

# **Neschen AG**

## **Quarterly Report**

**30th June 2000**

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## **Executive Bodies of Neschen AG**



*Rolf Werner Zinn, Chairman*

### **Supervisory Board**

Prof. Dr. Ludger-Anselm Versteyl, Chairman

Dr. Hans-Günter Scholz

Matthias Werth

### **Board of Directors**

Rolf W. Zinn, Chairman

Klaus Dieter Vogt

Stefan Zinn

Dr. Michael Magerstädt

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## Chairman's Foreword

**Dear Shareholders,**

Sales in the first half of this year rose as in the previous year by 17%, the net yield going up by 0.4% over the first quarter to reach 5.3%. For the current financial year we expect a 25% increase in sales compared to the previous year. This means that the growth trend begun in 1995 has continued without interruption. We expect average increases in sales amounting to 20% in the coming years. Decisive in this development is that this growth is being financed predominantly out of the company's own resources. Funds from going public and our cautious dividend policy guaranteed the company an equity ratio of 51% as per 31.12.1999, which will allow disproportional growth in the future and permit strategic investments to be funded from capital resources.

In order to increase sales in the years to come it is necessary to carry out investments amounting to approx. EUR 14M. In the past six months more than EUR 7M have already been invested, primarily in expanding the production capacity. These investments will serve to guarantee a lasting future for the company, as will the fact that qualified personnel have already been engaged in advance for the coating plant that is still to be installed; at the moment they are involved in setting up the plant and, at the same time, they are being trained on the existing machines.

Two companies have been taken over: Accutech Inc. in the USA, the market leader in liquid protection varnishes and Berger GmbH & Co. KG in Krefeld, a specialist in printable textiles who leads the market in widths up to 5 metres. These two acquisitions will guarantee Neschen's spearhead technology in professional picture finishing and will ensure that the lead over the competition grows still further.

The company is the only provider of systems which can offer a comprehensive, modern range of products for picture finishing from one source. We will continue to

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benefit from the rapid technical developments in the graphics and advertising industry. Digitally prepared pictures printed on large-scale printers on material supplied by Neschen, protected by Neschen protection systems - varnish or film - and completed and put on presentation by Neschen.

A further leap forward has been made in machine technology for the archive centre. This technical development will be put into practice at the end of this year when a latest-generation conservation plant is installed in the Federal Archives in Berlin. Machines are also planned for the subsidiaries in Holland and France.

We are planning for the company to communicate more intensively with the outside world to make us as transparent as possible for investors. It is of utmost importance that we build up their trust in us.

We are grateful to all members of staff. It is only through their commitment that the company can be so successful. We would also like to thank our customers, partners and shareholders for their loyalty.

**Rolf W. Zinn**  
*Chairman of the Board*

## Ratio of the Neschen Group

in TEUR	1999 as of June 30	2000 as of June 30	% changes to 1999
Sales	33,914	39,665	16.96
Investments	1,633	7,025	330.19
Net income after tax	2,342	2,111	-9.86
DVFA-operating result	3,003	2,111	-29.70
DVFA-net yield	8.85%	5.32%	-39.90
DVFA-operating result per share in EURO	0.50	0.35	-29.70

Reported equity	22,956	25,432	10.79
Equity ratio	50.10%	40.11%	-19.95
Equity return	29.92%	17.29%	-42.21

### Sales per employee

in TEUR (ø workforce)	189.46	183.00	-3.41
Employees worldwide	378	457	20.90



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## News from the business units

### Graphics & Images

The product range available from the "Graphics & Images" business unit includes printable media, protection and lamination films, coloured vinyls, processing machines and display systems. New products for window



panes have been successfully launched and now the unit is concentrating on materials for digital printing. We expect enormous growth in this field because the market is developing at a tremendous pace. These materials can be processed through nearly all kinds of printer, can be used outdoors or indoors and are washable; in short, they are the medium for each and every creative designer. A further point in their favour is that these materials can perfectly well be

used with Neschen's banner display systems

In response to numerous customer requests we have extended the range of mounting and laminating machines to include widths up to 2 metres.

### Documents

The "Documents" business unit offers a complete range of products for protecting and caring for books. It includes protective films, repair tapes, miscellaneous accessories and conservation service for archival material. A great deal has been done in the past quarter to build up and expand the export trade. The importance of this target was evident in our participation at numerous foreign trade fairs and congresses. For instance, we took part at the "AIBF 2000" library fair in Singapore in April. This closed the gap in the Asian region. Promising contacts were made with two dealers who will serve Singapore and surroundings.

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In June we were present at the "Canadian 55th Conference & Trade Show" in Edmonton. Interlam Inc., our long-standing dealer there, has expanded his programme to include products for protecting books.

This has helped us to increase people's awareness of the Neschen Group considerably and to gain direct contact to customers and partners.



### **Industry**

The Drupa Fair, the world's biggest fair for printing and paper in Düsseldorf (May 18th to 31st 2000) proved to be a complete success for Neschen. The "Industry" business unit opened up new marketing channels and strengthened its ties to existing customers. At the moment we are working on projects which were born at the fair; the "Graphics & Images" business unit will also benefit from these developments. New machines and printable media were likewise presented at the Drupa.

The latter includes printlux PVC plus wp adh, a new ink-jet film. This printable PVC film with a cast coating is a new development in cooperation with AGFA and is available from both companies.



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## Personnel

Additional staff has been taken on again in this quarter. The numbers have risen from 441 to 457 worldwide.

13 of these new jobs are at the headquarters in Bückeburg. Sufficient personnel capacity has been created before the installation of the latest-generation coating machine so that we will be able to meet the increasing demands of the market.

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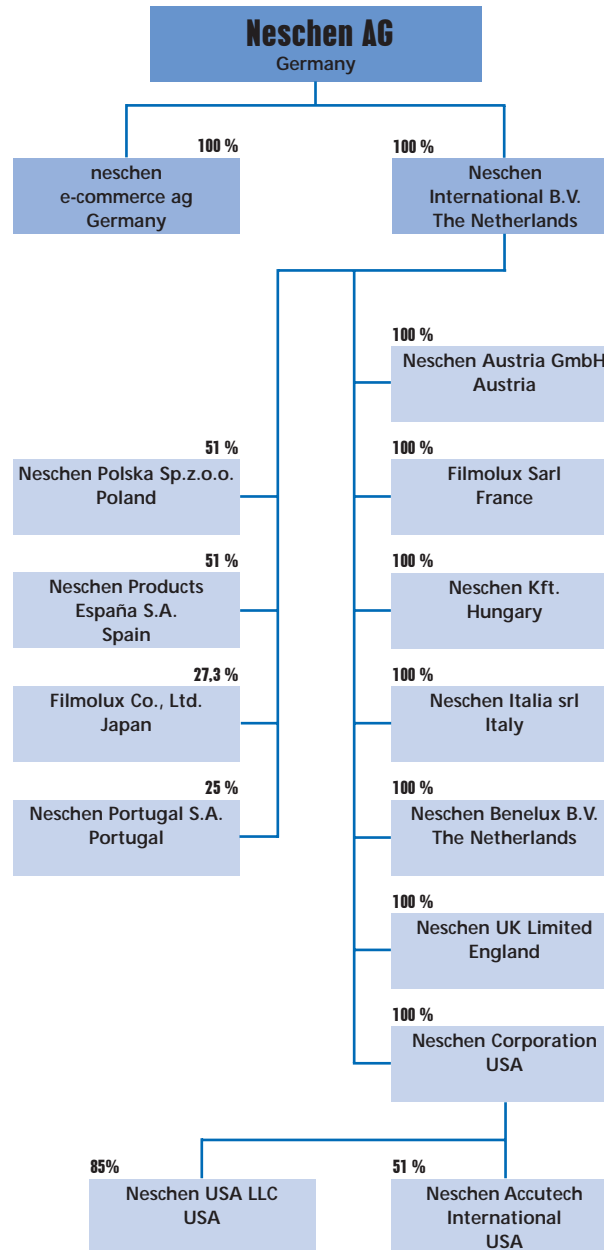
### Personnel figures

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➤	Domestic	292
➤	Abroad	165
➤	Total	457

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## Concern Structure



## Quarterly Report Six months ended June 30 (HGB)

<b>Assets</b> in million Euro	<b>1999</b>	<b>2000</b>
Start-up and expansion costs	0.1	0.0
Fixed and financial assets	14.7	23.6
Inventories	13.0	18.3
Accounts receivable and other assets	15.8	18.4
Cash assets	1.0	2.0
Current assets	29.8	38.7
RAG	0.5	1.1
<b>Balance sheet total</b>	<b>45.1</b>	<b>63.4</b>

<b>Liabilities</b> in million Euro	<b>1999</b>	<b>2000</b>
Total equity	23.0	25.4
Accrued liabilities	2.5	3.0
Financial liabilities	12.7	27.6
Accounts payable	4.8	5.3
Other liabilities	2.1	2.1
Liabilities	19.6	35.0
RAG	0.0	0.0
<b>Balance sheet total</b>	<b>45.1</b>	<b>63.4</b>

### Explanation of group report

The equity ratio stands at a solid 40% despite the considerable investments made in inventories, the increase of accounts receivable, and other outstanding accounts due to the increase in sales.

The total equity covers inventories and parts of the stock on hand. This balance sheet structure portrays a healthy foundation for the Neschen Group to expand still further.

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## Profit and Loss Account Six months ended June 30

in million Euro	6 months 1999	6 months 2000
Sales revenue from own products and goods	33.9	39.4
Inventory changes	0.7	1.2
Cap. costs of self-constructed assets	0.1	0.0
<b>Output</b>	<b>34.7</b>	<b>40.6</b>
Expired costs of raw materials, supplies and acquired merchandise	17.3	20.8
<b>Gross yield</b>	<b>17.4</b>	<b>19.8</b>
Wages and salaries	5.9	7.2 *
Social security levies	1.4	1.6
Advertising expenses	0.5	1.0 *
Depreciation of assets	1.0	1.2 *
Other costs	3.6	4.3
Other income	0.4	0.5
Income from investments	0.03	0.0
Misc. expenses	0.2	0.1
Income from interest and similar income	0.04	0.02
Costs of interest and other costs	0.4	0.6 *
<b>Profit on ordinary activities</b>	<b>3.9</b>	<b>3.3</b>
Extraordinary income	0.0	0.03
Extraordinary expenses	0.1	0.06
Tax	1.5	1.1
<b>Profit of financial year</b>	<b>2.3</b>	<b>2.1</b>

### \*Notes on profit and loss account

The largest influence on the half-year results is advertising, which has doubled in comparison to the previous year. The costs of depreciation and interest increased due to four times as much being invested as last year and a consequent increase in the need for funding.

Additionally, the expansion of the production capacity in Bückebug has already made it necessary to employ extra qualified personnel and helpers in this area.

## Funds Statement six months ended June 30

in EURO	June 2000
Profit / loss for the year	2,110,682
± Depreciation / appreciation on fixed assets	1,162,545
= Cash flow out of operations	3,273,227
± Increase / decrease of liability reserves	1,231,579
± Loss / profit from sale of assets	163,671
± Increase / decrease in accounts receivable and other assets	-7,462,900
± Increase / decrease in accounts payable and other liabilities	2,655,550
= Increase / decrease of funds from current operations	-138,874
+ Cash flow from asset disposal (remaining book value increased by profit and reduced by loss from disposal of assets)	
- Outpayments for investment in assets	-7,188,727
= Increase / decrease of funds from investment activity	-7,188,727
+ Inpayments from increase of share capital and contributions from shareholders	
- Outpayments to shareholders (dividends, repayment of capital and misc.)	-1,547,000
± Increase / decrease of consolidation of investment, shares with outside investors	126,248
+ Inpayments from flotation of shares and raising loans	
- Outpayments for repayment of loans and finance credits	10,397,514
= Increase / decrease of funds from financing operations	8,976,762
= Total of effective changes to financial resources	1,649,162
+ Total financial resources at start of period	354,748
= Total financial resources at end of period	2,003,910
Transition to operating result	
DVFA result	2,110,682
- Non-recurrent costs post tax	0
= Profit / loss	2,110,682

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## Outlook

Forwards into new markets and re-orientation towards international accounting as well as an appearance at the "photokina 2000"

As per August 1st 2000, Neschen AG took over Berger GmbH & Co. KG, a company located in Krefeld. Berger is the world market-leader in digitally printable textiles up to 5 metres wide suitable for all types of ink-jet printers. This take-over provides Neschen with access to new segments of the market in the area of large-scale advertising and rounds off the existing digital print programme for professional picture finishing. We expect sales in this business unit to increase by over 30%.

The most recent developments and decisions coming from the European Commission as well as IOSCO on the subject of international accounting have caused Neschen to decide to abandon the previously published transitional accounts in compliance with "US-GAAP" and to prepare the 2001 balance sheets in accordance with the IAS regulations.

Neschen will be in even greater evidence at this year's 50th "Photokina", the World Fair for Pictures, which is to be held from 20th to 25th Sept 2000 (Hall 10/1, Stand C 020). Neschen's presence at the fair will be accompanied by a very special highlight:

The presentation of the world's biggest photograph covering an area of 656m<sup>2</sup> in front of the main entrance *Messe Ost* - protected and laminated with products from Neschen AG.

Particular interest will be paid to the Neschen textiles, the new printlux and filmolux products and, naturally, the completely new Liquid-Lamination-Machines, part of the "JetCoat" series. This large number of new, intelligent products is the result of intensive research and development work and provides the best of prospects for a continuation of our positive course of development.

Based on the current situation on the world markets, where growth rates in North and South America as well as Europe are high at the moment, we expect the

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following sales figures for the next years:

M Euro	2000e	2001e	2002e	2003e	2004e
Neschen consolidated turnover	86-88	120-130	135-145	150-160	165-180

This calculation is corroborated by the increasing demand for large-scale advertising as well as further new applications in the advertising branch. Advertising is moving ever faster, the number of events is for ever increasing and printing the pictures required is becoming technically simpler and simpler with the number to be printed losing in importance. This will lead to a rising demand for our products in the years to come.

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## Investor Relations

Dipl.-Betriebswirtin  
Britta Borges

Tel.: ++ 49 (0) 57 22-207-153  
Fax: ++ 49 (0) 57 22-207-137  
e-mail: [b.borges@neschen.de](mailto:b.borges@neschen.de)



# Request form

## Please send

- Annual Report 1999
- Image brochure
- "Graphics & Images" catalogue.
- German
- English
- Catalogue: "Libraries, Picture Frames and Archives"

## Please send regular information on the developments at Neschen AG

- Please add me to your mailing list
- Please change my address
- Please send me information about the new offers for private customers, from autumn 2000

## I am...

- customer
- analyst
- private investor
- portfolio manager
- other \_\_\_\_\_

## Your opinion about the quarterly report

- clearly arranged
- not informative enough
- informative
- your suggestion \_\_\_\_\_



Finance dates 2000

Quarterly report III/2000  
November 2000

Annual Report 2000  
March 2001



Neschen AG • Hans-Neschen-Str. 1 • Administration: Windmühlenstr. 6  
D-31675 Bückebug • Tel. ++ 49 (0) 57 22-20 70 • Fax 20 71 97  
e-mail: investor.relations@neschen.de • internet: www.neschen.com

Place  
stamp  
here



**Neschen AG**  
Britta Borges  
Investor Relations  
Windmühlenstrasse 6  
D-31675 Bückebug

Sender:

\_\_\_\_\_  
Name, Christian Name

\_\_\_\_\_  
Company

\_\_\_\_\_  
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\_\_\_\_\_  
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