

Financial Dates 2000

Quarterly Report II/ 2000
August 2000

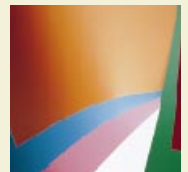
Quarterly Report III/ 2000
November 2000

Annual Report 2000
March 2001

Neschen AG

Quarterly Report

31st March 2000



Executive Bodies of Neschen AG



Left to right: Stefan Zinn, Dr. Michael Magerstädt, Rolf Werner Zinn, Klaus Dieter Vogt

Supervisory Board

Prof. Dr. Ludger-Anselm Versteyl, Chairman

Dr. Hans-Günter Scholz

Matthias Werth

Managing Board

Rolf Werner Zinn, Chairman

Klaus Dieter Vogt

Stefan Zinn

Dr. Michael Magerstädt

Chairman's Foreword

Dear shareholders,

Neschen AG, based in Bückeburg, is a company operating worldwide in the field of complex protection and enhancement films and has again continued its successful business strategy in the first quarter of the new millennium. The group's sales rose in the first quarter by 20% over the previous year and reached 19.4M EURO. Sales totalling more than 90M EURO are expected in the year 2000. This amounts to a 29% growth rate.

The foundations for this growth were laid in the first quarter. Neschen AG has widened the spectrum of its investment in the future to cover several projects at the same time: foreign participations as a means of expanding its international presence, extension of production capacity, research and development and launching into e-commerce. Particular attention is being paid to the new e-commerce strategy of addressing customers directly via the Internet in a drive to meet the high targets set for growth. This has resulted in advertising costs increasing by 260,000 EURO, or 100%, over the same quarter in the previous year. Expansion of the workforce has also continued as part of our commitment to investment in the future.

Investments in the first quarter of the year increased by 1,660,000 EURO to reach a total of 2,339,000 EURO. In the light of this high volume of investment, the 4.9% net yield (6.8% gross) must be regarded as very satisfying following on the previous year's result of 8.6%. The return on equity reached 23.55%. For the financial year the volume of investment is budgeted with 14.4M EURO (6.1M EURO in the previous year). This investment in the future is the foundation upon which Neschen AG will be able to generate above-average returns from the year 2001 onwards. These measures will not only help us to continue the growth rate of the past years which has always been in double figures, but they will also help us to expand still further through launching new, innovative products and developing additional channels of distribution. We anticipate annual growth of 25% - 30% in each business unit.

Company policy continues to focus on growth through our own efforts. This is emphasized by our start with e-commerce. Neschen e-commerce ag was established on 15th March 2000 to provide direct access to end-users via the Internet in the second half of 2000; approx. 100 products will be on offer from both "Graphics & Images" and "Documents". Neschen's "one-stop-shopping" philosophy will determine the product range to ensure that customers have reason to remain loyal to the company.

Joint ventures will also help in the quest for expansion and market-leadership in new segments. On January 1st 2000, Neschen acquired 51% of Accutech, the leading producer of liquid protection varnishes in the USA. This stake gives Neschen a substantial advantage over the competition as a systems supplier for the graphics industry and provides new technology as a beneficial complement to the existing product range. Neschen has committed itself fully to this strategic entry into the new, promising growth segments; this will not only ensure that we remain long-term at the spearhead of technology on the world market, it is also a guarantee for lasting, above-average profitability.

We remain grateful to all who work for us. Their commitment has made the company's success possible. We would also like to thank our customers, business partners and shareholders for their loyalty.

Rolf W. Zinn
Chairman of the Board

Ratio of the Neschen Group

in TEUR	1999 per 31.3	2000 per 31.3.	%-changes to 1999
Sales	16,120	19,384	20.25
Investments	679	2,339	244.48
Net income after tax	1,031	943	-8.54
DVFA-operating result	1,384	943	-31.86
DVFA-net yield	8.59%	4.86%	-43.37
DVFA-operating result per share*	0.23	0.16	-31.86
Reported equity	21,522	25,908	20.38
Equity ratio	53.10%	47.28%	-10.97
Equity return	25.62%	23.55%	-8.08
Sales per employee			
in TEUR (ø-workforce)	190.21	182.22	-4.20
Employees worldwide	340	441	29.71

* in EURO



Expansion of the workforce for the installation of the new coating plant (planned 2000/2001) resulted in lower pro capital performance.

Brief description of Business Units

Graphics & Images

In the first quarter of this millennium „Graphics & Images“ have introduced a number of new products into the programme and launched them on the market. One is gudy window® which has already been introduced very successfully onto the American market and will be presented at the DRUPA Fair this year in May.

This product makes it possible to affix prints manually onto panes of glass. Also new in the Neschen range are the first printex-series textiles suitable for ink-jet printing.



Documents

In March of this year, the „Documents“ unit launched a direct-marketing campaign in collaboration with its partners in Switzerland and our Austrian subsidiary.

„Neschen's products provide protection“ was the slogan used to address the libraries. They were to be made aware especially of the fimolux® soft and filmolux® soft PP products. This campaign is to run till the end of May and reactions have so far been positive.

Neschen 
Products provide protection

Special offer 10 + 1
 Order 10 rolls of book protection film
 and receive one roll free. Valid until 31.05.2000

Industry

From the data file to the print out The CeBIT Fair 2000 was held in Hanover in February. Agfa and Neschen presented themselves as a strong team

CeBIT
HANNOVER
 2000
 18-22.2

AGFA 
 The complete picture.

with a complete range of high-end production solutions. The combination of Neschen, expert for hot and cold laminating machines, and Agfa, well-known manufacturer of ink-jet printers, has resulted in a co-operation of traditionally high productivity and quality.



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High-end ink-jet printers combined with high-end laminating machines for high-end product solutions.

Personnel

Further expansion has resulted in 31 new members of staff being employed during this quarter. The numbers rose from 410 to 441 worldwide in order to guarantee the standard of quality and service our customers have become accustomed to.

At the Bückeberg site the number of employees rose from 270 to 279. This increase was a result of matching logistics and sales with the inflow of orders.

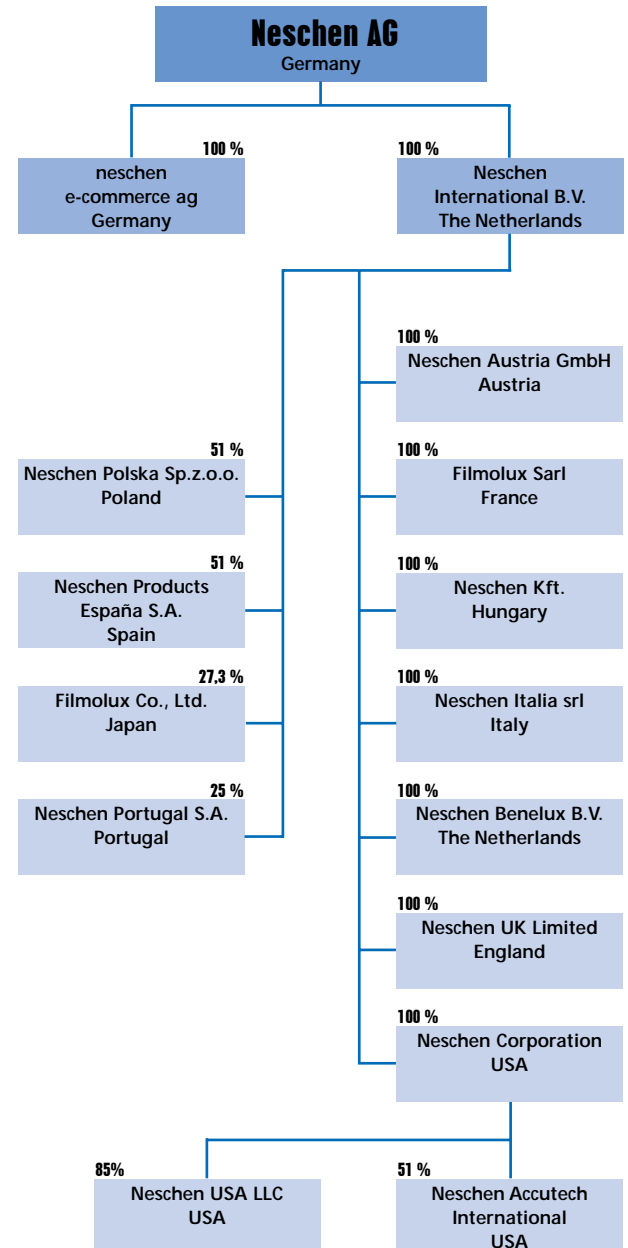
We have also increased our investor relations work as a means of intensifying our communications with the capital market so that Neschen shares may reflect more closely the company's international market success.

Three long-standing, well-qualified employees are now active in the informations' system centre; their task is to maintain regular telephone contact with a defined circle of customers. They are to work closely with the company's out-of-house representatives to improve customer loyalty.

A risk-management system has been developed in accordance with §91 Section 2 AktG (German Labour Law) because the company has now reached a size which makes this a requirement. This is an early warning system, which provides the company with a means of recognizing possible risks in time to minimize them.

Personnel figures

➤	Domestic	279
➤	Abroad	162
➤	Total	441



Quarterly Report 1st Quarter 2000 (HGB)

Assets in million EUR	1999	2000
Start-up and expansion costs	0.1	0.1
Fixed and financial assets	14.7	18.9
Inventories	10.1	15.7
Accounts receivable and other assets	14.2	18.9
Cash assets	1.3	0.4
Current assets	25.6	35.0
RAG	0.1	0.8
Balance sheet total	40.5	54.8

Liabilities in million EUR	1999	2000
Total equity	21.5	25.9
Accrued liabilities	2.3	2.5
Financial liabilities	11.5	19.3
Accounts payable	3.4	5.4
Other liabilities	1.7	1.7
Liabilities	16.6	26.4
RAG	0.1	0.0
Balance sheet total	40.5	54.8

Explanation of group report

The exceptionally good constitution of the balance sheet is the programme Neschen AG strives for and represents a stable foundation for our course of growth.

Efficient cash management has enabled us to reduce the amount of funds tied up in current assets both in relation to sales and as a percentage of the balance sheet total.

We also prepare a balance sheet as per 31st December of each year to comply with the American GAAP accounting regulations.



Profit and Loss Account 1st Quarter

in million EUR	3 months 1999	3 months 2000
Sales revenue from own products and goods	16.1	19.4
Inventory changes	0.4	0.5
Cap. costs of self-constructed assets	0.0	0.0
OUTPUT	16.5	19.9
Expired costs of raw materials, supplies and acquired merchandise	7.7	10.1
GROSS Margin	8.8	9.8
Wages and salaries	2.9	3.4
Social and security levies	0.7	0.8
Advertising expenses	0.3	0.6
Depreciation of assets	0.5	0.6
Other costs	2.6	3.0
Other income	0.1	0.2
Income from investments	0.03	0.0
Misc. expenses	0.1	0.05
Income from interest and similar income	0.02	0.0
Interest and similar expenses	0.2	0.2
PROFIT on ordinary activities	1.7	1.4
Extraordinary income	0.01	0.03
Extraordinary expenses	0.0	0.0
Tax	0.7	0.44
PROFIT OF FINANCIAL YEAR	1.0	0.9

Notes on profit and loss account

The difference between this quarter and the first quarter of the previous year is a consequence of higher advertising costs, which amounted to 260,000 EURO, and additional investments amounting to 1,660,000 EURO. The volume of deliveries to the USA has also been out of proportion, involving very high packaging and freight costs and having a negative effect on profit margins. They are, however, necessary to meet the demand there. This factor will disappear as soon as production starts up in the USA in 2001.

Funds Statement

in EUR	March 2000
Profit / loss for the year	942,979
± depreciation / appreciation on fixed assets	581,447
= Cash flow out of operations	1,524,426
± Increase / decrease of liability reserves	692,218
± Loss / profit out of assets	40,708
± Increase / decrease of accounts receivable and other assets	-4,567,877
± Increase / decrease of accounts payable and other liabilities	2,059,971
= Increase / decrease of funds from current operations	-250,554
+ Cash flow from asset disposal (remaining book value increased by profit and reduced by loss from disposal of assets)	
- Outpayments for investment in assets	-2,379,484
= Increase / decrease of funds from investment activity	-2,379,484
+ Inpayments from increase of share capital and contributions from shareholders	
- Outpayments to shareholders (dividends, repayment of capital and misc.)	
± Increase / decrease of consolidation of investment shares with outside investors	223,084
+ Inpayments of flotation of shares and from raising finance loans	
- Outpayments for repayment of loans and finance credits	2,445,014
= Increase / decrease of funds from financing operations	2,668,098
= Total of effective changes to financial resources	38,060
+ Total financial resources at beginning of period	354,748
= Total financial resources at end of period	392,808
Transition to operating result	
DVFA-result	942,979
- non-recurrent costs post tax	0
= Profit / loss	942,979

Outlook

We took over 51% of Accutech International Inc. at the beginning of this millennium. This majority stake will give Neschen the opportunity of strengthening its position on the graphic industries market, which promises great growth and high profit margins. We expect sales of 2M EURO from this constellation in the first year. A new laminating process, which is partly under patent, will constitute a major contribution to this success. "Graphics & Images" already accounted for 50.2M EURO sales in 1999 and will grow further beyond all proportion. This joint venture is another step in the direction of becoming world market leader in the field of professional picture finishing by 2004. We are aiming for two further joint ventures before the end of the year. They are providing us with a compact package of technical innovations and will give us a substantial lead over our competitors.

Neschen China Ltd., a joint venture with our long-standing partners Artshop Ltd. in Hong Kong, will be established in the very near future. The company will be located in Shantou with a warehouse and finishing plant and will maintain an office with training centre in Peking. Neschen AG is taking a 51% stake in the new company. It will market products for digital picture processing and for libraries as well as the "Bückerburg conservation procedure", which is already held in high esteem by the experts in China.

Neschen AG will also continue to co-operate on further developing the so-called "Viennese procedure". This process aims at conserving bound newspapers and has been tested in the Austrian National Library. At the moment we are checking out whether we can include this process in our own service range. Our target is to provide a complete factory for the conservation of paper which will also include a means for controlling other causes of damage such as ink corrosion, mould etc.; and it must be suitable for both bound and unbound modern documents.

The "Bückeberg Procedure" is unique in the world for washing out harmful substances, fixing inks, conserving and reinforcing old documents. This was reason enough for the Federal Archives in Koblenz to choose Neschen AG as its partner on 26th January. The procedure is furthermore an officially recognized project for the World Exhibition, EXPO 2000, which is open from June 1st to October 31st in Hanover. We expect significant impulses for this unique procedure when it is presented to such a wide section of the public from all over the world.

Our lead over the competition will be further extended as a result of investments totalling 14.4M EURO in 2000 - in the first quarter 1.2M EURO were already invested in buildings and 1.1M EURO in machinery. Our target is to achieve sales of 500M EURO by the year 2006.

Preparations in the field of e-commerce are running on schedule. At the present we are the only company in our branch which can supply such a wide range of products via the Internet. We are starting with the "Documents" field, providing products for enhancing, repairing and conserving books and modern documents. The second stage will see us offering "Graphics & Images" products in the Internet. Investments for the "e-commerce" project amount to approx. 1M EURO. We expect in the medium term 7-figure sales at above-average profit.

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