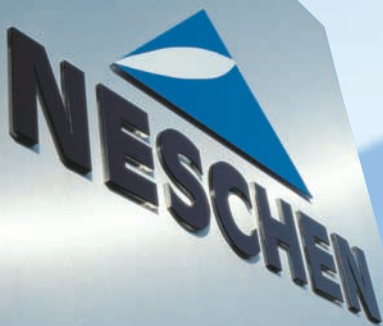


Neschen AG

Semi-annual report
June 30th 2003



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Dear shareholders,

The integration of the SEAL brand is complete. The purpose of the acquisition was, among other things, to increase our technical know-how. With the additional adhesive technology, Neschen is now in a position to serve all areas of application in the graphics market.

As the various SEAL production facilities were no longer competitive, the plants in England and the USA were brought up to a modern technological level. Due to its know-how, and the various production facilities, Neschen now finds itself in the situation of being able to offer innovative product solutions in non-traditional market segments.

Due to the weak economic situation, turnover decreased in the first half year of 2003 by 9.2% to EUR 74.6M (previous year EUR 82.1M). Due to stable margins and cost-reduction measures, a Group result of EUR 302,756 (previous year EUR 1.0M) was achieved. The gross profit remained at the previous half-year level of 46,2%.

The production stillstand in Basildon in the 1st quarter must also be factored into the turnover decrease to the amount of EUR 2.5M.

An EBIT-yield of 6.0% was achieved in Europe. The EBIT-yield of -2.6% in the USA was strongly influenced by the restructuring of the coating facility in England, which is an important supplier for the US market. Weak turnover in the machine sector, as well as currency exchange developments, also negatively affected the USA yield.

Despite the reduced turnover prognosis, we expect to achieve a better annual result than in 2002. The cost reduction program of over four million Euro, introduced at the beginning of the year, will be especially noticeable in the second half of 2003.

We stand to benefit over-proportionally from an economic recovery as there is a large demand backlog in our particular market segments.

We see optimistic business developments in the future with our two-brand strategy, our one-stop-shopping systems and our production-related technological developments.

With best regards from Bückeberg,



Rolf W. Zinn
Chairman of the Board

in TEUR	2002 as of 30.06.	2003 as of 30.06.	%-changes to 2002
Sales	82.093	74.569	-9,2%
Investments	3.320	2.110	-36,4%
Net income after tax	1.089	303	-72,2%
DVFA-operating result	1.006	112	-88,9%
DVFA-net yield	1,23%	0,15%	-87,7%
DVFA-operating result per share	0,17	0,02	-88,9%
EBIT	3.556	2.878	-19,1%
Yield	4,33%	3,86%	-10,9%
EBIT per share	0,60	0,48	-19,1%
EBITDA	6.235	5.860	-6,0%
Yield	7,60%	7,86%	3,4%
EBITDA per share	1,05	0,98	-6,0%
Reported equity	23.640	19.702	-16,7%
Equity ratio	18,82%	15,63%	-17,0%
Equity return	9,03%	2,91%	-67,6%
Sales per employee	215	193	-10,2%
Employees worldwide	783	756	-3,4%



The subsidiaries in the USA and Poland stood in the forefront in the first half year of 2003 in regards to production and technical developments.

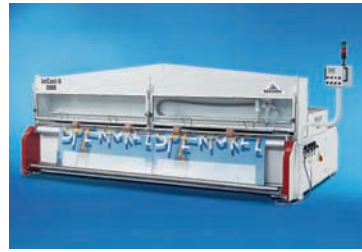
The construction of the coating machine in the USA is running according to plan and the first test runs will take place in September. A German project team is continually present and active to ensure a comparable quality and a problem-free start-up phase. The total investment will amount to approximately 4 million Euro and therefore within the prognosis.

A partial transfer of our slitting operation to Poland has been completed. The goal of the transfer is a marked reduction in our small-roll production. The building was finished on time and the slitting, as well as the logistics, is operating problem-free.



Neschen took part for the first time in the textile trade fair Techtexil in April, 2003 in Frankfurt. Neschen underlined its leading position in the textile printing sector with its participation at this trade fair. The fair offered opportunities to initiate contacts, both domestic and abroad, not only in the digital printing sector but in other markets as well.

The processing machine market, in which Neschen is the market leader in Europe and the USA, showed a marked decrease in orders in the first half year of 2003. In our opinion, the turnover decrease in this sector is wholly due to the current economic situation. After years of dampened investment, certain factors indicate a revitalization of the market in the coming year. Our sources report that large international companies are beginning to unfreeze their advertising budgets which should help the situation here.



The Business Unit "Documents" experienced a marked expansion in the first half year of 2003. On January 20th, the third Archive Center was officially opened in Kornwestheim near Stuttgart.

The three "C900" conservation machines installed their have a capacity of 5.4 million DIN A4 pages per year. Archives and libraries in southern Germany now have a competent partner nearby for the conservation of endangered documents and records.



Due to the complementary adhesive systems of Neschen and Seal, we are now able to enter new markets in the industry sector. The necessary capacity, in both the areas of Research and Development and Production, are available.



Assets in Mio. Euro to 30.06.	2002	2003
Start-up and expansion costs	0,4	1,4
Fixed and financial assets	49,4	62,1
Inventories	32,5	30,9
Accounts receivable and other assets	37,7	28,1
Cash assets	1,3	0,8
Current assets	71,5	59,8
RAG	4,3	2,8
Balance sheet total	125,6	126,1

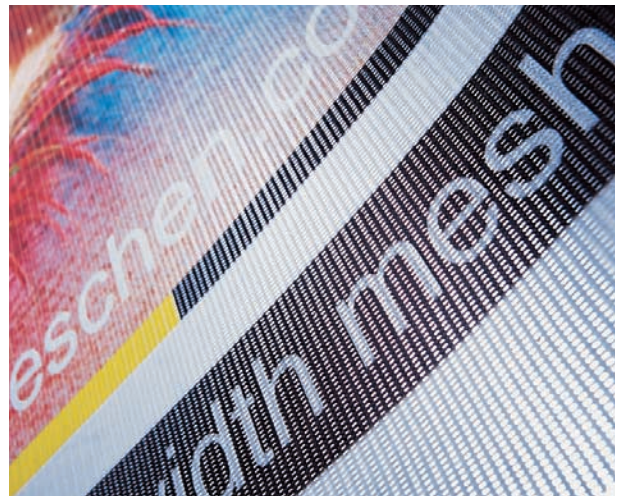
Liabilities in Mio. Euro to 30.06.	2002	2003
Total equity	23,6	19,7
Accrued liabilities	3,4	3,2
Financial liabilities	74,8	78,8
Accounts payable	19,1	21,6
Other liabilities	4,3	2,7
Liabilities	98,2	103,1
RAG	0,4	0,1
Balance sheet total	125,6	126,1



Employees

➤ Domestic	333 employees
➤ Abroad	423 employees
➤ Total	756 employees

in Mio. EUR	30.06.2002	30.06.2003
Sales revenue from own products and goods	82,1	74,6
Inventory changes	1,2	1,1
Capital costs of self-constructed assets	0,5	0,0
OUTPUT	83,8	75,7
Expired costs of raw materials, supplies and acquired merchandise	44,5	40,2
GROSS YIELD	39,3	35,5
Wages and salaries	13,2	12,7
Social security expenses	2,7	2,6
Advertising expenses	1,9	1,2
Depreciation of assets	2,7	3,0
Other costs	13,5	13,3
Other income	0,5	1,0
Income from investments	0,0	0,0
Miscellaneous expenses	1,4	0,5
Income from interest and similar income	0,0	0,0
Costs of interests and other costs	1,8	2,2
PROFIT ON ORDINARY ACTIVITIES	2,6	1,0
Extraordinary income	0,3	0,0
Extraordinary expenses	1,0	0,1
Tax	0,8	0,6
PROFIT	1,1	0,3



in EUR	30.06.2003	30.06.2002
profit / loss for the year	111.839	1.005.508
± depreciation / appreciation on fixed and financial assets	2.982.393	2.679.706
= cash-flow from operations	3.094.231	3.685.214
± increase / decrease of reserves	535.728	-577.828
± profits / loss from disposal of fixed and financial assets and depreciation of current assets	-6.992	-16.587
± increase / decrease of inventories, accounts receivable from sales	-5.085.028	-9.263.048
± increase / decrease of accounts payable for goods and services and other liabilities	1.920.619	1.920.135
= inflow / outflow of funds		
from current operations	458.558	-4.252.114
± 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)	6.992	194.587
- out-payments for investments in assets	-1.831.100	-3.943.716
= inflow / outflow of funds		
from investments	-1.824.108	-3.749.129
+ in-payments from increases of share capital and contributions from shareholders	0	0
- out-payments to shareholders (dividends, repayment of capital, other payments)	0	0
± increase / decrease of consolidation of capital, third party shares	-2.270.542	-2.000.330
+ in-payments from floating bond issues and from the raising of financial loans	3.470.591	7.647.679
- out-payments for repayments of bonds issues and financial loans	0	0
= inflow / outflow of funds from		
financial activities	1.200.049	5.647.348
= total of effective changes to financial resources	-165.502	-2.353.895
+ financial resources at start of period	947.156	3.613.342
= financial resources at end of period	781.654	1.259.447
Transition to operating result		
DVFA-result	111.839	1.005.508
- non-recurrent costs after tax		
profit / loss	111.839	1.005.508

The start-up of the coating machine at our USA headquarters in Elkridge, Maryland, in the second half of 2003, is an integral factor in the further development and expansion of our US business. With an investment volume of approximately 4 million Euro, we have secured enough production capacity in the USA for the awaited yearly turnover of nearly 50 million Euro. Additionally, this move reduces any exchange rate risks. The first material tests are slated for September with the full-scale integration of the machine into our production flow to be completed by the end of the year.

The trade fair VisCom takes place in September in Düsseldorf. We await a strong impulse here in already traditionally strong months of September and October. New products will be introduced here including solvent-based systems developed from Seal acquired know-how.

We await a positive development in the second half of 2003, not least due to the before-mentioned cost-reduction program and its strong second half effect.



Investor Relations

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 - my suggestion:
-

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