



Neschen AG

Quarterly Report
September 30th 2001

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Consulting Board

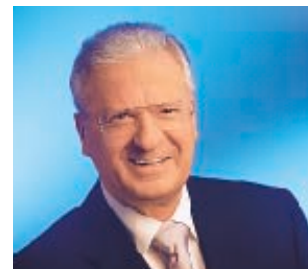
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Dr. Anna Haberdietzl
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Federal Archive, Koblenz

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Department Head, General Administration
for Cultural Affairs, Berlin



*Rolf W. Zinn,
Chairman of the Board
of the Neschen AG*

Dear Shareholders,

We now have a very important quarter behind us. The successful acquisition of the graphics division of the Hunt Corporation was at the centre of this quarters business activities. The contracts were prepared and the "due diligence" carefully carried out. Simultaneously, the groundwork was laid for a quick and effective integration.

The success was immediately noticeable! With the acquisition, the turnover rose to EUR 8M in October, an increase over the previous month of 75%.

Against the general sector trend of falling turnover, we experienced turnover growth for the 3rd quarter. The total sales amounted to EUR 71.29M, representing an increase of 18% over the sales in the same period last year.

We see ourselves, after the newest acquisition, more than ever, internationally situated to meet the demands of competing on the world market. The whole branch finds itself in the middle of a consolidation phase, which we have utilised to bring the brand names "**Neschen**" and "**Seal**" under one roof.

The rewards of today's investment in Research & Development are reaped tomorrow. Our success underlines this principle. This philosophy has led to the world market leadership in the branches protection and mounting films, laminating machines and varnish systems.

A few days after the end of the 3rd quarter, the newly founded Neschen Technologies GmbH, began its operations. The company designs machines for the processing of various material surfaces. Additionally, special primers and varnishes for surface enhancement will be developed here. These products are experiencing an ever increasing demand for various applications, such as large-scale advertising and truck tarpaulins.

Also newly completed is the prototype of our small-scale de-acidification machine (the size of approximately 2 photo copiers). Pre-orders and inquiries confirm our plans for this machine. Now, due to the simple operation, libraries, smaller archives and archive services can profit from our de-acidification technology. The first machine delivery will occur in the 1st quarter 2002.

Neschen has decided to end its participation in the SMAX as of December 21st, 2001. The costs were simply not in relation to the benefits derived therefrom. In the future, our internet site **www.neschen.com** will serve as the information platform for the company. Additionally, we have put together an overview of the business activities of the last 6 years with the goals of the Neschen AG and the developments undertaken to reach these goals. This information may be ordered with the attached coupon.

With best regards,



Rolf W. Zinn
Chairman of the Board

in TEUR	2000 as of 30.09.	2001 as of 30.09.	% changes to 2000
Turnover	60.530	71.292	17,78%
Investments	10.281	1.791	-82,58%
Net income after tax	3.058	-436	-----
DVFA-operating result	3.058	-436	-----
DVFA-net yield	5,05%	-0,61%	-----
DVFA-operating result per share in EURO	0,51	-0,07	-----
EBIT per share in EURO	5.411	2.653	-50,97%
Yield	8,94%	3,72%	-58,37%
EBIT per share in EURO	0,91	0,45	-50,97%
EBITDA per share in EURO	7.201	4.925	-31,61%
Yield	11,90%	6,91%	-41,93%
EBITDA per share in EURO	1,21	0,83	-31,61%
Reported equity	26.636	24.593	-7,67%
Equity ratio	38,96%	32,14%	-17,51%
Equity return	15,87%	-2,36%	-----
Sales per employee	183,42	187,12	2,02%
Employees worldwide	470	537	14,26%



*Book protection
made easy, with
"filmolux" from
Neschen. Many
products are suitable
for manual
application.*

The 3rd quarter 2001 was the most important in the history of the Neschen AG. The preliminary groundwork for the acquisition of the graphics division of the Hunt Corporation was rewarded with the signing of the contracts on October 10th.

With the acquisition of the "Seal" brand name, a total of 6 locations, with a total turnover of EURO 73M, were taken over. With this brand name, which is found for example on many laminating machines in large photo laboratories, Neschen has strengthened its worldwide market presence and competitiveness. The main advantage is in the combining of the individual brand name strengths; with Neschen the adhesive technology and with Seal the machine technology.

This synergy will lead to an expansion of the product palette, as well as to product innovations, which will help to expand our market leadership. Due to the high profile of both brand names, and the high quality associated with them, we plan to stay with a strict 2 brand policy.

The acquired facilities are located in Sun Prairie, Statesville, Yuba City, California, as well as in Basildon, England and Raalte, The Netherlands. In addition, a sales organization in Hong Kong has been taken over.

From the 350 Seal-group employees at the time of the takeover, 170 will remain with the company. Short-term restructuring will result in the closing of the Yuba City machine building facility. In addition, the current activities of the facility in Statesville will be transferred to the headquarters in Baltimore. These moves will leave us with three locations in the USA. The headquarters for the American companies (Seal Graphics America, Neschen Corporation, Neschen-Accutech and Neschen-GBC Graphic Films) will be established in Baltimore. Business activities in the fields of photo protection, textiles and varnish systems, as well as the production of surface protection films, will be located here. The machine production will remain in Sun Prairie, and the location in Wichita



The "kick-off meeting" in November, 2001, of the Neschen AG, with employees from Neschen and Seal, began with an introduction from the Board of Directors.



will continue to slit and distribute coloured vinyl to the American and Canadian markets.



In Europe, the hard-foam board production facility in Basildon, England, as well as the machine plant in Raalte, Holland, remain. In the future, all Neschen machines will be produced in Raalte in order to maximise productivity. The coating activities in Basildon will be greatly reduced and much capacity will be transferred to either Baltimore or Bückeberg. These measures will allow us to optimally utilise the capacities of the individual locations and thus directly increase our profitability.

The expansion of our position as world market leader in the areas of laminating machine production and printable textiles has, with the acquisition of Seal, Neschen-Accutech and Berger GmbH, proved successful. In Europe, we are the market leaders in the sectors photo boards, special media, protection and mounting films as well as laminating and varnishing

machines. The progress of our technical developments will ensure that the brand names "Neschen" and "Seal" will continue to build on their competitive advantages.

Our other business activities will also continue to have a positive effect on our business developments.

Our company H.S.W. Signall s.r.o., in the Czech Republic, has continued its positive development this year with increased sales and earnings in the 3rd quarter. Our sales office in Singapore has also been very successful and can boast a strong growth in order volume. Our expectation of enormous turnover potential in the eastern market is being confirmed.

The Neschen AG is on record course

It is now official: The "eye" is the largest photograph in the world. This has been confirmed with its official registration in the "Guinness Book of World Records". With our mounting and protection film, we are proud to be a part of this



The registration in the "Guinness Book of World Records" is complete. The "eye" of the Neschen AG, at 35 meters long and 18 meters high, is the largest photograph in the world. It can be seen at the Neschen Plant 2 in Bückeburg.



future oriented project. This form of image presentation is gaining popularity, particularly in the industrial advertising sector.

A further entry in the "Guinness Book of World Records" has been applied for. The largest newspaper page in the world, at 12 x 8 meters, was presented at a summer festival by the regional newspaper "Schaumburger News". The page was printed on Neschen material, a "Superwide Mesh", a tear-resistant, wind permeable PVC-web.

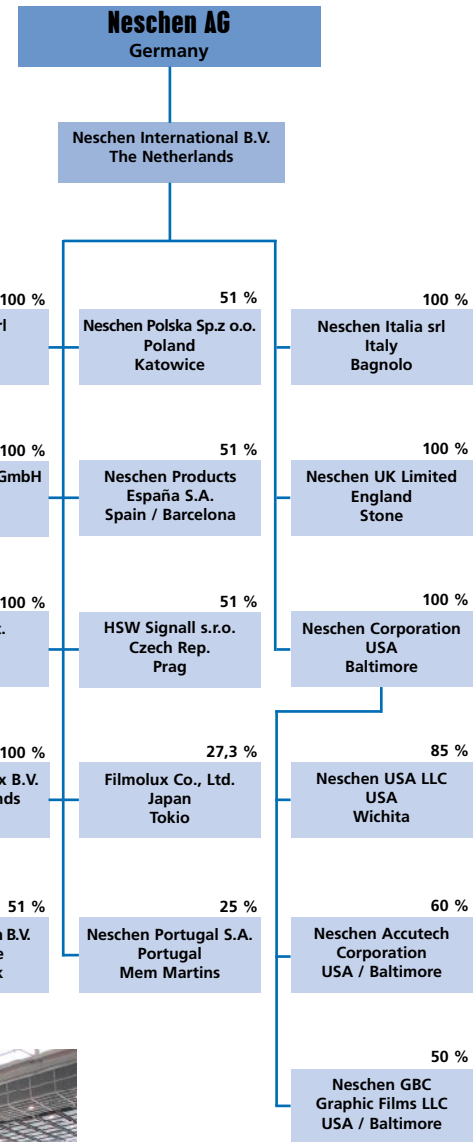


Successful Trade Show participation

Neschen had plenty to offer at this years "VisCom" trade show. The 180m² stand was barely large enough to display the wide range of new products: protective varnishing systems up to 550cm, new light films (electroluminescent), further printable media, a free printing profile service to download...



Neschen enjoyed a very successful trade show presentation



Assets in mio. EUR to 30.09.2001	2000	2001
Start-up and expansion costs	0,0	0,2
Fixed and financial assets	25,8	31,3
Inventories	20,0	18,5
Accounts receivable and other assets	19,8	24,2
Cash assets	1,8	0,9
Current assets	41,6	43,6
RAG	1,0	1,4
Balance sheet total	68,4	76,5

Liabilities in mio. EURO to 30.09.2001	2000	2001
Total equity	26,6	24,6
Accrued liabilities	3,1	3,8
Financial liabilities	31,1	38,2
Accounts payable	5,6	6,9
Other liabilities	2,0	3,0
Liabilities	38,7	48,1
RAG	0,0	0,0
Balance sheet total	68,4	76,5



Employees

➤ Domestic	333 employees
➤ Abroad	204 employees
➤ Total	537 employees

in Mio. EUR	9 months 2000	9 months 2001
Sales revenue from own products and goods	60,5	71,3
Inventory changes	2,4	-1,7
Capital costs of self-constructed assets	0,0	0,0
OUTPUT	62,9	69,6
Expired costs of raw materials, supplies and acquired merchandise	32,8	37,5
GROSS YIELD	30,1	32,1
Wages and salaries	11,1	12,8
Social security expenses	2,4	2,7
Advertising expenses	1,5	1,4
Depreciation of assets	1,8	2,3
Other costs	8,3	10,2
Other income	0,8	0,9
Income from investments	0,0	0,0
Miscellaneous expenses	0,2	0,6
Income from interest and similar income	0,1	0,2
Costs of interests and other costs	1,1	1,9
PROFIT ON ORDINARY ACTIVITIES	4,6	1,3
Extraordinary income	0,0	0,0
Extraordinary expenses	0,1	0,0
Tax	1,5	1,7
PROFIT	3,0	-0,4
Profit from external sources	0,1	0,0
GROUP PROFIT	3,1	-0,4

The Neschen AG in the fast lane: automobile lettering and decoration with coloured vinyl.



After investments and preliminary preparations for the acquisition, we closed the 3rd quarter with an EBITDA-result of 0.83 EUR per share compared to EUR 1.21 in the same time period last year.

The gross yield increased from EUR 30.1 M last year to EUR 32.1 M. We await a further increase due to the synergy effect from the acquisition.

The decreased result is due mainly to increased personnel costs and other costs associated with the preparations for the increased turnover through the acquisition.

In October, we achieved a turnover increase of over EUR 8 M representing a growth of 75% over the previous month. Due to timely restructuring, we were properly prepared for the increased workload associated with this turnover increase.

The turnover in the 3rd quarter increased by 17.8% to EUR 71.29 M.

We remain firmly based with an equity rate of 32%. Our worldwide 537 employees have again increased the per employee turnover from EUR 183,420 to EUR 187,120. This represents a 2% increase over last year.



Neschen trade fair stands just have to be noticed...

in EUR	Sept. 2000	Sept. 2001
Profit / loss for the year	3.058.197	-435.552
± depreciation / appreciation on fixed and financial assets	1.789.243	2.271.640
= cash-flow from operations	4.847.440	1.836.088
± increase / decrease of reserves	1.306.073	787.728
± profits / loss from disposal of fixed and financial assets and depreciation of current assets	214.035	-20.091
± increase / decrease of inventories, accounts receivable from sales and services and other assets	-9.979.724	-4.628.361
± increase / decrease of accounts payable for goods and services and other liabilities	2.471.636	491.218
= inflow / outflow of funds from current operations	-1.140.540	-1.533.418
+ in-payments from disposals of fixed and financial assets (e.g. sales revenue, repayments) (remaining book value of assets increased by profits and reduced by losses from disposal)		20.091
- out-payments for investments in assets	-10.495.335	-2.960.989
= inflow / outflow of funds from investments	-10.495.335	-2.940.898
+ in-payments from increases of share capital and contributions from shareholders		
- out-payments to shareholders (dividends, repayment of capital, other payments)	-1.547.000	-1.785.000
± increase / decrease of consolidation of capital, third party shares	382.773	-7.909
+ in-payments from floating bond issues and from the raising of financial loans	14.250.434	5.950.376
- out-payments for repayments of bonds issues and financial loans		
= inflow / outflow of funds from financial activities	13.086.207	4.157.467
= total of effective changes to financial resources	1.450.332	-316.849
+ financial resources at start of period	354.748	1.226.232
= financial resources at end of period	1.805.080	909.383
Transition to operating result DVFA-result	3.058.197	-435.552
- Non-recurrent costs after tax		
Profit / loss	3.058.197	-435.552

All restructuring costs associated with the acquisition of "Seal" have been included in this years statement so as not to effect the result in 2002. Despite the extraordinary costs of the acquisition, EUR 3 to 4 M, we await at least a plus/minus 0 result. We expect an EBIT-yield of 3.0%

All synergy effects will lead to noticeable cost reduction next year. With the completion of the restructuring measures, we await an EBIT-yield of 7.5% for 2002 with a turnover of approximately EUR 182 M.

We are certain that our acquisition was optimally timed, with our branch finding itself in a consolidation phase, and we are looking optimistically into the future.

Investor Relations

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Financial dates 2002:

Annual report 2001:
 End of April 2002

Annual shareholders meeting:
 to be announced

Request form

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