aeco N.V.

Annual report for the year ended December 31, 2001

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aeco N.V.

FINANCIAL SUMMARY

Based on IFRS
(in thousands of euros)

Key facts:

- Insolvency of major customer and shareholder Toolex N.V. in September 2001;
- Sales down 57 % from euro 17.9 million in 2000 to euro 7.8 million in 2001;
- Profit from operations turned negative from euro 1.3 million in 2000 to euro (14.9) million in 2001;
- A significant part of the loss from operations is due to the write off of inventories, receivables and goodwill;
- Cash flow was euro (6.5) million in 2001 after euro 8.8 million in 2000;
- Restructuring and discontinuing of test equipment business in 2002;
- Insolvency of Aeco Germany GmbH in September 2002.

Key figures:

Key Figures	2001	2000	1999
Sales	7,753	17,867	14,999
Profit/(loss) from operations	(14,901)	1,301	3,453
Net profit/(loss)	(14,754)	824	1,922
Cash flow	(6,495)	8,816	227
Total equity	4,952	19,853	1,873
Total assets	8,054	23,133	5,350
Number of employees	130	109	102
Basic earnings per share*	(2.27)	0.13	0.38

* In 1999 calculated on the basis of 5.0 million shares outstanding; and in 2000 / 2001 on the basis of 6.5 million shares outstanding.

MANAGEMENT BOARD REPORT

The aeco N.V. Group

In the fiscal year 2001 aeco N.V., through its four primary operating subsidiaries, provided equipment and services in the field of optical media testing and inspection. An overview of the group is provided below:

Parent Company	aeco N.V., Eindhoven, The Netherlands	Holding Function Listed on Stock Exchange
Holding	Aeco international GmbH	Holding
Business Unit Test Equipment	aeco Germany GmbH, Aichach, Germany	Provider of physical inspection equipment
	Aeco Ltd., Welshpool, United Kingdom	Provider of electrical test and production equipment
Business Unit Test Services	Testronic Laboratories Ltd., London, United Kingdom	Provider of test services for the European market
	Aerostream Inc., Los Angeles, United States	Provider of test services for US market

Aeco N.V. has, during the fiscal year 2002 exited partly the business unit test equipment and refocused its activities in the test services area. Please see chapter “Recent Developments” for further details.

Business Unit Test Equipment in Fiscal Year 2001

Market conditions

Generally the market for test and inspection equipment for optical media like CD and DVD is driven by the following key factors:

- Demand for such optical media by the end user;
- Introduction of new formats like DVD-ROM, DVD-Audio, DVR, etc.;
- Increased capacity and increased complexity of the media generating a need for testing and inspection.

Like other equipment businesses, the equipment business for optical media testing and inspection is characterized by a strongly cyclical pattern. In periods, where end-user demand grows substantially, the demand for testers and inspection equipment grows over proportionally as producers of optical media expand their capacity in order to avoid loosing business. In such periods significant excess capacity is being built up. In periods of moderate or reduced end-market growth though, investment in test and inspection is reduced significantly and is one of the first areas where producers try to cut costs.

The year 2001 was characterized by somewhat moderate growth in the end-market and significant excess capacity in the area of test and inspection equipment, which had been built up in the years before. Some main influencing factors include:

- Continued over-capacity in CD-R manufacturing in Asia (primarily Taiwan);
- Continued difficulty in DVD of both disc and player sales to meet strong growth expectations;
- Lack of take up of DVD-ROM as a format for games and other computer data distribution.

Insolvency of the main customer Toolex N.V.

2001 was a difficult year for aeco N.V. Not only the difficult general market environment, which was dominated by excess capacity in the test and inspection equipment area, but particularly the insolvency of Toolex N.V., one of aeco's main shareholders and also the main customer, negatively influenced aeco's operating performance. The Toolex insolvency alone resulted in a break away of sales in the order of 60-80% of expected total sales. In the fiscal year 2000 sales generated with Toolex were 9.7 euro million. For the year 2001 Toolex N.V. did not fulfil an existing supply agreement due to its insolvency. Furthermore aeco has delivered equipment for approximately euro 3.47 million to Toolex N.V., which had to be written off entirely. Also a write-off of the obsolescence Toolex related inventory, euro (1.92) million was necessary.
In the fiscal year 2001 sales generated with Toolex N.V. were euro 0.6 million. Sales outside Toolex N.V. developed in line with the difficult market environment.

Restructuring of operations

With the difficult market environment and the insolvency of Toolex N.V., aeco's operating companies in the test and inspection equipment unit were confronted with a substantially different business environment compared to the past. In order to adjust its operations focus was put on the following areas:

- *Reduction of costs*

A significant effort to reduce costs has been undertaken in both operating companies within the equipment business unit. The number of personnel in aeco Ltd., Welshpool had been reduced by 20 people from 48 to 28 employees at December 31, 2001. In aeco Germany GmbH a number of cost saving measures were introduced. Among those, personnel costs were reduced by 10% through the introduction of state supported 'short time work' (state subsidized reduction of work time of 20% to 80%).

- *Build up of agency structure*

The break away of its major customer, Toolex N.V. represented a particularly strong challenge to the marketing and sales activities of aeco's operating companies. Two critical factors had to be addressed:

(1) Aeco's operating companies have started to market its products to customers, which were previously not within reach as they were competitors of Toolex N.V. and did not have an interest in a business relationship with aeco being partly owned by Toolex N.V.

(2) A global network of agents which perform sales and services for aeco's operating companies in all relevant territories had been build up. This effort reflects the need of a local presence on a global basis. In total, 10 agents have been signed up, which exclusively represent aeco's test equipment products in their respective territories.

- *Maintain technological leadership*

Despite the effort to significantly cut costs, aeco Germany GmbH has maintained its focus on research and development and has successfully launched 'argus', a world leading physical inspection product.

Business Unit Test Services in Fiscal Year 2001

In its test services business unit, aeco's operating companies focus on DVD and VHS disc content verification, compatibility testing consulting services for disc replication providing outsourced quality assurance services for content providers.

Testronic Laboratories, aeco's UK subsidiary in this field, is the undisputed market leader in the United Kingdom and has further strengthened this position in the fiscal year 2001. Aerostream Inc., aeco's US subsidiary, which was founded in late 1999 and was loss making in 2000. In 2001 the company has been turned profitable and is now an established player in the Los Angeles area. A change in senior management in Aerostream Inc. has significantly helped achieving this success.

Financial Statements

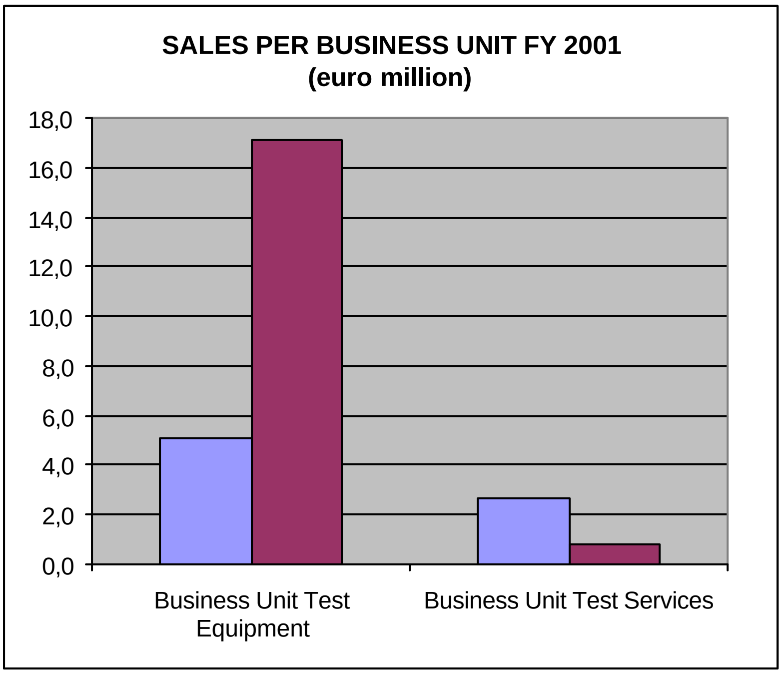
As of December 31, 2001[1], aeco N.V was quoted on the "Neuer Markt" (a segment of the Frankfurt Stock Exchange). Due to the change of Stock Exchange segment shares of aeco N.V. were quoted for the last time on New Market (Neuer Markt) of the Frankfurt Stock Exchange on Friday, March 15, 2002. As of Monday, March 18, 2002, the shares were quoted under the same registration number (WKN) 927093 and the same security code XAE on the Regulated Market (Geregelter Markt) of the Frankfurt Stock Exchange.
The registered office of the company is in Eindhoven, The Netherlands. The results for 2001 and the comparative results for 2000 are stated in euro in accordance with IFRS (International Financial Reporting Standards).

Total sales

Overall sales decreased by 57% from euro 17.9 million in 2000 to euro 7.8 million in 2001.

Sales by business unit

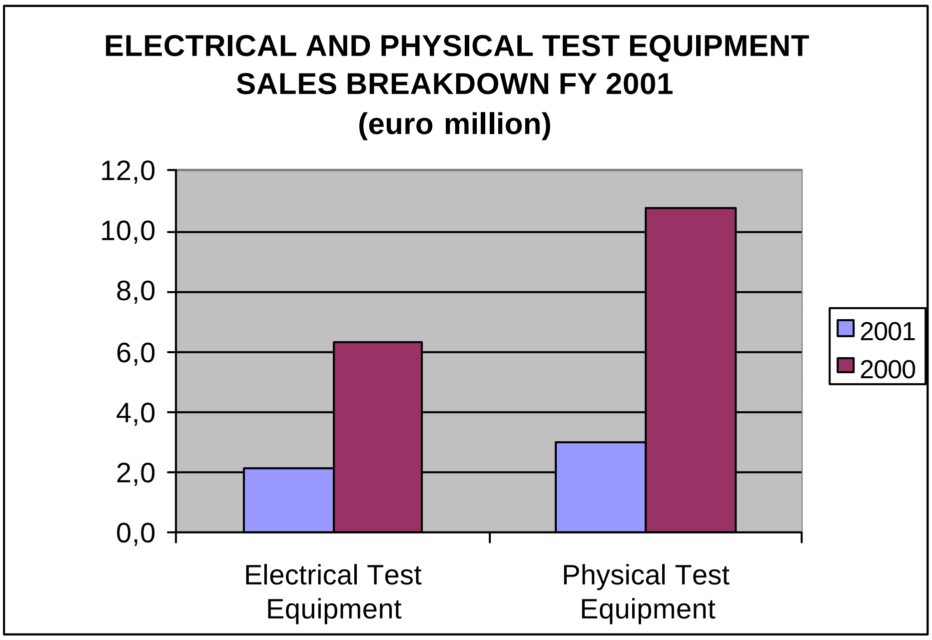
The following table shows a breakdown of sales for 2001 by business unit:



[1] See chapter 'Recent developments and outlook' for information about change of Stock Exchange segment.

Sales of the test equipment business unit decreased 70% from euro 17.1 million in 2000 to euro 5.1 million in 2001. The business unit test equipment accounted for approximately 66 % of total sales in 2001 (2000: 96%). Sales of the test services business unit increased from euro 0.8 million in 2000 to euro 2.6 million in 2001 and accounted for approximately 34% of total sales in 2001 (2000: 4%).

The following table shows a breakdown of electrical tester and physical inspection equipment sales within the business unit test equipment.



Both, electrical and physical test equipment were hit equally hard by the slowdown in the market and the insolvency of Toolex N.V. Electrical test equipment generated euro 2.1 million of sales (2000: euro 6.3 million, -67%), while physical test equipment accounted for euro 3.0 million of sales (2000: euro 10.8 million, -72%.)

Gross profit

The overall gross profit in the fiscal year 2001 was euro 1.1 million (2000: euro 8.8 million). This reflects a gross profit margin of 13.7% in 2001 after 49.2 % in the fiscal year 2000. The significant decrease not only results from price erosion in an increasingly competitive market, but is mainly due to the fact that aeco's operational companies in the test equipment business unit had purchased large amounts of stock in anticipation of planned and contractually agreed sales to Toolex N.V., which did not materialise. Due to this effect the gross margin in the test equipment business unit was (12.3%). The gross margin of 49.9% in the test services business unit could only partly compensate this effect.

Operating profit/(loss) and expenses

Operating profit/(loss) in the fiscal year 2001 amounted to euro (14.9) million (2000: euro 1.3 million). Overall, operating expenses increased from euro 7.5 million in 2000 to euro 16.0 million in 2001.

Marketing and sales expenses decreased by 10% from euro 1.1 million in 2000 (6.3% of sales) to euro 1.0 million in 2001 (13.2% of sales). The main activities in this area included the expansion and improvement of the sales department including the build up of the global agency network, the continued integration of the former Aerosonic Ltd. and the former ContTec GmbH and the launching of the aeco brand name to the market.

Expenses for research and development decreased by 10% from euro 3.3 million in 2000 (18.4% of sales) to euro 3.0 million in 2001 (38.3% of sales). The relatively high expenses in this area demonstrate aeco's continued commitment to technological leadership. The main individual activities were the continued research and development of our new software for electrical testers, the further development and improvement of our electrical tester for Dataplay and the further development of three new products in the area of physical inspection, which are planned to be launched in 2002.

General administration expenses increased by 25.8% from euro 3.1 million in 2000 (17.2% of sales) to euro 3.9 million (49.9% of sales). The decrease was mainly caused by the insolvency of the main customer Toolex NV and the insolvency of aeco Germany GmbH on 27. September 2002. Write-off of the obsolescence Toolex related inventory was euro (1.167) million in 2001 and write off due to the incollectability of Toolex trades was euro (3.47) million in 2001. Write off due to the insolvency of aeco Germany GmbH was euro (1.5) million in 2001. Furthermore the increase was due to redundancy costs for the downsizing of aeco Ltd. in Welshpool and the integration of existing marketing and sales activities at the offices in Eindhoven.

Financial income/ loss– net

The net financial income – net was euro (0.2) million in 2001, compared to euro 0.4 million in 2000.

Income tax

aeco N.V. effective tax rate was 0% in 2001 and 51% in 2000. The decrease is due to fiscal losses in 2001.

Profit/(loss) after tax

Profit/(loss) after tax decreased from euro 0.8 million in 2000 to euro (14.8) million in 2001, mainly due to the significantly reduced revenue base, the increase in operating expenses, the insolvency of the main customer Toolex N.V. and the insolvency of aeco Germany GmbH.

Cash flow

The net cash used in operating activities in 2001 increased from euro (5.2) million in 2000 to euro (5.8) million. The increase in net cash used in operating activities is mainly due to an increase in operating costs, which could not yet be reduced significantly in the fiscal year 2001.

Proposal for allocation of loss

We will propose to the Annual Shareholders' Meeting to deduct the loss after tax of euro (14.8) million from retained earnings, resulting in an accumulated deficit of euro 13.9 million.

Employees

Our average staffing level has increased by 21 people from an average of 109 in 2000 to 130 in 2001.
There are 90 people employed in our test equipment business unit and 38 in our test services business unit. The increased staff levels in test services business unit reflects the growth of the business. The holding aeco N.V. employed 2 people in 2001.

Capital expenditures

We spent a total of euro 0.3 million on property, plant and equipment. The main part of this capital spending went to replacement and additions in our laboratory equipment.

Acquisitions

No acquisitions were made in the fiscal year 2001.

Research and development

It is the policy of the group to allocate approximately 20% of total sales to research and development. This policy will be continued for the foreseeable future.

We spent euro 3.0 million on research and development in 2001, which is 38.3% of sales (2000: euro 3.3 million, 18.4% of sales). The high research and development expenses are mainly due to our policy to maintain a policy of technological leadership and significantly reduced sales levels.

Subsequent financial events

aeco N.V. has changed its Stock Exchange segment from 'Neuer Markt' to 'Geregelter Markt' on March, 18, 2002 in order to attract the right investor base and to save costs.

Changes in Management

Changes in fiscal year 2001

During the fiscal year 2001 the following changes in the management of aeco N.V. have taken place:

(1) Mr. Jacques Fiers was appointed Managing Director (CEO) of aeco N.V. with overall responsibility for the entire group as of June 25, 2001;
(2) Mr. James Steynor, Mr. Erich Hoffmann and Mr. Johann Ostermayer have stepped back from their positions as Members of the Management Board of aeco N.V. as of June 25, 2001;
(3) Mr. Erich Hoffmann and Mr. Johann Ostermayer have continued to assume their responsibilities as Managing Directors of aeco Germany GmbH, Aichach, Germany;
(4) Mr. James Steynor has stepped back from his position as Managing Director of aeco Ltd, Welshpool, United Kingdom as of September 30, 2001.

Recent management changes (in fiscal year 2002)

There were a number of additional management changes subsequent to the date of this annual report, which are being disclosed below:

(1) With effect of January 31, 2002, Mr. Jacques Fiers (CEO) and Mr. Han van Eijden (CFO) have stepped back from their positions as Members of the Management Board of aeco N.V.;
(2) The Chairman of the Supervisory Board, Mr. Bert Heikens, has also retired from his position effective March 15, 2002;
(3) Dr. Jens Bodenkamp, Munich, Germany has been appointed to new Chairman of the Supervisory Board effective March 15, 2002;
(4) Mr. Erich Hoffmann and Mr. Johann Ostermayer have been appointed to new Members of the Board of aeco N.V. from February 1, 2002 assuming responsibilities as CEO and CTO/ COO respectively. Mr. Erich Hoffmann and Mr. Johann Ostermayer have retained their responsibilities as Managing Directors of aeco Germany GmbH;
(5) Mr. Robert Kaess and Dr. Michael Hasenstab have been appointed to Members of the Management Board of aeco N.V. effective July 1, 2002;
(6) Mr. Cliff Price has been appointed Managing Director of the business unit test services effective March 1, 2002.

Recent Developments (in Fiscal Year 2002)

Further to the described changes in the management of aeco N.V., a number of additional measures have been undertaken subsequent to the date of this report.

Exit of Business Unit Test Equipment

aeco Germany GmbH has on September 27, 2002 filed for insolvency with the local administration of Augsburg, Germany. Reason for this step was liquidity shortage, which was caused by the adverse market and investment climate in the optical media industry and the reduced sales as described above. At the date of this report aeco Germany GmbH was under preliminary administration. A number of different potential follow-on solutions including a sale, a management buy out and a closure are being considered.

Financial Impact of Insolvency of aeco Germany GmbH

Aeco N.V. does not expect to receive any payments from aeco Germany GmbH or its potential successor company and has therefore written off almost all assets in aeco Germany GmbH including inventories, receivables of aeco Germany GmbH, and loans given to aeco Germany GmbH to their fair value of euro nihl.

Outlook: New strategy of aeco N.V.

After the exit of the test equipment business aeco N.V. and its operating companies are planning to focus its activities on the area of test services going forward. Aeco N.V. as part of this strategy will in the future transform itself step by step to a financial and management holding offering financing, management and consulting services to its operating companies. The existing cash position of aeco N.V. allows for substantial comfort to execute the strategy outlined below. The strategy going forward consists of several elements:

- Further grow existing test services business for media industry

The test services business, which trades under the name Testronics and consists of Testronic Laboratories Ltd. in the UK and Aerostream Inc. in the US has benefited from strong growth in 2001 and has continued this trend in the year 2002. Profitability has been healthy in 2001 as well as in 2002 until the date of this report. We aim for further diversification from both, a regional as well as from a products and services point of view. A first step of regional diversification has been achieved with the opening of a German operation (Testronic Laboratories GmbH) in Ludwigsburg, Germany in October 2002, which has commenced trading in November 2002.

- Offer new and related test services to existing clients in the media industry

Besides the existing service of testing finished discs in the DVD video area, Testronic aims to cover a broader range of the value chain and offer test services more closely associated to the production process of such DVDs. First successes have been achieved in this area trough the provision of emulation test services to two large customers, which are needed at a very early stage of the production process.

- *Offer test services to other industries*

Aeco N.V. plans to invest in or build up test services businesses for other industries outside the media industry.

In summary, the closure of the business unit test equipment will result in a significant drop in sales in the fiscal year 2002 and 2003, which will partly be compensated by increased sales in the test services area. We expect revenues of euro 5.5 million in 2002 and euro 3.5 million in 2003. The net loss for 2002 is expected between euro 2.0 million and euro 2.5 million. However, after the closure/exit of the loss making business unit test equipment, operationally all remaining operating companies of aeco N.V. are profitable and will fuel future growth in the area of test services. We expect to return back to profitability in the first quarter of fiscal year 2003.

Eindhoven, The Netherlands
November 22, 2002

<u>Board of Managing Directors</u>
Erich Hoffmann (CEO)
Johann Ostermayer (CTO/ COO)

SUPERVISORY BOARD REPORT

The Supervisory Board comprises of three members. Four plenary meetings of the Supervisory Board took place during 2001, according to the Articles of Association of aeco NV. No extraordinary meetings were called by any member in 2001.

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:

- Organisational structure to meet the requirement for efficient corporate Management;
- Integration of aeco Ltd. and aeco Germany GmbH;
- Restructuring plan to reduce operating costs;
- Effects and conclusions for aeco group as a result of the Toolex N.V. bankruptcy;
- Changes in the management board (see Management Board Report);
- Budget 2002: special attention was given to the conclusions of the Toolex N.V. bankruptcy and to the increasing operating expenses and measures to control these.

The consolidated statements of aeco N.V. were drawn up according to the International Financial Reporting Standards (IFRS) as issued by the IASB. These statements have been examined by Arthur Andersen - Ernst & Young in Germany and Deloitte Touche in The Netherlands and the United Kingdom as our independent public auditors.

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

Eindhoven, The Netherlands

November 22, 2002

Board of Supervisory Directors
B. Heikens (till March 15, 2002)
K. Moser
C. T. Wheatley (till January 30, 2002)
Dr. J. Bodenkamp (since March 15, 2002), Chairman
W. Paggen (since March 15, 2002)

CONSOLIDATED BALANCE SHEETS

as at December 31, 2001 and 2000
(in thousands of euros)

	Note	Consolidated December 31, 2001	Consolidated December 31, 2000
ASSETS			
Current Assets			
Cash and cash equivalents	6	3,035	9,530
Trade receivables – net	7	1,744	5,730
Inventories	8	1,626	2,891
Other current assets	9	391	1,679
Total Current Assets		6,796	19,830
Non-Current Assets			
Goodwill	10	156	1,897
Property, plant and equipment at cost – net	11	479	780
Buildings at revalued amount - net	12	471	474
Other non-current assets	13	152	152
Total Non-Current Assets		1,258	3,303
Total Assets		8,054	23,133
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Trade and other payables	14	2,472	2,455
Taxes and social securities		340	93
Provisions	15	290	447
Total Current Liabilities		3,102	2,995
Non-Current Liabilities			
Long-term debt	17	-	285
Total Non-Current Liabilities		-	285
Total Equity	19		
Share capital		650	650
Capital reserve		18,347	18,372
Currency translation differences		(115)	7
Accumulated profit/ (deficit)		(13,930)	824
Total Equity		4,952	19,853
Total Liabilities and Equity		8,054	23,133

The accompanying notes to these balance sheets form an integral part of these consolidated financial statements.

aeco N.V.

INCOME STATEMENTS

for the years ended December 31, 2001 and 2000

(in thousands of euros)

	Note	Consolidated December, 31, 2001	Consolidated December, 31, 2000
Sales	20	7,753	17,867
Cost of sales	21	6,692	9,076
Gross Profit		1,061	8,791
Redundancy costs	22	975	-
Marketing and sales	23	1,024	1,133
Research and development	24	2,969	3,284
General and administration	25	3,869	3,073
Write-offs due to Toolex insolvency		5,393	-
Impairment goodwill	10	1,732	-
Profit/ (Loss) From Operations		(14,901)	1,301
Interest Income		280	488
Currency translation differences		(115)	(121)
Other Expenses		(1)	-
Total Financial income – net	27	164	367
Profit/ (Loss) Before Tax		(14,737)	1,668
Income tax	28	17	844
Profit/ (Loss) After Tax		(14,754)	824
Earnings Per Share *	34		
Basic		(2.27)	0.13
Diluted		(2.23)	0.12

* In 1999 calculated on the basis of 5.0 million shares outstanding; and in 2000 / 2001 on the basis of 6.5 million shares outstanding.

The accompanying notes to these income statements form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended December 31, 2001, 2000 and 1999

(in thousands of euros)

	Share Capital	Capital Reserve	Property Revaluation Reserve	Translation Reserve	Accumulated profit/ (loss)	Total
Balance at January 1, 1999 (pro-forma combined)	500	1,694	130	19	(638)	1,705
Dividends aeco Germany GmbH declared	-	-	-	-	(1,730)	(1,730)
Currency translation differences	-	-	-	(24)	-	(24)
Profit after tax	-	-	-	-	1,922	1,922
Other	-	-	(2)	-	2	-
Balance at December 31, 1999 (pro-forma combined)	500	1,694	128	(5)	(444)	1,873
Dividends aeco Germany GmbH declared	-	-	-	-	(1,943)	(1,943)
Goodwill merger Aerosonic	-	(1,080)	(128)	5	2,387	1,184
Proceeds from issuance of share capital	150	17,758	-	-	-	17,908
Currency translation differences	-	-	-	7	-	7
Profit after tax	-	-	-	-	824	824
Balance at December 31, 2000	650	18,372	-	7	824	19,853
Currency translation differences	-	-	-	(122)	-	(122)
Proceeds from issuance of share capital	-	(25)	-	-	-	(25)
Loss after tax	-	-	-	-	(14,754)	(14,754)
Balance at December 31, 2001	650	18,347	-	(115)	(13,930)	4,952

The accompanying notes to these equity statements form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

for the years ended December 31, 2001 and 2000
(in thousands of euros)

	Consolidated December 31, 2001	Consolidated December 31, 2000
Cash flow from operating activities		
Profit/ (loss) after tax	(14,754)	824
Depreciation of tangible fixed assets	552	351
Goodwill amortization/impairment	1,741	92
Increase/(decrease) of provisions	(157)	168
(Increase)/decrease of inventory	1,265	(1,297)
(Increase)/decrease in other current assets and trade receivables	5,274	(5,664)
Increase/(decrease) in current liabilities other than provision	264	344
Net cash used in operating activities	(5,815)	(5,182)
Cash flow from investing activities		
Purchase of property, plant and equipment, net	(248)	(535)
Acquisitions of subsidiaries, net of cash	-	(730)
Net cash used in investing activities	(248)	(1,265)
Proceeds from issuance of share capital	(25)	17,908
Repayment of long-term debt and bank overdrafts	(285)	(709)
Dividends paid	-	(1,943)
Net cash (used in)/ provided by financing activities	(310)	15,256
Net effect of currency translation in cash and cash equivalents	(122)	7
Net increase/(decrease) in cash and cash equivalents	(6,495)	8,816
Cash and cash equivalents at beginning of year	9,530	714
Cash and cash equivalents at end of year	3,035	9,530
Supplemental cash flow disclosures		
Cash received for interest	279	488
Cash paid for income taxes	6	830

The accompanying notes to these cash flow statements form an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2001 and 2000
(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 testing services for the media industry. The average number of employees of the Group was 130 and 109 in 2001 and 2000 respectively. The office of aeco is located at Aalsterweg 181a, Eindhoven, The Netherlands.

2. Adoption of International Accounting Standards

In the current year, the Group has adopted IAS 29 and 40 for the first time. The effects on the equity and the income for the year are nil.

3. Going concern

During 2001, the company suffered significant losses from its operations, which weakened the shareholders' equity. Although it is difficult for the company to predict future liquidity requirements with certainty, the company believes that the cash generated from its operations, together with existing cash and amounts available under its financing arrangements and cash to be raised from private offerings of its securities, will be adequate to secure the continuity of the company's operations. The company is for this purpose in discussion with potential new shareholders to obtain additional financing. Furthermore, management has discontinued loss making businesses with limited future potential in 2002. Based on the assumption that the company will be able to continue as a going concern, the accounting principles as disclosed in note 4. have been applied in these financial statements.

4. 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 International Financial Reporting Standard (IFRS) formulated by the International Accounting Standards Board (IASB). The consolidated financial statements include the accounts of aeco International GmbH, aeco Germany GmbH (formerly known as ContTec GmbH), Aerostream Inc., aeco Ltd. (formerly known as Aerosonic Ltd.) and its wholly owned subsidiary Testronic Laboratories Ltd.

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 contribution in kind of shares in aeco Germany GmbH and aeco Ltd.

The consolidated financial statements of the Group as of December 31, 2001 and the pro-forma combined financial statements of the Group as of December 31, 2000 are presented assuming that the Company was incorporated as of January 1, 2000 and assuming that the acquisition of aeco Germany GmbH and aeco Ltd. was consummated on January 1, 2000.

The financial statements of aeco as of December 31, 2001 and 2000 are derived from the audited financial statements of aeco Germany GmbH as of December 31, 2001 and 2000 based on German Generally Accepted Accounting Principles ("German GAAP") and the audited financial statements of aeco Ltd. as of December 31, 2001 and 2000 based on the Generally Accepted Accounting Principles of England and Wales ("U.K. GAAP"). Certain adjustments have been taken into consideration in restating the respective financial statements of aeco Germany GmbH and aeco Ltd. under local GAAP to International Financial Reporting Standards.

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 and presented in euros, which is the functional currency of the group.

Principles of Consolidation
The consolidated financial statements of the Group include aeco N.V. and the subsidiaries over which management control is effectively exercised. This management 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 effectively 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 obtaining effective management control.

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 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 equivalents, marketable securities, trade and other accounts receivable and payable, long-term debt, bank overdrafts, 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, 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 Group 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.

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 in the Currency translation differences as part of shareholders' equity.

Inventories
Inventories, including work-in-progress on service contracts 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.

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 are stated at revalued amount 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 decrease 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 the 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 and liabilities 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 unamortized 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
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 can be 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 in case of internal use is demonstrated;
- and adequate technical, financial and other resources required for completion of the project are available.

Provisions
A provision is recognised when, and only when, the Group 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 IFRS 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 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 the income statement in the period in which they become known.

Reserves
Property Revaluation Reserve is created in accordance with the requirements of IFRS and intended for reflection of revaluation of buildings stated at fair value.

Translation Reserve is intended for reflection of translation differences arising from the translation of net investments in foreign subsidiaries.

Revenue Recognition
For products which are still under development, revenue is recognised net of sales taxes and discounts as and when goods 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 discounts at the moment of delivery of the goods 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.

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 Group, the translation principles are applied as if the transactions of the foreign operation had been those of the Group, 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 statement.

Foreign entities
The majority of foreign consolidated 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 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 the translation reserve in equity.

Defined Contribution Plans
The Group sponsors 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.

Income Taxes
The income tax charge is based on profit or loss for the year and includes deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of taxable 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
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 assets carried at cost and treated as a decrease in property revaluation reserve for buildings that are carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the property revaluation reserve 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 to which they belong.

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 exists or has decreased. The reversal is recorded in income or as an increase in the property revaluation reserve in case of buildings.

Segments
For management purposes the Group is organised on a world-wide basis into two major operating business units: Test Equipment and Test Services. These business units are the basis upon which the Group reports its primary segment information. Financial information on business units and geographical segments is presented in Note 20.

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.

5. Changes in Groups' Organisation
There were no changes in group´s organisation in 2001.

6. Cash and Cash Equivalents

Cash and cash equivalents comprise bank balances and cash. The carrying amount of these assets approximates their fair value.

7. Trade Receivables - Net

Trade receivables - net include the following:

	At December 31	
	2001	2000
Accounts receivable	5,750	6,020
Less: provision for doubtful accounts	(4,006)	(290)
Total trade receivables – net	1,744	5,730

8. Inventories

Inventories include the following:

	At December 31	
	2001	2000
Finished goods	264	685
Work-in-progress	746	329
Raw materials	616	1,877
Total inventories	1,626	2,891

9. Other Current Assets

Other current assets include the following:

	At December 31	
	2001	2000
Other receivables and prepaid expenses	288	1,357
Prepaid expenses	103	322
Total other current assets	391	1,679

10. Goodwill

The movement in goodwill is as follows:

	2001
Cost	
Cost at January 1	1,989
Impairment: Aerosonic Ltd.	(1,184)
Impairment: Apex Inc.	(640)
Cost at December 31	**165**
Accumulated Amortization 2001	
Accumulated at January 1	92
Impairment: Aerosonic Ltd.	(60)
Impairment: Apex Inc.	(32)
Amortization for the year	9
Accumulated amortization at December 31	**9**
Net book value	**156**

During 2001, management of the company decided to write-off goodwill related to the Aerosonic and Apex business, because of poor financial performance of both businesses. Furthermore, management decided to terminate both businesses in 2002.

11. Property, Plant and Equipment at Cost - Net

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

	At December 31	
	2001	2000
Cost		
Cost at January 1	1,902	1,397
Additions	328	529
Disposals	(240)	(82)
Acquisitions through business combinations	-	59
Currency translation differences	183	(1)
Cost at December 31	2,173	1,902
Accumulated Depreciation		
Accumulated depreciation at January 1	1,122	816
Depreciation for the year	541	332
Disposals	(136)	(56)
Acquisitions through business combinations	-	31
Currency translation differences	167	(1)
Accumulated depreciation at December 31	1,694	1,122
Net book value	479	780

12. Buildings at Revalued Amount - Net

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

The movement in buildings at revalued amount is as follows:

	At December 31	
	2001	2000
Revalued Amount		
Revalued amount at January 1	519	516
Additions	-	-
Currency translation differences	8	3
Revalued amount at December 31	527	519
Accumulated Depreciation		
Accumulated depreciation at January 1	45	26
Depreciation for the year	11	19
Currency translation differences	-	-
Accumulated depreciation at December 31	56	45
Net book value	471	474

The historical cost price of the building amounts to approximately euro 375.

13. Other Non-Current Assets

Other non-current assets comprise of long term investments in marketable securities for an amount of euro 152 and euro 152 as at December 31, 2001 and 2000, respectively. The market value of these investments at December 31, 2001 and 2000 does not significantly differ from its stated value.

14. Trade and Other Payables

Trade and other payables include the following:

	At December 31	
	2001	2000
Accounts payable trade	994	980
Advances on sales orders	50	154
Accrued expenses	1,066	662
Other payables	362	659
Total trade and other payables	2,472	2,455

15. Provisions

Provisions at December 31, 2001 and 2000 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 2000	447
Provisions made during the year	82
Provisions used during the year	(239)
Balance as December 2001	290
Current portion of provisions	290

16. Bank Overdrafts

As per December 31, 2001 the Group has credit facilities available amounting to approximately euro 77. The credit facilities with banks are secured by marketable securities to the amount of euro 152.

17. Long-Term Debt

As per December 31, 2001 the Group has no long term debts (2000: euro 285).

18. Employee Benefits Obligations

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

Defined contribution obligations were not significant as of December 2001 and 2000, respectively. These obligations are presented under other payables.

Share Option Plan
On June 23, 2000, the group adopted a Share Option Plan for certain key employees. Under this Share Option Plan, a maximum of 487,500 common shares may be granted for a period of 5 years.

The maximum number of shares with respect to which an option or options may be granted to any employee in any fiscal 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 exercise price per share 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 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 common share of aeco N.V.

In the event of termination of an optionee's continuous status as an employee, during a three year period from the date of grant of the option, any such option shall lapse. 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 there under 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 lapse. 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 the 2000 Share Option Plan.

Under separate individual option agreements options have been granted for up to 230,000 common shares of aeco N.V. The options have been modified in January 2002 to become exercisable immediately. Each of the options entitles its holder to purchase one share of aeco N.V. against exercise prices of euro 0.37 (5,000 options), euro 1.40 (100,000) and euro 14.00 (125,000)

Holders of these options are Mr. Jacque Fiers and Mr. Han van Eijden, both former member of the management Board.

19. Share Capital

The authorised share capital of the Company amounts to euro 2,000 divided into 20 million common shares each having a nominal value of euro 0.10 per share.

	2001	2000
Common shares, euro 0.10 par value Authorised 20 million; issued and outstanding 6.5 million in 2001 and 2000	650	650

Movements in share capital:

	Shares (thousands)		Amount	
	2001	2000	2001	2000
Common Shares				
Issued and paid-in				
January 1	6,500	5,000	650	500
Issuance	-	1,500	-	150
December 31	6,500	6,500	650	650

20. Segment Information

	Test Equipment 2001	Test Equipment 2000	Test Services 2001	Test Services 2000	Corporate Center 2001	Corporate Center 2000	Elimination 2001	Elimination 2000	Consolidated 2001	Consolidated 2000
SALES										
External Sales	5,106	17,070	2,647	797	-	-	-	-	7,753	17,867
Inter-segment sales	-	-	-	-	1,438	-	(1,438)	-	-	-
Total sales	5,106	17,070	2,647	797	1,438	-	(1,438)	-	7,753	17,867
RESULT										
Profit from operations	(12,992)	- [1]	(117)	- [1]	(1,792)	- [1]	-	- [1]	(14,901)	- [1]
Financial Income/ (loss)	5,515	- [1]	(4)	- [1]	(5,347)	- [1]	-	- [1]	164	- [1]
Income from investments	-	- [1]	-	- [1]	(7,615)	- [1]	7,615	- [1]	-	- [1]
Profit before tax	(7,477)	- [1]	(121)	- [1]	(14,754)	- [1]	7,615	- [1]	(14,737)	- [1]
Income tax expenses	17	- [1]	-	- [1]		- [1]	-	- [1]	17	- [1]
Profit after tax	(7,494)	- [1]	(121)	- [1]	(14,754)	- [1]	7,615	- [1]	(14,754)	- [1]
OTHER INFORMATION										
Capital additions	170	- [1]	54	- [1]	-	- [1]	-	- [1]	224	- [1]
Restructuring Costs	387	- [1]	-	- [1]	588	- [1]	-	- [1]	975	- [1]
Depreciation and amortisation	451	- [1]	75	- [1]	40	- [1]	-	- [1]	566	- [1]
Impairment goodwill	607	- [1]	-	- [1]	1,125	- [1]	-	- [1]	1,732	- [1]
Non-cash expenses other than depreciation and amortization	5,963	- [1]	132	- [1]	-	- [1]	-	- [1]	6,095	- [1]

- [1] No figures are available for the year 2000

	Test Equipment		Test Services		Corporate Center		Elimination		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
BALANCE SHEET										
ASSETS										
Segment assets	5,746	- [1)]	1,331	- [1)]	5,689	- [1)]	(4,712)	- [1)]	8,054	- [1)]
LIABILITIES										
Segment liabilities	4,845	- [1)]	1,111	- [1)]	735	- [1)]	(3,589)	- [1)]	3,102	- [1)]

- [1)] No figures are available for the year 2000

Geographical Segment Data

The geographical allocation of sales is as follows:

	2001	%	2000	%
Europe	5,216	67.3	12,601	70.5
Asia	1,221	15.7	1,244	7.0
The Americas	1,316	17.0	4,022	22.5
Total sales	7,753	100.0	17,867	100.0

21. Cost of Sales

Cost of sales comprises the following:

	2001	2000
Materials	2,160	6,091
Personnel expenses	2,308	2,051
Depreciation	374	105
Repair and maintenance expenses	21	24
Rent expense	152	147
Other	1,677	658
Total cost of sales	6,692	9,076

22. Redundancy Costs

Due to reorganisation aeco N.V. has had redundancy costs of euro 975 in 2001 (euro 0 redundancy costs in 2000). The redundancy costs relate to severance payments to a number of employees and 2 former management team members.

23. Marketing and Sales

Marketing and sales costs comprises the following:

	2001	2000
Personnel expenses	329	408
Marketing expenses	429	360
Advertising expenses	65	167
Depreciation	22	13
Rent expense	13	4
Other	166	181
Total marketing and sales costs	1,024	1,133

24. Research and Development

Research and development expenses comprises the following:

	2001	2000
Personnel expenses	2,376	1,595
Materials	452	301
Depreciation	83	59
Rent expense	38	33
Other	20	1,296
Total research and development expenses	2,969	3,284

25. General and Administration

General and administration expenses comprise the following:

	2001	2000
Personnel expenses	1,455	1,390
Depreciation	73	174
Audit, consulting and legal expenses	576	284
Rent expense	128	100
Amortisation goodwill	9	92
Other	1,628	1,033
Total general and administration expenses	3,869	3,073

26. Personnel

Personnel expenses are summarised as follows:

	2001	2000
Wages and salaries	5,507	4,504
Pension expenses	219	231
Other social expenses	742	709
Redundancy costs	975	-
Total personnel expenses	7,443	5,444

The average number of employees for the year was:

	2001	2000
The Netherlands	2	1
Germany	63	58
United Kingdom	65	50
Total average number of employees	130	109

27. Financial income/ (loss) - Net

Financial income comprises the following:

	2001	2000
Interest expense	(30)	(76)
Interest income	310	564
Currency translation differences	(115)	(121)
Other Expenses	(1)	-
Total financial income - net	164	367

28. Income Taxes

The income tax liability for the years 2001 and 2000 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 U.K. 20%) and has suffered losses which could not be compensated with taxable income from the past.
The Company has tax loss carry forwards available of approximately euro 13,700 and euro 104 as per December 31, 2001 and 2000 respectively, for which no deferred tax asset is recognised in the balance sheet due to uncertainty of its recoverability.

29. 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, 2001 under non-cancellable operating lease are as follows:

	2001	2000
Within 1 year	470	307
1 year through 5 years	1,064	587
After 5 years	-	11
Total future minimum lease payments	1,534	905

30. Contingent Liabilities

Various legal actions and claims are pending or may be asserted in the future against the 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.

31. Related Party Transactions/ Toolex N.V.

During 2000 and 2001, 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 597 and euro 9,724 for the years 2001 and 2000 respectively.

The trade receivable balances at December 31, 2001 include receivables on Toolex International N.V. for an amount of euro nil. Because of the insolvency of Toolex N.V., the Group wrote off receivables for an amount of euro 3,470 and inventory for an amount of Euro 1,167.

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

32. List of Consolidated Subsidiaries

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

*Including Testronic Laboratories Ltd., London, United Kingdom

33. Emoluments of the Board of Directors

Directors' total remuneration approximated euro 806 (euro 366 salary; euro 400 severance and euro 40 bonus) in 2001 and euro 628 in 2000 respectively.

Shares held by members of the Board of Directors:
Family Hoffmann 748,500 shares
Family Ostermayer 748,500 shares

34. Earnings per Share

Basic earnings per share are calculated by dividing the net loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

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

	For the year ended 2001		
	Income	**Weighted Average Number of Shares (thousands)**	**Earning Per Share Amount**
Basic Earnings per Share			
Net loss attributable to common shareholders	(14,754)	6,500	(2.27)
Add : Assumed exercise of share options	-	125	
Diluted Earnings per Share			
Net loss attributable to common shareholders afters assumed conversion	(14,754)	6,625	(2.23)

	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	-	68	-
Diluted Earnings per Share			
Net profit available to common shareholders afters assumed conversion	824	6,618	0.12

35. Subsequent Events

On September 27, 2002 aeco Germany GmbH has filed for insolvency with the local administration of Augsburg. Reason for this step was liquidity shortage, which was mainly caused by the adverse market and investment climate in the optical media industry and the insolvency of major customer Toolex N.V. in 2001.

During the fiscal year 2002 aeco N.V. has partly exited its activities in the Business Unit Test Equipment. Main reasons for this exit include the continued difficult market environment (as described above), increased price pressure and continued difficulties in regaining market share after the loss of key customer Toolex N.V.. Those factors resulted in significantly reduced sales of the operating companies in the business unit test equipment, which could not be compensated by cost reduction measures.

Aeco Ltd., Welshpool, provider of electrical test equipment, will close its activities in production and development of electrical testers and has made 25 of 28 people redundant during the course of the year 2002 until the date of this report. The remaining 3 people continue and will continue to provide service support to customers using aeco Ltd. equipment.

COMPANY-ONLY BALANCE SHEETS

as at December 31, 2001 and 2000
(in thousands of euros)

	December 31, 2001	December 31, 2000
ASSETS		
Current Assets		
Cash and cash equivalents	1,225	6,637
Receivables - group	3,314	11,003
Other current assets	109	338
Total Current Assets	4,313	17,978
Non-Current Assets		
Goodwill	156	1,289
Investment in group companies	782	960
Property, plant and equipment at cost - net	96	30
Total Non-Current Assets	1,034	2,279
Total Assets	5,687	20,257
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Trade and other payables	735	404
Total Current Liabilities	735	404
Total Equity		
Share capital	650	650
Capital reserve	18,347	18,372
Currency translation differences	(115)	7
Accumulated profit/ (deficit)	(13,930)	824
Total Equity	4,952	19,853
Total Liabilities and Equity	5,687	20,257

COMPANY-ONLY INCOME STATEMENTS

for the years ended December 31, 2001 and 2000
(in thousands of euros)

	December 31, 2001	December 31, 2000
Income/(Loss) after taxes	(7,139)	824
Loss from investments	(7,615)	-
Net income/(Loss)	(14,754)	824

NOTES TO COMPANY-ONLY FINANCIAL STATEMENTS

for the years ended December 31, 2001 and 2000
(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 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.

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

3. Investment in Group Companies

The movement in the investment in group companies as follows:

	2001	2000
Book value at January 1	960	1,873
Investments (forgiven loan)	7,552	134
Income from subsidiaries	(7,615)	-
Currency translation differences	(115)	-
Book value at December 31	**782**	**960**

OTHER INFORMATION

Appropriation of Net Loss after Taxes

The Articles of Association of the company provide that the appropriation of the loss after taxes for the year is decided upon at the Annual General Meeting of Shareholders. Awaiting the decision by the shareholders, the net loss for the year is deducted from the accumulated profit.