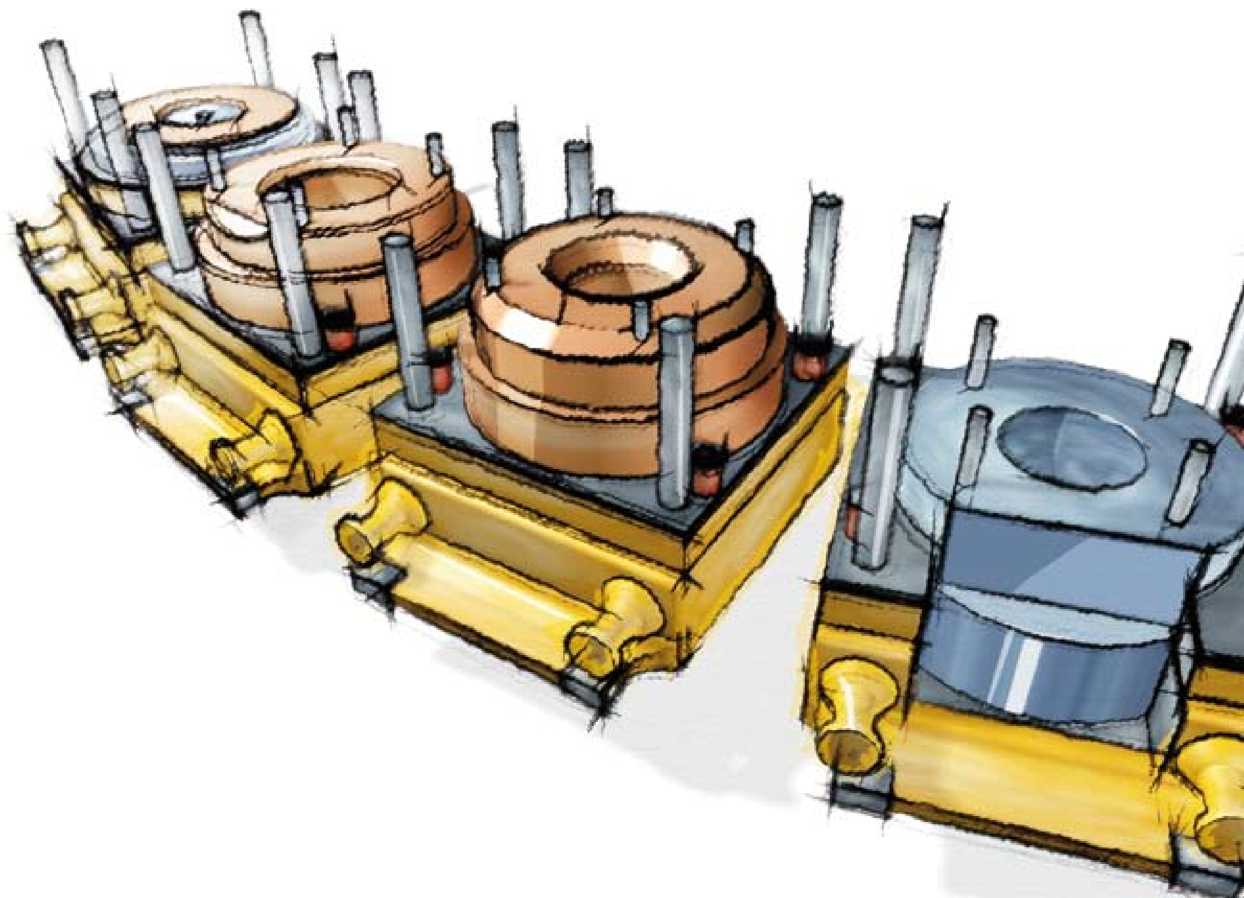
GESCO AG · GESCO GROUP

ANNUAL REPORT 2006/2007



Tradition
Innovation
Vision

A life's work in good hands – the topic of this year's Annual Report

Entrepreneurs requiring a solution to their succession are happy to leave their life's work in our hands because we make long-term investments and do not pursue an exit strategy. We acquire a majority holding, normally 100 %, in companies. In the case of succession, the new management invests its own capital in the company it manages, turning the end of the activity of one entrepreneur into the start of a new one.

After the purchase, the companies acquired retain their evolved identity and remain operationally independent. At the same time, they are strengthened by their affiliation to a renowned group and their future development is actively promoted. We consider ensuring the right balance between corporate autonomy and supportive attendance to be one of our key tasks.

We illustrated the topics of "entrepreneurship" and "succession" in our two previous Annual Reports. This report illustrates how the interaction between the operating companies and GESCO AG is arranged in practice.

CONTENTS

This Annual Report is also available in German.

GESCO – SUBSTANCE WITH VISION

THE BUSINESS MODEL...

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

...WITH SUBSTANCE...

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

...AND VISION

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

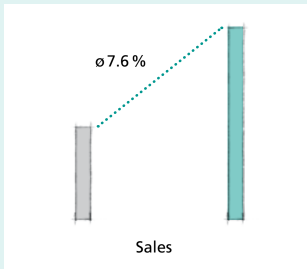
GESCO SHARES

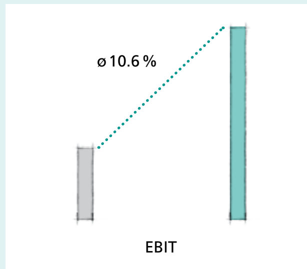
- Listed on the official market in the Prime Standard
- The key to ambitious SMEs
- Attractive dividend returns
- Potential for further price gains through internal and external growth
- Active investor relations, highly transparent reporting

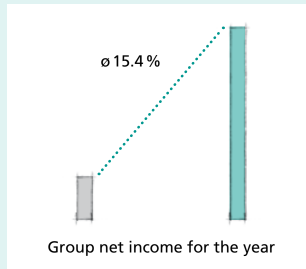
THE GESCO GROUP AT A GLANCE

Financial year 01.04.-31.03.		HGB 1997/1998	1998/1999	1999/2000	2000/2001 *	IFRS 2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	Change
Sales	EUR'000	128,908	173,521	200,274	146,481	158,627	153,835	171,234	192,264	234,327	268,146	14.4 %
of which domestic	EUR'000	104,721	133,911	167,229	118,206	124,411	124,165	133,220	140,768	172,464	199,470	15.7 %
foreign	EUR'000	24,187	39,610	33,045	28,275	34,216	29,670	38,014	51,496	61,863	68,676	11.0 %
EBITDA	EUR'000	12,555	14,566	17,514	14,710	15,638	14,580	17,947	20,114	26,792	31,800	18.7 %
EBIT	EUR'000	8,669	9,643	10,587	9,774	10,088	8,063	10,711	12,512	18,792	23,728	26.3 %
Earnings before tax	EUR'000	6,883	8,902	10,098	8,532	4,348	-1,600**	8,782	11,850	16,562	23,570	42.3 %
Taxes on income and earnings	EUR'000	-1,331	-2,899	-4,286	-3,567	-548	-758	-3,985	-4,868	-7,100	-9,311	31.1 %
Taxation rate	%	26.4	32.6	42.4	41.8	12.6	–	45.4	41.1	42.9	39.5	-7.9 %
Group net income after third party interests	EUR'000	3,166	5,463	5,149	4,102	2,939	-3,177**	4,198	6,228	9,325	13,313	42.8 %
Earnings per share [1]	EUR	1.27	2.18	2.06	1.64	1.19	-1.29**	1.73	2.50	3.54	4.83	36.4 %
Investment in tangible assets [2]	EUR'000	4,547	10,933	11,368	8,360	10,348	5,292	5,258	6,404	9,014	8,332	-7.6 %
Depreciation on tangible assets	EUR'000	3,525	4,489	6,699	4,686	4,754	5,330	6,039	6,318	6,718	6,745	0.4 %
Equity	EUR'000	32,090	37,079	35,252	38,276	36,107	29,444	36,333	41,878	54,379	74,948	37.8 %
Total assets	EUR'000	93,857	122,946	97,781	104,912	134,204	138,515	138,370	145,070	174,430	211,762	21.4 %
Equity ratio	%	34.2	30.2	36.1	36.5	26.9	21.3	26.3	28.9	31.2	35.4	13.6 %
Employees												
(as at 31.12.)	No.	897	1,471	1,816	1,015	1,157	1,203	1,192	1,215	1,329	1,543	16.1 %
of which trainees	No.	32	45	50	52	61	69	63	60	75	81	8.0 %
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	38.90	38.20	-1.8 %
Dividend	EUR	0.38	0.56	0.66	0.72	0.75	0.50	0.70	0.90	1.25	1.50	20.0 %

COMPOUND ANNUAL GROWTH RATE (CAGR) SINCE THE FINANCIAL YEAR 1997/1998 (INITIAL PUBLIC OFFER 24 MARCH 1998)





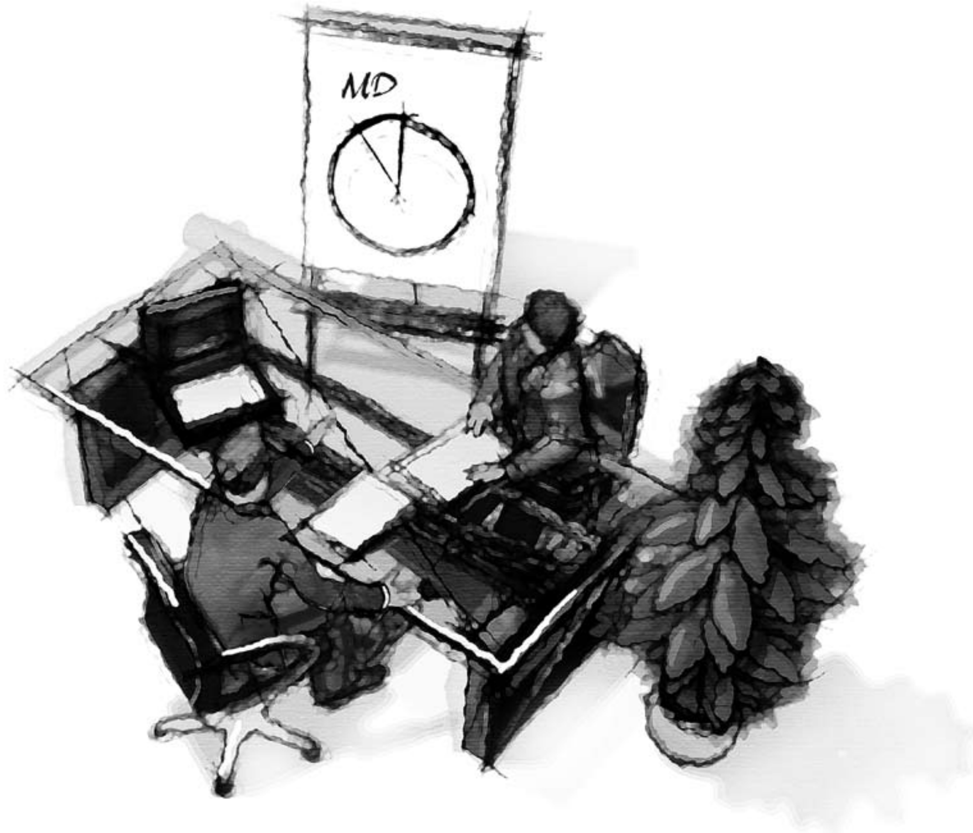


* The downturn in the indicators in financial year 2000/2001 compared to the two previous years is due to the disposal of Elba Bürosysteme GmbH on 01.01.2000. Elba was included for the full 12 months in financial year 1999/2000 and five months of financial year 1998/1999. This participation was always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

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

[1] From FY 2001/2002 earnings per share according to IFRS.

[2] Without additions from changes to the scope of consolidation.



The new entrepreneur

GESCO focuses on entrepreneurship: we acquire owner-managed companies upon succession and we attach importance to capital investment, which is usually 10% to 20%, from the new management team. The new managing director acquires this share at market value. With the combination of capital investment, operational independence and support from a strong group, we achieve a class of highly motivated, competent entrepreneur personalities, who as a rule view cooperation with GESCO as a decision for life.

Our subsidiaries are consequently led by managers, who have committed their own capital and who think and act as entrepreneurs. This concept ensures a harmonisation of interests as both partners are pursuing the same objective: the sustained successful development of the respective subsidiary with growth in value.

FOREWORD

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

FOREWORD BY THE EXECUTIVE BOARD

DEAR SHAREHOLDERS,

The GESCO Group feeds its growth from two sources: internally from its existing companies and externally from the acquisition of other industrial SMEs. As in previous years, we have also used both sources of growth in the 2006/2007 financial year and further developed the Group.

The operating business of the existing subsidiaries continued to be buoyant, with the companies sometimes working to capacity and investing heavily in further growth. Almost all companies increased their sales and profits.

We also grew externally. We acquired Frank Walz- und Schmiedetechnik GmbH in Hatzfeld, North Hessen, as part of a succession agreement in July 2006. Frank is the leading agri-technology forge in Europe, its main production is at its headquarters in Hatzfeld and in Hungary and it handles the East European market via its own distribution company in Ukraine. The annual sales are in general approximately EUR 20 million; Frank is included for a five-month year in the 2006/2007 consolidated financial statements.

Total Group sales rose by 14.4 % to EUR 268 million (previous year EUR 234 million). The EBITDA increased by 18.7 % to EUR 31.8 million (EUR 26.8 million) and the EBIT by 26.3 % to EUR 23.7 million (EUR 18.8 million).

We disposed of our 40 % participation in Gewerbepark Wilthener Straße GmbH in Bautzen in October. This involvement was not typical of the GESCO portfolio due to the nature of the industry and the minority holding and was outside our industrial focus; it was set up in 1992 following Germany’s reunification. This business park represents a unique success story, essentially attributable to the on-site management motivation; we always described this involvement as a “small contribution to the development of the East”. We sold this participation together with the managing partner, who was the majority shareholder. The sale resulted in one-off earnings of EUR 2.6 million after tax for the GESCO Group, which we intend to use to further improve our net financial liabilities.

The operating profits and the one-off earnings from the sale of the business park made the Group net income for the year after third party interests climb by 42.8 % to EUR 13.3 million (EUR 9.3 million), which resulted in earnings per share under IFRS of EUR 4.83 (EUR 3.54).

We can report our third record year in a row both in terms of sales and earnings. In light of this very pleasing trend, the Executive Board and Supervisory Board will be proposing a 20 % increase in the dividend from EUR 1.25 to EUR 1.50 per share at the General Meeting on 23 August 2007.

In March 2007, we increased our share capital by almost 10 % by issuing 274,000 new shares as part of a “small” capital increase, whereby the company accrued approximately EUR 9.7 million. The shareholders’ subscription right was ruled out and the capital increase was quickly placed with institutional investors in Germany and abroad. The funds from the capital increase are intended for the acquisition of further industrial SMEs. We implemented the first takeover shortly after the capital increase in the new 2007/2008 financial year: in April 2007, we acquired VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH in Herschbach, a niche supplier of automation and sensor technology with sales of approximately EUR 9 million. This acquisition solved a succession problem.

We are fully dissatisfied with the price trend of the GESCO share. Although the share climbed by 23.4 % in the 2006 calendar year, based on the financial year it closed at a slight overall loss despite a good basic trend, positive analysts’ assessments with price targets considerably above EUR 40, and lively investor relations activity. Having clearly exceeded our benchmark SDAX in the price trend in the last four years, we remained considerably behind it this year. Overall the share has a very favourable valuation and potential for recovery.

In the previous year, we had at this point made reference to the qualified certification due to details omitted (essentially the earnings from subsidiaries and the purchase prices of subsidiaries acquired in the respective year). We explained to you that we intended to protect the operating business of our subsidiaries and GESCO AG’s acquisition activity by omitting these details. The consolidated financial statements for 2006/2007 has also been provided with qualified certification. This qualification only plays a marginal role in relations with our target groups on the capital market and our reasons are understood and accepted. Qualified certifications are a typical reason for event-related audits for the Deutsche Prüfstelle für Rechnungslegung (DPR – German Accounting Authority). The DPR accordingly started an audit in the year under review, which concluded in April 2007 with the DPR final report. We approved this report. In accordance with the legal stipulations, the German Financial Supervisory Authority must now make a decision on the disclosure.

The managers and workforce of the GESCO Group richly deserve thanks. The present growth phase has been and continues to be especially demanding and they have more than once made the impossible happen when the order books were full. We should also like to thank all our partners – the customers, suppliers, banks and service providers – who collaborate with the GESCO Group faithfully and constructively. Many of these partnerships have existed for a very long time and have been maintained over many years.

We should also like to thank you, our company shareholders, for your loyalty. From numerous personal contacts, letters and emails we have received the impression that many of you are not just looking for reasonable returns with limited risks for your investments, but also a business model to which you can relate. GESCO AG’s particular model, which benefits all involved, clearly appeals to many entrepreneurial people. We will continue to use this model in this tried and tested way.

The prospects for a continued positive trend in the near future are good. We will invest heavily in the GESCO Group again in the new financial year 2007/2008 in order to be primed for future internal growth. The economic environment appears to be positive and the outlook for acquiring further companies is promising.

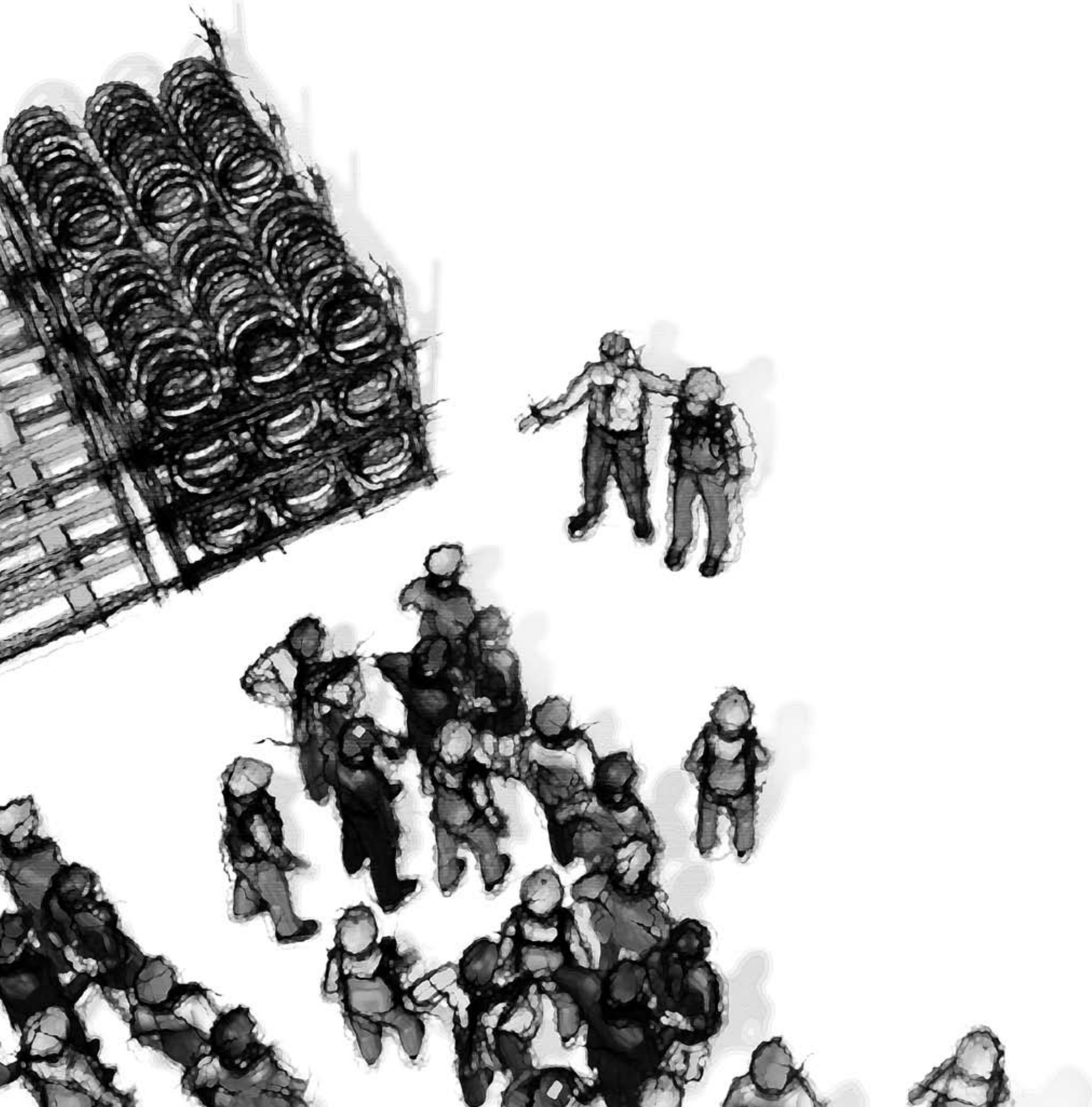
We can also see good conditions for lasting positive development of the Group in the long term: GESCO AG houses flexible, creative companies, which are well prepared for further growth due to committed management staff, high levels of technical competence and motivated workforces. The wealth of unsolved succession issues in German SMEs should also offer an attractive field of activity for external growth in the future. We would be very pleased if you continued to accompany us on this path as shareholders.

Yours faithfully,

Hans-Gert Mayrose Robert Spartmann

Dr. Hans-Gert Mayrose Robert Spartmann

GESCO focuses on clear rules: the managing director is responsible for the operational management and acts independently under an annual business plan formulated jointly with GESCO. The person in charge of any subsidiary is clear internally and externally. And as is generally known the economic reality does not always conform to the planning, outside the planning all topics are also handled in a manner designed for SMEs: quick and pragmatic.



Operational independence

SHARE

GESCO SHARES/CORPORATE GOVERNANCE

GESCO SHARES

Having significantly outperformed our benchmark index – the SDAX – for the last four years, GESCO's share price performance in financial year 2006/2007 was not satisfactory. With regard to the 2006 calendar year, our stock reported a pleasing rise in the share price of 23.4 % (SDAX +31.0 %), but with regard to financial year 2006/2007, the development was disappointing. In April and May 2006, the share price slipped in the wake of general market setbacks before recovering sharply. Since around November 2006, however, the shares have remained persistently at between around EUR 38 and EUR 40, and the stock has been unable to break out of this range on a sustained basis. Despite the very good development in our fundamental data and positive analysts' recommendations with share price targets of considerably over EUR 40, the share price remained virtually unchanged overall, reporting a slight loss of 1.8 %, while the SDAX gained 19.6 % over the same period.

Shareholders received a basic return on their investment for financial year 2005/2006 in the form of the dividend paid on 25 August 2006 of EUR 1.25 per share. In view of the highly successful financial year 2006/2007, the Executive Board and Supervisory Board will propose a 20 % increase in the dividend to EUR 1.50 per share. On the day on which the corresponding resolution was adopted by the Executive Board and the Supervisory Board, this corresponded to an attractive dividend yield of a good 3.8 %.

The trading liquidity in GESCO shares continued to develop positively: in the reporting year the average daily turnover stood at considerably over 11,000 shares a day. The sustained exceeding of the EUR 100 million mark in market capitalisation was and continues to be helpful with regard to how we are perceived by institutional investors and analysts in Germany and abroad.

To take account of the growing market capitalisation of our company and increased interest among investors and to extend the marketing network for our shares, in February 2007 we instructed HSBC Trinkaus & Burkhardt as the second Designated Sponsor alongside Equinet to manage our shares on XETRA. HSBC Trinkaus & Burkhardt commenced coverage of GESCO shares on 9 February 2007.

We stopped our listing on GateM, the Stuttgart stock exchange's platform for small and mid caps on 31 December 2006. This listing and the associated activities of the Stuttgart stock exchange did not meet our expectations.

In March 2007, we carried out a capital increase excluding shareholders' subscription rights amounting to almost 10 % of the share capital. The Executive Board and Supervisory Board carefully weighed up the pros and cons of the various options for a capital increase and ultimately decided on the above procedure to facilitate fast, flexible, efficient and cost-effective placement. The capital measure was placed with institutional investors in Germany and Switzerland as well as in Scandinavia and the UK within a very short period of time. Through the issue of 274,000 new bearer shares, the company generated a net inflow of around EUR 9.7 million for the acquisition of further SME industrial companies. With the newly acquired companies, the aim is to increase the Group net income to the extent that despite the increased number of shares, there is a rise in earnings per share. The first acquisition has already taken place with the purchase of VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH in April 2007. Overall, the company is strengthened through this capital measure; it has gained additional room to manoeuvre and improved its standing in the capital market. All shareholders benefit from these advantages.

In addition to the funds inflow, the capital increase had the advantage of increasing the proportion of shares held by institutional investors as well as the liquidity of the stock. Currently, three institutional investors – Dr. Jens Ehrhardt Group, Cominvest and Universal-Investment – have reported holdings which exceed the 3 % participation threshold in the share capital. The free float remains unchanged at 100 %, as such shareholdings by institutional investors constitute free float shares in accordance with the regulations of Deutsche Börse AG. GESCO shares are held very widely with up to around 70 % held in custody accounts of private investors and around 30 % by institutional investors.

Again in financial year 2006/2007, we continued our active Investor Relations and general PR work. This included in particular answering questions from shareholders, individual meetings with investors and analysts in Germany and abroad as well as presenting our business model at capital market events. The following events merit particular mention:

- 31 March to 2 April 2006: Invest investors' fair, Stuttgart
- 6 April 2006: Investor Meeting at GSC Research, Düsseldorf
- 29 August 2006: Small Cap Conference organised by the DVFA in Frankfurt/Main
- 15 September 2006: Presentation as part of International Investors Fair IAM, Düsseldorf
- 25 October 2006: Munich Investment Forum, organised by Baader Bank and Kayenburg AG
- 18 November 2006: Small and Mid Caps Congress, Düsseldorf
- 28 November 2006: German Equity Forum organised by Deutsche Börse AG and KfW-Bank
- 6 December 2006: Small/Mid Cap Conference, Munich
- 13 January 2007: Small and Mid Caps Congress, Hamburg

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 provides investors with meaningful data for their investment decisions.

STOCK EXCHANGES

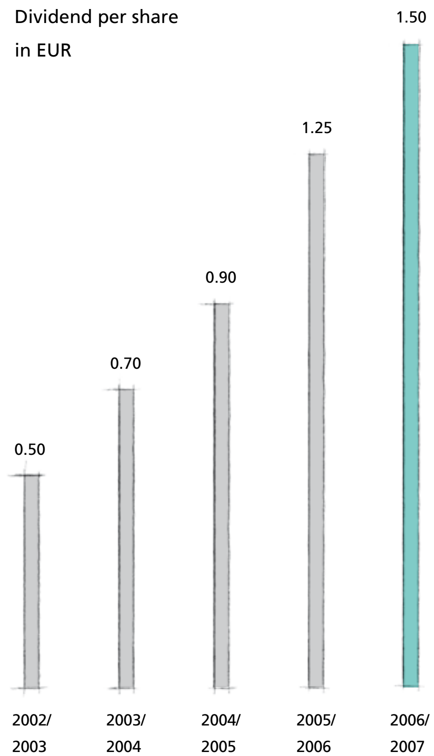
Frankfurt (official market)
Berlin-Bremen (open market)
Düsseldorf (open market)
Hamburg (open market)
Munich (open market)
Stuttgart (open market)
XETRA

KEY INDICATORS PER GESCO SHARE FOR 2006/2007

(previous year's figures in brackets)

Dividend per share	EUR 1.50 (EUR 1.25)
Earnings per share (under IFRS)	EUR 4.83 (EUR 3.54)

Dividend per share in EUR



GOOD REASONS TO BUY GESCO SHARES

- GESCO shares provide access to the ambitious SME sector
- stable business model proven over many years
- sound, healthy assets with low balance sheet risk
- attractive dividend yield and upside potential for share price
- high level of management expertise with industry experience
- scope for expansion through large number of companies with outstanding succession issues
- active Investor Relations, high level of transparency in reporting

GESCO share price against DAX, MDAX and SDAX

GESCO SHARE DATA[1]

International Securities Identification Number ISIN	DE0005875900
Securities identification number	587 590
Stock market abbreviation	GSC
Share capital	7,859,800 EUR
Number of unit bearer shares	3,023,000
IPO	24 March 1998
Issue price	42 DM/21.47 EUR
Year-end price previous year (31.03.2006)	38.90 EUR
Year-end price reporting year (31.03.2007)	38.20 EUR
High (08.11.2006)	40.99 EUR
Low (22.05.2006)	31.60 EUR
Market capitalisation as at 31.03.2007	115,478,600 EUR
Free Float	100 %
Shares held by members of the Supervisory Board (31.03.2007)	0.9 %
Shares held by members of the Executive Board (31.03.2007)	0.4 %
Stock exchange segment	Official Market, Prime Standard
Indices	CDAX overall index
	Prime All Share
	Prime Industrial
	Classic All Share
	Prime Industrial Diversified

[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 2008.

CORPORATE GOVERNANCE REPORT

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 published its Code for the first time. The version currently valid was published in July 2006. 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 current declaration of compliance as well as all previous declarations are available to our shareholders and interested parties on our website.

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 Code calls for a Corporate Governance report and particularly for explanations to deviations from the Code recommendations. 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." As such, deviations are not negative per se and indeed for smaller companies are completely practical. Consequently, for a Supervisory Board comprising three people, forming committees is obviously not expedient. Nor do we see any compelling reason to name a Chairman or spokesman of the Executive Board; the Executive Board of GESCO AG comprises two equal members with clearly regulated responsibilities. The definition of absolute age limits for the Executive Board and Supervisory Board does not seem practical as the decisive criterion for appointing someone to the respective position should not be their age but the benefit for the company. In contrast, we consider the recommendation of the Code to disclose remuneration or benefits in kind to members of the Supervisory Board for services personally rendered such as consultancy or intermediary services to be sensible. There was no such remuneration to the Supervisory Board of GESCO AG either this reporting year or in the previous year.

There were no reports of the purchase or sale of shares in the company or financial instruments relating thereto by members of the executive bodies or other persons liable to disclose such information (Directors' Dealings) in the previous year, while in the reporting year, the two members of the Executive Board reported the acquisition of 1,000 GESCO shares each. The shareholding ratio of the Executive Board amounted to 0.4 % and that of the Supervisory Board to 0.9 %.

The remuneration report required for the Corporate Governance report in line with the Corporate Governance Code forms part of the Group management report and as such is printed in the present Annual Report. The company refrained from printing it twice in the present Annual Report.

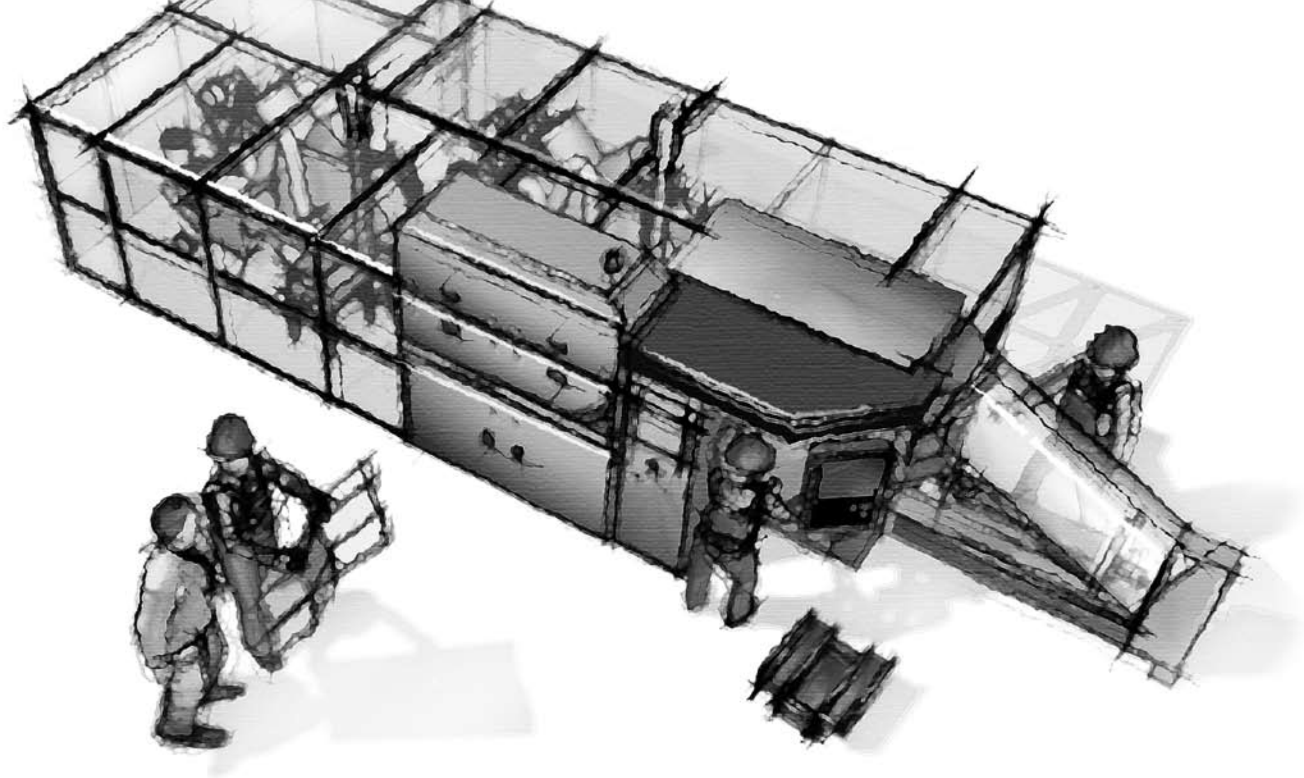
DECLARATION OF COMPLIANCE IN ACCORDANCE WITH § 161 AKTG

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 24 July 2006 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., 5.4.7. – 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 has not been published in the past. Starting with the Annual Report for financial year 2006/2007 a list of remuneration per individual member of the Executive Board has been published.
- **5.1.2., 5.4.7. – Executive Board and Supervisory Board:** no age limit is set for members of the Executive Board or Supervisory Board.
- **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.
- **5.4.3. – Election to the Supervisory Board:** by resolution of the Annual General Meeting on 1 September 2005 the election to the Supervisory Board took place as a list election.

GESCO AG
Supervisory Board and Executive Board

Wuppertal, June 2007



Strategic commonalities

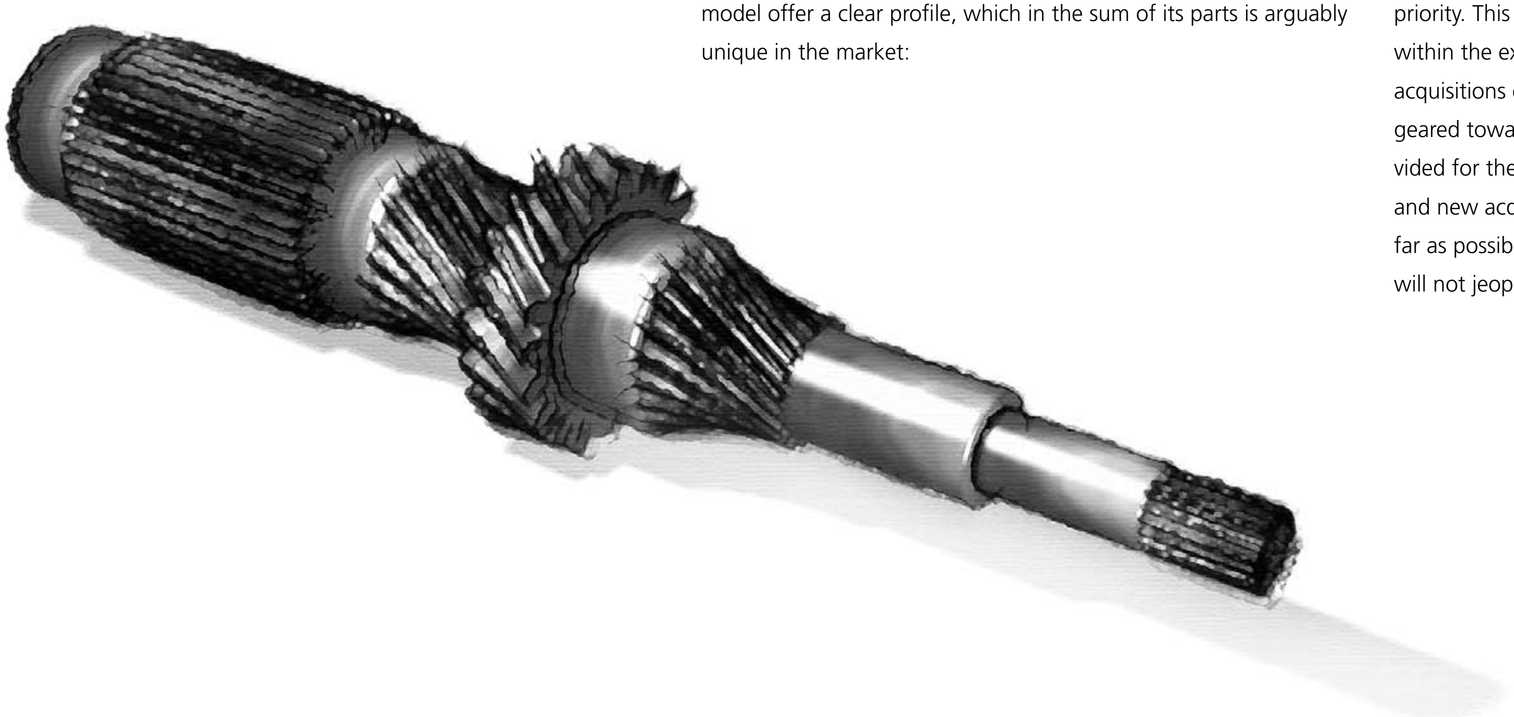
GESCO focuses on strategy: with all their differences, the GESCO subsidiaries have conceptual commonalities in line with the policies set by the holding company. A high level of technical expertise often built up over decades forms the core of the respective business model. Around this core competence, the companies develop services, which more closely link our customers with additional benefits and trouble shooting. Our subsidiaries are often involved in new products as early as the development phase in order to contribute their expertise. The boundaries between customer and supplier are becoming more interchangeable and the GESCO subsidiaries are dovetailing ever more strongly in the processes and value creation chains of their clients.

STRATEGY

THE GESCO STRATEGY

NICHE PLAYER IN THE FINANCIAL HOLDINGS SECTOR

The private equity and financial holdings sector is a hot topic at the moment. Whether it is the “locust” debate, spectacular takeovers or legislative measures, the media is currently full of stories on this issue, although the argument tends to focus on the many exit-oriented private equity companies. Within the private equity and financial holdings sector, GESCO AG has clearly positioned itself as a niche player. Called the “good locust” by the Handelsblatt newspaper, the Wuppertal-based holding company and its business model offer a clear profile, which in the sum of its parts is arguably unique in the market:



- Long term investments, no exit strategy
- Focus on succession solutions
- New managing directors become stakeholders
- Investments in the “Hidden Champions” among SMEs, no companies that need restructuring
- Clear industry focus with a wide variety of customer segments
- Intensive support of the subsidiaries
- Internal growth from within the existing portfolio plus external growth through between one and three acquisitions per year

From the very beginning, the GESCO Group has made growth its priority. This growth stems from two sources: internal growth from within the existing group and external growth through further acquisitions of SME companies. The Group’s corporate structure is geared towards sustained, positive development. Support is provided for the operational development of the existing subsidiaries and new acquisitions are reviewed very critically. Risks are limited as far as possible, ensuring that even in a worst case scenario, these will not jeopardise the whole Group.

PRESERVING AND RENEWING: THE SUCCESSFUL SUCCESSION SOLUTION

The subject of corporate succession has long been a topic in the media. Yet while much has been written about the legal and financial details, the central question is often overlooked. What is the entrepreneur seeking to achieve through the sale? Owners who contact GESCO AG usually have a very clear idea. They want the company to continue in the same location and with the same workforce. In general, what they do not want is for their company to be broken up, merged or sold on after just a few short years. In other words, they want to put their life's work into good hands. The responsibility towards the employees is paramount; often these people have been connected with the company for decades. Moreover, the owners often live in the respective region and they do not wish to put their reputation as an entrepreneur on the line. This is why they are looking for a solution where all involved can "look each other in the eye", including many years after the sale.

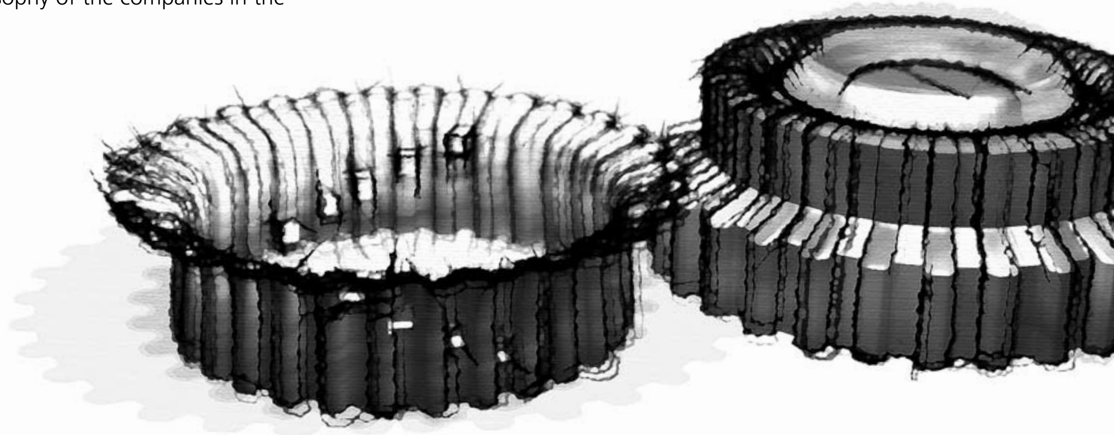
THE EXISTING AND NEW ENTREPRENEURS

In principle, GESCO acquires the companies as wholly-owned subsidiaries. Where the succession solution has been prompted by age-related retirement, the vendor remains available to the company during the handover period until the new managing director has settled in. After a trial period, the new managing director then acquires a stake in the company, generally from 10 % to 20 %. The end of one entrepreneurial existence consequently creates the beginning of another.

The equity interest on the part of the management not only motivates the managing director and supports his standing vis à vis the workforce and his business partners, but also ensures a commonality of interests. For both the managers and GESCO AG, the primary aim is the long-term successful development and sustained added value of the subsidiary. From the dividend policy through to investment policy and relationships with employees, this primary aim forms the central philosophy of the companies in the Group.

FAIR AND BALANCED

A succession solution is only likely to work long term if it meets the interests of all those involved. The GESCO model is so successful because it is a win-win solution. The former owners selling to GESCO know that they have left their life's work in good hands. The employees are happy that they will keep their jobs in the same location. Customers, suppliers and other partners also benefit from the continuation of existing business relationships. The new managing directors take on a company that has been assessed and found to be in good shape with the additional advantages of being able to operate independently, participate in the company and benefit from the expert support of GESCO AG and the Group as a whole. Last but not least, GESCO AG, and hence its shareholders, profit from the earnings power, dividends and value added of the group of companies.



MAINTAINING STRENGTHS, ELIMINATING WEAKNESSES AND PROGRESSING STRATEGIES

The GESCO Group sees itself as a collection of speedboats: operationally independent, fast and flexible units supported by their "parent ship". Under this concept, the typical strengths of SMEs (close customer relations, speed, flexibility, staff loyalty) are maintained and not hindered by group structures. Conversely, the typical weaknesses of SMEs are eliminated, especially shortcomings in finance and accounting as well as strategic weaknesses.

Despite the differences in the business models of the subsidiaries, there are strategic similarities. Anyone wishing to manufacture profitably in Germany, which is a high wage country, can generally only achieve this through a technological advantage. This technical expertise must be constantly updated and has to be supplemented by services which keep customers loyal and set the company apart from its rivals, often competitors from abroad. Typically companies are seeking to link in more and more closely with the customer's processes and value creation chains as well as to establish development partnerships which start right in the very early project phase. A strong level of expertise in technology, materials and processes is just the basis.

LOW RISK AND PROMISING

Nobody becomes an entrepreneur because they want to avoid risks – entrepreneurs want to seize opportunities. Naturally, the enthusiasm for these opportunities should not obscure the risks involved; conversely, the risks should not prevent the company from acting. Ultimately, all entrepreneurial actions steer a course between opportunities and risks. And anyone not giving enough consideration to the opportunities on offer is already taking a risk.

Our portfolio concept is based on spreading risks across several companies and sectors. The focus in GESCO's portfolio on the two segments tool manufacturing and mechanical engineering and plastics technology offers investors a clearly delineated profile and enables GESCO AG as a holding company to concentrate on industry-specific expertise, whilst also providing sufficient scope for risk diversification. As these industries in Germany represent a wide range of business models, there is a good level of diversification in the customer segments in particular – a central element of risk limitation at GESCO. Through this, the GESCO Group reduces its dependence on the cycles and trends in individual sectors. Weak phases in individual areas can be offset by positive development in other areas.

In addition to spreading the investment across various business models, the Group is structured so that negative developments in individual subsidiaries do not put the Group as a whole at risk. For this reason, instruments such as cash pooling and liability associations are avoided, as they could jeopardise intact operating units if difficulties arise.

INDEPENDENT BUT NOT ALONE

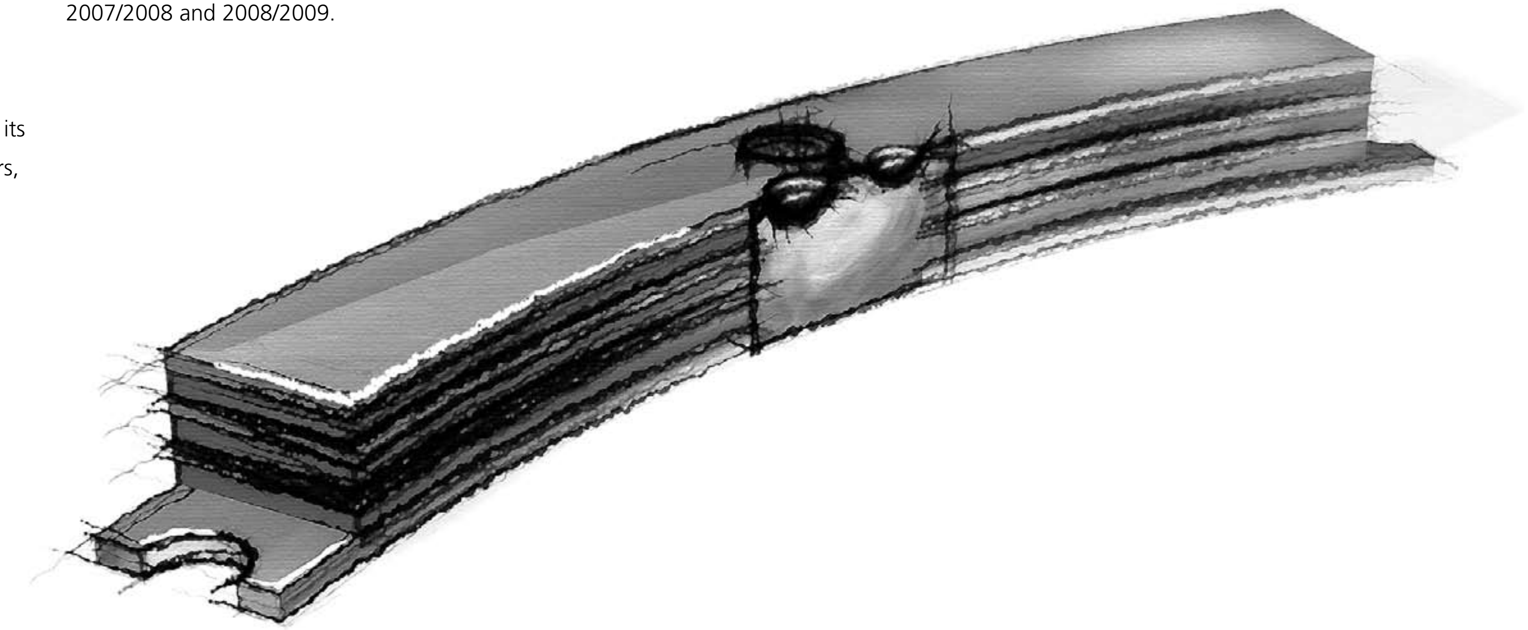
Being part of the GESCO Group brings the operating units a range of advantages: a renowned, financially strong partner not only improves the subsidiaries' ratings with their banks, but also enhances their standing with customers, who make contract awards relating to capital goods and complex projects contingent on the long-term stability of their suppliers and development partners.

The subsidiaries operate independently but are actively supported and advised by GESCO AG. A jointly established annual budget provides the framework within which the managing director is free to operate. GESCO receives figures and risk management reports from each subsidiary on a monthly basis. This data flows into an assessment which the relevant GESCO AG business administration executive analyses and discusses each month with the relevant person. In addition, one of the two GESCO Executive Board members visits each subsidiary at least once a quarter. Alongside current issues, strategic considerations are regularly on the agenda. These meetings are deliberately structured to provide scope for ideas in order to gain an overview of the company as a whole away from the pressing questions of day-to-day business. GESCO AG also organises annual management meetings to facilitate the exchange of knowledge and allow the participants to become acquainted with each other. These meetings help to create a constructive climate of partnership within the GESCO Group, which is a key priority for GESCO AG.

DETERMINED AND FUTURE-ORIENTED

18 years after it was established, GESCO AG is still committed to its original principles: conservative when it comes to business matters, innovative and up-to-date in technology and management and visionary with regard to the further development of the Group and the individual companies without losing sight of our solid foundation.

The heart of GESCO's business model has always remained the same, but naturally the model has been further refined and optimised over the years. With a current portfolio of thirteen operating subsidiaries, we still have scope for further external growth. We believe that with our existing streamlined structures, we are able to supervise around 20 subsidiaries, with our customary level of intensity. By making between one and three acquisitions per year, this target will be reached in two to four years and would correspond to Group sales of EUR 400 to EUR 450 million.
So where do we go from here and what strategic course will we adopt? The initial ideas are already in place. Turning these ideas into a concrete strategy is on the agenda for financial years 2007/2008 and 2008/2009.



Support from GESCO

GESCO focuses on transparency: as a majority owner and above all as a listed company, GESCO AG must be promptly informed of the developments in its subsidiaries. Business transparency is of course also the key to efficient control for the companies themselves. Reporting in the Group is designed to be sufficiently meaningful for GESCO without disabling the subsidiaries with exorbitant administrative expenditure. In practice, the holding company receives the respective monthly financial statements including additional information from the subsidiaries. This data is edited in a standard Group reporting system and then analysed in on-site discussions in the respective companies. Ultimately the overall situation of the company is always the focus. GESCO therefore is less of a straightforward controller, and more of a consultative and verifying partner.

PROFILE

A PROFILE OF THE SUBSIDIARY PAUL BEIER GMBH WERKZEUG- UND MASCHINENBAU & CO. KG

Each year we include a detailed profile of one of our subsidiaries in our Annual Report. This year, the focus is on Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, which joined the GESCO Group in 1999.

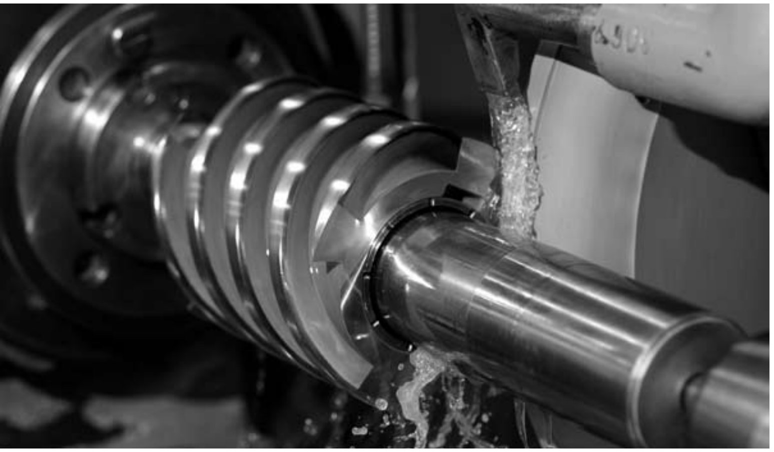
Previous Annual Reports have featured:
- MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG (Annual Report 1999/2000)
- Dörrenberg Edelstahl GmbH (Annual Report 2000/2001)
- AstroPlast Kunststofftechnik GmbH & Co. KG and Franz Funke Zerspanungstechnik GmbH & Co. KG (Annual Report 2001/2002)
- Haseke GmbH & Co. KG (Annual Report 2002/2003)
- Ackermann Fahrzeugbau GmbH (Annual Report 2003/2004)
- Hubl GmbH (Annual Report 2004/2005)
- SVT GmbH (Annual Report 2005/2006)

There is a detailed overview of all the subsidiaries in the "Corporate Profile" supplement to the Annual Report.

STRENGTH IN PARTNERSHIP

Pioneering spirit from the outset: Paul Beier, toolmaker at the renowned firm of Henschel, became independent on 24 October 1924 in Kassel. With six employees, the company manufactured spare parts and carried out repairs for companies in the region. As do many small start-up companies, it began as an "extended workbench" in order to become more independent with a self-contained status over the course of time. The daughter of the founder assumed management of the company in 1946. Her son, Reinhard Kropf, supported her from 1957 and assumed management in 1972. As there was no familial successor solution, Reinhard Kropf sold his company to GESCO AG in 1999 in order to safeguard the company's survival. He attached great importance to a long-term orientated investor, who would ensure the continued operation of the plant at its location. In Siegfried Heinrich, GESCO found a managing director with many years of experience in the industry who is also native to the region. He has a 20 % shareholding in the company he manages. With approximately 90 employees, Beier achieved sales considerably exceeding EUR 9 million in 2006.

Back in the sixties, the management of the Kassel-based company resolved to put the business on two pillars and to operate in two segments. In tool manufacture it specialised in products for the automotive industry, and in mechanical engineering it offered services to a broad range of customers and industries from the outset. This dual-pillar strategy is still a key element of the success of the company. Fluctuations in the order situation, which repeatedly occur due to economic or industry and product cycles, can be regulated internally. As large tool manufacture orders are allocated depending on the production cycles of the automotive and supplier industry, Beier cannot always ensure consistent utilisation. Today's complex transfer tools, for example, which Beier supplies to renowned gear manufacturers worldwide, are designed for 6-gear automatic gearboxes. Progress towards 8-gear systems is imminent and is generating new orders, but it is important to regulate fluctuations in utilisation between such phases in development.



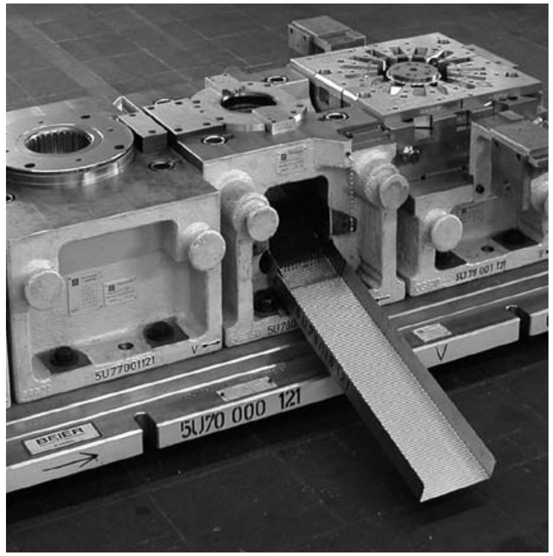
SIEGFRIED HEINRICH,
MANAGING DIRECTOR

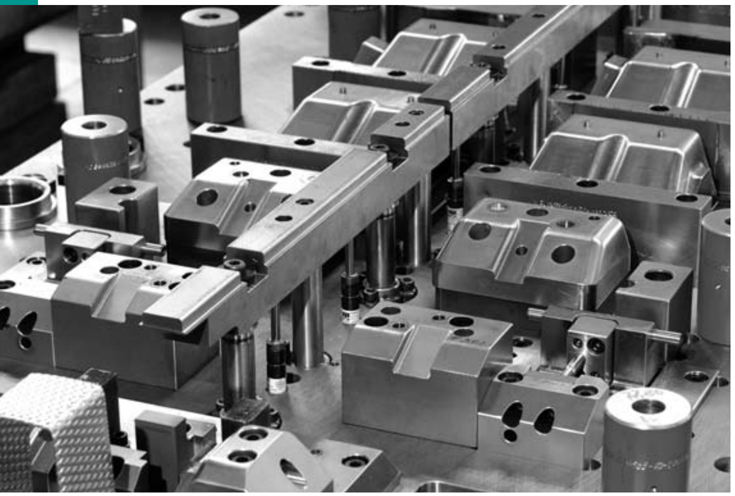
TECHNICAL COMPETENCE REINVIGORATED ON A DAILY BASIS

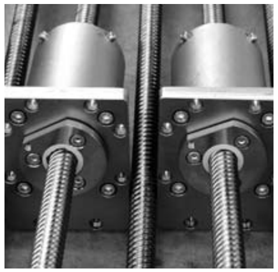
The technical equipment of the Kassel company ensures versatility and flexibility. The Beier machinery site can process parts up to a weight of 10 t. The maximum dimensions for machining are 750 mm in diameter and 3,000 mm in length, and for milling, 1,200 x 1,000 x 3,000 mm. Beier can process all types of steel including powder metallurgy steels, non-ferrous metals, plastics and steel-plated aluminium. Beier can carry out any kind of metal-cutting production and has an extensively equipped, high-performance site with a CNC processing centre and wire EDM machines. In general the two divisions alternately expand their range of services to customers, offering competitive advantages; the divisions operate on a mutually beneficial basis rather than in parallel.

The highly qualified workforce is a prerequisite for the profound technical expertise and thereby an essential element of the company's success. Beier exclusively employs qualified workers in its production and has for decades attached great importance to the training of junior staff.

As with many other companies, Paul Beier must demonstrate on a daily basis that competitive and profitable production is possible in Germany despite its comparatively high costs. According to Siegfried Heinrich, it is important for directors of medium-sized companies not to get fixated with the notion of being a cheap supplier. "We have to play up our technical competence," says Heinrich. "Our company and of course our employees have decades' worth of expertise. This is not static knowledge, but knowledge and skills which are reinvigorated daily. Given a wealth of different requests and new requirements every day we have a very extensive problem-solving capacity which every customer can sense."







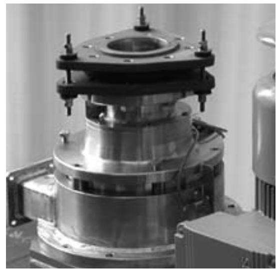
SPECIALISTS IN COMPLEX TASKS: TOOL MANUFACTURE DIVISION

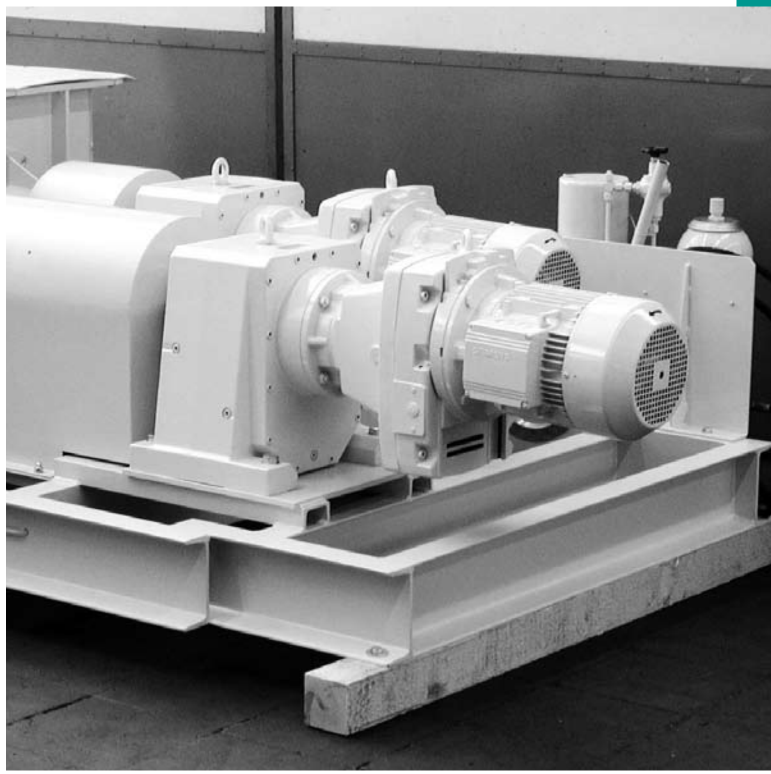
The tool manufacture division has specialised in the solution of complex and technically demanding tasks for customers in Europe, the US and Asia. The range of services includes the design and manufacture of stamping, cutting and deep-drawing tools as well as complex follow-on composite and grading tools. Tools can be manufactured with a maximum total weight of approx. 20 t and in dimensions of 3000 x 2000 mm. At a second site, Beier has three moulding presses with up to 500 t capacity for testing the tools produced using the steel plates provided by the customer, i.e. using the original material, under realistic conditions.

Using follow-on composite tools from Beier, customers can manufacture finished parts in up to 20 steps directly from the strips of sheet metal. The design of these tools and the definition of the individual procedures in particular require comprehensive experience and expertise. Using special graded tool sets from Kassel, the main product is coupling lamellar housings for automatic gear boxes. A demanding forming process lies behind this such as the manufacture of gear tooth systems using rolling tools and punching and notching using bar moulds. For new projects such as the already established 6-gear automatic gearbox and for the next stage in innovation, the 8-gear gearbox, Beier manufactures prototypes for its customers, for purposes such as long-distance tests. As a result the customer has original-quality prototypes long before starting mass production and also before the existence of actual manufacturing tools so that ample tests can be carried out.

PRECISION AND CARE: MECHANICAL ENGINEERING

Beier also focuses on quality and peak technical performance in its mechanical engineering division, as do its customers. The customer Ferrero, for example, is the industry leader in manufacturing technology, which emphasises its top position. Paul Beier manufactures key components for Ferrero, which ensure the functional capability of entire systems into which

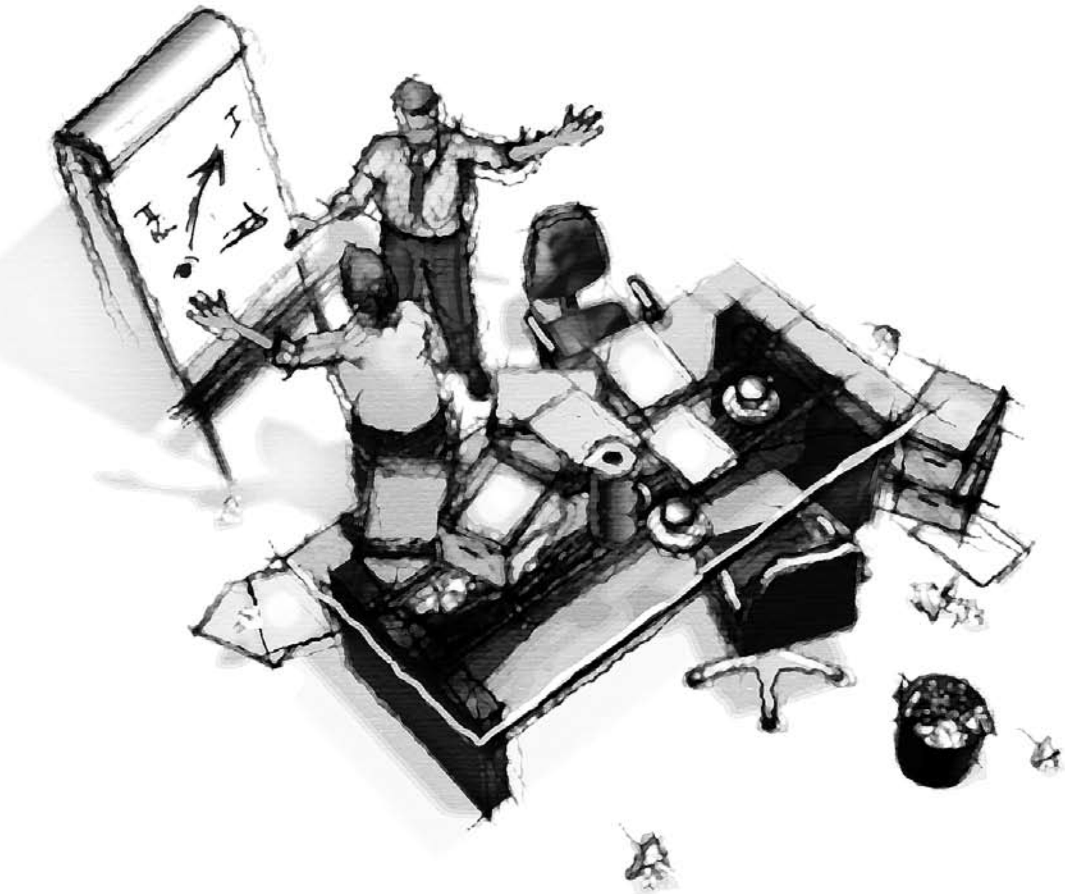




their owners invest 8-digit sums. In addition to the nutrition and luxury food industry, the mechanical engineering division supplies the aviation and aerospace technology industry, the plastics and chemical industry as well as plant engineering. Deutsche Bahn AG is also a customer as is Kali & Salz AG based in Kassel. For the latter, Paul Beier manufactures series gears and special guide valves, which have to be suitable for mining and potash extraction in the toughest applications. As a sought-after development partner, Paul Beier often contributes its expertise in the early stages. The competent, creative workforce, the excellent machinery and the structure as a small-series manufacturer make the company repeatedly capable of solving unique problems for its customers. As important as globalisation and internationalisation are, proximity to customers is ever more crucial for the highly challenging services which Beier supplies. Managing director Heinrich talks of a “broad-based mutual accessibility”.

PARTNER TO MARKET LEADERS

Quality and technical competence are not an end in themselves, and only result in success when there is a market for them. Beier’s services are used by companies which define their own market position through a technically strong, unique position. Beier therefore sees itself as a “partner to market leaders”. According to Siegfried Heinrich, “We have customers with a very high level of technical competence, who are still making money in Germany and proclaim their location.” This common ground serves as the connection between the Kassel-based company and its customers.



Strategic "sparring"

GESCO focuses on exchanging ideas: one of the two members of the GESCO Executive Board visits each subsidiary at least once a quarter. These meetings allow for the discussion of anything at risk of being overlooked in day-to-day business: the examination of opportunities and risks, strategic issues in particular, and the wealth of issues raised with the managers. They are also the ideal platform for simply sharing and disclosing good news and concerns.

GROUP DIRECTORS' REPORT

GROUP DIRECTORS' REPORT

GENERAL CONDITIONS

In 2006, German gross domestic product experienced the strongest increase since the bear year 2000, with an increase of 2.7 %. While the previous years' increases were strongly driven by export, domestic demand also played a significant role in 2006.

The Verband deutscher Maschinen- und Anlagenbau e. V. (VDMA – German Machinery and Plant Manufacturers Association) which is the relevant body for our tool manufacture and mechanical engineering division recorded 10.4 % growth in sales in 2006. The Gesamtverband Kunststoffverarbeitende Industrie e. V. (GKV – Association of Plastic Goods Producers), which represents the sectors relevant to our plastics technology segment, recorded 10.0 % growth in sales for 2006, with domestic sales rising 9.0 % and foreign sales by 12.0 %.

Both the Plant Construction and Mechanical Engineering and Plastic Goods Production industries are very broadly positioned sectors, whose figures represent a large number of diverse companies. Since GESCO Group companies are essentially specialist niche-market SMEs, the sector data presents a general framework, but is ultimately only meaningful for the development of the GESCO Group to a limited extent.

With regard to the market for company acquisitions, we noted a particular increase in the number of interesting companies on offer in our key investment segment of industrial SMEs supplying a niche product, since the beginning of 2006. While the purchase prices of large companies increase significantly due to strong demand from private equity companies, we have recorded a moderate price increase in companies relevant to us in terms of sales ranging from around EUR 10 million to EUR 40-50 million.

IMPORTANT CHANGES TO THE SCOPE OF CONSOLIDATION

The **Dömer-Group**, which was acquired in 2005/2006, was included in the previous year's consolidated financial statements for a four-month year and was included on a full-year basis for the first time in the present reporting period.

In April 2006, our subsidiary Dörrenberg Edelstahl GmbH established **Doerrenberg Special Steels Pte. Ltd.** (DSS), head-quarterd in Singapore, as a wholly-owned subsidiary in order to expand its sales in Asia. DSS is included for an eight-month year for the first time in the consolidated financial statements.

On 18 July 2006, GESCO AG acquired full ownership of **Frank Walz- und Schmiedetechnik GmbH** in Hatzfeld as part of a succession process. Established 170 years ago as an iron mill, Frank is regarded today as the leading agri-technology forge in Europe. The company manufactures a broad spectrum of rolled and forged wear parts, primarily for agri-technology, harvesting technology and landscape conservation. Frank is an original equipment supplier to agricultural machinery manufacturers and also supplies spare parts to the specialist trade. The "Frank" brand has been well established with the relevant target groups for decades and enjoys an excellent reputation in the international arena. Frank employs around 200 employees in Germany and abroad and generates sales of approx. EUR 20 million. The company's production is carried out mainly at its principal site in Hatzfeld and at its Hungarian subsidiary Frank Hungária Kft. The company also has a distribution company in Ukraine, Frank Lemeks TOW. Frank is included for a five-month year for the first time in the 2006/2007 consolidated financial statements.

On 31 October 2006, GESCO AG sold its 40 % participation in **Gewerbepark Wilthener Straße GmbH**, Bautzen, together with the managing partner, who was the majority shareholder. The participation in Gewerbepark Wilthener Straße GmbH, started in 1992, was not within the industrial focus of GESCO AG and took place during the economic restructuring of the "Neue Bundes-länder" following Germany's reunification. In the 2005/2006 consolidated financial statements, this participation was recorded at equity. The sale resulted in a one-off payment of EUR 2.6 million after tax for the GESCO Group during the reporting period.

On 1 January 2007, GESCO Group subsidiary, the Setter GmbH, acquired full ownership of **HRP Leasing GmbH**, Emmerich. HRP leases machinery for the manufacture of paper sticks for the confectionery and healthcare industries. In the purchase of the Setter Group by GESCO AG in 2004, the seller granted an option to acquire this leasing company; Setter has now exercised this option after the successful launch of HRP's leasing business. The company is included in the Group balance sheet as at 31 March and will be included in the Group profit and loss account for the first quarter of financial year 2007/2008.

After the end of the reporting period, GESCO AG acquired full ownership of **VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH** in Herschbach with effect from 25 April 2007 as part of an age-related succession process. VWH is a niche provider specialising in automation technology, mould construction and in-line systems for manufacturing sensors. With around 100 employees, the company generates sale of approx. EUR 9 million.

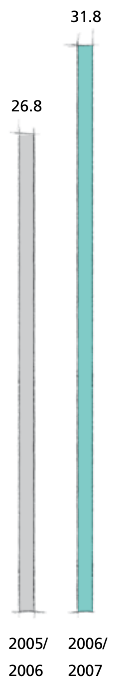
DPR AUDITING

In 2006, the Deutsche Prüfstelle für Rechnungslegung (DPR – German Accounting Authority) in Berlin carried out an event-related audit of GESCO AG. The reason was the qualified certification of the GESCO AG annual financial statements and consolidated financial statements for financial year 2005/2006. The qualifications mainly concerned the non-disclosure of the purchase prices paid for the subsidiaries acquired in that year, and the non-disclosure of the results of our subsidiaries. The DPR audit has now been concluded and GESCO AG has agreed with the finding of the DPR. In accordance with the legal stipulations, the German Financial Supervisory Authority must now make a decision on the disclosure.

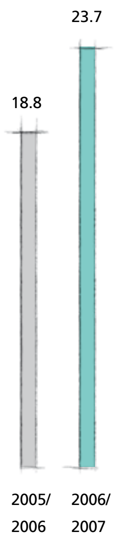
In addition to the above points, the DPR audit concerned the identification of the minority shares in our subsidiary partnerships under IAS 32. These shares concern the participation of managing directors in the companies they manage and the profit share they receive. In the previous year these shares were identified in equity capital, as we did not regard representation under IAS 32 to be appropriate given the long-term nature of our participations; we drew attention to this deviation in the notes to the consolidated financial statements for 2005/2006. In present financial statements, these shares have been re-categorised and presented as separate items in debt capital; accordingly, managing director profit shares of our subsidiary partnerships are now shown in the income statement as separate items under financial result. The figures for the previous year have been adjusted. With an effect on shareholders' equity amounting to EUR 2 million and a reduction of the equity capital ratio by around 1 %, this change is not classed as significant. It has had no effect on the Group net income for the year after minority interests.

Group sales
in EUR million

Group EBITDA
in EUR million



Group EBIT
in EUR million



SALES AND PROFITS

During the 2006/2007 financial year, the GESCO Group registered the third consecutive record year in terms of sales and profits.

The initial projections revealed at the balance sheet press conference, on 27 June 2006, forecast Group sales of EUR 245 million and Group profit of EUR 9.8 million. As a result of the acquisition of Frank Walz- und Schmiedetechnik GmbH in July 2006, operating business which went better than expected, and the non-recurring earnings from the sale of Gewerbepark, we upgraded our forecasts in November 2006, predicting sales of EUR 263 million and Group profit of EUR 12.0 million. Since a variable purchase price component caused the non-recurring earnings from the sale of the shareholding to increase again, we upgraded the profit target to EUR 12.6 million in February 2007.

In financial year 2006/2007, the GESCO Group increased its sales from EUR 234.3 million to EUR 268.1 million. Around 7.6 % of this 14.4 % growth is organic, i.e. generated from the existing Group, and around 6.8 % is attributable to changes in the scope of consolidation. At 16.7 %, the overall performance increased at a stronger rate than sales, amounting to EUR 279.0 million (EUR 239.0 million).

Due in particular to increased materials prices, material expenditure ratios increased. However, as personnel expenditure ratios and other operating expenditure ratios were lower than in the previous year, earnings before interest, tax, depreciation and amortisation (EBITDA) improved disproportionately by 18.7 % to EUR 31.8 million (previous year: EUR 26.8 million). Since depreciation remained unchanged at EUR 8 million, earnings before interest and tax (EBIT) rose significantly disproportionately by 26.3 % to EUR 23.7 million (EUR 18.8 million).

The fundamental improvement in the financial result despite increased interest expenses from EUR -2,200 thousand to EUR -158 thousand is attributable to the sale of the participation in the Gewerbepark. The financial result also included the profit shares of the managing directors in our subsidiary partnerships.

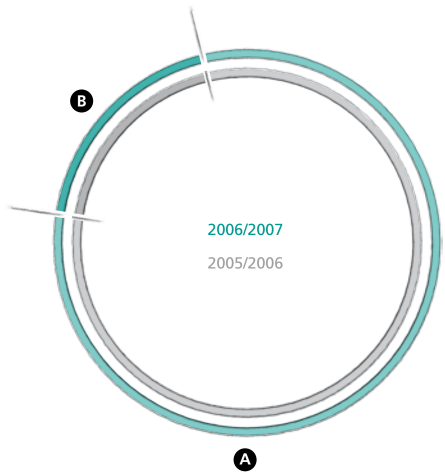
At EUR 23.6 million, earnings before tax were 41.1 % higher than the previous year (EUR 16.6 million). The tax rate was lower than in the previous year because proceeds from the sale of the participation in Gewerbepark Wilthener Straße GmbH were largely untaxed. After deduction of tax and profit shares of the managing directors in our subsidiary corporations, group net income for the year after third party interests increased by 42.8 % to EUR 13.3 million (EUR 9.3 million). This equates to earnings per share under IFRS of EUR 4.83 (EUR 3.54). The capital increase in March 2007 brought the number of shares to 3,023,000; against this full number of shares, Group net income for the year equates to earnings per share of EUR 4.40.

SALES AND PROFIT 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 in particular. 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 86 % of group sales (previous year: 85 %), and 81 % of EBITDA, as in the previous year, tool manufacture and mechanical engineering is still the most important segment. With growth in sales of 16 %, tool manufacture and mechanical engineering developed more strongly than the sector as a whole. At 12 % the segment EBITDA grew less strongly than sales because the previous reporting period was affected by a limited non-recurring economic effect. The plastics technology segment remained behind sector development with 5 % and EBITDA grew at a significantly faster rate than sales, at 10 %.



Share of EBITDA (EUR’000)

A Tool manufacture/ mechanical engineering segment
81 % 26,906
81 % 23,966

B Plastics technology segment
19 % 6,168
19 % 5,611

Share of sales (EUR’000)

A Tool manufacture/ mechanical engineering segment
86 % 230,788
85 % 198,756

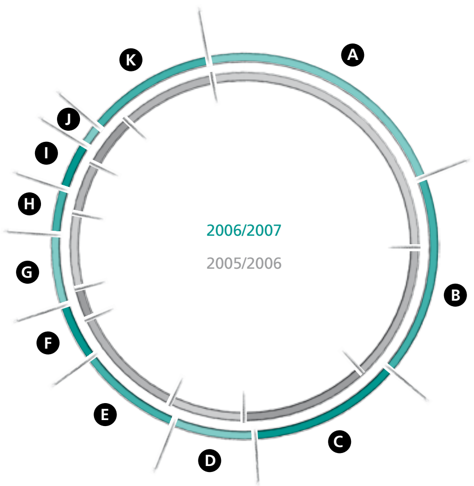
B Plastics technology segment
14 % 36,842
15 % 35,052

Sales by region

A Germany
74.4 %
73.6 %

B Europe
14.0 %
16.4 %

C Outside Europe
11.6 %
10.0 %



Sales by customer sector

A Plant construction and mechanical engineering
22 %
28 %

B Car and commercial vehicle construction
17 %
13 %

C Iron, sheet metal and metal processing, tool manufacture
13 %
12 %

D Electrical, domestic appliances and medical technology
7 %
7 %

E Foundries and rolling mills
9 %
11 %

F Construction, air conditioning, sanitation
5 %
3 %

G Chemical and petrochemical industries
6 %
7 %

H Consumer goods industry
4 %
5 %

I Energy/supply
4 %
5 %

J Agri-technology
2 %
0 %

K Other customer groups
11 %
9 %

SALES BY REGION

The share of GESCO Group sales contributed by exports remained more or less constant compared to the previous year at 25.6 % (previous year: 26.4 %). 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, by their nature, the exact figures for these indirect exports cannot be determined. Companies with a particularly high proportion of export sales include SVT (82 %), the Setter Group (68 %), MAE (38 %), Frank (32.8 %) and AstroPlast (29.2 %).

SALES BY CUSTOMER SECTOR

GESCO AG believes that a broad distribution of customer sectors is an important element of risk limitation and therefore supplies a wide range of industries, making it less sensitive to the effects of the business cycles of individual industries. The sector allocation has changed little compared to the previous year; the agri-technology segment has been added through the acquisition of Frank Walz- und Schmiedetechnik GmbH in July 2006.

INVESTMENT AND DEPRECIATION

The GESCO Group companies invested a total of EUR 9.1 million in tangible and intangible assets (excluding additions due to changes in scope of consolidation) in financial year 2006/2007. The focus of these investments was the technical equipment of the new stainless steel plant at Dörrenberg Edelstahl GmbH and a new vacuum annealing oven for the surface technology segment. In general, we consider continuous investment in the company's technical equipment as a fundamental success factor; investment backlogs do not exist anywhere in the company. The equipment of the subsidiaries is state of the art, and in certain areas exceeds this significantly.

Depreciation on tangible and intangible assets remained at EUR 8 million.

RESEARCH AND DEVELOPMENT

Since our subsidiaries are mainly small and medium-sized businesses, their research and development activities are overwhelmingly determined by market and customer requirements. Technical innovations and new products and applications are usually developed in close cooperation with clients, within the framework of specific projects. An exception to this is our largest subsidiary Dörrenberg Edelstahl GmbH, which is also involved in research activities. The company has in-depth expertise in metallurgy, built up over decades, and continuously works towards the development of new, usually high-alloy, steels with improved properties.

PROCUREMENT

The GESCO Group companies see procurement as a strategic task; they strive to avoid dependence and usually maintain long-lasting relationships with their suppliers.

Energy and steel prices rose again in financial year 2006/2007; these price increases were able to be passed on to clients in line with market conditions market conditions. Delivery bottlenecks were avoided during the year under review but delivery times were lengthened due to the general upturn in the economy.

GROUP BALANCE SHEET

In March 2007 GESCO AG increased shareholders' capital by almost 10 % through the issue of 274,000 new shares under a capital increase, which resulted in a net EUR 9.7 million. Shareholders' subscription rights did not apply and the capital increase was promptly placed with institutional investors in Germany and abroad. The funds from this corporate action are intended for the acquisition of further SME industrials.

The development of the Group balance sheet was influenced by operating growth in the subsidiaries, the expansion of the scope of consolidation and the increase in shareholders' capital. The balance sheet total rose by 21.4 % to EUR 212 million (EUR 174 million).

On the assets side, tangible and intangible assets each increased by around 12 %. The first-time consolidation of Frank Walz- und Schmiedetechnik GmbH contributed to this. Goodwill therefore increased from EUR 5.5 million to EUR 6.7 million, bringing it to just 8.9 % of shareholders' capital. Financial assets were reduced by the disposal of the Gewerbepark participation consolidated at equity in the previous year.

In short-term assets, inventories increased by 33 %, mainly because of materials price increases, the acquisition of Frank and the expansion of the operating business in the existing subsidiaries. The main causes of the rise in liquid funds from EUR 17.5 million to EUR 30.3 million are the capital increase and the inflow of funds from the sale of the Gewerbepark participation.

On the liabilities side, equity capital increased from EUR 54 million to EUR 75 million thanks to the good annual results and the capital increase. The equity ratio therefore improved further from 31 % to 35 %. Contrary to the previous year, third party interests in our subsidiary partnerships, i.e. the shares of the managing partners, were recorded under long-term liabilities in accordance with IAS 32; the previous year's figures were adjusted accordingly. The long-term liabilities increased only by 2.7 %. Short-term liabilities, on the other hand, recorded a significant rise of 31.2 % from EUR 47 million to EUR 61 million. The main determining factors in this were the expansion of the operating business and the first-time consolidation of Frank. With net financial liabilities constituting less than twice the EBITDA, the level of indebtedness remained correspondingly low.

Overall, the Group balance sheet recorded excellent ratios and offers room for further internal and external growth.

DISCLOSURES UNDER § 289 PARA. 4 HGB

The GESCO AG share capital amounts to EUR 7,859,800 and is divided into 3,023,000 bearer shares. Every bearer share receives one vote at the General Meetings.

§§ 76 and 84 AktG and § 6 para. 1 of the Articles of Association of GESCO AG state that the Executive Board consists of one or more people. § 6 para. 2 of the Articles of Association states that the Supervisory Board appoints the Executive Board and determines the number of members; it may also appoint replacement members. Under § 17 para. 1 of the Articles of Association, resolutions of the General Meeting are adopted, where no opposing legal provisions arise, with a simple majority of the vote received and, where the law prescribes a capital majority as well as a voter majority, with a simple majority of the shareholders' capital represented at the adoption of the resolution. Under § 17 para. 2 of the Articles of Association, the Supervisory Board is authorised to change the articles of association which only concern the adoption.

The General Meeting of 24 August 2006 authorised the Executive Board, with the approval of the Supervisory Board, to increase the company's shareholders' capital to a total of up to EUR 3,573,700 by 23 August 2011, by issuing new bearer shares against cash and/or tangible assets on a one-off basis or over several operations. In certain cases, subscription rights may be excluded. The Executive Board made partial use of this authorisation in the capital increase implemented in March 2007; the remaining authorised capital stood at EUR 2,861,300 as at 31.03.2007.

The General meeting of 24 August 2006 authorised the company to acquire own shares of up to 10 % of the current shareholders' capital (taking into account own shares already held) by 23 February 2008. The Executive Board is also authorised, with approval of the Supervisory Board and in certain conditions, to sell the acquired shares in ways other than via the stock market or offering them to all shareholders, use them for company or participation acquisition, or call them in either partly or in full.

RISK REPORT AND RISK MANAGEMENT

The management of risks and rewards takes place on two levels within the GESCO Group: firstly in the acquisition phase of new companies, and finally the further management of the subsidiaries following acquisition. Ultimately, every company acquisition and every corporate measure is based on the assessment of the risk/reward profile of the relevant project. In general, GESCO AG attributes great importance to the limitation of risks.

Since there is naturally dissymmetry of information between buyer and seller in company acquisitions, risk is intrinsic to every acquisition. Management changes necessary to resolve age-related succession issues also involve risk. Renewal and rejuvenation of the management, however, also brings opportunity for the company concerned. As the portfolio grows with every acquisition, the significance of individual risk declines. Since the subsidiaries follow varying business models and supply varying customer segments, downturns or crises in individual sectors, or problems with individual subsidiaries, do not affect the Group as a whole.

Before the acquisition, the companies are subject to due diligence in order to identify any recognisable risks associated with the acquisitions. The earnings level forming the basis of the pricing of the purchase and any company targets are subject to particularly critical examination. If the expectations of buyer and purchaser differ widely regarding the future earning potential of the company being acquired, a debtor warrant can form an established means of dividing the risks and opportunities of future growth.

We believe that the continued non-use of instruments such as cash pooling and joint liability reduces the risk of a threat to the whole Group. The overall GESCO model is structured so that a negative trend in an individual company should not endanger the whole Group.

When a company is acquired, it is integrated into the Group's reporting and risk management systems. This also comprises the systematic logging of IT risks. A collectively adopted annual plan defines the framework for operational development, personnel measures and investments. As part of the regular reporting, GESCO AG receives monthly figures from its subsidiaries. A GESCO AG business administration executive analyses, interprets and evaluates the data in terms of target achievability together with the relevant financial officer of the respective subsidiary during monthly meetings on site. A member of the Executive Board visits each company at least once a quarter, in order to discuss and develop strategic issues in particular.

The basis of the annual, monthly and strategy meetings is ultimately the overall consideration of the company situation. The opportunities are examined in terms of quality and quantity as well as the risks. Exploiting opportunities is, after all, the core of entrepreneurial activity, and while a risk-aware approach is necessary, fear of risk should not hamper business activity.

Risks can be limited but not eliminated. Ultimately, all entrepreneurial activity is intrinsically risky. 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.

Procurement risk

Although the costs of raw materials, steel and energy were less volatile in 2006 than in 2005, large fluctuations continue. Price increases were mostly able to be passed on in line with market prices.

A major portion of the **trade debtor**s 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.

Exchange rate risks from operating business are hedged with large contracts. Exchange rate risks from financing arise from the fact that our financing is denominated in Swiss francs. All financing takes the form of credit tranches limited to three, six or twelve months within long-term lending agreements. This structure enables a quick change of the financing from Swiss francs to euros where necessary. The exchange rate fluctuations of the Swiss franc against the euro are monitored each working day. Any repayments are secured with hedging methods.

We currently foresee no risks associated with the provision of **financing and/or equity**; for financial year 2007/2008, we anticipate a stable interest rate or a moderate increase in interest rates.

As far as **fiscal conditions** are concerned, we expect that the scheduled corporation tax reform will on balance lead to a reduction in the tax liability of the GESCO Group.

As far as the **legal 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 the GESCO Group. This applies to production, as well as the life cycle of individual products up to their material recovery.

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). This system has been assessed through regular follow-up audits.

EMPLOYEES

The number of GESCO Group employees increased from 1,329 on last year's reporting date to 1,543 this year, essentially due to the integration of Frank Walz- und Schmiedetechnik GmbH.

We are convinced that a skilled, motivated and loyal workforce that can relate strongly to the corporate identity is a key strength of the SME. Training and development is viewed with great importance within the Group. Despite this strong commitment, the fact that our subsidiaries to an extent have difficulty filling vacancies with qualified candidates cannot be overlooked.

In autumn 2006, GESCO AG offered all Group employees the opportunity to buy shares in the company at favourable terms under an employee share scheme for the ninth 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. In typical succession arrangements, GESCO AG acquires 100 % of a company and appoints a new managing director. After a probationary period of around two years, the managing directors acquire a stake in the company they run. Usually a stake of between 10 % and 20 % is acquired; for larger subsidiaries with several managing directors, the share per person is correspondingly lower. Through this investment, the managing directors participate directly in the profits of the respective subsidiary, as co-partners. In addition, the remuneration of the managing directors comprises a variable component related to the performance of the company they manage.

Employees by segment

A Tool manufacture and mechanical engineering	84 %	1,301
	81 %	1,080
B Plastics technology	15 %	231
	18 %	239
C GESCO AG	1 %	11
	1 %	10

REMUNERATION REPORT

The **remuneration of the Executive Board** consists of a fixed (basic salary, private use of company vehicle, personal insurance) and a variable component. The variable portion is calculated from a fixed percentage of the Group net income for the year. For Board members, there is also a pension commitment (including pension for widows and dependents). This is calculated from a fixed percentage and percentage determined by length of service of the final fixed salary. In the case of a Board member leaving the company before the due date without the insured event having occurred, that Board member receives remuneration equal to the pension accrued at the time of leaving for a maximum period of 18 months. Income from other activities is to be deducted from these payments.

The **compensation of the Supervisory Board** consists of a fixed remuneration plus a fixed fee for each Supervisory Board meeting. In addition, each Supervisory Board member receives a profit-linked share equalling a fixed percentage of Group net income for the year. The Chairman of the Supervisory Board receives twice the fixed remuneration and the Vice Chairman receives one and a half time the fixed remuneration.

A breakdown of the remuneration of the Executive Board and the Supervisory Board is provided in the Notes to the consolidated financial statements.

OUTLOOK/FUTURE PERSPECTIVES

Economic institutes have predicted in their 2007 assessments, published in spring that GDP will grow by 2.4 %.

The German Machinery and Plant Manufacturers Association (VDMA) forecasts sales growth of approximately 4 % for companies in its sector and anticipates a revival of demand in Germany. The Association of Plastic Goods Producers (GKV) predicts growth of 3 % to 3.5 %. These positive economic conditions correspond with strong order activity among the customers of our subsidiaries. The prospects for operating development therefore continue to be positive.

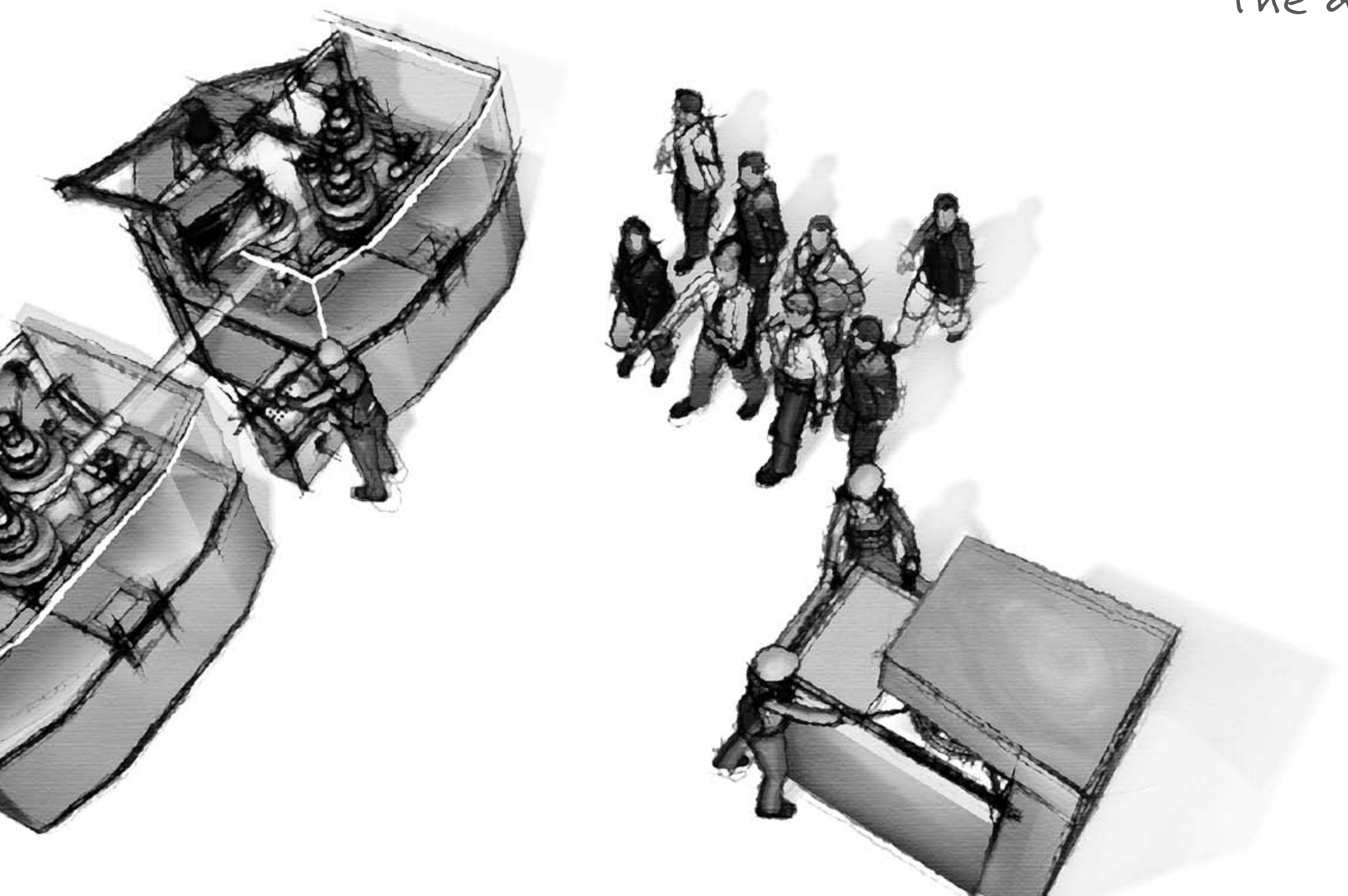
In view of this trend and the changes in the scope of consolidation, we expect a further sales increase for financial year 2007/2008 from the existing group of companies. Operating Group net income for the year after third party interests currently appears to be likely to increase from that of financial year 2006/2007. Concrete prognoses or estimates for financial year 2008/2009 are currently still difficult to make. Although the general economic prognoses do not currently show any signs of a downturn, there still remain uncertainties and potential risks, particularly in terms of geopolitical developments and raw materials and energy supply. The growth of the GESCO Group in the coming years will also be dependent on the company acquisitions carried out. The supply of industrial SMEs is still good, which means that the chances of being able to acquire one or several more companies in addition to VWH in the current financial year are realistic. However, we cannot provide concrete prognoses here because during the examination of initially promising acquisition possibilities, flaws again and again emerge which prevent us from purchasing. It is also possible, given the SME nature of our activities, that emotional factors on the part of the vendor can influence whether or not a contractual signing goes ahead. As is our publicised policy, we also aim to develop the GESCO Group through external growth and invest a lot of time and energy in company acquisitions. However we are maintaining our disciplined approach of weighing up the risks and opportunities in every acquisition with the utmost care.

Apart from the acquisition of VWH, no events of particular significance occurred after the end of the period under review.

GESCO focuses on a good atmosphere in the Group: all the managing directors congregate at least once a year, typically when a company has been newly acquired, to welcome the new member of the GESCO Group. Topics of overriding importance are on the agenda: best practice and the tangible exchange of experiences of mature practitioners. The development of mutual acquaintance time and again results in customer/supplier relationships on a voluntary basis however, not decreed “from above”. The market governs collaboration.

Contrary to many smaller SMEs, the GESCO subsidiaries do not act in an isolated way, but are integrated into a strong group. This offers tangible support in many “troublesome” issues and allows the managing directors to concentrate on what they prefer to do: manage their businesses.

The atmosphere factor



RESULTS

GESCO AG

ABRIDGED VERSION OF ANNUAL FINANCIAL STATEMENTS AS AT 31.03.2007

PROPOSED PROFIT APPROPRIATION

BALANCE SHEET

Assets	31.03.2007 EUR'000	31.03.2006 EUR'000
Intangible assets	44	1
Tangible assets	183	180
Financial assets	49,358	45,363
Non-current assets	**49,585**	**45,544**
Receivables and other assets	30,417	28,526
Securities and liquid funds	28,637	14,600
Current assets	**59,054**	**43,126**
Total assets	**108,639**	**88,670**
Equity and liabilities		
Equity	70,379	53,339
Provisions	5,180	4,705
Liabilities	33,080	30,626
Total equity and liabilities	**108,639**	**88,670**

INCOME STATEMENT

	01.04.2006 -31.03.2007 EUR'000	01.04.2005 -31.03.2006 EUR'000
Earnings from investments	11,740	18,394
Other operating income and expenditure	3,031	-905
Personnel expenditure	-1,695	-1,577
Depreciation on tangible and intangible assets	-66	-61
Financial result	-369	-1,492
Earnings from ordinary business activity	**12,641**	**14,359**
Taxes on income and earnings	-2,030	-4,200
Net income	**10,611**	**10,159**
Transfer to revenue reserves	-5,305	-5,079
Retained profit	**5,306**	**5,080**

GESCO AG –
PROPOSED PROFIT APPROPRIATION

The Executive Board and Supervisory Board of GESCO AG propose using the reported retained profit for financial year 2006/2007 of EUR 5,305,487.05 (net income for the year of EUR 10,610,974.09 less transfer to other revenue reserves of EUR 5,305,487.04) as follows:

a) Payment of a dividend of EUR 1.50 per unit share on the current dividend bearing share capital (3,023,000 shares less 631 own shares)	4,533,553.50 EUR
b) Transfer to other revenue reserves	771,933.55 EUR
Retained profit	**5,305,487.05 EUR**

The full financial statements of GESCO AG compiled in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act and audited by Dr. Breidenbach, Dr. Güldenagel & Partner KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Wuppertal, and attested with an unqualified auditors report is published in the Bundesanzeiger (Federal Gazette) and lodged with the district court of Wuppertal under HRB 7847. They can be requested from GESCO AG.

GESCO GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31. MARCH 2007

GESCO GROUP – BALANCE SHEET

Assets

		31.03.2007 EUR'000	31.03.2006 EUR'000
A. Non-current assets			
I. Intangible assets			
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets	(1)	7,342	6,957
2. Goodwill	(2)	6,683	5,510
3. Prepayments made	(3)	11	51
		14,036	**12,518**
II. Tangible assets			
1. Land and buildings	(4)	27,354	25,972
2. Technical plant and machinery	(5)	17,151	16,232
3. Other plant, fixtures and fittings	(6)	14,748	10,022
4. Prepayments made and plant under construction	(7)	1,404	1,020
5. Property held as financial investments	(8)	3,730	3,962
		64,387	**57,208**
III. Financial investments			
1. Shares in affilated companies	(9)	15	1
2. Investment in associated companies	(10)	0	1,365
3. Investments	(11)	17	27
4. Securities held as fixed assets	(12)	2,740	2,775
		2,772	**4,168**
IV. Other assets	(13)	964	1,524
V. Deferred tax assets	(14)	1,466	1,338
		83,625	**76,756**
B. Current assets			
I. Stocks	(15)		
1. Raw materials and supplies		15,088	9,738
2. Unfinished products and services		15,495	9,697
3. Finished products and goods		25,269	22,383
4. Prepayments made		227	409
		56,079	**42,227**
II. Receivables and other assets	(13)		
1. Trade receivables		35,764	32,980
2. Amounts owed by affiliated companies		1,833	1,181
3. Other assets		3,788	3,504
		41,385	**37,665**
III. Securities	(16)	27	27
IV. Cash, Bundesbank credit, credit with financial institutions and cheques	(17)	30,256	17,526
V. Accounts receivable and payable		390	229
		128,137	**97,674**
		211,762	**174,430**

Liabilities

		31.03.2007	31.03.2006
A. Equity		EUR'000	EUR'000
I. Subscribed capital	(18)	7,860	7,147
II. Capital reserves		36,167	27,180
III. Revenue reserves		27,664	17,784
IV. Own shares		-25	-30
V. Exchange equalisation items		28	0
VI. Subsequent valuation acc. to IAS39		-133	-97
VII. Minority interests (incorporated companies)	(19)	3,387	2,395
		74,948	**54,379**
B. Non-current liabilities			
I. Minority interests (partnerships)	(19)	2,140	1,927
II. Provisions for pensions	(20)	9,392	8,917
III. Other long-term provisions	(20)	2,683	2,164
IV. Liabilities to financial institutions	(21)	43,567	43,911
V. Other liabilities	(21)	4,713	3,956
VI. Deferred tax liabilities	(14)	4,501	4,139
		66,996	**65,014**
C. Current liabilities			
I. Other provisions	(20)	8,484	8,283
II. Liabilities	(21)		
1. Liabilities to financial institutions		18,036	12,511
2. Trade creditors		10,664	10,334
3. Prepayments received on orders		6,479	5,314
4. Liabilities on bills		1,881	1,108
5. Liabilities to associated companies		1	0
6. Liabilities to companies with which a shareholding relationship exists		0	5
7. Other liabilities		24,063	17,482
		61,124	**46,754**
III. Accounts receivable and payable		210	0
		69,818	**55,037**
		211,762	**174,430**

GESCO GROUP – INCOME STATEMENT

		01.04.2006 -31.03.2007 EUR'000	01.04.2005 -31.03.2006 EUR'000
1. Sales revenue	(22)	**268,146**	**234,327**
2. Change in stock of finished and unfinished products		5,378	1,357
3. Other company-produced additions to assets	(23)	576	135
4. Other operating income	(24)	4,925	3,228
5. Total income		**279,025**	**239,047**
6. Material expenditure	(25)	-146,878	-122,733
7. Personnel expenditure	(26)	-70,107	-61,631
8. Other operating expenditure	(27)	-30,240	-27,891
9. EBITDA		**31,800**	**26,792**
10. Depreciation on tangible and intangible assets	(28)	-8,072	-8,000
11. EBIT		**23,728**	**18,792**
12. Income from other securities		155	124
13. Results from investments in associated companies		2,760	246
14. Other interest and similar income		733	554
15. Interest and similar expenditure		-2,999	-2,603
16. Third party profit share in partnerships		-807	-551
17. Financial result		**-158**	**-2,230**
18. Earnings before tax (EBT)		**23,570**	**16,562**
19. Taxes on income and earnings	(29)	-9,311	-7,100
20. Group net income for the year after tax		**14,259**	**9,462**
21. Third party profit share in incorporated companies		-946	-137
22. Group net income for the year after minority interests		**13,313**	**9,325**
Earnings per share (EUR) acc. to IFRS	(30)	4.83	3.54

CASH FLOW STATEMENT

	01.04.2006 -31.03.2007 EUR'000	01.04.2005 -31.03.2006 EUR'000
Result for the period (including share attributable to minority interests from incorporated companies)	**14,259**	**9,462**
Depreciation on fixed assets	8,072	8,000
Results from investments in associated companies	-121	-246
Share attributable to minority interests in partnerships	807	551
Increase in long-term provisions	39	604
Other non-cash income	-1,393	-744
Cash flow for the year	**21,663**	**17,627**
Losses/gains on the disposal of tangible/intangible fixed assets	-118	61
Gains on the disposal of financial assets	-2,639	0
Results from changes in the scope of consolidation	0	-56
Increase in stocks, trade receivables and other assets	-8,284	-13,542
Increase in trade creditors and other liabilities	3,224	6,506
Cash flow from ongoing business activity	**13,846**	**10,596**
Incoming payments from disposals of tangible assets/intangible assets held as fixed assets	654	615
Disbursements for investment in tangible assets	-8,332	-8,961
Disbursements for investments in intangible assets held as fixed assets	-239	-235
Incoming payments from disposals of financial assets	4,338	88
Disbursements for investment in financial assets	-13	0
Incoming payments from the sale of consolidated companies	322	756
Disbursement for the acquisition of consolidated companies and other business units	-4,201	-3,588
Cash flow from investment activity	**-7,471**	**-11,325**
Net incoming payment from capital increase	9,700	6,685
Disbursements to shareholders (dividend)	-3,435	-2,248
Disbursement for the purchase of own shares	-195	-87
Incoming payment from the sale of own shares	202	118
Disbursements to minority interests	-669	-809
Incoming payments from raising (financial) loans	6,161	8,789
Outflow for repayment of (financial) loans	-5,408	-4,685
Cash flow from financing activity	**6,356**	**7,763**
Cash increase in cash and cash equivalents	**12,731**	**7,034**
Cash and cash equivalents on 01.04.	17,552	10,518
Cash and cash equivalents on 31.03.	**30,283**	**17,552**

GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

	Subscribed capital EUR'000	Capital reserves EUR'000	Revenue reserves EUR'000	Own shares EUR'000	Exchange equalisation items EUR'000	Revaluation IAS 39 EUR'000	Total EUR'000	Minority interests incorporated companies EUR'000	Equity capital EUR'000
As at 01.04.2005	**6,500**	**21,142**	**10,668**	**-21**	**0**	**400**	**38,689**	**1,467**	**40,156**
Revaluation of securities with no impact on income						-509	-509		-509
Disposals of securities recognised as income in the result for the period						12	12		12
Acquisition of own shares				-87			-87		-87
Sale of own shares			39	78			117		117
Dividends			-2,248				-2,248		-2,248
Capital increase	647	6,175					6,822		6,822
Transaction costs – capital increase		-137					-137		-137
Other neutral changes								791	791
Result for the period			9,325				9,325	137	9,462
As at 31.03.2006	**7,147**	**27,180**	**17,784**	**-30**	**0**	**-97**	**51,984**	**2,395**	**54,379**
Revaluation of securities with no impact on income						-36	-36		-36
Acquisition of own shares				-195			-195		-195
Sale of own shares			2	200			202		202
Dividends			-3,435				-3,435		-3,435
Capital increase	713	9,151					9,864		9,864
Transaction costs – capital increase		-164					-164		-164
Other neutral changes					28		28	46	74
Result for the period			13,313				13,313	946	14,259
As at 31.03.2007	**7,860**	**36,167**	**27,664**	**-25**	**28**	**-133**	**71,561**	**3,387**	**74,948**

SEGMENT REPORT

	Tool manufacture and mechanical engineering		Plastics technology		GESCO AG		Other/Consolidation		Group	
	2006/2007 EUR'000	2005/2006 EUR'000	2006/2007 EUR'000	2005/2006 EUR'000	2006/2007 EUR'000	2005/2006 EUR'000	2006/2007 EUR'000	2005/2006 EUR'000	2006/2007 EUR'000	2005/2006 EUR'000
Sales revenue	230,788	198,756	36,842	35,052	0	0	516	519	268,146	234,327
of which with other segments	0	0	0	0	0	0	0	0	0	0
EBIT	20,687	18,484	4,532	3,866	-1,815	-3,014	324	-544	23,728	18,792
EBITDA	26,906	23,966	6,168	5,611	-1,750	-2,953	476	168	31,800	26,792
Financial result (without profit share from other shareholders)	-1,440	-1,194	-295	-247	-456	-630	2,841	392	650	-1,679
of which result from associated companies	0	0	0	0	0	0	2,760	246	2,760	246
Depreciation	6,219	5,482	1,636	1,745	65	61	152	712	8,072	8,000
of which extraordinary	0	258	0	0	0	0	0	536	0	794
Segment assets	147,006	125,331	27,805	25,416	27,557	11,693	9,394	11,990	211,762	174,430
of which investments in associated companies	0	0	0	0	0	0	0	1,365	0	1,365
Segment liabilities	54,976	46,316	5,751	4,756	9,657	7,577	66,430	61,403	136,814	120,052
Investments	7,596	8,233	844	835	113	124	18	4	8,571	9,196
Employees (No./reporting date)	1,301	1,080	231	239	11	10	0	0	1,543	1,329

NOTES

GENERAL INFORMATION

GESCO AG is a private limited company with headquarters in Wuppertal, Germany. The company is managed under the commercial register number HRB 7847 at Wuppertal district court. The object of the company is the acquisition and administration of investments in SMEs as well as the provision of consultancy and other services. The consolidated financial statements of GESCO AG, Wuppertal, as at 31 March 2007 have been prepared taking account of § 315a para. 1 of the German Commercial Code (HGB) in accordance with International Financial Reporting Standards (IFRS) pursuant to the statements by the International Accounting Standards Board (IASB) as applicable in the EU. The accounting of minority interests in subsidiary partnerships has been altered compared with the previous year. The comparable figures have accordingly been adjusted.

APPLICATION AND IMPACT OF NEW OR AMENDED STANDARDS

These GESCO AG consolidated financial statements take into account all standards, which should be applied for annual reporting periods starting before 31 March 2006. A potential early application of standards, which should only be applied after the start of the financial year 2006/2007, has not been carried out.

The following amended or new standards had to be observed in the financial year 2006/2007:

- IFRS 6 "Exploration for and evaluation of mineral resources"
- amendment to IAS 21 "The effects of changes in foreign exchange rates – hedging a net investment"
- amendment to IAS 19 "Employee benefits"
- IAS 39 "Right to vote on the valuation at the time value to be arranged"
- IAS 39 "Cash flow hedge accounting of forecast intragroup transactions"
- amendments to IAS 32, IAS 39 and IFRS 4. The amendments concern the accounting of financial warranties issued.
- IFRIC 4 "Determining whether an arrangement contains a lease"
- IFRIC 5 "Rights to interests arising from decommissioning, estoration and environmental funds"
- IFRIC 6 "Liabilities arising from participating in a specific market
- waste electrical and electronic equipment"
- IFRIC 7 "Applying the restatement approach under IAS 29 financial reporting in hyperinflationary economies"

There have been no significant impacts on the consolidated financial statements of GESCO AG as a result of observing the above-mentioned standards and interpretations.

The following standards and interpretations have been published and have been endorsed by the EU, but shall only have compulsory application for financial years starting after 1 April 2006:

- amendment to IAS 1 "Presentation of financial statements – details on capital"
- IFRS 7 "Financial instruments: disclosures"
- IFRIC 8 "Scope of IFRS 2"
- IFRIC 9 "Reassessment of embedded derivatives"

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

- IFRS 8 "Operating segments"
- IFRIC 10 "Interim financial reporting and impairment"
- IFRIC 11 "IFRS 2 Group and treasury share transactions"
- IFRIC 12 "Service concession arrangements"
- amendment to IAS 23 "Capitalisation of borrowing costs"

There are presently no significant impacts on the consolidated financial statements of GESCO AG as a result of standards and interpretations only to be applied compulsorily in subsequent years.

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 obligation resulting from a debtor warrant also is 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 2007:

- 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.

CONSOLIDATED FINANCIAL STATEMENTS – REPORTING DATE

The reporting date for the consolidated financial statements is the same as that for the parent company (31 March 2007). 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 pursuant to IAS 27.36 decided to dispense with compiling intermediate accounts as at 31 March 2007. There are only a few buying and selling relationships between the operating subsidiaries. The product and business activities are different. There are merely loan relationships between the parent company and a few subsidiaries. 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. Additional interim financial statements to be prepared and audited would mean a disproportionately high expenditure of time and cost, which does not produce any corresponding information obtained.

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.

We fully acquired Frank Walz- und Schmiedetechnik GmbH in North Hessian Hatzfeld in July 2006. Frank generates sales of approximately EUR 20 million. Frank GmbH has been included in the consolidated financial statements since 1 August 2006. Its subsidiary Frank Hungária Kft, in which Frank Walz- und Schmiedetechnik GmbH has a 73.86 % shareholding, has likewise been fully consolidated since 1 August 2006. With Frank Lemeks TOW, Frank also has a distribution company in Ukraine; as this company is of secondary importance to the assets, financial position and earnings of the Group, this company is included at the cost of acquisition in the consolidated balance sheet. Five months of Frank Walz- und Schmiedetechnik GmbH and Frank Hungária Kft are included in the consolidated profit and loss account.

Our subsidiary Dörrenberg Edelstahl GmbH launched Doerrenberg Special Steels Pte. Ltd. (DSS) with headquarters in Singapore as a wholly-owned subsidiary in April 2006 in order to expand their sales and distribution in Asia. DSS has been included for the first time in the 2006/2007 consolidated financial statements, with eight months covered.

On 1 January 2007 Setter GmbH fully acquired HRP Leasing GmbH, Emmerich, which deals with the leasing of machinery for the manufacture of paper rods for the sanitation and confectionery industry. In this consolidated balance sheet, HRP was initially consolidated on 1 January 2007; HRP will be included in the consolidated profit and loss account for the first time in the first quarter of the financial year 2007/2008.

We sold our 40 % shareholding in Gewerbepark Wilthener Straße GmbH, Bautzen with effect from 31 October 2006. This was an untypical minority shareholding for GESCO AG outside our industrial focus, which had been entered into against the background of Germany’s re-unification.

In April 2007, i.e. after the end of the period under review, GESCO AG fully acquired VWH Vorrichtungs- und Werkzeugbau Herschbach GmbH in Herschbach. VWH has positioned itself as a niche provider in automation and sensor technology and generates sales of approximately EUR 9 million. This company will be included in the consolidated financial statements for the first time in the first quarter of financial year 2007/2008.

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

	31.03.2007 EUR’000	31.03.2006 EUR’000
Intangible assets	1,432	18
Tangible assets	6,031	4,264
Current assets (excluding liquid funds)	9,666	1,987
Liquid funds	142	980
Provisions	659	765
Liabilities	12,277	4,279

First-time consolidation contributed EUR 68 thousand (previous year EUR 296 thousand) to the Group result and EUR 8,335 thousand (previous year EUR 3,699 thousand) to Group sales. Had the first-time consolidation been included in the consolidated financial statements of GESCO AG at the start of its financial year, the earnings would have been affected by EUR 478 thousand and sales by EUR 19,664 thousand.

A total of 33 companies were fully consolidated and included in the consolidated financial statements.

Three subsidiaries (foreign sales companies) whose influence on the assets, financial position and earnings is of minor importance were not consolidated but valued at the cost of acquisition. Their influence on sales, results and total assets amounts to less than 2.0 %. Another company, which is also of minor importance, was also valued at the cost of acquisition. The effect on the results and total assets was less than 0.5 %.

A list of shareholdings is given 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.

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 2007 are drawn up in accordance with standardised accounting and valuation methods.

Change to the accounting of minority interests in subsidiary partnerships: The German Financial Reporting Enforcement Panel (DPR) in Berlin started a reasoned audit procedure against GESCO AG in 2006. The reason for the investigation are the qualified certificates of the annual financial statements and the consolidated financial statements of GESCO AG for the financial year 2005/2006. The qualifications essentially concern the non-publication of purchase prices, which we paid for the subsidiaries acquired in the respective financial year as well as the non-publication of the earnings from our subsidiaries. The DPR audit procedure has now been completed and GESCO AG has approved DPR's assessment. The Federal Financial Supervisory Authority (BaFin) should now decide on publication in accordance with legal provisions.

In addition to the points mentioned, the DPR audit was also related to the disclosure of minority interests in our subsidiary partnerships pursuant to IAS 32. These interests concern the investments of managing directors in the companies they manage as well as their share of the company results. These interests were disclosed in the consolidated shareholders' capital in the previous year, as we did not regard the illustration pursuant to IAS 32 to be appropriate due to the long-term nature of our investments; we referred to this difference in the notes to the 2005/2006 financial statements.

These interests are reorganised and disclosed as separate items in long-term outside capital in these financial statements; correspondingly the interest earned by the managing directors of our subsidiary partnerships has since been listed as a separate item in the financial result in the income statement. The Segment report includes this outside capital in the segment liabilities of the segments under review: tool manufacture and mechanical engineering and plastics technology. The interest earned from minority shareholders in partnerships has been recorded in the "cash flow of the year" as a non-cash expense in the Cash flow statement. The statements for the previous year were correspondingly adjusted. The impact on the pre-tax profit is EUR 807 thousand (previous year EUR 551 thousand). This change does not affect the Group net income for the year after minority interests.

The impact of this change in disclosure on the shareholders' capital is EUR 2,140 thousand (previous year EUR 1,927 thousand). The change in disclosure for other shareholders' interests is illustrated in the change to shareholders' capital account as follows:

Values in EUR (thousand)	Reported in the previous year	Adjustment	Value after adjustment
As at 31 March / 1 April 2006:	4,322	-1,927	2,395
As at 31 March / 1 April 2005:	3,189	-1,722	1,467

In the individual financial statements, **transactions in foreign currency** are converted using the exchange rates at the time of the transactions. A valuation is taken to income in the profit and loss account on the balance sheet reporting date for monetary items at the current value using the relevant conversion rate.

In accordance with the concept of a functional currency, the companies outside the Eurozone prepare their financial statements in their respective national currency. The conversion of these financial statements into euro is carried out for asset items and liabilities at the reporting date rate. The shareholders' capital is kept at historical rates with the exception of items recorded directly in shareholders' capital. The items in the profit and loss account are converted using average exchange rates and the resulting currency differences are recorded neutral to earnings in shareholders' capital. The rates used result from the following table.

	1 EUR=	Reporting date rate 31.12.2006	Historical rate	Average rate 2006
Hungary	HUF	251.7700	272.2300	264.2633
Singapore	SGD	2.0202	1.9323	2.0113

In the illustration of the performance of the fixed assets, provisions and shareholders' capital, initial and final inventories are converted at the reporting date rate and movements within the year at the average rate. Exchange rate differences are disclosed separately and treated in a neutral way in their impacts on profits.

Intangible assets acquired against payment are valued at the cost of acquisition or manufacture less scheduled depreciation.

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).

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.

The **shares held by third parties** in our partnerships are pursuant to IAS 32 reported as a separate item under outside capital. These shares refer to the participations of managing directors in the companies they manage as well as their share of the company results. The shares held by third parties in our subsidiary corporations are still reported as a separate item in shareholders' capital. The comparable figures of the previous year were correspondingly adjusted, as all shares held by third parties were disclosed in shareholders' capital in the previous year.

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. The service costs are reported under personnel expenditure and the interest portion of the allocation to provisions is reported under the financial result.

Actuarial profits and losses are directly recorded under income in accordance with the band method if they exceed 10 % of the scope of obligations (DBO).

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 are 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 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

The table below shows the breakdown of and movement in fixed assets in the year under review and the previous year:

GROUP STATEMENT OF FIXED ASSETS AS AT 31.03.2007

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

Including:

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

	Depreciation					Book values	
As at 31.03.2007 EUR'000	As at 01.04.2006 EUR'000	Additions EUR'000	Disposals EUR'000	Change Exchange rate difference EUR'000	As at 31.03.2007 EUR'000	As at 31.03.2007 EUR'000	As at 31.03.2006 EUR'000
20	12	1	0	0	13	7	8
3,429	2,725	208	27	0	2,906	523	417
11,391	4,859	1,073	0	0	5,932	5,459	6,532
1,398	0	45	0	0	45	1,353	0
16,238	**7,596**	**1,327**	**27**	**0**	**8,896**	**7,342**	**6,957**
6,683	0	0	0	0	0	6,683	5,510
11	0	0	0	0	0	11	51
22,932	**7,596**	**1,327**	**27**	**0**	**8,896**	**14,036**	**12,518**
37,307	8,941	1,012	0	0	9,953	27,354	25,972
49,019	29,371	2,730	234	1	31,868	17,151	16,232
45,792	29,312	2,852	1,121	1	31,044	14,748	10,022
1,404	0	0	0	0	0	1,404	1,020
6,933	3,979	151	927	0	3,203	3,730	3,962
140,455	**71,603**	**6,745**	**2,282**	**2**	**76,068**	**64,387**	**57,208**
16	0	0	0	0	0	16	1
0	0	0	0	0	0	0	1,365
3,644	3,627	0	0	0	3,627	17	27
9,617	6,841	36[1)]	0	0	6,877	2,740	2,775
13,277	**10,468**	**36**	**0**	**0**	**10,504**	**2,773**	**4,168**
176,664	**89,667**	**8,108**	**2,309**	**2**	**95,468**	**81,196**	**73,894**

GROUP STATEMENT OF FIXED ASSETS AS AT 31.03.2006

	Cost of acquisition or manufacture					
	As at 01.04.2005 EUR'000	Change Scope of consolidation EUR'000	Additions EUR'000	Transfers EUR'000	Disposals EUR'000	As at 31.03.2006 EUR'000
I. Intangible assets						
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets						
a. Contributions to building costs	24	0	0	0	4	20
b. Computer software	2,908	87	185	0	38	3,142
c. Technology	11,391	0	0	0	0	11,391
	14,323	**87**	**185**	**0**	**42**	**14,553**
2. Goodwill	4,240	0	1,500	0	230	5,510
3. Prepayments made	10	0	51	0	10	51
	18,573	**87**	**1,736**	**0**	**282**	**20,114**
II. Tangible assets						
1. Land and buildings	29,839	1,487	3,605	62	80	34,913
2. Technical plant and machinery	35,904	8,138	1,731	381	551	45,603
3. Other plant, fixtures and fittings	36,962	1,722	2,642	65	2,057	39,334
4. Prepayments made and plant under construction	530	16	1,032	-508	50	1,020
5. Property held as a financial investment	8,007	0	4	0	70	7,941
	111,242	**11,363**	**9,014**	**0**	**2,808**	**128,811**
III. Financial assets						
1. Shares in affiliated companies	1	0	0	0	0	1
2. Shares in associated companies	1,119	0	246	0	0	1,365
3. Investments	3,673	0	0	0	19	3,654
4. Securities held as fixed assets	9,716	0	0	0	99	9,617
	14,509	**0**	**246**	**0**	**118**	**14,637**
	144,324	**11,450**	**10,996**	**0**	**3,208**	**163,562**

Including:

[1] unscheduled depreciation acc. to IAS 36: 303

[2] unscheduled depreciation acc.to IAS 36: 491

[3] Revaluation IAS 39 (no impact on income): 509

Depreciation					Book values	
As at 01.04.2005 EUR'000	Change Scope of consolidation EUR'000	Additions EUR'000	Disposals EUR'000	As at 31.03.2006 EUR'000	As at 31.03.2006 EUR'000	As at 31.03.2005 EUR'000
14	0	1	3	12	8	10
2,486	70	207	38	2,725	417	423
3,785	0	1,074	0	4,859	6,532	7,605
6,285	**70**	**1,282**	**41**	**7,596**	**6,957**	**8,038**
0	0	0	0	0	5,510	4,240
0	0	0	0	0	51	10
6,285	**70**	**1,282**	**41**	**7,596**	**12,518**	**12,288**
7,395	457	1,169 [1]	80	8,941	25,972	22,444
21,809	5,423	2,380	241	29,371	16,232	14,095
27,439	1,219	2,458	1,804	29,312	10,022	9,523
0	0	0	0	0	1,020	530
3,285	0	711 [2]	17	3,979	3,962	4,722
59,928	**7,099**	**6,718**	**2,142**	**71,603**	**57,208**	**51,314**
0	0	0	0	0	1	1
0	0	0	0	0	1,365	1,119
3,627	0	0	0	3,627	27	46
6,374	0	509 [3]	41	6,842	2,775	3,342
10,001	**0**	**509**	**41**	**10,469**	**4,168**	**4,508**
76,214	**7,169**	**8,509**	**2,224**	**89,668**	**73,894**	**68,110**

(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 the following periods:

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

The development of individual items is illustrated in the asset history sheets (year under review and previous year). The items technology and customer base result from hidden reserves revealed in the scope of initial consolidations.

(2) Goodwill

In accordance with IFRS 3, goodwill is not written down on a scheduled basis, but subject to an annual impairment test. For the next three years, the cash flows from the current budget are used for this. For the following periods, the calculation is based on a continuous growth rate of 1 %. The figures calculated in this way are discounted at a capital cost rate of 10 %. The resultant present value is compared with the reported goodwill. The impairment test as at the reporting date did not indicate a requirement for a write-down.

This method of calculating the present value is based on the provisions of the relevant IFRS standards; it does not comply with our method of company valuation when acquiring companies.

The access refers to the likely obligations under a debtor warrant and differences from the initial consolidation of acquired companies.

(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 includes 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 153 thousand (previous year EUR 143 thousand). The assets held as the result of a finance leasing relationship cannot be disposed of. 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 technical plants and machinery.

(8) Property held as financial investments

The company still has three properties held as financial investments, which generate rental income. One property was sold in the year under review.

The properties are valued at the cost of acquisition less the straight-line depreciation calculated on an economic useful life of 40 years. The fair value of the properties held as financial investments amounted to EUR 3,864 thousand (previous year EUR 3,962 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 516 thousand (previous year EUR 519 thousand) compared with directly attributable calculable operating expenditure of EUR 208 thousand (previous year EUR 181 thousand) and depreciation of EUR 153 thousand (previous year EUR 706 thousand). Depreciation in the previous year included write-downs to lower fair values of EUR 536 thousand.

(9) Shares in affiliated companies

The shares concern three distribution companies in the USA, Switzerland and Ukraine.

(10) Investment 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, the share of income and earnings from sales of an interest from companies valued at equity are included in the profit and loss account under net income from investments in associated companies.

(11) Investments

This position includes holdings in one (previous year two) company which is of minor importance.

(12) 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.

The changes in fair value in accordance with IAS 39 as at 31 March 2007 are reported under shareholders' capital with no impact on income.

No securities were sold in the reporting year. In the previous year, after sales changes in value which had been reported under shareholders' capital with no impact on income in value of EUR 12 thousand was recognised in the profit and loss account.

(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. Other assets comprise the following:

Long-term	31.03.2007 EUR'000	31.03.2006 EUR'000
Loan receivables	675	1,212
Other	288	312
Total	**963**	**1,524**

Short-term	31.03.2007 EUR'000	31.03.2006 EUR'000
Loan receivables	637	557
Income tax refund claims	1,009	676
Tax prepayments	819	900
Other	1,323	1,372
Total	**3,788**	**3,505**

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 ten years and bear interest at market rates.

Trade receivables are due within 12 months and do not bear interest.

(14) Deferred tax assets and liabilities

Deferred taxes are determined and reported using an unchanged rate of 40 % 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	31.03.2007 Assets EUR'000	31.03.2007 Liabilities EUR'000	31.03.2006 Assets EUR'000	31.03.2006 Liabilities EUR'000
Intangible assets	1,491	861	1,407	381
Tangible assets	384	4,747	403	4,214
Stocks	0	160	0	157
Pension provisions	985	89	865	0
Other provisions	470	24	57	288
Liabilities	405	712	165	447
Tax loss carryforwards	0	0	15	0
Other	3	180	14	240
	3,738	**6,773**	**2,926**	**5,727**
Net figure[1]	-2,272	-2,272	-1,588	-1,588
Total	**1,466**	**4,501**	**1,338**	**4,139**

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

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 949 thousand (previous year EUR 861 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.

(15) 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	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Cost of acquisition or manufacture	16,111	10,989	16,160	10,209	27,562	23,138	227	409	60,060	44,745
Write-downs	1,023	1,251	665	512	2,293	755	0	0	3,981	2,518
As at 31.03.	**15,088**	**9,738**	**15,495**	**9,697**	**25,269**	**22,383**	**227**	**409**	**56,079**	**42,227**

(16) Securities

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

(17) Credit balances with financial institutions

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

(18) Shareholders' capital

The **subscribed capital** of the Group corresponds to the subscribed capital of GESCO AG and amounts to EUR 7,860 thousand, divided into 3,023,000 bearer shares which carry full voting and dividend entitlements.

The ordinary General Meeting on 24 August 2006 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 3,573,700 by issuing new shares against cash contributions and/or contributions in kind up until 23 August 2011. 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 7 September 2006.

During the reporting year, with the consent of the Supervisory Board, the Executive Board made use of this authorisation by carrying out a capital increase and excluding shareholder subscription rights in March 2007 amounting to almost ten per cent of the share capital through the issue of 274,000 new bearer shares which were placed with institutional investors in Germany and Switzerland as well as in Scandinavia and the UK. This produced a net funds inflow of corporate group around EUR 9.7 million. The new shares carry full voting and dividend entitlements for the financial year 2006/2007.

The ordinary General Meeting on 24 August 2006 authorised the company to acquire its own shares up to ten per cent of the current share capital including the shares already held up until 23 February 2008.

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 01.04.2005	**2,497,840**	**2,160**	**0.09**
Capital increase	249,000	0	0.00
Purchases	-3,000	3,000	0.10
Employee share scheme	4,130	-4,130	0.15
As at 31.03.2006	**2,747,970**	**1,030**	**0.04**
Capital increase	274,000	0	0.00
Purchases	-5,000	5,000	0.17
Employee share scheme	5,399	-5,399	0.18
As at 31.03.2007	**3,022,369**	**631**	**0.02**

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 200 thousand (previous year EUR 78 thousand) sold under the employee share scheme were sold to employees for a total price of EUR 136 thousand (previous year EUR 65 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 amounted to EUR 36,167 thousand (previous year EUR 27,180 thousand).

During the year under review, the **revenue reserves** were increased by the net profit for the year of EUR 13,313 thousand as well as the sale of own shares amounting to EUR 2 thousand, which was not taken to the profit and loss account. They were reduced by the dividend of EUR 3,435 thousand (EUR 1.25 per share) for the previous year.

As at the time of preparing the consolidated financial statements, the **proposed dividend** per share stood at EUR 1.50. With 3,022,369 shares currently in circulation, this produces a proposed dividend of EUR 4,534 thousand. There are no impacts on income tax for GESCO AG from the distribution.

(19) Minority interests

Minority interests refer to the share of capital and results in incorporated companies and partnerships.

Minority interests in incorporated companies are reported under shareholders' capital and result from shares in Ackermann Fahrzeugbau GmbH, Dörrenberg Edelstahl GmbH, Dörrenberg Tratamientos Térmicos, S.L., Dörrenberg Special Steels PTE. Ltd., Frank-Hungária Kft and SVT GmbH.

Minority interests in partnerships have been allocated to long-term debts (cf. details under: "Change to the accounting of minority interests in subsidiaries"). They result from shares in AstroPlast Kunststofftechnik GmbH & Co. KG, Franz Funke Zerspanungstechnik GmbH & Co. KG, Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Haseke GmbH & Co. KG and in the property leasing company. In the previous year, these shares were reported under shareholders' capital together with the minority interests in incorporated companies.

(20) 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.

In order to finance liabilities, acquired liability insurance qualifies as planned capacity and is balanced by the value of the obligation if the insurance benefits coincide with the payments to eligible employees and in the event of the employer becoming insolvent the employee is entitled to these benefits. The fair value of the planned capacity corresponds to the cash value of the underlying obligations.

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

	2006/2007 EUR'000	2005/2006 EUR'000
As at 01.04.	**9,852**	**8,349**
Change in the scope of consolidation	1,198	0
Service costs	182	130
Interest costs	361	381
Pension annuities paid	-508	-496
Actuarial gains/losses	-483	1,488
As at 31.03.	**10,602**	**9,852**

Development of the **planned capacity** (liability insurance):

	2006/2007 EUR'000	2005/2006 EUR'000
As at 01.04.	**0**	**0**
Change in the scope of consolidation	744	0
Contributions of the employer	34	0
Benefits paid	-20	0
As at 31.03.	**758**	**0**

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

	2007 EUR'000	2006 EUR'000
Projected benefit obligation	10,602	9,852
Planned capacity (liability insurance)	-758	0
Actuarial gains/losses not recorded	-452	-935
As at 31.03.	**9,392**	**8,917**

Asset cover for benefit obligations:

	31.03.2007 Projection EUR'000	31.03.2007 Planned capacity EUR'000	31.03.2006 Projection EUR'000	31.03.2006 Planned capacity EUR'000
Without asset	9,746	0	9,852	0
Some asset cover	856	758	0	0
As at 31.03.	**10,602**	**758**	**9,852**	**0**

Pension costs comprise the following:

	2006/2007 EUR'000	2005/2006 EUR'000
Service costs	182	130
Interest accruing on expected benefit obligation	361	381
Actual gains/losses not recorded	0	592
Total	**543**	**1,103**

The calculations are based on the basic biometric values published by Prof. Dr. Klaus Heubeck (2005 G) as well as the following **actuarial assumptions:**

	2006/2007	2005/2006
Interest rate	4.25 %	3.75 %
Increase in salaries	3.00 %	3.00 %
Increase in pensions	1.50 %	1.50 %
Staff turnover	1.00 %	1.00 %

The table below shows the movement in **pension obligations and fund assets:**

	2006/2007 EUR'000	2005/2006 EUR'000	2004/2005 EUR'000	2003/2004 EUR'000	2002/2003 EUR'000
Projection	10,602	9,852	8,348	7,915	7,985
Planned capacity	-758	0	0	0	0
Funded status	9,844	9,852	8,348	7,915	7,985

The anticipated payment of contributions for the financial year 2007/2008 amount to EUR 34 thousand.

The movement in and composition of **other provision**s are shown in the following table.

	As at 01.04.2006 EUR'000	Utilisation EUR'000	Addition/ New creation EUR'000	Release EUR'000	As at 31.03.2007 EUR'000
Long-term					
Purchase price annuity obligation	664	0	19	0	683
Purchase price obligation	1,500	0	500	0	2,000
Total	**2,164**	**0**	**519**	**0**	**2,683**
Short-term					
Recultivation obligation	2,528	-48	0	0	2,480
Guarantees and warranties	2,751	-666	1,301	-176	3,210
Purchase price annuity obligation	66	-66	70	0	70
Legal costs	580	0	50	-500	130
Cost of annual financial statements	491	-480	557	-22	546
Follow-up costs	528	-503	576	0	601
Other	1,339	-259	603	-236	1,447
Total	**8,283**	**-2,022**	**3,157**	**-934**	**8,484**

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.

The purchase price obligation of EUR 2,000 thousand results from the probable utilisation of a debtor warrant.

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.

Miscellaneous provisions refer in particular to tax interest rates and non-deductible expenditure.

(21) Liabilities

	As at 31.03.2007 (31.03.2006) EUR'000	Residual term up to 1 year EUR'000	Residual term up to 5 years EUR'000	Residual term over 5 years EUR'000
Liabilities to financial institutions	61,602	18,036	29,239	14,327
	(56,422)	(12,511)	(28,228)	(15,683)
Trade creditors	10,664	10,664	0	0
	(10,334)	(10,334)	(0)	(0)
Prepayments received on orders	6,479	6,479	0	0
	(5,314)	(5,314)	(0)	(0)
Liabilities on bills	1,881	1,881	0	0
	(1,108)	(1,108)	(0)	(0)
Amounts owed to affiliated undertakings	1	1	0	0
	(0)	(0)	(0)	(0)
Liabilities to companies with which a shareholding relationship exists	0	0	0	0
	(5)	(5)	(0)	(0)
Other liabilities	28,777	24,063	4,515	199
	(21,438)	(17,482)	(3,910)	(46)
Total	**109,404**	**61,124**	**33,754**	**14,526**
	(94,621)	**(46,754)**	**(32,138)**	**(15,729)**

The liabilities to financial institutions are mainly secured by:

	31.03.2007 EUR'000	31.03.2006 EUR'000
Land charges	25,371	24,325
of which on property held as financial investments	4,090	4,090
Book value of property	24,886	22,722
Assignment of movable fixed assets as security	7,809	7,016
Stocks	6,154	6,585
Assignment of receivables	8,305	7,085

The parent company has also pledged shares in subsidiaries with a total book value of EUR 41,848 thousand (previous year EUR 37,705 thousand).

Of the liabilities to financial institutions, around EUR 37,680 thousand (previous year EUR 42,632 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 1.98 % to 3.58 % (previous year 1.6 % to 2.26 %). These rates correspond to the usual market interest rates for Swiss franc loans. Fixed redemption payments have been agreed for individual loans.

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 18,307 thousand (previous year EUR 11,073 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 2.97 % to 6.75 % (previous year 2.86 % and 6.25 %). These interest rates represent the usual market rates for the relevant loans and companies. EUR 301 thousand refer to liabilities in Hungarian forinth at interest rates between 7.65 % and 16.91 %. The other liabilities to financial institutions relate to current accounts.

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 3,614 thousand (previous year EUR 2,823 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 and anniversaries of which EUR 1,064 thousand (previous year EUR 1,078 thousand) is not due for over a year.

Other liabilities comprise the following:

	31.03.2007 EUR'000	31.03.2006 EUR'000
Wages, salaries, social security	12,001	10,545
Other taxes	3,313	1,839
Income taxes	5,215	2,304
Outstanding incoming invoices	873	903
Finance leases	91	86
Miscellaneous liabilities	7,284	5,761
Total	**28,777**	**21,438**

INFORMATION ON THE INCOME STATEMENT

In the year under review, the income statement includes the acquired Frank Group with figures for five months for the first time.

(22) 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.

(23) Other company produced additions to assets

The item essentially comprises the costs of technical equipment.

(24) Other operating income

Other operating income comprises the following:

	2006/2007 EUR'000	2005/2006 EUR'000
Income from writing back/utilising provisions	1,765	993
Price gains	1,406	706
Income from the disposal of fixed assets	191	124
Miscellaneous	1,563	1,405
Total	**4,925**	**3,228**

(25) Material expenditure

Expenditure on materials includes:

	2006/2007 EUR'000	2005/2006 EUR'000
Expenditure on raw materials and supplies and goods purchased	133,347	112,437
Expenditure on services purchased	13,531	10,296
Total	**146,878**	**122,733**

(26) Personnel expenditure

Personnel expenditure includes:

	2006/2007 EUR'000	2005/2006 EUR'000
Wages and salaries	57,656	51,253
Social security contributions	12,114	10,131
Expenditure on pensions and benefits	337	248
Total	**70,107**	**61,632**

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

(27) Other operating expenditure

Other operating expenditure breaks down as follows:

	2006/2007 EUR'000	2005/2006 EUR'000
Operating expenditure	13,087	11,142
Administrative expenditure	3,184	2,623
Expenditure on distribution	11,237	9,117
Miscellaneous expenditure	2,732	5,009
of which allowances on receivables and other assets	232	1,102
Total	**30,240**	**27,891**

(28) Depreciation on tangible and intangible assets

Depreciation on tangible and intangible assets is shown in the Group statement of fixed assets. Further explanations are given in the notes on the corresponding balance sheet items.

(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:

	2006/2007 EUR'000	2005/2006 EUR'000
Actual taxes	10,079	6,313
Deferred taxes	-768	787
Total	**9,311**	**7,100**

Passive deferred taxes of EUR 1,002 thousand were recorded within the scope of the first consolidation for mergers with no impact on income.

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

	2006/2007 EUR'000	2005/2006 EUR'000
Group result before income tax	23,570	16,562
Anticipated income tax expenditure	-9,428	-6,625
Permanent differences arising on expenditure which is not tax deductible	-263	-219
Tax-free income	1,083	0
Income tax for different reporting periods	-717	62
Consolidation effects	1	83
Temporary differences for losses, for which no deferred taxes have been capitalised	-88	-385
Differences in tax rates	209	134
Miscellaneous	-108	-150
Total	**-9,311**	**-7,100**

The anticipated expenditure on tax is based on a Group tax rate of 40 %. 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 %).

(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:

	2006/2007	2005/2006
Group net income (EUR'000)	13,313	9,325
Weighted number of shares (number)	2,753,778	2,632,170
Earnings per share in accordance with IAS 33 (EUR)	**4.83**	**3.54**

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.

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

	2006/2007 EUR'000	2005/2006 EUR'000
Interest paid	2,111	1,367
Interest received	716	478
Taxes paid	7,126	7,816

The cash flow statement does not include investments in intangible assets of EUR 500 thousand which do not yet affect the liquidity as well as purchase price payments of EUR 554 thousand not yet made for the acquisition of consolidated companies.

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 a holding 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 including minority interests in partnerships and provisions of the companies allocated to the segments with the exception of income tax liabilities and loans. The assets for the previous year were adjusted by the minority interests in partnerships by EUR 1,258 thousand in the **tool manufacture and mechanical engineering segment** and by EUR 670 thousand in the **plastics technology segment.**

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:

	2006/2007 EUR'000	2006/2007 %	2005/2006 EUR'000	2005/2006 %
Germany	199,470	74.4	172,464	73.6
Europe (excluding Germany)	37,524	14.0	38,430	16.4
Rest of the world	31,152	11.6	23,433	10.0
Total	**268,146**	**100.0**	**234,327**	**100.0**

The secondary reporting format for segment reporting comprises segmentation by region. As most of the Group assets are in Germany, the segmentation is restricted to the Germany and Other Regions segment.

	Germany		Other Regions		Group	
	2006/2007 EUR'000	2005/2006 EUR'000	2006/2007 EUR'000	2005/2006 EUR'000	2006/2007 EUR'000	2005/2006 EUR'000
Segment assets	207,934	172,766	3,828	1,664	211,762	174,430
Acquisition of segment assets	8,356	8,534	215	662	8,571	9,196

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.

There are only limited currency risks within the GESCO Group from the supply of goods and services. For goods supplied by the subsidiaries outside the Euro-zone, larger orders are hedged virtually in full via forward transactions.

Contingent liabilities

	2006/2007 EUR'000	2005/2006 EUR'000
Liabilities from the issue and assignment of bills	394	349
Liabilities under guarantees	172	266

There is a purchase commitment of EUR 1,952 thousand (previous year EUR 2,077 thousand) from investment projects started in the year under review. The investments will be concluded in the financial year 2007/2008.

There are undertakings to maintain certain equity ratios and balance sheet indicators with regard to three companies.

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 Lease agreements

The following payment obligations exist for finance lease arrangements:

	Total EUR'000	2007/08 EUR'000	2008/09 -2009/10 EUR'000	2010/11 and later years EUR'000
Min. lease payments	95	95	0	0
Discounts	4	4	0	0
Cash values	**91**	**91**	**0**	**0**

Some 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 1,982 thousand in the reporting year (previous year EUR 1,662 thousand).

The minimum lease payments due on the operating leases as well as rental payments from rental agreements are as follows:

	2006/2007 EUR'000	2005/2006 EUR'000
Up to one year	2,085	1,889
One to five years	3,627	3,865
Over five years	2,927	3,144
Total	**8,639**	**8,898**

Some of 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., Frank Lemeks TOW, Ukraine as well as MAE.ch GmbH, Switzerland.

Employees

On average the following number of employees were employed:

	2006/2007	2005/2006
Factory staff	901	786
Office staff	453	421
Trainees	70	62
Total	**1,424**	**1,269**

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, Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Q-Plast GmbH & Co. Kunststoffverarbeitung, Setter GmbH & Co. Papier Verarbeitung and Press- und Stanzwerk Dömer GmbH & Co. KG 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 companies.

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

Publication of the consolidated financial statements

The publication of the consolidated financial statements will take place on 28 June 2007 at the annual report press conference in Düsseldorf.

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 0.9 % of the shares in the company.

Auditors

The reported fee for auditing the annual and consolidated financial statements of GESCO AG amounted to EUR 110 thousand (previous year EUR 93 thousand) and EUR 41 thousand (previous year EUR 14 thousand) for other services. In addition, the fee for auditing the financial statements of the subsidiaries included in the accounts amounted to EUR 195 thousand (previous year EUR 185 thousand), with EUR 27 thousand (previous year EUR 13 thousand) for tax consultancy services and EUR 3 thousand (previous year EUR 15 thousand) for other services.

EXECUTIVE BODIES

Executive Board

- Robert Spartmann, Gevelsberg
  Member of the Executive Board

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

The system of remuneration for the Executive Board is explained in the Director's Report.

The emoluments for the Executive Board, distributed to individual board members, are made up of the following (previous year):

	fixed remuneration	variable remuneration	Total
Robert Spartmann	222 (183)	166 (158)	388 (341)
Dr.-Ing. Hans-Gert Mayrose	210 (170)	166 (158)	376 (328)
	432 (353)	**332 (316)**	**764 (669)**

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

As at 31 March 2007, pension provisions for the current members of the Executive Board and a former member of the Executive Board amounted to EUR 1,155 thousand (previous year EUR 1,095 thousand).

Supervisory Board

- Klaus Möllerfriedrich, Wuppertal
  Chairman, Chartered Accountant

  Deputy Chairman of the Supervisory Board:
  - Micro Systec AG, Munich (from 04.08.2006)
  - K³ Industries GmbH & Co. KGaA, Wuppertal (from 06.03.2007)

  Member of the Supervisory Board
  - Asys Holdings AG, Oberhausen (until 24.03.2007)
  - Hoff Industries AG, Munich (until 30.04.2007)
  - MicroVenture GmbH & Co. KGaA Beteiligungsgesellschaft, Düsseldorf (from 30.08.2006)
  - MicroVenture Lucrum 1 AG; Düsseldorf (from 01.12.2006)
  - AF Baryt AG, Düsseldorf (from 07.12.2006)

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

  Chairman of the Supervisory Board
  - Frowein & Co Beteiligungs AG, Wuppertal

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

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

  Chairman of the Supervisory Board:
  - CM Treuhand Aktiengesellschaft Wirtschaftsprüfungs-gesellschaft Steuerberatungsgesellschaft, Frankfurt am Main (since 23.06.2006)

  Deputy Chairman of the Supervisory Board:
  - Frowein & Co Beteiligungs AG, Wuppertal

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

In the financial year, the total remuneration for the members of the Supervisory Board amounted to EUR 177 thousand (previous year EUR 137 thousand). Of this figure, EUR 137 thousand (previous year EUR 97 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 39 thousand (previous year EUR 41 thousand) have been paid in financial year 2006/2007.

Wuppertal, 24 May 2007

The Executive Board

R. Spartmann

Dr.-Ing. H.-G. Mayrose

SIGNIFICANT GROUP SHAREHOLDINGS

Fully consolidated companies	share of capital held[1] in %
Ackermann Fahrzeugbau GmbH, Wolfhagen	80
Alro GmbH, Wuppertal	100
AstroPlast Kunststofftechnik GmbH & Co. KG, Sundern	80
AstroPlast Verwaltungs GmbH, Sundern [2]	100
Degedenar Grundstückverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG, Eschborn [3]	100
Press- und Stanzwerk Dömer GmbH & Co. KG, Lennestadt	100
Dömer GmbH, Lennestadt [2]	100
Josef Dömer Werkzeugbau GmbH, Lennestadt	100
Dörrenberg Edelstahl GmbH, Engelskirchen-Ründeroth	90
Dörrenberg Tratamientos Térmicos SL, Alasua, Navarra, Spain	60
Dörrenberg Special Steels PTE. Ltd., Singapore	100
Frank Walz- und Schmiedetechnik GmbH, Hatzfeld	100
Frank Hungaria Kft., Òzd, Hungary	74
Franz Funke Zerspanungstechnik GmbH & Co. KG, Sundern	80
Franz Funke Verwaltungs GmbH, Sundern [2]	100
Haseke GmbH & Co. KG, Porta Westfalica	80
Haseke Beteiligungs-GmbH, Porta Westfalica [2]	100
Hubl GmbH, Vaihingen/Enz	100
MAE Maschinen- und Apparatebau Götzen GmbH & Co. KG, Erkrath	100
Maschinen- und Apparatebau Götzen GmbH, Erkrath [2]	100
Molineus & Co. GmbH + Co. KG, Wuppertal	100
Grafic Beteiligungs-GmbH, Wuppertal [2]	100
Paul Beier GmbH Werkzeug- und Maschinenbau & Co. KG, Kassel	80
WM Werkzeug- und Maschinenbau Verwaltungs-GmbH, Kassel [2]	100
Q-Plast GmbH & Co. Kunststoffverarbeitung, Emmerich	100
Q-Plast Beteiligungs-GmbH, Emmerich [2]	100
Setter GmbH & Co. Papierverarbeitung, Emmerich	100
Setter GmbH, Emmerich [2]	100
HRP-Leasing GmbH, Emmerich	100
SVT GmbH, Schwelm	90
Tomfohrde GmbH & Co. Industrieverwaltungen, Wuppertal	100
Tomfohrde GmbH, Wuppertal [2]	100
Significant companies valued at cost of acquisition	
Connex SVT Inc., Houston, USA	100
MAE.ch GmbH, Unterstammheim, Switzerland	100
Frank Lemeks TOW, Ternopil, Ukraine	70

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

2 General partner

3 Special Purpose Entity pursuant to SIC 12

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by GESCO AG comprising the balance sheet, profit and loss account, statement of changes in shareholders' capital, cash flow account and the notes to the consolidated financial statements, together with the Group Directors' Report for the financial year from 1 April 2006 to 31 March 2007. The preparation of the consolidated financial statements and the Group Directors' Report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a para. 1 HGB are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

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

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

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

Wuppertal, 29 May 2007

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

(Straube)	(Eisenberg)
Auditor	Auditor

REPORT FROM THE SUPERVISORY BOARD

In this report the Supervisory Board provides information about its activities in the financial year 2006/2007. The main topics are its continuous dialogue with the Executive Board and the audit of the annual financial statements and Group financial statements.

WORK OF THE SUPERVISORY BOARD

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

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

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

The Supervisory Board of GESCO AG has consciously been kept small with three members in order to facilitate efficient work and intensive discussions both in strategic and detailed issues. The Supervisory Board therefore believes that is it not sensible or appropriate to create Supervisory Board committees. Supervisory board committees were therefore not created in the financial year 2006/2007.

A total of seven Supervisory Board meetings took place in the financial year 2006/2007. All members of the Supervisory Board participated in all these meetings. The Supervisory Board was also briefed in detail between the meeting dates in the form of written reports on all projects and plans which were of particular importance to the company.

The Supervisory Board and Executive Board discussed the future strategic direction of the GESCO Group at a conference; this process will be continued in the financial year 2007/2008.

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

An extensive exchange of ideas took place between the Supervisory Board and the Executive Board in the run-up to the capital increase carried out in March 2007. The Supervisory Board subscribed to the opinion of the Executive Board that a capital increase up to a maximum of 10 % of the shareholders' capital excluding shareholders' subscription rights should be favoured in the given situation over a capital increase with subscription rights. The determining factors for this were the speed, the greater efficiency and the lower costs of a capital increase without subscription rights as well as the potential to acquire new institutional investors for shares in GESCO.

DECLARATION OF COMPLIANCE SUBSTANTIATES GOOD CORPORATE GOVERNANCE

The Supervisory Board continuously observed the development of the corporate governance standard. The Executive Board also reports on behalf of the Supervisory Board on corporate governance at GESCO AG pursuant to figure 3.10 of the German Corporate Governance Code. The Executive Board and Supervisory Board submitted an updated declaration of compliance in accordance with § 161 AktG (the German Stock Corporoation Act) in December 2006 and made this permanently accessible to the shareholders on the company's website. GESCO AG also complies with the recommendations of the government committee on the German Corporate Governance Code in accordance with the version of the code of June 2006 with the exception of the deviations given in the declaration of compliance.

AUDIT OF ANNUAL FINANCIAL STATEMENTS AND GROUP FINANCIAL STATEMENTS

Corresponding to the legal provisions, the auditor selected by the Annual General Meeting on 24 August 2006, Dr. Breidenbach, Dr. Güldenagel und Partner KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Wuppertal, was commissioned by the Supervisory Board with auditing the annual financial statements and the Group financial statements. The auditor confirmed its independence to us in a letter of 22 May 2006. It also provided evidence that it is qualified to audit listed companies due to its successful participation in a quality control audit by the German Chamber of Auditors.

The annual financial statements drawn up for the financial year from 1 April 2006 to 31 March 2007 by the Executive Board in accordance with the regulations of the HGB (German Commercial Code) and the Director's Report of GESCO AG were audited by the auditor. The auditor issued an unqualified auditor's report.

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

This year, the focal points of the audit by the auditor for the individual financial statements of GESCO AG were the valuation of the investments, additions and disposals in financial assets, receipt of dividends, recoverability of loans and income tax calculations. For the Group financial statements, the focus was the trial balance of the consolidated shareholders' capital, the first-time consolidation of the Frank Group acquired in July 2006, the reporting of deferred tax assets and the cashflow statement.

The report on this as well as the other auditor's reports and the documents relating to the financial statements were sent to all members of the Supervisory Board in good time before the accounts meeting. They were the subject of intensive discussions in the meeting of the Supervisory Board on 24 May 2007. The auditors participated in this. They reported on the main results of the audits and were available to the Supervisory Board for questions and additional information. The auditors gave comprehensive answers to all questions from the Supervisory Board. No objections were raised to the annual financial statements and the Directors' Report after the final result of the audit carried out by the Supervisory Board. After its own audit of the annual financial statements, the Group financial statements, the Directors' Report and the Group Directors' Report, the Supervisory Board approved the result of the audit by the auditor and accepted the annual financial statements and the Group financial statements in the meeting on 31 May 2007. The annual financial statements of GESCO AG have thereby been adopted. The Supervisory Board consented to the proposal of the Executive Board to appropriate the retained profit.

COMMENTS IN ACCORDANCE WITH § 171 PARA. 2 CLAUSE 2 OF THE GERMAN STOCK COMPANIES ACT (AKTIENGESETZ)

The German implementing law on acquisition guidelines (Übernahmerichtlinien-Umsetzungsgesetz) included an obligation for the Supervisory Board in § 171 para. 2 clause 2 of the German Stock Companies Act (Aktiengesetz) to explain details given in the Directors' Report in accordance with § 289 para. 4 and § 315 para. 4 of the German Commercial Code (HGB). Both topic areas are illustrated in detail in the Directors' Report.

The specifications in accordance with § 289 para. 4 HGB concern potential barriers to the company regarding acquisitions. Each of the 3,023,000 no-par unit shares of GESCO AG guarantees one vote at the Annual General Meeting. There are no restrictions in the articles of association, which affect the voting rights or the transfer of shares. There are no shares with special rights which confer authority to control. GESCO AG has made no arrangements which are subject to a change of control as the result of a take-over bid. GESCO AG also does not have any compensation agreements for the case of a take-over bid with the members of the Executive Board or with employees.

The information in accordance with § 315 para. 4 HGB concerns the remuneration of the Executive Board. The emoluments of the Executive Board members were addressed in the Supervisory Board meetings as in previous years. Where necessary, changes and amendments were agreed taking the regulations of corporate governance into account. The emoluments to be paid in addition to the fixed remuneration agreed were stipulated taking the contractual regulations and business development of the company into account.
A rearrangement took place in such a way that from financial year 2006/2007, the variable components are based on Group net income instead of company net income as was previously the case. This change takes into account the fact that the Group net income is significant to the assessment of the earnings situation of the group of companies.

THANKS FOR THE WORK ACHIEVED

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

Wuppertal, 31 May 2007

Klaus Möllerfriedrich
Chairman of the Supervisory Board

FINANCIAL CALENDAR

28 June 2007
Annual Accounts Press Conference and Analysts' Meeting

August 2007
Announcement of figures for the first quarter
(01.04.-30.06.2007)

23 August 2007
Annual General Meeting in the Stadthalle, Wuppertal

November 2007
Announcement of figures for the first half year
(01.04.-30.09.2007) and despatch of the interim report

February 2008
Announcement of figures for the first nine months
(01.04.-31.12.2007)

26 June 2008
Annual Accounts Press Conference and
Analysts' Meeting

August 2008
Announcement of figures for the first quarter
(01.04.-30.06.2008)

21 August 2008
Annual General Meeting

November 2008
Announcement of figures for the first half year
(01.04.-30.09.2008) and despatch of the interim report

SHAREHOLDER CONTACT

GESCO AG
Investor Relations
Döppersberg 19
D-42103 Wuppertal
Phone: +49 02 02 2 48 20 18
Fax: +49 02 02 2 48 20 49

E-Mail: info@gesco.de
Website: www.gesco.de

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

Tradition
Innovation
Vision

GESCO AG
DÖPPERSBERG 19
D-42103 WUPPERTAL
PHONE: +49 202 2 48 20-0
FAX: +49 202 2 48 20-49

E-MAIL: INFO@GESCO.DE
WEBSITE: WWW.GESCO.DE