aeco NV
Fellenoord 130
PO Box 2234
5600 CE Eindhoven
Netherlands

Tel +31 (0)40 266 8610
Fax +31 (0)40 266 8620

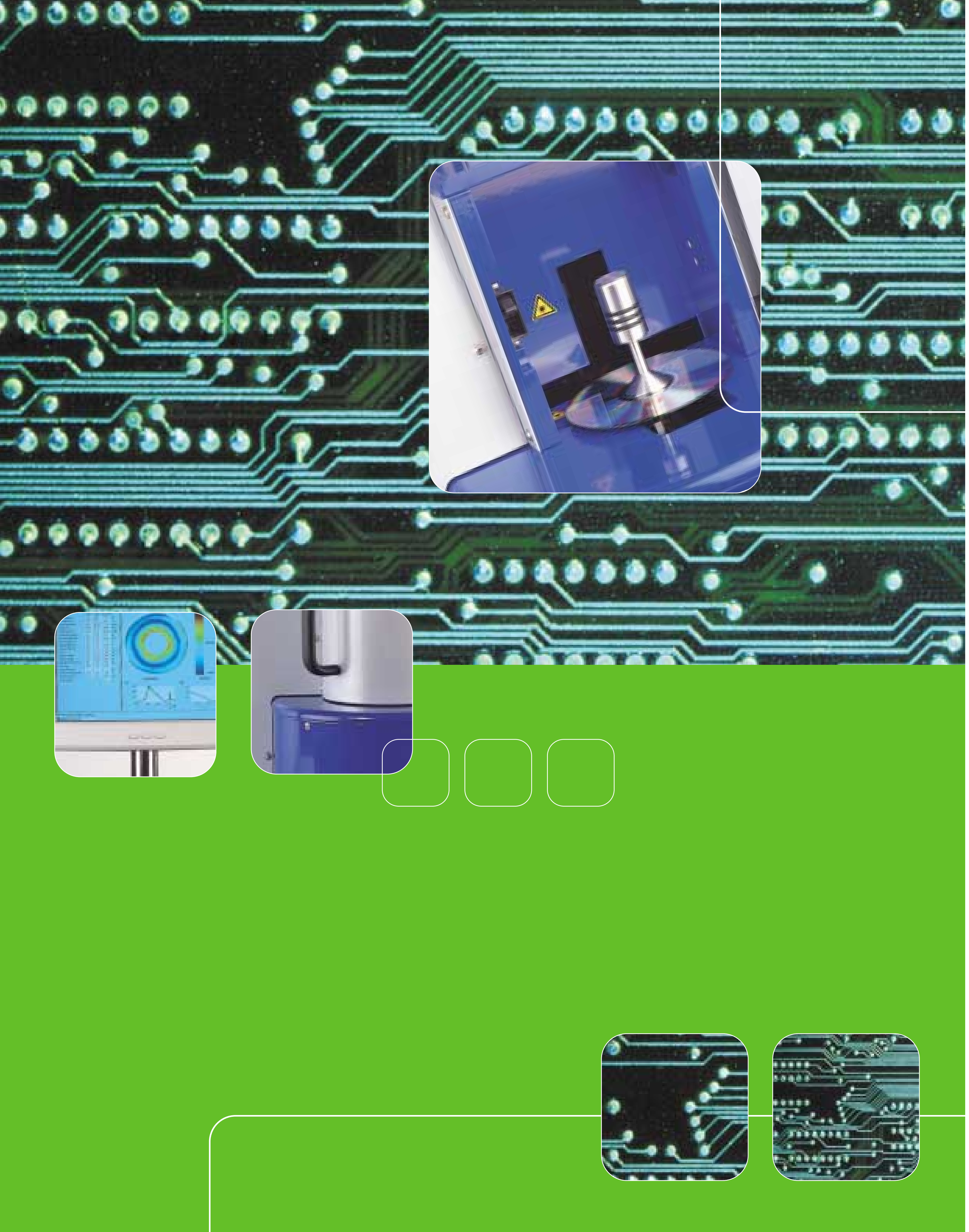
www.aecogroup.com

Designed and produced by Crew Green Associates Limited, Shrewsbury. www.crewgreen.com

Foundations for growth

Annual Report 2000

Contents

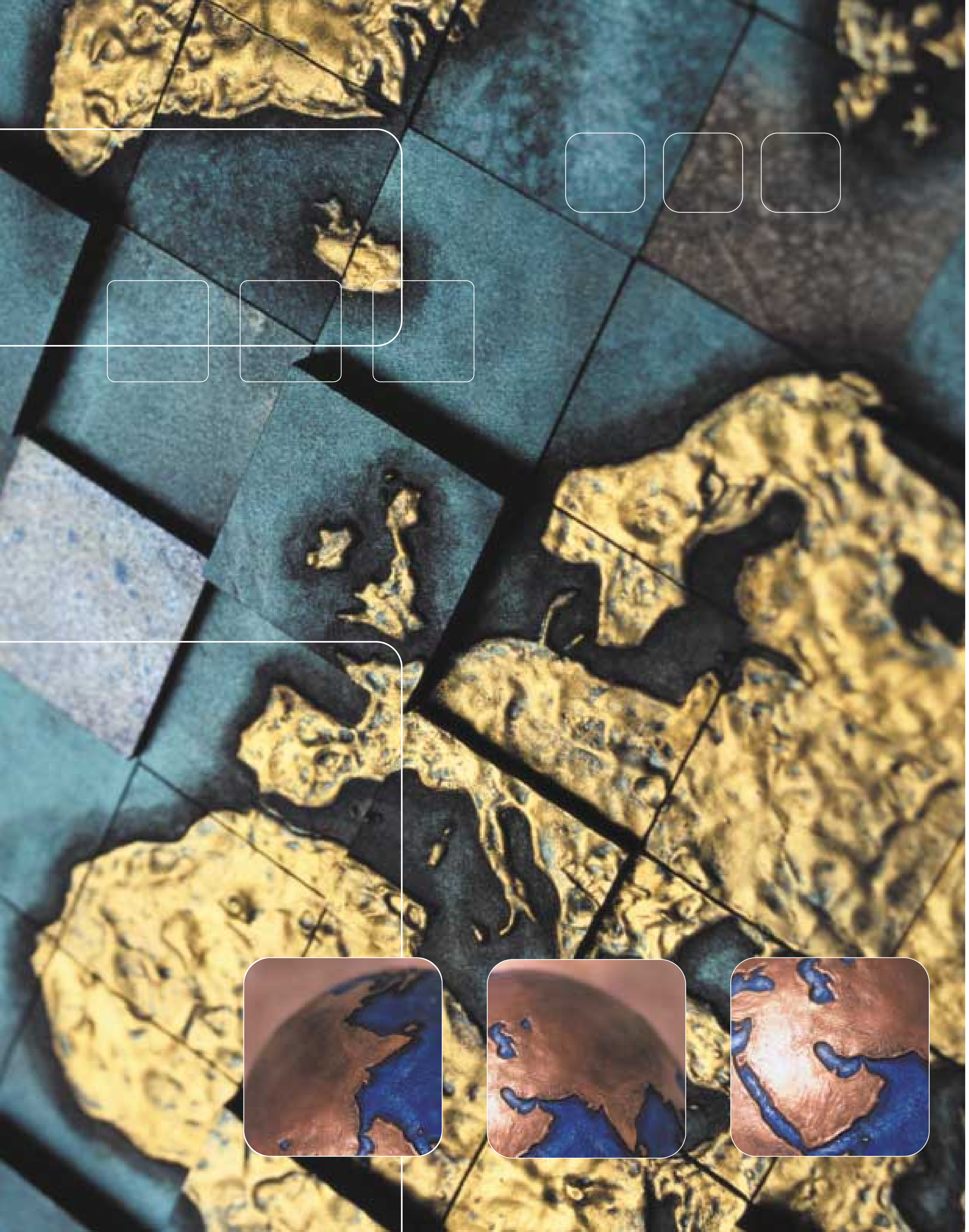


Financial Summary

Based upon IAS (in thousands of euros)

	FY 2000	FY 1999	FY 1998
Sales	17,867	14,999	11,523
Profit from operations	1,301	3,453	2,190
Net profit	824	1,922	1,125
Cash flow	8,816	227	(3,651)
Equity	19,853	1,873	1,705
Balance sheet total	23,133	5,350	5,749
Number of employees	109	102	90
Earnings per share *	0.13	0.38	0.23

*In 1998 and 1999 calculated on the basis of 5.0 million shares outstanding and in 2000 on the basis of 6.5 million shares outstanding.



overview

Against the backdrop of an increasingly difficult market condition, we feel that the result for the full year, though below expectations of the market analysts, was satisfactory and above average for our sector.

Overall our sales were up by 19% compared to 1999 while net profit was euro 0.8 million compared to euro 1.9 million in 1999. This resulted in earnings per share of euro 0.13 compared to euro 0.38 in 1999, based on 6.5 million shares outstanding following the IPO in 2000 and 5.0 million shares outstanding in 1999.

The difficult market conditions came about through a combination of factors that developed rapidly during the second half of the year. These included:

- Over-capacity in CD-R manufacturing in Asia (primarily Taiwan);
- Failure in DVD of both disc and player sales to meet the revised market expectations set around the middle of the year;
- Lack of take up of DVD-ROM as a format for games and other computer data distribution.

The reduced net profit compared to 1999 (57% less) is mainly attributed to the following key issues:

- Costs of integration of the former two business activities (the merger of the former Aerosonic Ltd. and ContTec GmbH);
- Restructuring and approximately euro 1.0 million integration costs of the drive technology of Apex Systems Inc., following the acquisition in October;
- Lower gross margins in the Test and Inspect Division due to a diminished and thus more competitive market;
- The largely fixed costs in our Research and Development activities and to some extent the same in our General and Administrative and Marketing and Sales.

As of January 1st, we had an open order book of euro 1.1 million. Beyond this, on the basis of the existing supply agreement with Toolex International N.V., we expect orders of approximately euro 6.6 million, of which the main part is likely to be delivered in the second half of 2001.

IPO

aeco N.V. had a successful IPO during 2000, with trading on the Neuer Markt (a segment of the Frankfurt Stock Exchange) as from July 25, 2000. The company sold 1.5 million newly-issued shares against an offer price of euro 14 per share. The shares were 7 times over subscribed and the over allotment (Green shoe) was fully exercised. The net proceeds amounted to euro 17.9 million, after deduction of the underwriting commission and expenses.

Business highlights

We were well placed to take advantage of the rapid growth in DVD production capacity. In particular our diversity of product, our "one stop shop" concept, gave us a unique opportunity to sell test and inspect solutions from the mastering stages through all subsequent processes to the finished disc.

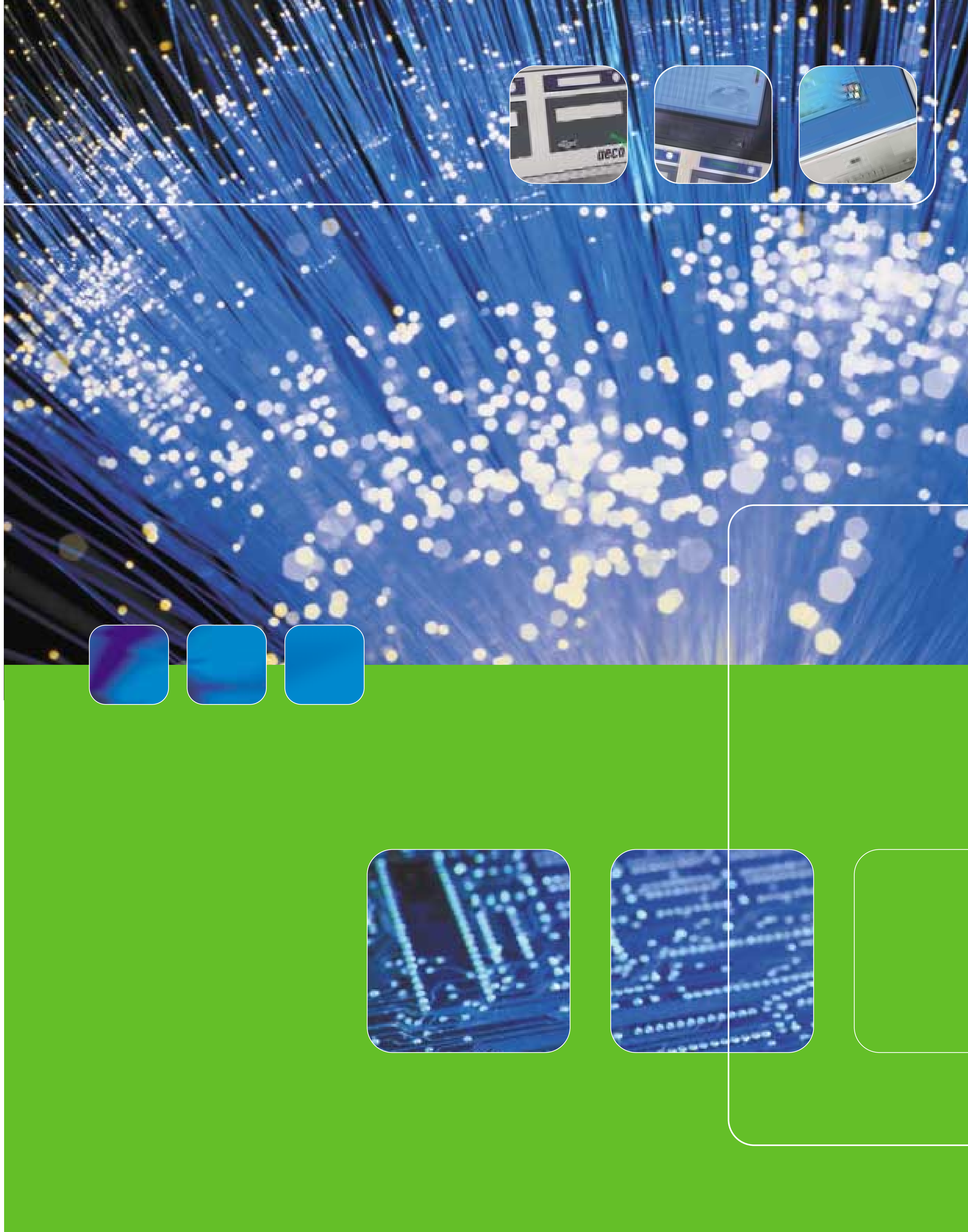
We saw strong sales for our Diffraction Order Measurement System and DVD Analyser electrical tester. Further success was in sales of our Photo Resist Inspection System and Stamper Inspection System products.

In October, we were pleased to announce the partnership with OMP for the supply of DVD Analyser electrical testers for their mastering system. Our unique combination of features – including the ability to play all stages of the mastering process from glass master and stamper through to the finished disc on one piece of test equipment – made this an ideal product for OMP's fully automated mastering process.

A direct consequence of the acquisition of the drive technology of Apex Systems Inc. was that we were able to successfully bid for high-end (research orientated) testers for the new DataPlay format. This format is an exciting new development from America for a micro (32mm) disc for portable devices such as mobile phones and digital cameras. Using advanced technology the format offers storage comparable with a CD but clearly with a far smaller disc. We were chosen by DataPlay for the supplier of their testers as we had all aspects of the necessary technology (drive, electronics, software) under our direct control.

In September, to raise our profile in Asia and provide better support to our customers, particularly in Hong Kong and China, we appointed Vika International Ltd. as our distributor. Vika also represent Singulus, OMP and Gima amongst others.

During the latter part of the year we observed a trend in the "record once" media manufacturers to specify dual format – CD-R and DVD-R – compatible production lines. In this way producers are able to simply switch between formats depending on market conditions. Utilising our unique spread of technologies in physical inspection we were able to launch at REPLItech Asia in November a revolutionary dual format (covering both formats' specified inspection wavelengths) in-line scanner that can change between formats by simple software control. In this way we were seen to identify a sudden change in market need and rapidly react with the introduction of a new product within a very short time scale.



Financial Statements

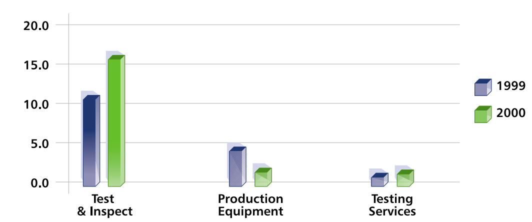
aeco N.V. is quoted on the "Neuer Markt" (a segment of the Frankfurt Stock Exchange). The registered office of the company is in Eindhoven, The Netherlands. The results for 2000 and the comparative results for 1999 are stated in euro in accordance with IAS (International Accounting Standards).

Sales

Overall sales rose by 19% from euro 15.0 million in 1999 to euro 17.9 million in 2000.

Sales by division

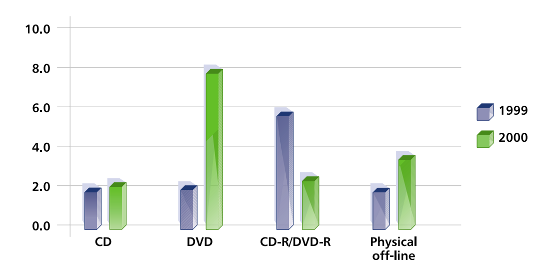
The following table shows a divisional breakdown of sales for 2000:



The Test and Inspect Products Division accounted for approximately 90% of total sales in 2000 (1999: 73%). The Production Equipment Division accounted for approximately 5% of total sales in 2000 (1999: 25%). The Test Services Division accounted for approximately 5% of total sales in 2000 (1999: 2%).

Sales of the Test and Inspect Products Division increased 47.1% from euro 10.9 million in 1999 to euro 16.1 million in 2000.

The following table shows a breakdown of sales per product and format for 2000:



In our Test and Inspect Products Division, we have enjoyed some success with certain unique physical off-line products used for the mastering stages of DVD (increase 87% from euro 1.8 million in 1999 to euro 3.4 million in 2000).

Furthermore, the sales of the physical and electrical DVD scanners and testers grew more than 286% from euro 2.0 million in 1999 to euro 7.8 million in 2000. However, this was offset by a decrease in sales of CD and CD-R scanners by 68% from euro 7.1 million in 1999 to euro 4.8 million in 2000.

The sales mix of the Test and Inspect Products Division in 2000 demonstrates the accelerated investment by our customers in DVD, accounting for 48% of sales against 30% and 22% for CD/CD-R and physical off-line products respectively.

The Production Equipment Division saw a dramatic reduction in orders during 2000 compared to 1999. This was due to a market trend, developed during the third quarter, leading to a delay of investment in VHS while accelerating investment in DVD. This was due to the strong belief that VHS demand would reduce with a proportionate increase in demand for DVD.

Our Test Services Division, Testronic Laboratories, on the other hand, benefited from the increase in DVD Video title releases in 2000 with revenue up by almost 166% from euro 0.3 million in 1999 to euro 0.8 million in 2000.

Gross margin

The overall gross margin as a percentage slightly decreased from 49.8% in 1999 to 49.2% in 2000. The main reason for the slight decrease in the overall gross margin is the relative increase in the sales of the Test and Inspect Products Division.

The gross margin of the Test and Inspect Products Division decreased from 52.4% in 1999 to 48.8% in 2000, mainly resulting from price erosion due to an increased competitive market condition and relative higher sales of electrical testers, which have a lower margin than the physical inspection products.

The gross margin of the Production Equipment Division increased from 43.3% in 1999 to 62.2% in 2000, mainly due to a change in product mix.

The gross margin of the Test Services Division increased from 33.6% in 1999 to 42.5% in 2000 mainly caused by increased activities against the backdrop of largely fixed costs (labour and facility overhead).

Operating expenses

Overall, operating expenses increased from euro 4.0 million in 1999 to euro 7.5 million in 2000.

Marketing and sales expenses increased by 140% from euro 0.5 million in 1999 (3.1% of sales) to euro 1.1 million in 2000 (6.3% of sales). The main reasons were the expansion and improvement of the sales department, the integration of the former Aerosonic Ltd. and the former ContTec GmbH and the launching of the aeco brand name to the market.

Research and development expenses increased by 127% from euro 1.4 million in 1999 (9.6% of sales) to euro 3.3 million in 2000 (18.4% of sales). The main reason for the increase was the euro 1.0 million integration cost for the drive technology from Apex into our electrical test division in Wales. Furthermore, the diversification of optical media formats (e.g. DVD-R/RW/RAM, DataPlay, e-card) along with sustaining and upgrading current products required higher research and development expenses compared to previous years.

General and administration expenses increased by 47% from euro 2.1 million in 1999 (14.0% of sales) to euro 3.1 million (17.2% of sales). The main reasons for this increase were the creation of the new head office in Eindhoven and costs relating to investor relations activities.

Financial income – net

The financial income – net was euro 0.4 million (profit) in 2000, compared to euro 0.1 million (profit) in 1999. The increase was principally attributable to deposits with banks due to IPO proceeds (euro 0.4 million), partly compensated by currency losses due to the British pound exchange rate to the euro exchange rate (euro 0.1 million).

Income tax

aeco N.V. effective tax rate was 51% in 2000 and 45% in 1999. The increase is due to fiscal losses incurred at aeco Ltd. and aeco N.V. in 2000 which could not be carried back to off-set taxable income in previous years.

Net Profit

The net profit decreased by 57% from euro 1.9 million in 1999 to euro 0.8 million in 2000, mainly due to the increase in operating expenses (including approximately euro 1.0 million integration costs for the drive technology from Apex) and the relative increase in income taxes, partly compensated by increased sales and increased financial income.

Cash Flow

The cash flow provided by operating activities in 2000 decreased by euro 6.7 million to euro (5.2) million. The decrease in the cash flow provided by operating activities is mainly due to the high level of inventories and trade receivables that occurred in the fourth quarter.

Proposal for distribution of profit

We will propose to the Annual Shareholders' Meeting to add the net profit of euro 0.8 million to retained earnings.

Employees

Our average staffing level has increased by 7 employees from an average of 102 in 1999 to 109 in 2000.

The main increase is in our Research and Development department and Test Services Division. The increase in Research and Development is in line with our programme to focus development on supporting new formats along with maintaining market leadership on our existing product range. This increase in Research and Development personnel also includes additional staff recruited as part of the Apex drive technology integration into our Wales site. The increase in our Test Services Division is due to increased activities on DVD authoring verification.

Capital expenditures

We spent a total of euro 0.5 million on property, plant and equipment. The main part of this capital spending went to replacement and additions in our laboratory equipment.

Acquisitions

We spent euro 1.2 million on acquisitions in 2000 as follows:

- The acquisition of the tangible fixed assets, inventories and the know-how of the optical disc drive technology from Apex Systems Inc. for euro 1.0 million, resulted in recording euro 0.6 million of goodwill;
- The acquisition of the remaining 50% of the outstanding shares of Aerostream Inc. (Testronic USA) for euro 0.2 million, resulted in recording euro 0.2 million of goodwill.

In October we announced our first acquisition; an optical disc drive technology company, Apex Systems Inc., based in Colorado Springs, USA. We decided to integrate the technology into our facility in Wales where we make the electrical test systems that use this drive technology.

A key part of the electrical tester is the drive component, which we have to buy in from an outside supplier. Having complete control of the drive technology - from the optic read/write component through to the disc handling – offers us a unique competitive advantage especially in supporting emerging formats such as DataPlay and blue laser DVR which remain our primary focus.

On December 22, 2000 we completed the purchase of the remaining 50% shareholding from our partner in the Testronic USA office. This partnership was formed some 3 years ago to allow us to expand into America without committing to the high initial start up costs during the early growth cycle of this business. Against the need to invest further in Testronic, with a number of major contracts pending, we decided that the best way forward was to gain full control of the business in this way.

We see Testronic offering us a unique profile in our market as suppliers of test and inspect products – providing as it does an independent test service with focus on the rapidly expanding DVD video.

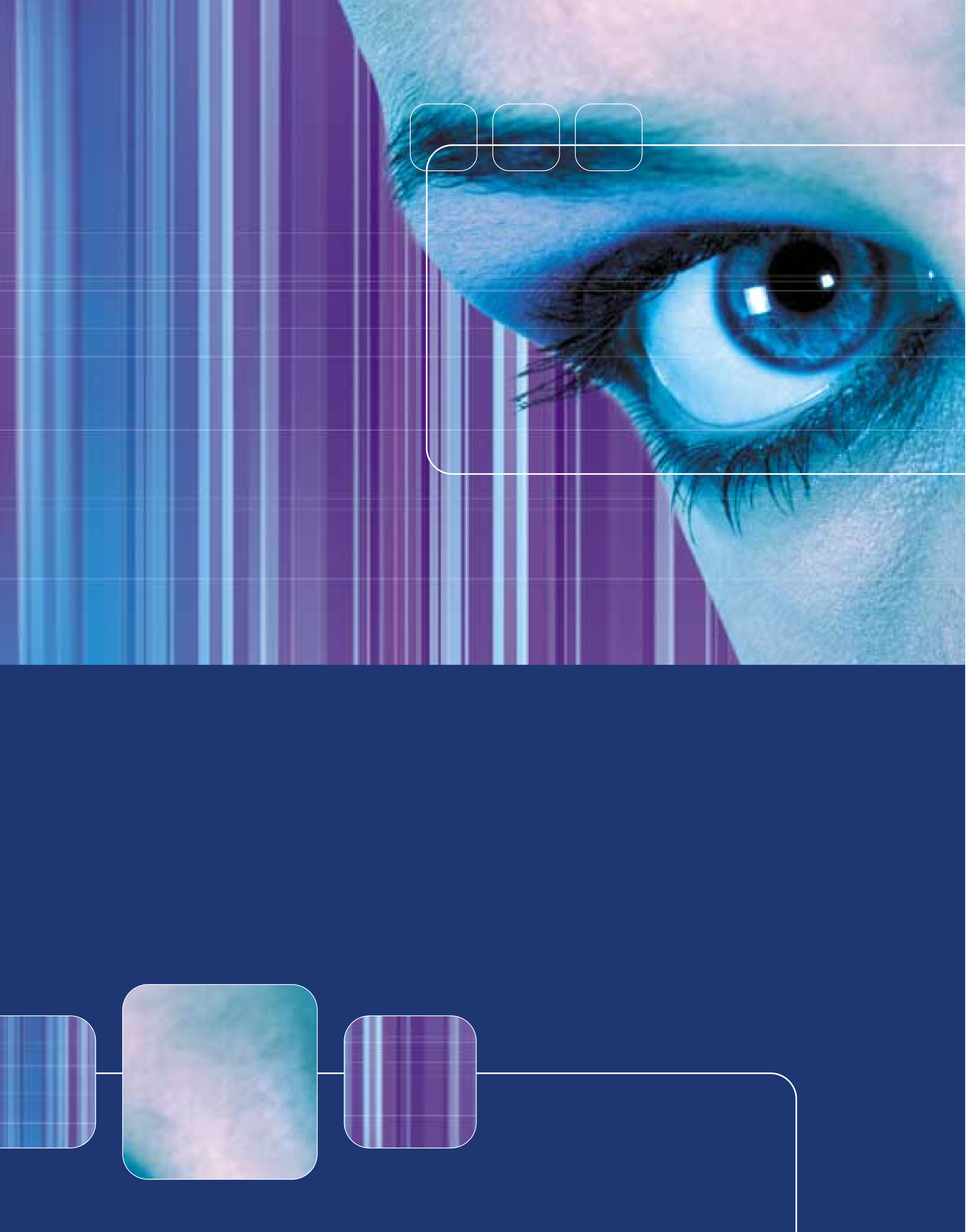
Research and Development

It is the policy of the group to allocate approximately 10% of total sales to research and development. This policy will be continued for the foreseeable future.

We spent euro 3.3 million on research and development in 2000, which is 18.4% of sales. The high research and development expenses are mainly due to the euro 1.0 million integration cost for the drive technology from Apex into our electrical test division in Wales. Excluding these integration costs, research and development expenses amounted to euro 2.2 million or 12.2% of net sales in 2000.

Subsequent events

There are no events subsequent to the balance sheet date which require adjustment to, or disclosure in, the 2000 annual accounts of the group.



Outlook

We expect the optical disc market in general to show only limited growth in 2001 compared to 2000. This slow down in our market is attributed to the slow down in manufacturing capacity demand in stark contrast to the strong underlying growth in optical media sales. We attribute this downturn to a momentary state of production over-capacity that we predict will be behind us later this year. Though we expect strong growth to return later in 2001, we do not now expect this to compensate fully for the poor business conditions we have experienced in this first quarter.

Looking at the specific sectors in our market on a format basis:

The CD pre-recorded sector is a modestly growing market with a focus on decentralising capacity to service local markets along with the replacement of old and inefficient production capacity.

The market for CD-R recordable manufacturing capacity is slowly recovering after the dramatic slow down in the last 6 months of 2000. Real improvement is expected during the second half of 2001 but we do not expect this to reach the level of investment seen in 1999 and the first half of 2000. As a result we expect in-line physical testing, which is directly linked to the introduction of new production capacity, to be lower than sales during 2000. However, physical off-line testing is expected to benefit, as manufacturers will be looking for further efficiency improvements from their existing production capacity.

DVD continues to grow, exceeding rates for both discs and player sales compared to the early days of formats such as CD and VHS. Further growth is expected, driven by a move to DVD for computer software distribution for both Personal Computers (PCs) and game-machine hardware such as Sony Playstation and Microsoft Xbox.

The DVD pre-recorded segment showed tremendous growth in 2000 initiated by the major Hollywood titleholders with their contracts going to relatively few major replication companies, who had to ramp up production rapidly to meet this demand. For 2001 we believe the diversity of titles appearing on DVD, outside of the majors, will increase but at a less dramatic rate than the proliferation of titles underwritten by the majors in 2000. More rapid growth will be triggered when DVD player numbers in households reach significantly higher levels than we see today. We do not expect this to happen until 2002.

The demand for electrical test and in-line physical inspect products is expected to follow this pattern. Physical off-line testing is expected to benefit again, as for CD, as manufacturers will be looking to optimise their existing manufacturing capacity.

The demand for DVD recordable and rewritable discs (DVD-R, DVD-RW and DVD-RAM) is starting to outgrow the initial production capacity, which was largely based around the development centres for these new formats. We expect a number of new manufacturing plants to go on line later this year requiring high quality testing.

New formats like DataPlay and blue laser DVR need special testing solutions during the development cycle of the manufacturing process. With the acquired Apex technology, aeco is well positioned to serve these new emerging markets with a range of high-end electrical testers.

Physical testing will also benefit from these opportunities both for in-line and off-line products. Underlying this trend, aeco received orders in 2000 (for delivery this year) to supply DataPlay and their partners with high-end electrical testing capacity for use in start up production facilities going on-line this year. A further order for a DataPlay tester was received in Q 1 making a total order value for this format of in excess of euro 1.3 million.

We remain cautious about any recovery in the 3X product from our Production Equipment Division. Investment by duplicators of VHS cassettes was on hold last year and we wait to see if a return to investment will occur this year. Encouragingly, sales of VHS cassettes remain stronger than expectations set during 2000.

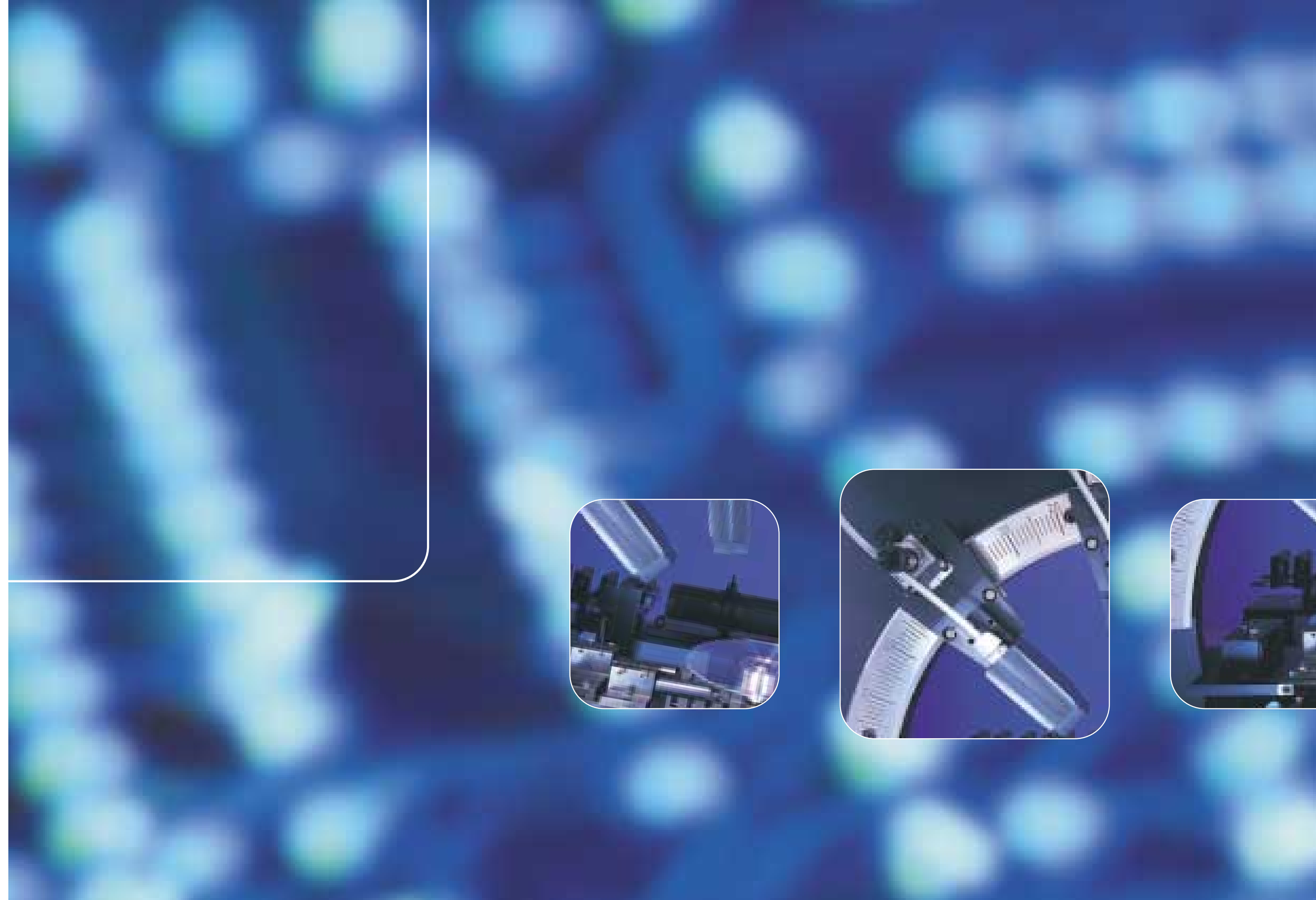
Our Test Services Division Testronic Laboratories continues to benefit from the industry drive to put more video content onto DVD. Following the acquisition of the remaining 50% shareholding in the Testronic USA facility late in 2000, we believe we are well positioned to take advantage of this growth in DVD titles both in the USA and in Europe.

In summary, taking into account the general market conditions, no significant growth in revenues is expected for 2001. This is underlined by a particularly disappointing first quarter. For the second quarter a small recovery is expected, however not enough to fully compensate for the first quarter. The third and fourth quarters are expected to be far stronger against the forecast upturn in investment in the optical media industries as the over-capacity that exists at present is removed by the underlying strong growth in disc sales, particularly for DVD and CD-R formats.

To ensure profitability we will focus on key high-margin business segments, tighten cost control with the primary objective to at least secure existing profitability, and optimise our organisation. In parallel, we remain committed to our focus on Research and Development to launch a number of new unique products with focus on emerging formats and to improve our sales organisation by contracting more agents and distributors.

Eindhoven, The Netherlands
March 22nd, 2001

Board of Managing Directors
J.C.J. van Eijden (Chairman)
E. Hoffmann
J. Ostermayer
J.H. Steynor



Supervisory Board Report

The Supervisory Board comprises three members. Three plenary meetings of the Supervisory Board took place during 2000, according to the Articles of Association of aeco N.V. No extraordinary meetings were called by any member in 2000.

At the meetings the Supervisory Board was informed and consulted about the activities and policies of aeco N.V. Matters considered by the Supervisory Board during the year included:

- IPO
- the organisational structure to meet the requirement for efficient corporate management
- integration of aeco Limited and aeco Germany GmbH
- acquisition of the assets of Apex Systems Inc
- acquisition of the remaining 50% of the outstanding shares of Aerostream Inc
- acquisition strategy
- trading performance against budget
- budget 2001: special attention was given to the increasing operating expenses and measures to control these.

The consolidated financial statements of aeco N.V. were drawn up according to the International Accounting Standards (IAS). These statements and the Management Board Report have been examined by Arthur Andersen, independent public auditors.

We have approved the financial statements of aeco NV prepared by the Board of Directors. We are in agreement with the Management Board Report.

We also concur with the proposal for distribution of profit to add the net profit to retained earnings.

Eindhoven, The Netherlands
March 22, 2001

Board of Supervisory Directors
A. Heikens (Chairman)
K. Moser
C.T. Wheatley

Contents

CONSOLIDATED (PRO-FORMA COMBINED) BALANCE SHEETS

as at December 31, 2000 and 1999 (in thousands of euros)

	Note	Consolidated December 31, 2000	Pro-Forma Combined December 31, 1999
ASSETS			
Current Assets			
Cash and cash equivalents		9,530	714
Trade receivables – net	4	5,730	1,208
Inventories	5	2,891	1,594
Other current assets	6	1,679	537
Total current assets		**19,830**	**4,053**
Non-current Assets			
Goodwill	7	1,897	-
Investment in associate	8	-	75
Property, plant and equipment at cost — net	9	780	581
Buildings at revalued amount—net	10	474	490
Other non-current assets	11	152	151
Total non-current assets		**3,303**	**1,297**
Total Assets		**23,133**	**5,350**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade and other payables	12	2,455	2,204
Income tax payable		93	-
Bank overdraft	13	-	713
Total current liabilities		**2,548**	**2,917**
Non-current liabilities			
Long-term debt	14	285	281
Provisions	15	447	279
Total non-current liabilities		**732**	**560**
Total Equity	17+18	**19,853**	**1,873**
Total Liabilities and Equity		**23,133**	**5,350**

The accompanying notes to these balance sheets form an integral part of these consolidated (pro-forma combined) financial statements.

PRO-FORMA COMBINED INCOME STATEMENTS

for the years ended December 31, 2000 and 1999 (in thousands of euros)

	Note	Pro-Forma Combined December 31, 2000	Pro-Forma Combined December 31, 1999
Sales	19	17,867	14,999
Cost of sales	20	9,076	7,535
Gross Profit		**8,791**	**7,464**
Marketing and sales	21	1,133	472
Research and development	22	3,284	1,446
General and administration	23	3,073	2,093
Profit from Operations		**1,301**	**3,453**
Financial income – net	25	367	52
Profit Before Tax		**1,668**	**3,505**
Income tax	26	844	1,583
Profit After Tax		**824**	**1,922**
Earnings Per Share *			
Basic		0.13	0.38
Diluted		0.12	0.38

* In 1998 and 1999 calculated on the basis of 5.0 million shares outstanding and in 2000 on the basis of 6.5 million shares outstanding.

The accompanying notes to these income statements form an integral part of these consolidated (pro-forma combined) financial statements.

CONSOLIDATED (PRO-FORMA COMBINED) STATEMENT OF CHANGES IN EQUITY

for the years ended December 31, 2000 and 1999 (in thousands of euros)

	Share Capital	Capital Reserve	Property Revaluation Surplus	Translations Reserve	Retained Earnings	Total
Balance at January 1, 1999	**500**	**1,694**	**130**	**19**	**(638)**	**1,705**
Dividends aeco Germany GmbH declared	-	-	-	-	(1,730)	(1,730)
Currency translation differences	-	-	-	(24)	-	(24)
Net profit for the year	-	-	-	-	1,922	1,922
Other	-	-	(2)	-	2	0
Balance at December 31, 1999	**500**	**1,694**	**128**	**(5)**	**(444)**	**1,873**
Dividends aeco Germany GmbH declared	-	-	-	-	(1,943)	(1,943)
Goodwill merger Aerosonic Ltd.	-	(1,080)	(128)	5	2,387	1,184
Proceeds from issuance of share capital	150	17,758	-	-	-	17,908
Currency translation differences	-	-	-	7	-	7
Net profit for the year	-	-	-	-	824	824
Balance at December 31, 2000	**650**	**18,372**	**-**	**7**	**824**	**19,853**

The accompanying notes to these equity statements form an integral part of these consolidated (pro-forma combined) financial statements.

[financial statements]

CONSOLIDATED (PRO-FORMA COMBINED) CASH FLOW STATEMENTS

for the years ended December 31, 2000 and 1999 (in thousands of euros)

	Consolidated December 31, 2000	Pro-Forma Combined December 31, 1999
Cash flow from operating activities		
Net income	824	1,922
Depreciation of tangible fixed assets	351	216
Amortisation goodwill	92	-
Increase provisions	168	78
(Increase)/decrease inventory	(1,297)	677
(Increase)/decrease in other current assets	(5,664)	62
Increase/(decrease) in current liabilities	344	(1,449)
Net cash (used in) provided by operating activities	**(5,182)**	**1,506**
Cash flow from investing activities		
Purchase of property, plant and equipment, net of cash	(535)	(272)
Acquisitions of subsidiaries, net of cash	(730)	(7)
Net cash used in investing activities	**(1,265)**	**(279)**
Proceeds from issuance of share capital	17,908	-
Proceeds from/(payment of) long-term debt and bank overdraft	(709)	804
Dividends paid	(1,943)	(1,730)
Net cash (used in) provided by financing activities	**15,256**	**(926)**
Net effect of currency translation in cash and cash equivalents	**7**	**(24)**
Net increase in cash and cash equivalents	**8,816**	**277**
Cash and cash equivalents at beginning of year	**714**	**437**
Cash and cash equivalents and end of year	**9,530**	**714**

The accompanying notes to these cash flow statements form an integral part of these consolidated (pro-forma combined) financial statements.

NOTES TO CONSOLIDATED (PRO-FORMA COMBINED) FINANCIAL STATEMENTS

for the years ended December 31, 2000 and 1999
(all amounts are in thousands of euros, unless otherwise indicated)

1. General

aeco N.V. ("the Company") and its wholly owned subsidiaries (together "aeco" or "the Group") design, develop, manufacture and market testing and inspection systems for magnetic and optical memory media such as DVD, CD-R, VHS, CD, MO, MD and Laser Disc. Other activities of the Group include the development of a product that enables video duplicators to adapt their plants to treble production capacity of VHS-tape duplication, with no significant equipment modification. The average number of employees of the Group was 109 and 102 in 2000 and 1999 respectively. The office of aeco is located at Fellenoord 130, Eindhoven, The Netherlands.

2. Summary of Significant Accounting Policies

The principle accounting policies adopted in preparing the financial statements of aeco N.V are as follows:

General

The accompanying financial statements are prepared in accordance with the standards formulated by the International Accounting Standards Committee (IASC).The financial statements include the accounts of aeco Germany GmbH (formerly known as ContTec GmbH), aeco Ltd. (formerly known as Aerosonic Ltd.) and its wholly owned subsidiaries and Aerostream Inc.

aeco N.V. was incorporated on March 24, 2000. At incorporation, aeco N.V. acquired all of the outstanding shares of aeco Germany GmbH (through acquisition of the intermediate holding company aeco International (Deutschland) GmbH) and aeco Ltd. via a share issue by aeco N.V. against the non-cash contribution of shares in aeco Germany GmbH and aeco Ltd.

The consolidated financial statements of the Group as of December 31, 2000 and the pro-forma combined financial statements of the Group as of December 31, 1999 are presented assuming that the Company was incorporated as of January 1, 1999 and assuming that the acquisition of aeco Germany GmbH and aeco Ltd. was consummated on January 1, 1999.

The financial statements of aeco as of December 31, 2000 and 1999 are derived from the audited financial statements of aeco Germany GmbH as of December 31, 2000 and 1999 based on German Generally Accepted Accounting Principles ("German GAAP") and the audited financial statements of aeco Ltd. as of December 31, 2000 and 1999 based on the Generally Accepted Accounting Principles of England and Wales ("UK GAAP"). Certain adjustments have been taken into consideration in reconciling the respective financial statements of aeco Germany GmbH and aeco Ltd. under local GAAP to International Accounting Standards.

At the contribution of the shares of aeco Ltd. at April 5, 2000 for an amount of approximately euro 1,184 goodwill was recorded which will be capitalised and amortised over a period of 20 years.

Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention, except for buildings carried at revalued amounts.

Reporting currency

Because of the international nature of the Group's activities, the financial statements are prepared in euros.

Principles of Consolidation (Pro-Forma Combination)

The consolidated (pro-forma combined) financial statements of the Group include aeco N.V. and the companies that it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated (pro-forma combined) financial statements from the date of acquisition or to the date of disposal.

Investments in associated companies (generally investments of between 20% to 50% in a company's equity) where a significant influence is exercised by the Company are accounted for by using the equity method. An assessment of investments in associates is performed when there is an indication that the asset has been impaired, or the impairment losses recognised in prior years no longer exist.

All other investments held on a long-term basis are valued at cost less any impairment in value, and are included in other non-current assets.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated. Consolidated (pro-forma combined) financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Cash

Cash includes cash on hand and cash with banks.

Receivables

Receivables are stated at face value, after provision for doubtful accounts.

Financial Instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalent, marketable securities, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, investments, and bonds receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The Group operates internationally, giving rise to significant exposure to market risks from changes in interest and foreign exchange rates. The Group nets its exposures in foreign currencies periodically and does not use separate derivative financial instruments to mitigate those risks.

Foreign exchange positions are translated at exchange rates prevailing at the end of the reporting period representing their fair value.

The Company does not enter into foreign exchange forward contracts to hedge its net investments in foreign subsidiaries. Changes in foreign currencies that affect the net equity value in euros are reported as currency translation adjustments as part of shareholders' equity.

Inventories

Inventories, including work-in-progress, are valued at the lower of cost and net realisable value, after provision for obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs. Unrealisable inventory has been fully written off.

Property, Plant and Equipment

Property, plant and equipment, other than buildings, are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated for the accounts and any gain or loss resulting from their disposal is included in the income statement.

Buildings in the UK are stated at fair value less accumulated depreciation and accumulated impairment loss. Independent property revaluations are performed once every 5 years with the last valuation performed by Norman Lloyd & Co. as of May 4, 1999. Any increase in a building's valuation is credited to the property revaluation surplus in shareholders' equity. Any increase is first offset against an increase on earlier valuation in respect of the same property and is thereafter charged to the operating profit. Upon the disposal of revalued property, the relevant portion of the revaluation surplus realised in respect of previous valuation is released from the property valuation surplus directly to retained earnings.

The initial cost of property, plant and equipment, comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of property, plant and equipment.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings and leasehold improvements	5-30 years
Machinery and equipment	3-10 years
Furniture and vehicles	3-10 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Accounting for Operating Lease

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Goodwill

The excess of the cost of an acquisition over the Company's interest in the fair value of the net identifiable assets acquired as at the date of the exchange transaction is recorded as goodwill and recognised as an asset in the balance sheet. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its useful life.

The amortisation period is determined at the time of the acquisition based upon the particular circumstances and ranges from 5 to 20 years. The unamortised balances are reviewed at each balance sheet date to assess the probability of continuing future benefits. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount is more than the recoverable amount, an impairment loss is recognised.

Research and Development Expenses

Expenditures for research and development are charged against income in the period incurred except for project development costs which comply strictly with the following criteria:

- the product or process is clearly defined and costs are separately identified and measured reliably;
- the technical feasibility of the product is demonstrated;
- the product or process will be sold or used in-house;
- a potential market exists for the product or its usefulness can be demonstrated internally;
- adequate technical, financial and other resources required for completion of the project are available.

Provisions

A provision is recognised when, and only when enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Use of estimates

The preparation of financial statements in conformity with IAS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Reserves

Property Revaluation Reserve is created in accordance with the requirements of IAS and intended for reflection of revaluation of buildings.

Translation Reserve is intended for reflection of translation differences arising on consolidation of financial statements of foreign entities and equity accounted associates.

Revenue Recognition

For products which are still under development, revenue is recognised net of sales taxes and discount as and when goods and services delivered to customers are accepted to the full satisfaction of the customer. For standard (fully developed) products revenue is recognised net of sales taxes and discount at the moment of delivery of the goods and services to the customer. Costs of sale are matched to the revenue as it is recognised.

Revenue from rendering services is recognised by reference to the stage of completion when this can be measured reliably. The stage of completion is determined based on surveys of work performed.

[financial statements]

Foreign Currencies

Foreign currency transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognised in the income statement in the period in which they arise.

Foreign operations

Where the operations of a foreign company are integral to the operations of the Company, the translation principles are applied as if the transactions of the foreign operation had been those of the Company, i.e. foreign currency monetary items are translated using the closing rate, non-monetary items are translated using the historical rate as of the date of acquisition. Income and expense items are translated at the exchange rates in place on the dates of the transactions. Resulting exchange differences are recognised in the income statements during the year.

Foreign entities

The majority of foreign consolidated (pro-forma combined) subsidiaries are regarded as foreign entities since they are financially, economically and organisationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated (pro-forma combined) subsidiaries are translated at year-end exchange rates with respect to the balance sheet, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in a translation reserve in equity.

Defined Contribution Plans

The Group sponsor defined contribution plans based on local practices and regulations. The plans cover full-time employees and provide for contributions ranging from 0% to 5% of salary. The Group's contributions relating to defined contribution plans are charged to income in the year to which they relate.

Share Option Plan

The company has two option plans in place:

The 2000 Share Option Plan provides for the granting of options to employees and management of the company to purchase a maximum of 487,500 common shares for a period of 5 years. The shares may be authorised, but unissued, or reacquired common stock.

The Stock Option Plan shall be administered by the Board of Directors of aeco Options B.V., a special purpose company. The Board of Directors of aeco Options B.V., (the "Board") shall have the authority, in its discretion, inter alia, (i) to grant options; (ii) to determine the exercise price and the consideration to be paid for the Shares to be issued upon exercise of an option; (iii) to determine the employees to whom, and the time or times at which, options shall be granted and the number of shares to represented by each option; (iv) to determine the terms and provisions of each option granted; (v) to reduce the exercise price per Share of an outstanding exercised option; and (vi) to accelerate or defer (with the consent of the optionee) the exercise date of any option. aeco N.V. is exempt from the Lock-up in issuing shares pursuant to the exercise of options under the Stock Option Plan.

The maximum number of shares with respect to which an option or options may be granted to any employee in any taxable year of aeco N.V. shall not exceed 100,000 shares. The plan became effective upon its adoption by the Management Board on June 23, 2000. The share exercise price is determined by the Board for each option granted. The price will not be lower than the market value of the shares at the date of grant. As a matter of principle, any option granted under the share option plan shall be exercisable and shall vest three years after the date of grant, or at such times and under such conditions as determined by the Board at the time of granting. Each of the options entitles its holder to purchase one share of aeco N.V.

In the event of termination of an optionee's continuous status as an employee, during a three year holding period running from the date of grant of the option, any such option shall terminate. In the event of termination of the continuous status as an employee at a point in time when the option(s) granted have become exercisable and the rights thereunder have vested, the optionee may exercise the option to the extent exercisable on the date of termination, provided that such exercise must occur within six months after the date of such termination, but no later than the date of expiration of the terms of the option.

To the extent that an optionee was not entitled to exercise the option at the date of such termination, or does not exercise the option within the specified time, the option shall terminate. Some special provisions apply in case the continuous status as an employee is terminated due to permanent disablement or death of the optionee. Up to now no options have been granted.

Under a separate individual agreement options have been granted for up to 125,000 shares of aeco N.V., representing 1.92% of aeco. N.V. 's total issued shares, on July 25, 2000. The options become exercisable after four years of continuous employment. Each of the options entitles its holder to purchase one share of aeco N.V. against an exercise price of euro 14.00.

Income Taxes

The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Impairment of Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income for items of property, plant and equipment and intangibles carried at cost, and treated as a revaluation decrease for buildings that are carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same building.

The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income or as a revaluation increase.

Segments

Business segments: for management purposes the Group is organised on a world-wide basis into four major operating businesses. The divisions are the basis upon which the Group reports its primary segment information. Financial information on business and geographical segments is presented in Note 19.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent Events

Post-year-end events that provide additional information about a company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate, (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Changes in Groups' Organisation

On October 1, 2000 aeco N.V. acquired the tangible fixed assets, inventories and the know-how of the OEM drive from Apex Systems Inc. for euro 991. The purchase price was financed through the IPO proceeds, The acquisition resulted in recording of euro 640 of goodwill that is being amortised over 5 years.

On December 22, 2000 aeco N.V. completed its acquisition of the remaining 50% of the outstanding common shares of Aerostream Inc. for euro 178. Aerostream Inc. offers independent quality assurance and product evaluation services to the audio and video industries. aeco N.V. now owns 100% of the common shares of Aerostream Inc. The purchase price was financed through the IPO proceeds. The acquisition resulted in the recording of euro 165 of goodwill that is being amortised over 20 years. Contribution to net income in 2000 amounted to nil.

4 Trade Receivables — net include the following

	At December 31 2000	1999
Accounts receivable	6,020	1,264
Less provision for doubtful accounts	(290)	(56)
Total trade receivables – net	**5,730**	**1,208**

5 Inventories include the following

	At December 31 2000	1999
Finished goods	685	381
Work-in-progress	329	211
Raw materials	1,877	1,002
Total inventories	**2,891**	**1,594**

6 Other Current Assets include the following

	At December 31 2000	1999
Other receivables	1,357	493
Prepaid expenses	322	44
Total other current assets	**1,679**	**537**

7 Goodwill

The movement in goodwill is as follows:

	2000
Cost	
Cost at January 1	-
Merger Aerosonic Ltd.	1,184
Acquisition Aerostream Inc.	165
Acquisition assets Apex Systems Inc.	640
Cost at December 31	**1,989**
Accumulated Amortisation	
Accumulated amortisation at January 1	-
Amortisation for the year	92
Accumulated amortisation at December 31	**92**
Net book value	**1,897**

8 Investment in Associate

The Investment in associate as per December 31, 1999 fully relates to a 50% interest in Aerostream Inc., a company incorporated under the laws of the United States of America. On December 22, 2000 the Company acquired the remaining 50% stock of Aerostream Inc.

9 Property, Plant and Equipment at Cost — Net

The movement in property, plant and equipment is as follows:

	At December 31 2000	1999
Cost		
Cost at January 1	1,397	1,156
Additions	529	178
Disposals	(82)	(27)
Acquisitions through business combinations	59	-
Currency translation differences	(1)	90
Cost at December 31	**1,902**	**1,397**
Accumulated Depreciation		
Accumulated depreciation at January 1	816	583
Depreciation for the year	332	211
Disposals	(56)	(22)
Acquisitions through business combinations	31	-
Currency translation differences	(1)	44
Accumulated depreciation at December 31	**1,122**	**816**
Net book value	**780**	**581**

The cost of property, plant and equipment held under financial lease was euro 10 and has a net book value of euro 4 and euro 6 as at December 31, 2000 and 1999 respectively.

10 Buildings at Revalued Amount — Net

Buildings are stated at fair value. Independent valuations are performed periodically with the last valuation performed by the independent valuer Norman Lloyd & Co. at May 4, 1999.

The movement in buildings at revalued amount is as follows:

	At December 31 2000	1999
At Revalued Amount		
Revalued amount at January 1	516	461
Additions	-	-
Currency translation differences	3	55
Revalued amount at December 31	**519**	**516**
Accumulated Depreciation		
Accumulated depreciation at January 1	26	18
Depreciation for the year	19	5
Currency translation differences	-	3
Accumulated depreciation at December 31	**45**	**26**
Net book value	**474**	**490**

Historical cost price amounts to approximately euro 375.

11 Other Non-Current Assets

Other current assets comprise of long term investments in marketable securities for an amount of euro 152 and euro 151 as at December 31, 2000 and 1999, respectively. The market value of these investments as at December 31, 2000 and 1999 does not significantly differ from its stated value.

12 Trade and Other Payables

Trade and other payables include the following:

	At December 31 2000	1999
Accounts payable trade	980	671
Advances on sales orders	154	149
Accrued expenses	662	1,046
Other payables	659	338
Total trade and other payables	**2,455**	**2,204**

13 Bank overdrafts

As per December 31, 2000 the Company has credit facilities available amounting to approximately euro 655.

The credit facilities with banks are secured by a mortgage over the freehold property and an unscheduled mortgage debenture.

14 Long-term Debt

Long-term debt of euro 285 (1999: euro 281) fully relates to an agreement with the HSBC Bank. The principle amount of the loan amounts to euro 320 and will be repaid in 10 years. The loan bears interest of 2% above bank base rate per annum.

15 Provisions

Provisions at December 31, 2000 and 1999 relate to expected warranty claims on items sold. Warranty given to customers differs from product to product and usually covers a period of 12 to 15 months after the moment of delivery.

	Warranty
Balance at 31 December 1999	279
Provisions made during the year	357
Provisions used during the year	(162)
Balance at 31 December 2000	474
Current portion of provisions	474

16 Employee Benefits Obligations

Defined Contribution Plan

The group sponsors defined contribution plans for its employees based on the local practices and regulation in Germany and the United Kingdom. These plans for employer contributions ranging from 0% to 5% of annual salary.

Defined contribution obligations were not significant as of December 2000 and 1999, respectively. These obligations are presented as under other payables.

Share Option Plan

On June 23, 2000, the Company adopted a stock option plan for certain key employees. Under this stock option plan, a maximum of 7.5% of the issued share capital may be granted until 2004.

17 Share Capital

The authorised share capital of the Company amounts to euro 2,000 divided into 20,000,000 ordinary bearer shares each having a nominal value of euro 0.10 per share. For the pro-forma combined financial statements we assumed incorporation of aeco N.V. at January 1, 1999 and issuance of 5,000,000 ordinary bearer shares at that date.

	2000	1999
Common shares, euro 0.10 par value Authorised 20,000 thousands; issued and outstanding 6.500 thousand in 2000 and 5.000 thousand in 1999	650	500

Movements in share capital:

	Shares (thousands)		Amount	
	2000	**1999**	**2000**	**1999**
Common Shares				
Issued and paid up				
January 1	5,000	5,000	500	500
Issuance	1,500	0	150	0
December 31	6,500	5,000	650	500

18 Retained Earnings

Dividends declared relate to dividends paid by aeco Germany GmbH and aeco Ltd. during the years 2000 and 1999. For the purpose of the consolidated (Pro-Forma Combined) financial statements, we assumed that aeco N.V. pays the dividends received from aeco Germany GmbH and aeco Ltd. to the ultimate shareholders of the Company.

19 Segment information

The company evaluates performance based on several factors including sales, cost of sales and gross profit. The company has no reliable information available on net results, assets liabilities, capital expenditures, depreciation and amortisation and cash flows per segment as this information is not used internally (by management) to evaluate the performance per segment.

Business Segment Data

Sales	2000		1999	
Test and Inspect Products	16,106	90.1%	10,948	73.0%
Production Equipment	964	5.4%	3,751	25.0%
Test Services	797	4.5%	300	2.0%
Total sales	**17,867**	**100.0%**	**14,999**	**100.0%**

Cost of Sales	2000		1999	
Test and Inspect Products	8,252	90.9%	5,211	69.2%
Production Equipment	365	4.0%	2,126	28.2%
Test Services	459	5.1%	198	2.6%
Total cost of sales	**9,076**	**100.0%**	**7,535**	**100.0%**

Gross Profit	2000		1999	
Test and Inspect Products	7,854	89.3%	5,737	76.8%
Production Equipment	599	6.8%	1,626	21.8%
Test Services	338	3.9%	101	1.4%
Total gross profit	**8,791**	**100.0%**	**7,464**	**100.0%**

Geographical Segment Data

Sales	2000		1999	
Europe	12,601	70.5%	12,131	80.8%
Asia	1,244	7.0%	804	5.4%
The Americas	4,022	22.5%	2,064	13.8%
Total sales	**17,867**	**100.0%**	**14,999**	**100.0%**

20 Cost of Sales

Cost of Sales comprises the following:

	2000	1999
Materials	6,091	5,117
Personnel expenses	2,051	1,596
Depreciation	105	58
Repair and maintenance expenses	24	28
Rent expense	147	50
Other	658	686
Total cost of sales	**9,076**	**7,535**

21 Marketing and Sales

Marketing and sales costs comprise the following:

	2000	1999
Personnel expenses	408	146
Marketing expenses	360	103
Advertising expenses	167	89
Depreciation	13	-
Rent expense	4	8
Other	181	126
Total marketing and sales costs	**1,133**	**472**

22 Research and Development

Research and development expenses comprise the following:

	2000	1999
Personnel expenses	1,595	1,145
Materials	301	166
Depreciation	59	58
Rent expense	33	40
Other	1,296	37
Total research and development expenses	**3,284**	**1,446**

23 General and Administration

General and administration expenses comprise the following:

	2000	1999
Personnel expenses	1,390	887
Depreciation	174	124
Audit, consulting and legal expenses	284	258
Rent expense	100	80
Amortisation goodwill	92	-
Other	1,033	744
Total general and administration expenses	**3,073**	**2,093**

24 Personnel Expenses and Average Number of Employees

Personnel expenses are summarised as follows:

	2000	1999
Wages and salaries	4,504	2,917
Pension expenses	231	36
Other social expenses	709	821
Total personnel expenses	**5,444**	**3,774**

The average number of employees for the year was:

	2000	1999
Netherlands	1	-
Germany	58	57
United Kingdom	50	45
Total average number of employees	**109**	**102**

25 Financial Income — Net

Financial income comprises the following:

	2000	1999
Interest expense	(76)	(60)
Interest income	564	104
Currency gains and losses	(121)	8
Total financial income — net	**367**	**52**

26 Income Taxes

The income tax provision for the years 2000 and 1999 comprises current taxes. The effective tax rate for financial statement purposes differs from the statutory tax rate in The Netherlands as the Company is subject to taxation in various countries with different statutory tax rates (The Netherlands 35%, Germany 40% and UK 20%).

The Company has tax loss carry forwards available of approximately euro 104 and euro 500 as per December 31, 2000 and 1999 respectively, for which no deferred tax asset is recognised in the balance sheet due to uncertainty of its recoverability.

The reconciliation of the effective tax rate to the statutory tax rate is as follows:

	2000		1999	
Accounting Profit	1,668	100%	3,505	100%
Tax at the applicable tax rate (40% in 2000 and 50% in 1999)	667	40%	1,753	50%
Tax effect of income not taxable in determining taxable profit:				
Losses in subsidiaries	386	23%	7	-
Tax effect of temporary differences	(209)	(12%)	(177)	(5%)
Tax charge per statutory books	844	51%	1,583	45%

27 Notes to Cash Flow Statements

Cash flows from acquisition of subsidiaries:

	2000
Cash and cash equivalents	23
Receivables	99
Inventories	226
Property, plant and equipment	164
Accounts payable and accrued expenses	(12)
Net assets acquired	**500**
Cash and cash equivalent	(23)
Goodwill	805
Net cash flow	**1,282**

28 Leases

The Company and its subsidiaries have various operating lease agreements for machinery, offices and other facilities. Future minimum lease payments as per December 31, 2000 under non-cancellable operating lease are as follows:

Next 1 year	307
1 year through 5 years	587
After 5 years	11
Total future minimum lease payments	**905**

29 Contingent Liabilities

Various legal actions and claims are pending or may be asserted in the future against Group companies from litigations and claims incident to the ordinary course of business. These mainly include matters relating to warranties and infringement on intellectual property rights. Related risks have been analysed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, management believes that no material liabilities are likely to result.

30 Related Party Transactions

aeco N.V. has entered into a variety of transactions with affiliated companies of the Toolex International N.V. group. These transactions relate mainly to the sale of goods and are in the normal course of business on an arm's-length basis. Total sales to affiliated companies of the Toolex International N.V. group amounted to euro 9,979 and euro 8,387 for the years 2000 and 1999 respectively.

The trade receivable balances at December 31, 2000 and 1999 include receivables on Toolex International N.V. group companies for an amount of euro 4,305 and euro 429 respectively. These receivables result from ordinary business transactions and therefore have been classified as trade receivables.

Toolex International N.V. holds 19.3% of the shares of aeco N.V.

31 List of Subsidiaries Consolidated

Entity	Place of Incorporation	Principal Activities	Ownership Interest
aeco International (Deutschland) GmbH	Berlin, Germany	Holding	100%
aeco Germany GmbH	Aichach, Germany	Developing & Manufacturing	100%
aeco Limited*	Welshpool, United Kingdom	Developing & Manufacturing	100%
Aerostream Inc.	Burbank, United States of America	Testing Services	100%

*Including Testronic Limited

32 Emoluments of the Board of Directors

Directors' total remuneration approximated euro 628 and euro 265 in 2000 and 1999 respectively.

Shares held by members of the Board of Directors:

Mr. J. Steynor	748,500 shares
Family Hoffmann	748,500 shares
Family Ostermayer	748,500 shares

[financial statements]

33 Earning Per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders (net profit for the period less dividends on preference shares) by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive ordinary shares from exercise of share options. The number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares which would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Share options are deemed to have been converted into ordinary shares on the date when the options were granted.

		For the year ended 2000	
	Income	Weighted Average Number of Shares (thousands)	Earning Per Share Amount
Basic Earnings per Share			
Net profit available to common shareholders	824	6,500	0.13
Add : Assumed exercise of share options granted		125	
Diluted Earnings per Share			
Net profit available to common shareholders afters assumed conversion	824	6,625	0.12

		For the year ended 1999	
	Income	Weighted Average Number of Shares (thousands)	Earning Per Share Amount
Basic Earnings per Share			
Net profit available to common shareholders	1,922	5,000	0.38
Add : Assumed exercise of share options granted		-	
Diluted Earnings per Share			
Net profit available to common shareholders afters assumed conversion	1,922	5,000	0.38

(PRO-FORMA) NON-CONSOLIDATED BALANCE SHEETS

as at December 31, 2000 and 1999
(in thousands of euros)

	December 31, 2000	Pro-Forma Combined December 31, 1999
ASSETS		
Current Assets		
Cash and cash equivalents	6,637	-
Receivables — group	11,003	-
Other current assets	338	-
Total current assets	**17,978**	**-**
Non-current Assets		
Goodwill	1,289	-
Investment in group companies	960	1,873
Property, plant and equipment at cost — net	30	-
Total non-current assets	**2,279**	**1,873**
Total Assets	**20,257**	**1,873**
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	404	-
Total current liabilities	**404**	**-**
Total Equity	**19,853**	**1,873**
Total Liabilities and Equity	**20,257**	**1,873**

(PRO-FORMA) NON-CONSOLIDATED INCOME STATEMENTS

for the years ended December 31, 2000 and 1999
(in thousands of euros)

	December 31, 2000	Pro-Forma December 31, 1999
General and administration	376	-
Result from Operations	**(376)**	**-**
Financial income		
Result participations	(889)	(1,922)
Interest expense	1	-
Interest income	(367)	-
Currency expenses	55	-
Total Financial Income	**(1,200)**	**(1,922)**
Profit Before Tax	**824**	**1,922**
Income tax	-	-
Profit After Tax	**824**	**1,922**

[financial statements]

(PRO-FORMA) STATEMENT OF CHANGES IN EQUITY

for the years ended December 31, 2000 and 1999
(in thousands of euros)

	Share Capital	Capital Reserve	Property Revaluation Surplus	Translations Reserve	Retained Earnings	Total
Balance at January 1, 1999	**500**	**1,694**	**130**	**19**	**(638)**	**1,705**
Dividends aeco Germany GmbH declared	-	-	-	-	(1,730)	(1,730)
Currency translation differences	-	-	-	(24)	-	(24)
Net profit for the year	-	-	-	-	1,922	1,922
Other	-	-	(2)	-	2	0
Balance at December 31, 1999	**500**	**1,694**	**128**	**(5)**	**(444)**	**1,873**
Dividends aeco Germany GmbH declared	-	-	-	-	(1,943)	(1,943)
Goodwill merger Aerosonic Ltd	-	(1,080)	(128)	5	2,387	1,184
Proceeds from issuance of share capital	150	17,758	-	-	-	17,908
Currency translation differences	-	-	-	7	-	7
Net profit for the year	-	-	-	-	824	824
Balance at December 31, 2000	**650**	**18,372**	**-**	**7**	**824**	**19,853**

NOTES TO THE (PRO-FORMA) NON-CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2000 and 1999 (in thousands of euros)

1 General

The description of the company's activities and the group structure, as included in the notes to the consolidated (Pro-Forma Combined) financial statements, also apply to the company-only financial statements.

2 Summary of Significant accounting Policies

General

The accounting principles as described in the notes to the consolidated financial statements also apply to the company-only financial statements, unless indicated otherwise.

Investments in group companies

Investments in group companies are accounted for by using the equity method.

3 Investments in Group Companies

The movement in the investment in group companies as follows:

	At December 31, 2000	At December 31, 1999
Book value at January 1,	1,873	1,705
Acquisitions	134	-
Income from investments	889	1,922
Dividend declared	(1,943)	(1,730)
Currency translation differences	7	(24)
Book value at December 31,	**960**	**1,873**

APPROPRIATION OF NET PROFIT

The Articles of Association of the company provide that the appropriation of the net income for the year is decided upon at the Annual General Meeting of Shareholders. Awaiting the decision by the shareholders, the net profit for the year is separately included in retained earnings.

AUDITORS' REPORT

Introduction

We have audited the consolidated balance sheet as per December 31, 2000, the pro-forma combined balance sheet of December 31, 1999, the pro-forma combined statements of changes in equity of the years 2000 and 1999, the pro-forma combined cash flow statements of the years 2000 and 1999 and the pro-forma combined income statements of the years 2000 and 1999 of aeco N.V. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2000 and December 31, 1999 and of the results for the years ended December 31, 2000 and December 31, 1999 in accordance with International Accounting Standards.

Arthur Andersen

Arthur Andersen
Eindhoven, The Netherlands,
March 22, 2001