr. Klaus Heubeck (RT 98) as well as the following **actuarial assumptions:**

	2004/2005	2003/2004
Interest rate	5.0 %	6.0 %
Increase in salaries	3.0 %	2.0 %
Increase in pension annuities	1.5 %	2.0 %
Staff turnover	1.0 %	1.0 %

The movement in and composition of other provisions are shown in the following table:

	As at 01.04.2004 EUR'000	Utilisation EUR'000	Addition/ New Creation EUR'000	Release EUR'000	As at 31.03.2005 EUR'000
Recultivation obligation	1,329	0	1,151	0	2,480
Guarantees and warranties	1,915	-815	1,162	-168	2,094
Purchase price annuity obligation	752	-18	0	0	734
Legal costs	580	0	0	0	580
Costs of annual financial statements	389	-383	445	-4	447
Follow-up costs	115	-115	334	0	334
Threatened losses	51	-40	0	0	11
Miscellaneous	951	-434	120	-24	613
Total	**6,082**	**-1,805**	**3,212**	**-196**	**7,293**

The recultivation obligation refers to official requirements and conditions which have to be fulfilled regarding the operation of a landfill site of a subsidiary as well as to the cleaning up of waster water channels. Provisions have been set up for the expenditure determined as probable by an expert survey.

The purchase price annuity obligation arose in relation to the purchase of shares in a subsidiary and has been posted in the balance sheet at the level of the projected benefit value in accordance with IAS 19. Of the amounts shown on the liabilities side, the following amounts are due as follows:

up to 1 year	EUR	66 thousand
1 to 5 years	EUR	230 thousand
over 5 years	EUR	438 thousand

The legal costs include the best possible estimated expenditure from various claims pursued and defended by individual subsidiaries. Each individual lawsuit is of minor importance in terms of the assessment of the assets, liabilities, financial situation and earnings of the Group.

The threatened losses refer to the likely excess obligation arising from various purchase and sale agreements as at the reporting date.

Miscellaneous provisions refer in particular to possible obligations arising from pledged credit balances with financial institutions (EUR 200 thousand).

(20) Liabilities

	As at 31.03.2005 (31.03.2004) EUR'000	Residual maturity of up to 1 year EUR'000	Residual maturity of up to 5 years EUR'000	Residual maturity of more than 5 years EUR'000
Liabilities to financial institutions	52,631	9,707	24,832	18,092
	(57,243)	(13,880)	(23,861)	(19,502)
Trade creditors	7,778	7,778	0	0
	(5,949)	(5,949)	(0)	(0)
Prepayments received on orders	4,092	4,092	0	0
	(4,469)	(4,469)	(0)	(0)
Liabilities on bills	1,721	1,721	0	0
	(757)	(757)	(0)	(0)
Liabilities to companies with which	5	5	0	0
a shareholding relationship exists	(232)	(232)	(0)	(0)
Other liabilities	17,502	14,485	2,964	53
	(15,304)	(12,216)	(2,820)	(268)
Total	**83,729**	**37,788**	**27,796**	**18,145**
	(83,954)	**(37,503)**	**(26,681)**	**(19,770)**

The liabilities to financial institutions are mainly secured by:

	31.03.2005 EUR'000	31.03.2004 EUR'000
Land charges	20,583	22,824
of which on property held as financial investments	4,090	4,090
Book value of property	18,459	23,013
Assignment of movable fixed assets as security	7,238	8,180
stocks	6,872	5,340
Assignment of receivables	5,560	7,365

The parent company has also pledged shares in subsidiaries with a total book value of EUR 38,679 thousand (previous year EUR 33,280 thousand).

Of the liabilities to financial institutions, around EUR 40,478 thousand (previous year EUR 38,475 thousand) refer to long term credit facilities in Swiss francs with short term fixed rates (in principle three months). As at the reporting date, the interest rates for these loans ranged from 1.0 % to 2.12 %. These rates correspond to the usual market interest rates for Swiss franc loans. Fixed redemption payments have been agreed for individual loans. In principle, no final maturities are agreed.

The Swiss franc loans have been granted by German financial institutions and therefore constitute hybrid financing instruments in accordance with IAS 39. Given the short term nature of the fixed rates, the book values of the loans correspond to their fair value. Any changes in value as at the reporting date are taken to the profit and loss account.

Of the remaining obligations to financial institutions, EUR 9,054 thousand (previous year EUR 15,522 thousand) refer to long term loans with fixed redemption payments and residual maturities between 1 and 12 years (previous year between 1 and 12 years). The interest rates range from 2.86 % to 6.25 %. These interest rates represent the usual market rates for the relevant loans and companies. The other liabilities to financial institutions relate to current accounts.

Other liabilities comprise the following:

	31.03.2005 EUR'000	31.03.2004 EUR'000
Wages, salaries, social security	8,773	7,156
Other taxes	1,603	1,277
Income taxes	1,430	1,683
Outstanding incoming invoices	753	712
Finance leases	133	178
Miscellaneous liabilities	4,810	4,298
Total	17,502	15,304

Miscellaneous liabilities refer primarily to subsequent purchase payments as well as short term liabilities to third parties. The subsequent purchase payments and a portion of the other liabilities amounting to a total or EUR 2,260 thousand (previous year EUR 2,418 thousand) are not due for over a year. The liabilities arising from wages, salaries and social security include obligations for age-related part time working of which EUR 632 thousand (previous year EUR 669 thousand) is not due for over a year.

INFORMATION ON THE GROUP PROFIT AND LOSS ACCOUNT

The profit and loss accounts include the Setter Group with figures for eight months for the first time.

(21) Sales revenue

In principle, sales revenue is recorded when the benefit and liability from the assets sold are transferred. Further explanations are given in the segment report.

(22) Other company produced additions to assets

The item essentially comprises the costs of production equipment built by the Group.

(23) Other operating income

Other operating income comprises the following:	2004/2005 EUR'000	2003/2004 EUR'000
Income from writing back/utilising provisions	917	864
Price gains	818	2,120
Income from the disposal of fixed assets	85	66
Miscellaneous	1,448	1,019
Total	**3,268**	**4,069**

(24) Expenditure on materials

Expenditure on materials includes:	2004/2005 EUR'000	2003/2004 EUR'000
Expenditure on raw materials and supplies and goods purchased	87,048	70,560
Expenditure on services purchased	9,668	8,768
Total	**96,716**	**79,328**

(25) Personnel expenditure

Personnel expenditure includes:	2004/2005 EUR'000	2003/2004 EUR'000
Wages and salaries	47,703	46,788
Social security contributions	9,714	9,457
Expenditure on pensions and benefits	209	287
Total	**57,626**	**56,532**

The expenditure on pensions and benefits includes additions to pension provisions excluding accrued interest which is reported under interest and similar expenditure.

(26) Other operating expenditure

Other operating expenditure breaks down as follows:

	2004/2005 EUR'000	2003/2004 EUR'000
Operating expenditure	8,458	7,683
Administrative expenditure	2,390	2,578
Expenditure on distribution	7,457	6,907
Miscellaneous expenditure	4,599	3,943
Total	22,904	21,111

(27) Depreciation on tangible and intangible assets

Depreciation on tangible and intangible assets is shown in the Group statement of fixed assets. During the financial year, unscheduled depreciation was carried out on property held as financial investments as well as on buildings and fixtures and fittings (EUR 974). Further explanations are given in the notes on the corresponding balance sheet items.

(28) Depreciation on securities held as fixed assets

In financial year 2004/2005, no depreciation was required on securities held as fixed assets. In the previous year, available-for-sale securities were written down as a result of a permanent diminution in value.

(29) Taxes on income and earnings

The actual taxes on income and earnings and deferred taxes are reported as income tax. Income tax comprises the following:

	2004/2005 EUR'000	2003/2004 EUR'000
Actual taxes	4,296	3,409
Deferred taxes	572	576
Total	4,868	3,985

The anticipated expenditure on income taxes is reconciled to the tax expenditure reported in the profit and loss account as follows:

	2004/2005 EUR'000	2003/2004 EUR'000
Group result before income tax	11,850	8,782
Anticipated income tax income/expenditure	-4,740	-3,337
Permanent differences arising on expenditure which is not tax deductible	-47	-181
Income tax for different reporting periods	-262	-4
Consolidation effects	70	-114
Temporary differences for losses, for which no deferred taxes have been capitalised	0	-53
Differences in tax rates	124	-242
Miscellaneous	-13	-54
Total	**-4,868**	**-3,985**

The anticipated expenditure on tax is based on a Group tax rate of 40 % (previous year 38 %). This comprises corporation tax (25.0 %) plus the solidarity surcharge (5.5 %) as well as trade tax (based on the average municipal levy rate 454 %, previous year 375 %).

(30) Earnings per share

In accordance with IAS 33 (Earnings per Share), earnings per share are derived by dividing the Group net income for the year attributable to shareholders by the weighted average number of shares in circulation:

	2004/2005	2003/2004
Group net income for the year (EUR'000)	6,228	4,198
Weighted number of shares (No.)	**2,492,815**	**2,431,952**
Earnings per share in accordance with IAS 33 (EUR)	2.50	1.73

There are no circumstances which could lead to a dilution effect.

INFORMATION ON THE CASH FLOW STATEMENT

In accordance with IAS 7 (Cashflow Statement), the **cash flow statement** shows the movement in the inflows and outflows of funds in the Group during the year under review. The financial resources portfolio continues to contain securities held as current assets which are highly liquid and not subject to any significant risk of change in value, as well as the item cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques. The financial resources portfolio includes credit balances with banks totalling EUR 200 thousand (previous year EUR 456 thousand), which are pledged as security for liabilities on the part of third parties.

During the financial year, the company made and received the following payments:

	2004/2005 EUR'000	2003/2004 EUR'000
Interest paid	1,319	1,290
Interest received	352	480
Taxes paid	2,635	2,785

The cash flow statement does not include investments in intangible assets of EUR 2,260 thousand which do not yet affect the liquidity.

INFORMATION ON THE SEGMENT REPORT

The **segment report** has been drawn up in accordance with IAS 14 (Segment Reporting). Segmentation has been structured according to primary business activity.

The companies are allocated to the segments in accordance with their area of activity. The companies in the **tool manufacture and mechanical engineering segment** are mainly active in the production of tools and machinery and related services. The plastics processing companies are allocated to the **plastics technology segment**, especially those in injection moulded plastics, foamed sheet manufacture and the manufacture of plastic and paper sticks.

The **GESCO AG** segment comprises the activities of GESCO AG as an affiliated company. Those companies that cannot be allocated to another segment are reported in the **Other/Consolidation** segment as well as the consolidation effects and other assets and liabilities that are not to be allocated to any of the other segments. This item therefore includes property held as financial investments as well as the loan debts of the other segments.

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

Segment investment refers to tangible and intangible assets.

Depreciation refers to the assets allocated to the individual segments.

The **operating assets of the segments** contain all the assets of the companies allocated to the segments with the exception of tax refund claims.

Segment liabilities comprise all liabilities and provisions of the companies allocated to the segments with the exception of income tax liabilities and loans.

Group EBIT and EBITDA can be reconciled to the Group net income for the year using the Group profit and loss account.

Sales revenue is attributable to the **regions** as follows:

	2004/2005		2003/2004	
	EUR'000	%	EUR'000	%
Germany	140,768	73.2	133,220	77.8
Europe (excluding Germany)	32,719	17.0	26,712	15.6
Rest of the world	18,777	9.8	11,302	6.6
Total	**192,264**	**100.0**	**171,234**	**100.0**

The secondary reporting format for segment reporting comprises segmentation by region. As most of the Group assets are in Germany, the Group represents the region of Germany overall and the information in the secondary reporting format is identical to that in the Group balance sheet and profit and loss account.

OTHER INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

Research and Development Costs

In principle, research and development costs are treated as current expenditure. No capitalisation was necessary. The research and development costs amounted to around 2 % of sales in both financial years.

Information on financial instruments

Due to clear interest-rate advantages, the Group is largely financed in Swiss francs with a short term fixed interest rate.

Due to their short term maturity or fixed interest rates, the market values of receivables, credit balances with financial institutions and currency liabilities to financial institutions reported in the balance sheet correspond to the book values. In the case of longer term claims arising from loan agreements, liabilities to financial institutions in Euro and other liabilities, the interest rates correspond to the usual market interest rates so that here too, the market values correspond to the book values.

Contingent liabilities

	2004/2005 EUR'000	2003/2004 EUR'000
Liabilities from the issue and assignment of bills	219	240
Liabilities under guarantees	1,252	1,111

There are possible retrospective improvements in the purchase price, resulting from the acquisition of two companies, depending on their future earnings. As at the respective balance sheet reporting dates, these improvements are shown on the balance sheet at their probable value.

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

Investment contributions of Eur 889 thousand were granted to a subsidiary in the past. This was with the proviso that the company created a specific number of permanent jobs by 30 June 2004 which will exist for a fixed time period. As this number of permanent jobs has not been reached to date, the company has applied for an early reduction in the number of permanent jobs to be created. The provider of the subsidies has not yet responded. However, the company assumes that it will not have to repay the contributions received.

There are currently no legal disputes which would involve any anticipated impact on results other than the amounts which are being provided for as legal costs. The guarantees received are standard for the industry; in so far as a claim is expected, provisions have been set up for the most likely amount.

Rental and Leasing Agreements

The following payment obligations exist for finance lease agreements:

	Total	2005/06	2006/07 - 2008/09	2009/10 and subsequent years
	EUR'000	EUR'000	EUR'000	EUR'000
Min. leasing payments	141	52	89	–
Discounts	8	4	4	–
Cash values	**133**	**48**	**85**	–

The lease agreements contain purchase options for the acquisition of the leased items at the end of the lease period.

For other plant, fixtures and fittings, there are short term lease agreements (operating leases) in place. The lease payments due on these amounted to EUR 1,510 thousand in the reporting year (previous year EUR 1,390 thousand).

The minimum lease payments due on the operating leases are as follows:

	2004/2005	2003/2004
	EUR'000	EUR'000
Up to one year	1,286	962
One to five years	2,020	827
Over five years	224	0
Total	**3,530**	**1,789**

The lease agreements contain purchase options for the acquisition of the leased items at the end of the lease period.

Information on Relationships with Affiliated Companies

The business relationships between fully consolidated Group companies and companies which are not fully consolidated are concluded under third party terms and conditions. The claims on affiliated companies mainly apply to Connex SVT Inc., USA.

Employees

On average the following number of employees were employed:

	2004/2005	2003/2004
Factory staff	755	722
Office staff	409	413
Trainees	52	59
Total	**1,216**	**1,194**

Part time positions were aggregated to full time positions.

Exemption Requirements for Group Companies

By being consolidated in the Group financial statements of GESCO AG, under the further requirements of § 264b HGB, the companies AstroPlast Kunststofftechnik GmbH & Co. KG, Franz Funke Zerspanungstechnik GmbH & Co. KG, Haseke GmbH & Co. KG, MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG, Molineus & Co. GmbH + Co. KG, Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Q-Plast GmbH & Co. Kunststoffverarbeitung, Setter GmbH & Co. Papierverarbeitung and Tomfohrde GmbH & Co. Industrieverwaltungen are exempt from the obligation of compiling, having audited and publishing annual financial statements and a Directors' Report in accordance with the regulations applying to joint stock.

Under the further requirements of § 264 Para. 3 HGB, Dörrenberg Edelstahl GmbH and Hubl GmbH are exempt from the obligation of compiling, having audited and publishing annual financial statements and a Directors' Report in accordance with § 264 ff. HGB.

Corporate Governance

In principle, the Executive Board and Supervisory Board of GESCO AG observe the German Corporate Governance Code and have made their declaration of compliance available to shareholders.

In total, the Executive Board holds 0.4 % of the shares in the company. The members of the Supervisory Board hold a total of 1.0 % of the shares in the company.

EXECUTIVE BODIES

Executive Board

- Robert Spartmann, Gevelsberg
  Member of the Executive Board

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

  Deputy Chairman of the Supervisory Board:
  - Silicon Vision AG i.L., Moritzburg (until 31.03.2005)

In the financial year, the total remuneration of the Executive Board amounted to EUR 597 thousand (previous year: EUR 711 thousand). Of the total emoluments, EUR 351 thousand (previous year: EUR 511 thousand) relates to fixed elements and EUR 246 thousand (previous year EUR 200 thousand) to variable elements.

Emoluments for a former member of the Executive Board amounted to EUR 51 thousand (previous year: EUR 0 thousand) during the financial year.

As at 31 March 2005, pension provisions for the current members of the Executive Board and a former member of the Executive Board amounted to EUR 840 thousand (previous year: EUR 816 thousand).

Supervisory Board

- Klaus Möllerfriedrich, Wuppertal
  Chairman, Chartered Accountant

  Chairman of the Supervisory Board:
  - Wolk AG, Wuppertal (until 30.06.2004)

  Member of the Supervisory Board
  - Asys Holdings AG, Oberhausen
  - Regeneratio Pharma AG, Wuppertal (until April 2004)
  - Hoff Industries AG, Munich (since 05.08.2004)

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

  Deputy Chairman of the
  Supervisory Board:
  - Rheinische Textilfabriken AG, Wuppertal

- Dr. Hans Bernhard von Berg, Haan (until 09.09.2004)
  Managing Director (ret'd) Gebr. Happich GmbH, Wuppertal

- Willi Back, Neckargemünd (since 10.09.2004)
  Chairman of the Executive Board (ret'd) of GESCO AG

  Member of the Advisory Board:
  - K. A. Schmersal Holding KG, Wuppertal
  - Metall-Chemie Holding GmbH, Hamburg (since 01.10.2004)

In the financial year, the total remuneration for the members of the Supervisory Board amounted to EUR 106 thousand (previous year: EUR 33 thousand). Of this figure, EUR 64 thousand (previous year: EUR 3 thousand) relates to variable elements.

GESCO AG has taken out a Directors' and Officers' Liability Insurance (D&O) as a group policy for members of the Group's management. The insured persons are the members of the Executive Board and the Supervisory Board of GESCO AG and the Managing Directors of the subsidiaries. Insurance premiums of EUR 46 thousand (previous year: EUR 48 thousand) have been paid in financial year 2004/2005.

Wuppertal, 20 May 2005

The Executive Board

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

SIGNIFICANT GROUP SHAREHOLDINGS

Fully consolidated companies	% share of capital held[1]
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
Dörrenberg Edelstahl GmbH, Engelskirchen-Ründeroth	100
Dörrenberg Tratamientos Térmicos SL, Alasua, Navarra, Spain	60
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern	80
Franz Funke Verwaltungs GmbH, Sundern [2]	100
Haseke GmbH & Co. KG, Porta Westfalica	80
Haseke Beteiligungs-GmbH, Porta Westfalica [2]	100
Hubl GmbH, Vaihingen/Enz	100
MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG, Erkrath	100
Maschinen- und Apparatebau Götzen GmbH, Erkrath [2]	100
Molineus & Co. GmbH + Co. KG, Wuppertal	100
Grafic Beteiligungs-GmbH, Wuppertal [2]	100
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel	90
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 Beteiligungs-GmbH, Emmerich [2]	100
SVT GmbH, Schwelm	90
Tomfohrde GmbH & Co. Industrieverwaltungen, Wuppertal	100
Tomfohrde GmbH, Wuppertal [2]	100

Companies valued at equity

Gewerbepark Wilthener Straße GmbH, Bautzen	40

Significant companies valued at cost of acquisition

GIS Gewerbe- + Immobilien-Service GmbH, Bautzen	40
Connex SVT Inc., Houston, USA	100

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

[2] General partner

[3] Special Purpose Entity pursuant to SIC 12

AUDITORS' REPORT

We have audited the consolidated financial statements, consisting of balance sheet, profit and loss account, changes in shareholders' capital, cash flow statement and notes to the financial statements for the financial year from 1 April 2004 to 31 March 2005 as compiled by GESCO AG. The company's Executive Board is responsible for the preparation and content of the consolidated financial statements. It is our task to assess whether the consolidated financial statements comply with the International Financial Reporting Standards (IFRS) based on the audit conducted by us.

We have audited the consolidated financial statements in accordance with the German auditing rules and in compliance with the principles of proper and correct auditing laid down by the IDW (German Institute of Auditors). In accordance with these principles, our audit must be planned and carried out in such a way that there is sufficient certainty that the consolidated financial statements are free of material misstatements. Audit activities are planned in accordance with our knowledge of the Group's business activity and economic and legal framework as well as the anticipated margin of error. Our audit has also assessed the evidence for the values and details provided in the consolidated financial statements on the basis of random checks. The audit includes an assessment of the accounting principles used and of the material estimates made by the legal representatives, as well as an assessment of the overall presentation of the consolidated financial statements. We believe that our audit forms a sufficiently reliable basis for our opinion.

We are of the opinion that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, as well as the payment flows in the financial year, in accordance with IFRS.

Our Auditors' Report, which also covers the Group Directors' Report for the financial year from 1 April 2004 to 31 March 2005 compiled by the Executive Board, has led to no objections. We are of the opinion that the Group Directors' Report and other details provided in the consolidated financial statements give a true and fair view of the position of the Group and accurately portrays the risks inherent in future developments. We hereby also confirm that the consolidated financial statements and the Group Directors' Report for the financial year from 1 April 2004 to 31 March 2005 fulfil the conditions for releasing the company from compiling consolidated financial statements and a Group Directors' report under German law.

Wuppertal, 24 May 2005

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

signed:	ppa.
(Dr. Breidenbach)	(Eisenberg)
Auditor	Auditor

REPORT OF THE SUPERVISORY BOARD OF GESCO AG FOR FINANCIAL YEAR 2004/2005

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

The ongoing concern of the Supervisory Board during financial year 2004/2005 was the company's position and strategic development as well as current events and all significant occurrences within the company, in accordance with the duties and powers imposed upon it by law and under the articles of association. The Supervisory Board therefore had up-to-date knowledge of company policy and planning, the risk situation and the assets and liabilities, income and financial position of the GESCO Group.

To this end, a number of regular face to face meetings took place between the Chairman of the Supervisory Board and the members of the company's Executive Board and five Supervisory Board meetings, which were all attended by all Supervisory Board members. In addition, all Supervisory Board members were informed by the Executive Board of important events outside meetings.

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

All business requiring consent of the Supervisory Board under the articles of association was referred to and approved by it. In this way, the Supervisory Board was involved in all important decisions.

The Executive Board and the Supervisory Board continue to adhere to the Corporate Governance Code and have submitted and published the required declaration of compliance.

With three members, GESCO AG's Supervisory Board has deliberately remained small to enable efficient work and intensive discussions on strategies and details. It is therefore the opinion of the Supervisory Board that forming Supervisory Board committees would serve no purpose. Accordingly, no committees were formed in financial year 2004/2005.

In accordance with the legal regulations, Dr. Breidenbach, Dr. Güldenagel und Partner KG, auditors and tax consultants, Wuppertal, the auditors appointed by the General Meeting, were commissioned by the Supervisory Board to audit the annual financial statements and consolidated financial statements. The auditors declared their impartiality in a statement dated 24 May 2004 and provided us with evidence that, through a peer review set by the Chamber of Auditors, they are qualified to audit listed companies.

The auditors audited the annual financial statements as at 31 March 2005 and the Directors' Report drawn up by the Executive Board and accepted them without qualification. The auditors have also examined the risk management system and confirmed its functionality. The Supervisory Board has examined the annual financial statements, the Directors' Report and the proposed application of profits as prepared by the Executive Board and discussed them in detail at the meeting with the auditors on 20 May 2005. All questions from the Supervisory Board were answered comprehensively by the auditors. The Supervisory Board received the auditors' report in good time and noted and approved the conclusions. In light of the conclusive examination, the Supervisory Board has no objections to the annual financial statements or Directors' Report. The Supervisory Board approved the annual financial statements on 31 May 2005, which are therefore adopted for the purposes of § 172 AktG (German Stock Corporation Act). The Supervisory Board supports the Executive Board's proposals for the application of profits.

As in the previous year, the Executive Board prepared the consolidated financial statements and the Directors' Report of the GESCO Group as at 31 March 2005, and these were also examined and passed unqualified by the auditors. At its meeting on 20 May 2005, the Supervisory Board also discussed the consolidated financial statements with the auditors. All questions from the Supervisory Board were answered comprehensively by the auditors. In light of the conclusive examination, the Supervisory Board has no objections to the consolidated financial statements or Group Directors' Report. The consolidated financial statements and the Group Directors' Report were approved by the Supervisory Board on 31 May 2005.

As in previous years, the Executive Board member emoluments were established at Supervisory Board meetings. Where necessary, changes and addenda were resolved in accordance with Corporate Governance regulations. Any bonuses in addition to the fixed emoluments were established in accordance with contractual provisions.

As of the end of the General Meeting on 9 September 2004, Dr. Hans Bernhard von Berg stepped down from his Supervisory Board role, for reasons of age. Willi Back, Chairman of the Executive Board of GESCO AG until 31 March 2004, was elected to the Supervisory Board in his place. Mr. Möllerfriedrich remains Chairman of the Supervisory Board and Mr. Rosenthal, Deputy Chairman.

The Supervisory Board would like to thank the Management Board, the Managing Directors of the affiliated companies and all the staff of the GESCO Group for their dedication, commitment and achievements in the past financial year.

Wuppertal, 31 May 2005

The Supervisory Board

Klaus Möllerfriedrich
Chairman

FINANCIAL CALENDAR

28 June 2005
Annual Accounts Press Conference and Analysts' Meeting

August 2005
Announcement of figures for the first quarter (01.04.-30.06.2005)

1 September 2005
Annual General Meeting in the Stadthalle, Wuppertal

November 2005
Announcement of figures for the first half year (01.04.-30.09.2005) and despatch of the interim report

February 2006
Announcement of figures for the first nine months (01.04.-31.12.2005)

29 June 2006
Annual Accounts Press Conference and Analysts' Meeting

August 2006
Announcement of figures for the first quarter (01.04.-30.06.2006)

24 August 2006
Annual General Meeting

November 2006
Announcement of figures for the first half year (01.04.-30.09.2006) and despatch of the interim report

SHAREHOLDER CONTACT

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Tradition
Innovation
Vision

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