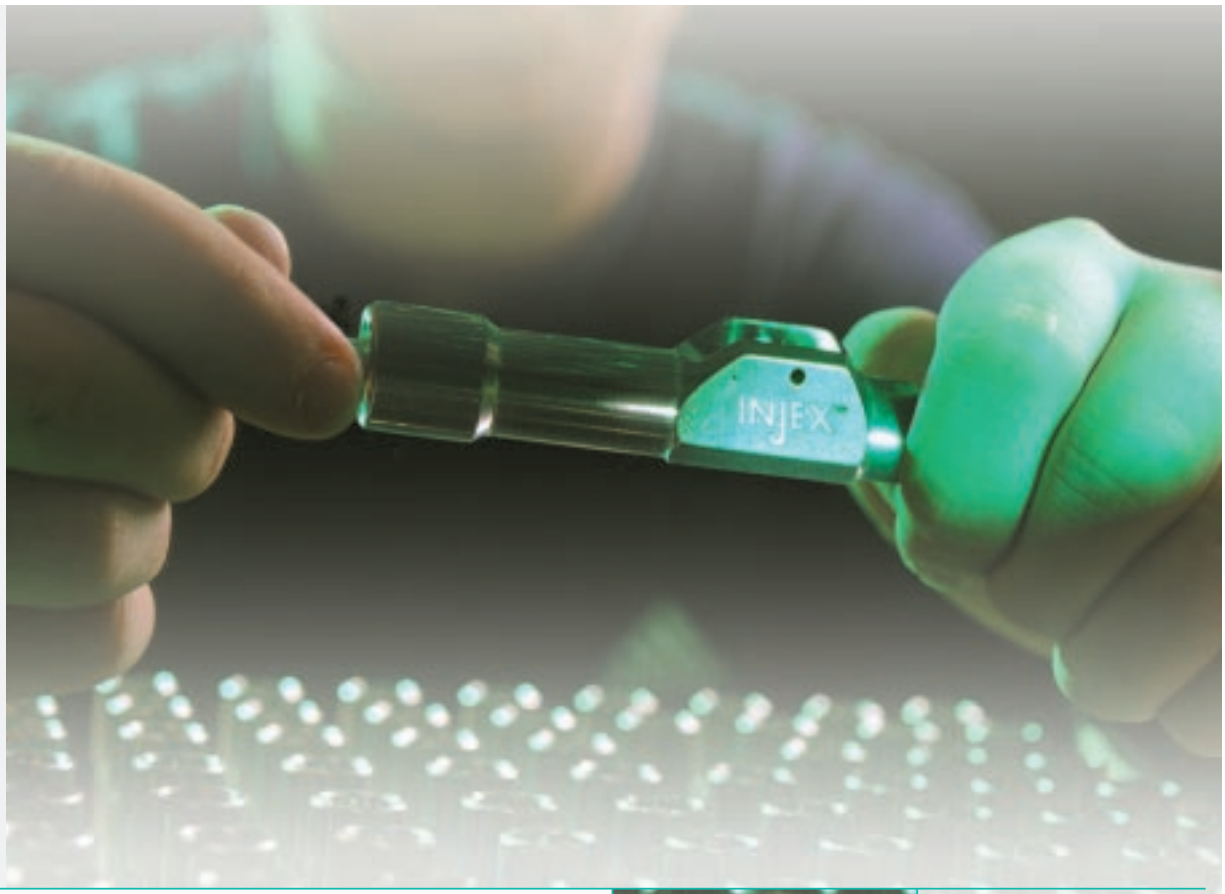

ANNUAL REPORT

2000/01

RÖSCH

RÖSCH AG Medizintechnik

Realising Medical Innovations for People

The english translation of the Annual Report 2000/2001 of RÖSCH AG Medizintechnik is for information purposes only.

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Business strategy

Business strategy

Focussed on global leadership

Focussed on entering the profit zone

Focussed on successful cooperation with the pharmaceutical and biotech industry

Focussed on research & development

RÖSCH AG Medizintechnik focuses on research, development and production of needle-free injection systems to be successfully marketed in the context of cooperation agreements with pharmaceutical and biotech companies.

For almost 20 years, companies throughout the world have been working with the implementation of the needle-free administration of drugs. The potential offered by such revolutionary technology was recognised early on. Some companies, such as Bioject, PowderJect, Mediject, Equidyne Corp. or Weston Medical found the necessary capital to realise such projects through IPOs.

RÖSCH AG Medizintechnik was the last company of the above listed companies to start in the segment of needle-free injection systems at the end of 1998 and can now be proud of the rapid development, in particular in the R & D division.

The facts bear testament to the role as global market leader:

Sales

Since the fully automated plant for the production of disposable ampoules for the **INJEX™** system went operational in August 2000, sales increased by 70.4 % to Eurooo 6.8 million as at July 31, 2001. The fact is that this does not correspond to the original budget figures. But it is a fact that RÖSCH AG is consequently number one globally in the segment of needle-free injection systems with regard to sales generated.

Result

Moreover, compared with these competitors, RÖSCH AG realises the lowest losses.

The result is still not satisfactory. There are still measures to be implemented which are to guarantee a move towards the profit zone.

Product portfolio

As a result of expanding the research and development department in a dynamic and qualified way, important projects were driven forward decisively. With the **INJEX™** system, a needle-free product is already being sold on the market which is reusable with disposable ampoules and opens up markets such as diabetes, dental anaesthesia and e. g. growth hormones.

With the disposable **ROJEX™** system and a possible pre-filled production, enormous sales potential is offered in important drug segments such as vaccines, heparin (prevention of thrombosis), interferons (cancer treatment / multiple sclerosis), erythropoietin (substance produced by the body itself but which can also be synthetically created to promote the formation of red blood cells), allergy treatment, erectile dysfunction and much more. The distribution channel here leads to cooperations with or licensing to companies in the pharmaceutical/ biotech industry.

RÖSCH AG has registered new patents and made considerable progress with developments relevant to the future. One very interesting project, for example, is a module that can be integrated in dental treatment chairs and should make dental anaesthesia almost completely needle-free.

Pharmaceutical cooperations

At the beginning of 2001, RÖSCH AG concluded an exclusive distribution contract with Pharmacia AB, Stockholm, Sweden, for using **INJEX™** with their growth hormone Genotropin. The conclusion of this contract highlights the proof of concept for the RÖSCH products. In addition to firm supply agreements, the contract includes a considerable exclusivity fee in the area of growth hormones. No financial figures relating to the contract have been published, as is customary in the sector.

The agreement concluded with Rhein Biotech N.V., Maastricht (NL) in August 2001 confirms RÖSCH AG's strategy. Further negotiations with pharmaceutical groups are being held.

In the area of diabetes, too, RÖSCH AG is not aiming for direct distribution and competition with the pharmaceutical industry in the long-term, which as a rule markets its insulin via pens or conventional injections, but rather is interested in cooperation with a strong insulin manufacturer. The objective is joint global marketing of insulin with a RÖSCH AG needle-free system.

In the very large diabetes market, other suppliers of needle-free application systems do not currently represent any serious competition to RÖSCH AG's needle-free injection system. The company's management therefore expects further negotiations to be successfully concluded with the insulin industry.

RÖSCH AG is the global market leader in needle-free injection systems and intends to continue to strengthen this position. As part of this, the company focuses on the following steps:

- Result before sales
- Focus on the needle-free injection systems product line
- Expansion of the research and development department and prompt realisation of future-oriented projects
- Expansion of distribution on the basis of cooperations with companies in the pharmaceutical industry whilst at the same time withdrawing from direct distribution activities
- The fastest possible realisation of sufficient profit contributions
- Relocation of the Dental division from the headquarters of RÖSCH AG to the 100 % subsidiary medical digital concepts (mdc), Neu-Ulm, to bundle expert competencies, to optimise the cooperation with dental specialised retailers and as a basis for international growth in this division

The RÖSCH Group in figures

Important key numbers of the RÖSCH group

(in TEuro if not specified otherwise)

Profit and loss statement	2000/2001	1999/2000	01.01.1999-31.07.1999(1)
Sales	6,809	3,996	2,489
Gross margin	1,969	1,825	897
as % of sales	28.9	45.7	36.0
Results of ordinary operations	- 7,498	- 1,649	- 134
Profit/loss for the year	- 7,389	- 3,829	- 155
Profit/loss for the year according to IAS	- 4,579	- 2,116	- 99
Profit/loss for the year according to DVFA/SG	- 5,171	- 1,804	- 436
Earnings per share in EUR			
according to IAS	- 0.95	- 0.44	- 0.10
according to DVFA/SG	- 1.08	- 0.38	- 0.44

(1) Shortened fiscal year from January 1, 1999 to July 31, 1999 due to converting the financial year.

(2) Earnings per share for the shortened fiscal year from January 1, 1999 to July 31, 1999 were calculated on the assumption that RÖSCH GmbH Medizintechnik's nominal capital availa ble as at July 31, 1999 had been converted into shares and the pro rata value of a share in the nominal capital had equated to EUR 1. For the shortened fiscal year from January 1, 1999 to July 31, 1999 resulted in a calculated number of shares of 985,157.

Cash flow	2000/2001	1999/2000	01.01.1999 - 31.07.1999(1)
Cash flow from current operations	- 10,778	- 6,758	- 1,394
Change to liquidity	- 14,882	27,871	+ 41

(1) Shortened fiscal year from January 1, 1999 to July 31, 1999 due to converting the fiscal year.

Balance sheet numbers	31.07.2001	31.07.2000	31.07.1999(1)
Balance sheet total			
according to HGB	30,864	36,486	3,745
according to IAS	33,166	35,981	4,056
Equity			
according to HGB	27,709	35,095	1,971
according to IAS	30,011	34,590	2,282
Equity ratio as a %			
according to HGB	89.8	96.2	52.6
according to IAS	90.5	96.1	56.3

(1) Shortened fiscal year from January 1, 1999 to July 31, 1999 due to converting the fiscal year.

Fixed asset investments	2000/2001	1999/2000	01.01.1999 - 31.07.1999(1)
Intangible assets	2,487	73	738
Tangible assets	1,872	1,790	219

(1) Shortened fiscal year from January 1, 1999 to July 31, 1999 due to converting the fiscal year.

Employees	2000/2001	1999/2000	01.01.1999 - 31.07.1999(1)
Average	66.5	43	29
At the end of the fiscal year	77	45	29

(1) Shortened fiscal year from January 1, 1999 to July 31, 1999 due to converting the fiscal year.

Report by the Board of Directors

Report by the Board of Directors

The path to success

In the midst of an atmosphere of exuberance on the Neuer Markt, RÖSCH AG experienced an exceptionally successful start to listing with its "needle-free syringes" in February 2000. The issue price of Euro 26 more than doubled on the first day of trading. The price of RÖSCH shares predominantly developed positively until levelling out in line with the general market trend and finally dropped considerably due to the announcement of failure to reach budget figures in June 2001, which lead to disappointment among our shareholders.

The company management apologized to the shareholders for the failure to meet budget figures. Similarly, the Board of Directors would like to underline its intention and conviction that its market leadership in needle-free injection systems can be strengthened, that sales can be increased considerably and that profits can be realised in a relatively short period.

"Learn from your mistakes" also applies to RÖSCH AG. The enthusiasm for a needle-free, pain-free injection continues unabated today. But why has RÖSCH AG so far not been as successful in marketing as planned?

In principle, ROSCH AG is faced with two possibilities for distribution in the sales area of diabetes. On the one hand, the company sales force can be further strengthened and, accompanied by a self-financed sales advertising campaign, sold directly to the end user via medical practices. Alternatively, RÖSCH AG can exploit the very attractive possibility of selling in cooperation with an insulin manufacturer.

There is tough competition for the markets of the predetermined areas of application for self medication with injection pens. With the conclusion of the contract with Pharmacia AB, Stockholm, Sweden, RÖSCH AG gained one of the important markets (growth hormones) for itself and its needle-free injection system. Naturally, RÖSCH AG is arousing a corresponding degree of interest with **INJEX™** in a market that, to date, was almost exclusively dominated by injection pens, especially as it already has the first cost reimbursements for its system. Equipped with the financial resources of a major insulin manufacturer, insulin pens are currently being offered to patients free-of-charge. This is creating long-term loyalty on the part of the patients to a particular insulin which then generates sales and income for the company.

If the doctor or patient is free to choose between a pen and a needle-free alternative, which it is also possible to use without any costs, then this means

for the insulin manufacturers that the decision-making does not necessarily represent guaranteed sales for their insulin. The motivation for negotiations with RÖSCH AG is therefore all the more certain.

In Germany, approximately 1 million people are put on insulin and "shared out" among the insulin manufacturers. Most patients have become accustomed to the "small" needles which are used with insulin pens. A small group of children and patients with a needle phobia provide a target group for a needle-free **INJEX™** system. The fact is, however, that even a 5% share of the German diabetes market can represent a considerable level of sales for **INJEX™**.

But insulin manufacturers are also fighting for market share, and this is generated by the type 2 of diabetics who through fear of needles do not switch over from oral treatment promptly. In Germany this target group is an estimated 500,000 to 1,000,000 people.

A needle-free injection system offers an insulin manufacturer the best basis for securing considerable market share, provided that, for example, RÖSCH AG is prepared to grant the exclusive rights to **INJEX™**. The pending decision regarding insurance approval is a further argument for such cooperation.

In view of the currently strained financial position of health insurance companies and related contribution increases demanded by health insurance companies and discussed publicly, RÖSCH AG is holding talks with relevant health insurance company representatives. RÖSCH AG places particular emphasis on savings potential through the introduction of a needle-free injection system in the cost-intensive field of diabetes.

More than anything, the high cost of chronically ill patients such as diabetics puts a heavy strain on health insurance company budgets. According to statements from the DDB Bundesverbandes e.V., every hour in Germany four diabetics suffer a heart attack, three diabetics have their legs amputated below the knee, two diabetics receive artificial kidneys and one diabetic loses his eyesight. The insurance provisions for poorly adjusted diabetes mellitus run to between Euro 6,136 and Euro 8,692 according to BKK Elektra and AOK Hessen, and for well adjusted diabetes mellitus from Euro 767 to Euro 1,278 per year. The average total cost works out to be approximately Euro 27.6 billion to Euro 31.7 billion per year.

The main reasons for this are inadequate explanations for affected persons and fear of needles for insulin injection. RÖSCH AG aims to provide the necessary education with its initiative "Healthy Diabetics". With the **INJEX™** system it is already conquering fear of needles.

RÖSCH AG intends to offer diabetics a completely needle-free future. Alongside the needle-free injection system **INJEX™**, RÖSCH AG plans to mar-

ket NIMOS, a system for non-invasive blood-sugar monitoring. NIMOS provides another attractive starting-point for cooperation with the pharmaceutical industry.

RÖSCH AG is aiming to become the first company to offer a complete system for needle-free diabetes therapy globally.

Existing technology is legally protected by international patents, but still must be further developed to reach definitive market maturity. To this end, and for the future production of NIMOS, RÖSCH AG is to establish a legally autonomous company jointly with the inventors. After the market launch of the needle-free blood-sugar monitoring system, distribution should follow in the framework of a cooperation with one or several pharmaceutical concerns.

Cooperation with the pharmaceutical industry in the area of diabetes secures RÖSCH AG appropriate growth.

To support such a cooperation, RÖSCH AG will signal its intention to minimise its direct distribution activities, so that a positive development of sales takes place but without generating any real competition with the insulin industry.

The reimbursement of costs in France, the anticipated decision in Germany and the existing pharmaceutical cooperations with Pharmacia and Rhein Biotech are all to RÖSCH AG's advantage.

At conventional pens further product advantages seems to be unlikely to be implemented. The step to needle-free insulin pen makes the legitimate dream of gaining new market shares in the insulin business possible.

Berlin, October 22, 2001

Rösch
Chairman of the Board of Directors

von zur Gathen
Member of the Board

Members of the Board of Directors

Andy Rösch
Chairman

Appointment until 2004
Businessman, 41 years old, resident in Berlin, one of the founding members of RÖSCH AG Medizintechnik and has 16 years' professional experience in the field of medical technology. He was a member of the Board of Directors of AMERICAN Electromedics Corp., Amherst, New Hampshire, USA (now Equidyne Corporation), and was also on the Supervisory Board of Hortmann AG, Neckartenzlingen. Since establishing the predecessor in title, RÖSCH GmbH Medizintechnik, he has held the position of managing director.

As chairman of the Board of Directors he is responsible for the strategic management and for departments Sales, Marketing, Investor Relations and Research and Development.

Christoph von zur Gathen
Appointment until 2004

Business graduate, 49 years old, resident in Berlin, has 24 years professional experience, predominantly in finance. In addition to other positions, he worked for Daimler Benz AG, Stuttgart, and debis AG, Berlin, in export finance and as a counter trader as well as working 3 years as assistant manager and managing director at a subsidiary of Jenoptik AG, Jena. On April 1, 1998, he took charge of the business management at RÖSCH GmbH Medizintechnik.

As a member of the Board of Directors he is responsible for the Finance, Controlling and Personnel departments.

Mr. von zur Gathen is also a member of the management of Acanthos GmbH, Hanover, and president of the Administrative Board of RÖSCH AG Medizintechnik (Schweiz), Zug, Switzerland.

Report by the Supervisory Board

Progress Report

In the fiscal year 2000/2001, the Board of Directors and the Supervisory Board discussed the group situation, the strategic orientation of the company and numerous individual topics during four ordinary meetings. Furthermore, the Supervisory Board was informed of up to date developments outside the above-mentioned meetings either verbally or in writing by the Board of Directors and was asked in writing to make decisions in six cases relevant to the economic situation of the group.

Shortly after the start of the 2000/2001 financial year, the Supervisory Board ruled positively by adopting resolutions on two inquiries by the Board of Directors of importance for the medium and long-term orientation of the RÖSCH group.

On August 2, 2001, it approved RÖSCH AG acquiring a participation amounting to 60 % in MDC GmbH & Co. KG and their general partner MDC GmbH. With the agreement to this share acquisition of a company predominantly operating in the field of digital x-ray sensor distribution for the dental profession, the Supervisory Board confirmed its opinion already expressed the previous year that it welcomed and supported further expansion of the RÖSCH group consolidated core business in the sphere of private label/reselling. Over the remaining course of the 2000/2001 financial year, the Supervisory Board then also consistently approved RÖSCH AG implementing a capital increase necessary to continue to expand MDC. In the context of the meeting on January 19, 2001, it also approved the acquisition by RÖSCH AG of the remaining shares held by existing shareholders of MDC following the capital increase.

With a resolution adopted on August 9, 2000, by circulatory memos amongst members, the Supervisory Board approved the conclusion of an option contract with the ICB Institut für Chemo- und Biosensorik Münster e.V., Münster. With this option, RÖSCH AG had acquired the right to complete an exclusive license agreement pertaining to the production, use and distribution of the needle-free blood-sugar monitoring system developed by ICB by the end of the 2000 calendar year. This license agreement, which was subject to the post-formation audit, was completed at the beginning of February 2001 after the agreement not only of the Supervisory Board but also of the annual general meeting. RÖSCH AG had thereby taken another step towards broadening its product range to include forward-looking products and securing the long-term continuation of the company and its profitability.

Report by the Supervisory Board

An important matter in all the Supervisory Board meetings in the year under review was short and medium-term planning as well as the strategic orientation of RÖSCH AG and its subsidiaries. Furthermore, at the end of May 2001 it approved the proposal of the Board of Directors to combine the Dental division of the RÖSCH group with MDC GmbH & Co. KG, to improve organisational workflows, controlling and distribution potential.

Annual Financial Statements

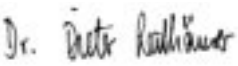
The audit of the RÖSCH AG Medizintechnik annual financial statements, the consolidated financial statements and of the management report summarized with the group management report, was undertaken by Ernst & Young Deutsche Allgemeine Treuhand AG, Stuttgart, Berlin branch, who awarded the annual and also the consolidated financial statements an unqualified auditors opinion. The Supervisory Board also examined the documentation. During the Supervisory Board's meeting on October 22, 2001, the auditors reported the material results of their examination and the Supervisory Board approved the audit result.

The Supervisory Board approves the RÖSCH AG Medizintechnik annual financial statements drawn up by the Board of Directors for the 2000/2001 financial year. The annual financial statements are thereby approved.

For the coming 2001/2002 financial year, the Supervisory Board will propose to the general meeting that the consolidated and annual financial statements of the company be audited by Ernst & Young Deutsche Allgemeine Treuhand AG, Stuttgart, Berlin branch.

Berlin, October 22, 2001

The Supervisory Board



Dr. Leithäuser
Chairman

Members of the Supervisory Board

Dr. Dieter Leithäuser
Chairman

58 years old, resident in Warburg/Westfalen, chairman of the Supervisory Board since 1999. Dr. Leithäuser has been a practicing ENT doctor since 1978 in a general practice and leading doctor of an ENT general practitioner department. Since 1979 he has been a consultant regional doctor at the KV-Westfalen Lippe in Dortmund/Münster.

Supplementary to his work, Dr. Leithäuser is chief editor of "HNO-Nachrichten", Urban & Vogel Verlag, Munich (Bertelsmann group), and since 1999 has held the status of assessor in accordance with the EFQM model (European Foundation for Quality Management, Brussels).

Markus Saller
Vice-chairman

36 years old, Business graduate, resident in Garmisch-Partenkirchen, has been vice-chairman of the Supervisory Board since 1999.

Mr. Saller is an executive at Concord Effekten AG, Frankfurt am Main, as well as founder and shareholder of Concord Corporate Finance GmbH, Frankfurt am Main.

Dr. Jörg A. Zimmermann

41 years old, resident in Leipzig, has been a member of the Supervisory Board since 2000. Dr. Zimmermann gained a doctorate in the area of clinical pharmacology and has been subsequently active in the scientific and clinical sectors both in Germany and abroad.

Dr. Zimmermann has been co-editor and chief editor of "Medical Economics" and since 1998 has worked on innovative communication and marketing concepts for medicine.

The share

Since spring of the 2000 calendar year, the national and international stock markets have consistently come under selling pressure. The stock markets where the so-called New Economy securities are traded are particularly effected.

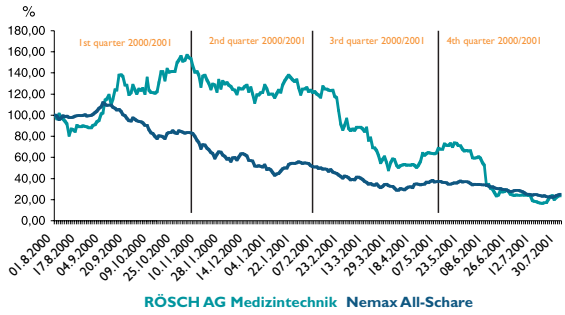
After the RÖSCH AG stock suffered a price decline to Euro 33.95 on the Frankfurt stock exchange (floor trading) in the summer 2000 due to the problems with the fully automated production of ampoules and sales targets not being met as a result reported in ad hoc releases, it again reached the Euro 50 mark in September 2000 and over the course of the following months to mid-February 2001 largely remained above this level.

Thus the RÖSCH AG share withstood the general negative trend on the global stock markets to the start of 2001.

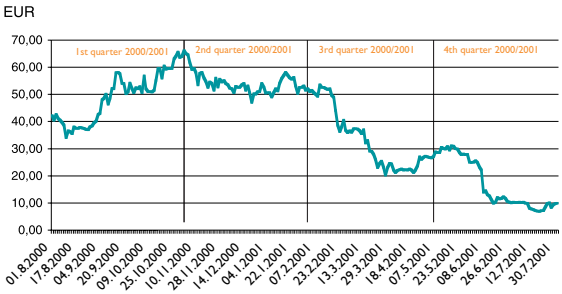
From mid-February to the end of March 2001, the share reported a strong set back in price down to Euro 20.20. This was in spite of the fact that RÖSCH AG had announced on January 26, 2001 the conclusion of a global exclusivity contract with Pharmacia AB, Stockholm, Sweden concerning needle-free administration of the growth hormone Genotropin and on January 30, 2001 a distribution contract with a partner in Dubai, UAE.

The downward trend during this period exhibited by the share price of RÖSCH AG in spite of the positive announts, which was largely in line with the NEMAX All Share Index, is difficult to explain. However, it could be due to the fact that in the context of the announcement of the first exclusivity contract with a renowned international pharmaceutical company such as Pharmacia AB, no figures were published relating to the expected sales volume or the exclusivity fee received. In the relatively nervous market environment, this lack of figures, based on the contractual obligation to maintain confidentiality, relating to the first really important exclusivity contract may have led to the corresponding pressure on the RÖSCH stock.

As a result of a few good pieces of news (expansion of the company's Dental division, contacts to the Ministry of Heath in Dubai and cost reimbursement for the **INJEX™** system in France), the company broke away from the negative trend in March 2001 and the share price recovered by mid-May to a level of Euro 31.00, only to subsequently fall by mid-June to Euro 9.80. The main reason for this extreme setback in price, from which the stock had still not recovered at the end of the financial year, was undershooting the sales and earnings objectives at the end of the third quarter of the 2000/2001 financial year and the simultaneous significant adjustment of the expected sales for the financial year as a whole.



RÖSCH AG Medizintechnik Nemax All-Share



RÖSCH AG Medizintechnik

Key ratios:	
Number of shares:	4,8 million
Yrae-end share price (as of 31.07.01):	Euro 9,8
High / Low (01.08.00 - 31.07.01):	Euro 66,00 / 6,85
Market capitalisation(as of 31.07.01):	Euro 47 million

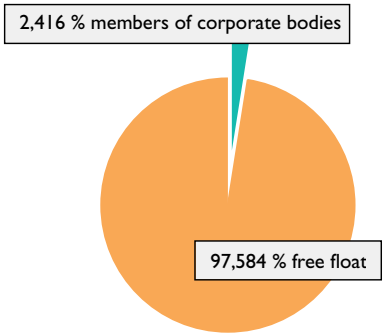
Shares held by the Board of Directors and the Supervisory Board

as of July 31, 2001:

Board of Directors		
Mr. Rösch (Chairman)	102,183 shares	3,906 options
Mr. von zur Gathen	12,098 shares	3,493 options

Supervisory Board	
Dr. Leithäuser (Chairman)	133 shares
Mr. Saller (Deputy Chairman)	384 shares
Dr. Zimmermann	1,185 shares

Shareholders structure July 31, 2001



Highlights 2000/2001

Highlights 2000/ 2001

Needle-free injection systems

The company received CE approval for the **ROJEX™** needle-free disposable injection system developed by RÖSCH AG Medizintechnik in accordance with the Medical Devices Act (MPG). As it is designed as a disposable system, **ROJEX™** is intended for other areas of application than **INJEX™**. When production started is was initially semi-automated and only limited numbers were manufactured. The current production output in its majority is being made available to interested pharmaceutical groups for test purposes. One of the reasons for doing so is to adapt the functionality of the system to the requirements of the pharmaceutical industry in cooperation with the industry.

The example of the **INJEX™** system in the area of application of growth hormones best illustrates the strong potential offered by cooperation with the pharmaceutical industry. In January 2001, RÖSCH AG concluded a distribution contract with Pharmacia AB, Stockholm, Sweden, which grants Pharmacia global exclusive rights to sell their growth hormone GENOTROPIN (somatropin [rDNA origin]) for injection with **INJEX™**. Pharmacia is granted contractual exclusivity until 2006 with an option to renew the contract by a further two years each time.

Hormone treatment to promote growth is given in particular to children and must be continued for many years meaning that sales per child of around USD 30,000 per annum are generated. The global market is worth around USD 1 billion in annual sales. With a share of approx. 50 %, Pharmacia is the global market leader in this segment. Pharmacia will start the commercialization in the beginning of 2002.

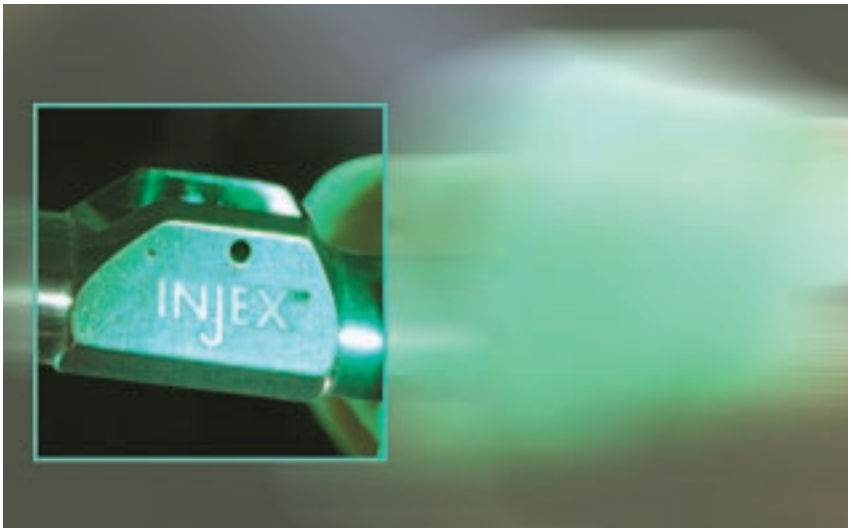
The Pharmacia contract represents the first important milestone in the cooperation with the pharmaceutical industry and is the proof of concept for **INJEX™** that the company's needle-free systems function perfectly and precisely and are globally accepted in the pharmaceutical industry. This recognition is a crucial element in the path for ongoing negotiations with the pharmaceutical industry, which cover the areas of application of prevention of thrombosis (heparin), infertility, dialysis treatment, erectile dysfunctions, allergy treatment, growth factors, vaccines, local anaesthetics, erythropoietin (substance produced by the body but which can also be created synthetically to promote the formation of red blood cells).

In the area of application of diabetes, one of the most important success

factors for the distribution of **INJEX™** system is reimbursement of the system by the respective institutions funding costs in the health care sector. Following on from some of the costs being refunded in the Netherlands since the end of the 1999 / 2000 financial year, RÖSCH AG additionally managed to have the costs covered in Norway and France in the 2000 / 2001 financial year.

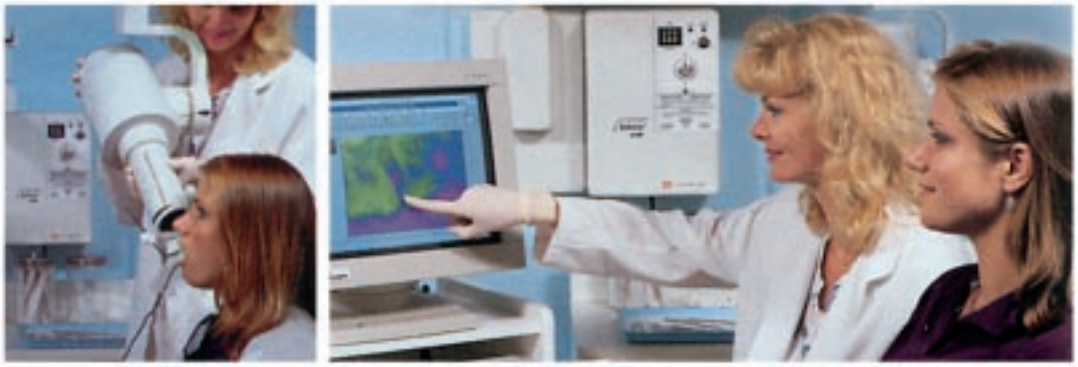
Furthermore, in the reporting period the company realised further export distribution contracts in the needle-free injection systems division for various areas of application. Thus, for example, Burjuman Pharmaceutical Consultants, Dubai, UAE became a new partner for marketing the **INJEX™** system in the diabetes market in the Gulf countries and Yemen, Jordan and Lebanon. In addition, the company received an import license for India. The import license forms the basis for the effectiveness of a supply contract concluded with Samtech Swadeshi Analytical and Medical Technologies, Medical Electronics and Processing, in New Delhi. The contract comprises the supply of both **INJEX™** and **ROJEX™** systems to India, Nepal and Bhutan and covers various areas of application.

In the area of application of local anaesthetics for dental treatment, distribution was successfully launched in both Germany and in various other European countries. Consequently, following an initial test phase on the market, the global market leader in the distribution of medical supplies, Henry Schein received exclusive distribution in England and Ireland.



Dental division

The company substantially strengthened the Dental division at the beginning of the 2000 / 2001 financial year through an initial 60 % participation in MDC Medical Digital Concepts GmbH & Co. KG, Neu-Ulm. After approval by the Annual General Meeting at the end of November 2000, RÖSCH AG increased its stake in the capital of both MDC GmbH and MDC GmbH & Co. KG to 86.7 % in the course of a capital increase with the exclusion of the subscription rights of the other shareholders. With a contract dated April 6, 2001, RÖSCH AG finally acquired the remaining shares of the existing shareholders at nominal value and is thereby the sole shareholder in the MDC companies operating in the future-oriented market of digital X rays.



MDC's results to date do not meet expectations. There is still a string of measures to be implemented which will ensure that MDC is further developed in a group sense.

There is a total contract volume of approximately TEuro 25,000. Due to long contract periods (some to 2006) this has to be seen in relative terms. Shipments for existing contracts are supplemented by new orders from additional markets on a regular basis.

Research and development

Research & development

R & D a prerequisite for securing and developing the market position

As a mainly innovative company RÖSCH AG consistently developed its research and development departments in Germany and Switzerland during the reporting period, thus strengthening existing links to the Interstaatliche Hochschule für Technik, Buchs (CH). The joint RÖSCH research team not only achieved an optimisation of the current product line and numerous patent applications but also significant progress in the development of new needle-free injection systems which are to ensure the future economic success of the company.

"All-in-One"INJEX™

This new application aid combines the benefits of a conventional pen with those of needle-free injection of the standard **INJEX™** Systems. Several patents have been applied for.

The technologically highly sophisticated project has already attained the "Proof of Principle" stage and is set to revolutionise the administration of drugs which patients inject themselves (such as insulin, growth factors, cytokines etc.). Initial prototypes for pre-clinical trials will be available from the end of 2001.

ROJEX™: Pre-filled, needle-free injection ampoules

In particular, the market for ready-to-use injections is growing exceptionally due to the introduction of new medications manufactured on a bio-technological basis. A needle-free, pre-filled injection system is an ideal tool to significantly increase acceptance of both new and classical treatments among doctors and patients. The key factors for the successful market access of such a system are production which is appropriate in terms of cost and function, ability to machine fill and the exclusive utilisation of materials which are approved for the long-term storage of drugs.

On the basis of patent applications, the RÖSCH research team has been successful in developing a needle-free, pre-fillable injection ampoule up to the stage of a functional sample, which corresponds to these requirements. The project is currently undergoing pre-clinical trials.

Markets, each with volumes of several hundred million injections per year which have hitherto been the domain of the traditional ready-to-use injection will open up to our new technology in the area of thrombosis prophylaxis (heparin), recombinant vaccines and other genetically engineered drugs (e. g. EPO, cytokines). Negotiations with appropriate pharmaceutical companies are in progress.

0.5 ml needle-free injection ampoule: INJEX™

The opportunity for needle-free application of a larger injection volume will open up further important markets to the **INJEX™** system. On the basis of an utility model application the RÖSCH research team has blazed new trails in constructing such an ampoule which avoids the obvious difficulties such as the incomplete injection of the nominal volume of 0.5 ml. This technological breakthrough means that drugs such as interferon alpha, interleukin 2, vaccines, fertility hormones and many others can, in future, be easily administered using **INJEX™**. The project is undergoing pre-clinical trials.

Clinical development

In the period under review pharmaceutical companies, independent research institutes and teaching hospitals executed acceptance studies and clinical trials with **INJEX™**. Apart from patients generally preferring the **INJEX™** system, the results also clearly prove the functionality and the therapeutic benefit of the new injection technology.

1. Experiencing pain compared with needle injections. In an independent study by the Ruhr Universität Bochum (Pfohl et al. Diabetes und Stoffwechsel 10, Suppl. 1 May 2001,19-09) the application of insulin via **INJEX™** was predominantly experienced as less painful than via pen (on a scale from 1-6, whereby 1 is best and 6 is worst, **INJEX™** achieved a grade of 1.4). A confidential study by a Swiss pharmaceutical group demonstrated similar results, thus confirming the results of previous tests by the company.

2. Pharmacokinetics. The pharmacokinetics and/or molecular integrity of insulin (Ruhr Universität Bochum), heparin (Universität Göttingen), interferon alpha (Fraunhofer Institut Hannover) and mistletoe extract (confidential) were investigated following **INJEX™** injections compared with conventional needle application. An interference with drug properties and/or resorption was not observed.

3. Compatibility with skin and tissue. Neither damage to the dermis nor to the subcutaneous fatty tissue or oedemas (accumulation of fluid) were observed at the site of the injection in extensive histological investigations regarding the depth of penetration and compatibility of tissue of the needle-free injection using **INJEX™** (Techn. Report Mediport Biotechnik GmbH; August 2000; Pfohl et al.: 36. Annual Meeting of the DDG, May 2001). According to the reports available, skin and cell tissue are affected significantly less compared with traditional needle injections. There was no penetration of cell units, nerve fibres, vessels or the skeletal muscle.

A further series of clinical trials is confidential or not yet completed. They include an investigation of the bio-equivalence of different insulins (Lantus, Aventis; Humalog, Ely Lilly) following injection with **INJEX™** compared with conventional application (Deutsches Diabetes-Forschungsinstitut, Düsseldorf).

Production

Production

During the period under review, some important processes for producing disposable ampoules and adapters for the needle-free injection systems underwent significant development or optimisation. Four sets of tools with a total of six injection moulding machines and the necessary extraction systems are available for the manufacture of the ampoules. The automation line was consistently improved so that a virtually smooth process is possible in combination with an improvement of the product. By the end of the current calendar year it is expected that all necessary series tools for the manufacture of the different types of adapters will be available. This will enable a flexible demand-oriented manufacture on injection moulding machines. At the same time, measures to optimise the furnishing of the injection needles of adapters and packaging procedures are being introduced.

Berlin site

In future RÖSCH AG will increasingly focus on the development of the Berlin site. In addition to the central warehouse, the plan is to transfer external quality control to the central location on the Spree. The main purpose of expansion is to bundle capacity in an operational sense whilst simultaneously benefiting from attractive financial support. To promote a positive wage/performance ratio in Berlin the Senate is providing considerable subsidies for investments.

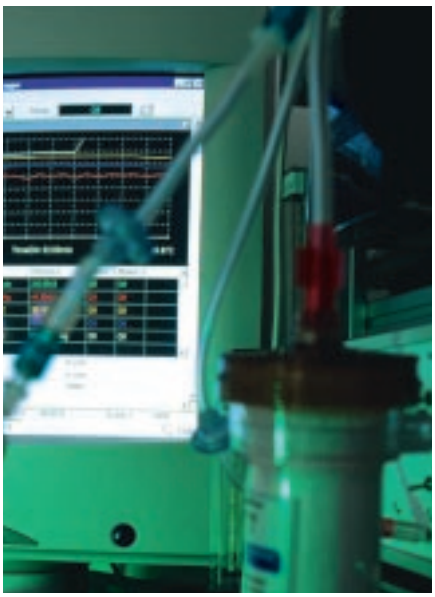
An initial step saw the company move into commercial premises in the Berlin suburb of Buckow. The former production / warehouse facilities with supplementary areas have an overall utilisation area of approximately 2,200 m?. Due to the partial furnishing of the buildings, incoming goods, incoming goods control and quality control have already been taken up on site.

Together with a plastics processor with experience in Medical Technology, comprehensive developments were carried out, predominantly related to product improvements and new developments (such as the 0.5 ml ampoule), in addition to and independent of the above-mentioned project. The plan is to install an ISO 9002/EN 46002 certified clean-room for medical products at this processor's site. The objective is not only to undertake development at this further site in Berlin, but also small-scale production for clinical trials.

In addition to the developmental work, intensive research is being undertaken with regard to possibilities to optimise the different manufacturing and processing procedures. The focus is on reducing production costs and on the more effective design of the costly quality controls.

As the above-mentioned company also has its own tools, it will be possible to realise short-term developments such as prototypes, tools, aids etc. at the Berlin site.

The fact that to the business partners from the pharmaceutical industry on site can, in future, be presented a broader picture of RÖSCH AG is considered to be a further positive effect of the development of the Berlin site and the installation of production lines in Berlin. The global sales and investment strategy contributes to an intense business exchange and numerous partners from all over the world come to Berlin to visit RÖSCH AG. RÖSCH AG intends to actively increase transparency with the on-site development whilst simultaneously utilising the attractive Berlin location as an innovative platform for business worldwide.



Quality assurance

The quality assurance of our medical products and the related production processes is a central element of our quality policy to meet the constant rise in demand for quality and product security or to even exceed it.

The positive development of RÖSCH AG's quality management system according to ISO 9001/EN 46001 was confirmed in the 2000/2001 financial year by audits of leading pharmaceutical companies.

Product security was optimised by modifying and implementing further control processes in production. The high level of quality in the production of our needle-free injection system could be adapted to the rising demands towards quality and product security by investing in new, modern control methods.

The Quality Management department was extended in terms of staff. The new area Regulatory Affairs implements admission of our needle-free injection systems outside the European Union. One of its core competencies is the development of admission strategies for international markets – eastern Europe, Asia, Middle East – which enable the company to access worldwide markets faster and less bureaucratically. Here co-operations with companies which specialise in the certification of medical products on non-European markets are being developed.

Comprehensive examinations and tests demonstrated an extended shelf-life of two years for the former one-year storage stability of our sterile **INJEX™/ ROJEX™** ampoule. Ongoing, accelerated aging studies of all sterile items in our product range are set to prove a storage stability of four to five years.

In the year under review the CE labelling of further adapters for our needle-free injection systems was realised, which enable the transfer of pharmaceuticals from the most varied drug containers. These adapters from the **INJEX™/ ROJEX™** family of products can be sold on the European market without any trade restrictions.

Suppliers who reliably meet the strict European product standards for medical products were selected for future production of our soft caps for **INJEX™/ ROJEX™** ampoules and SiliTOP™ for submucosal anaesthetics in the Dental division.

Areas of application for INJEX™/ ROJEX™

Heparin

The subcutaneous administration of low-molecular heparin has established itself in the past few years, both in operative and in conservative medicine for the prophylaxis of thromboembolic events.

After having proven the complete resorption of heparin (Fragmin®) following administration via **INJEX™** (Rösch Techn. Report May 2001, Prof G. A. Müller, Universitätsklinik Göttingen), our needle-free system can be considered an efficient and safe alternative method of application for this drug. This is of particular importance to out-patients whose fear of the needle often prevents regular, daily self-injection and thus a reliable thrombosis prophylaxis. In addition, all those who, for example, have to sit for a long time when travelling by car, train or plane or in the cinema or theatre are affected. Patients with a high risk of thrombosis are now advised, on long-haul flights in particular, to have an anti-thrombosis herapin injection immediately before the start of the journey and the evening after completing the journey in addition to the general preventative measures (moving around, drinking non-alcoholic beverages, wearing support stockings).

The market volume for low-molecular heparin is estimated to be Euro 256 million for Germany and Euro 1.3 billion worldwide.

Insulin

In Europe approximately 20 to 25 million people suffer from diabetes mellitus. This figure is set to double within the next 10 to 15 years due to an increase in life expectancy and improved nutrition. Annual growth rates of > 10 % for anti-diabetic drugs confirm this expectation.

The number of insulin-dependent diabetics in Germany already comprises at least 1 million patients and is growing at an annual rate of approximately 1000 toddlers. They or their parents need to learn how to inject using a needle and naturally have a higher level of inhibition towards the initial use of the needle. The same applies to the by far larger group of older patients with type II diabetes whose fear of the needle delays the time for the necessary insulin treatment for as long as possible. The **INJEX™** system significantly reduces such mental inhibitions or prevents them from developing in the first place, thus avoiding follow-up costs deriving from a delayed treatment with insulin. Independent examiners from research and industry conclude that the **INJEX™** system represents an attractive and safe alternative to the conventional injection via pen.

Local anaeshetics

In the context of diagnostic and therapeutic measures, peripheral venous access is often required for hospital patients. However, placement is particularly painful, especially at the back of the hand. Due to the virtually pain-free application of local anaesthetics by means of needle-free technology this opens up a wide range of opportunities for the **INJEX™/ ROJEX™** system, in particular in the treatment of children. Moreover, local anaesthetics in the treatment of localised pain (»welts« with back pain) and before minor surgical procedures (carpal surgery, plastic surgery) offer interesting potential. In principle, the following applies: a medically indicated procedure is accepted by the patient as necessary, and therefore also painful in terms of the application of the local anaesthetic. The lesser the medically necessary indication (cosmetic surgery) or the more elective (as opposed to necessary) the procedure, the higher the patient's expectations of pain-free anaesthetisation.
Local anaesthetics in dental medicine represent a further and very interesting area of application for the **INJEX™** system. Here, patients often prove very willing to accept unpleasant dental treatment if this is preceded by less painful anaesthetisation because it is needle-free.

Areas of application in clinical trials

Immunmodulators

- Interferon alpha
- Interleukin 2

Vaccines

- recombinant vaccines
- DNA vaccines

Mistletoe preparations Mistletoe extracts are among the most commonly used alternative drugs for the adjuvant treatment of neoplastic diseases. Recently, proof was established in vitro, that the needle-free administration of a liposomal mistletoe preparation by means of **INJEX™** does not alter its medicinal properties. Human application is currently undergoing clinical trials.

Medical Patent and Innovation Centre (MPIC)

Medical Patent and Innovation Centre (MPIC)

It is RÖSCH AG's strategic objective to invest more heavily in the growth market of medical technology. As an expression of its orientation towards the future, the expenses for R & D are to increase progressively over the next few years. The company is confronting the demands of the market with investments in customer and demand oriented R & D and the opening of new market segments. To concretely realise this objective, RÖSCH AG Medizintechnik founded the Medical Patent and InnovationCentre (MPIC) at the beginning of 2000 and has continued to expand it since then.

Responsibility

The MPIC sees itself as a competence centre for the acquisition and further development of innovative ideas, patents and prototypes. As a point of contact for inventors and companies from the medical and medical technology environment MPIC is set to close a transfer gap. The focus of interest is marketable ideas or products from the bio-medical environment which go beyond the current product portfolio of RÖSCH AG.

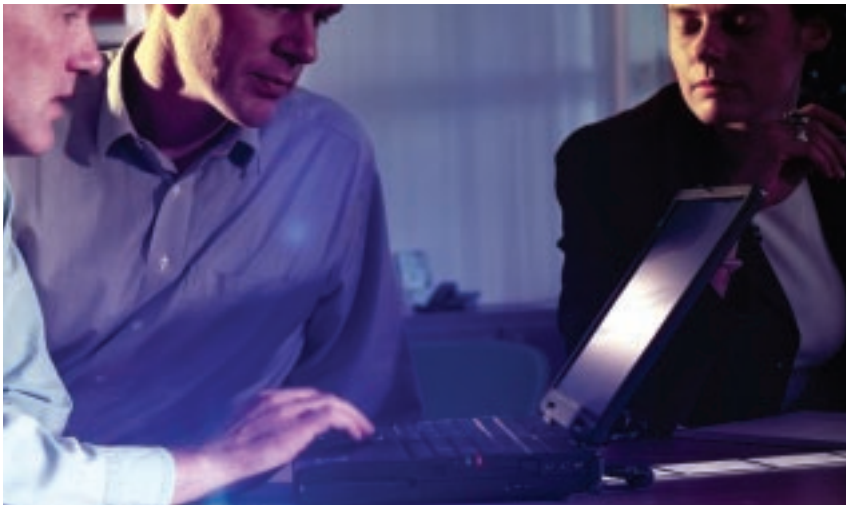
Often innovators and holders of patents lack the necessary infrastructure, competence and capital to successfully develop their ideas to product maturity and to successfully market these. The MPIC offers competent assistance for this innovation transfer. This ranges from the assessment of innovations to assistance with the development project and provision of capital through to the opening of distribution channels.

Competence

It is MPIC's intention to employ appropriate means to effectively assess ideas/patents regarding demand and market opportunity, thus obtaining an early basic assessment with regard to deployment. In the event of positive assessment, customised concepts are developed for the realisation of the undertaking in the context of professional project and risk management methodology.

In assessing and valuing innovations and patents from almost all medical specialist areas, the estimation of economic use is at the forefront. MPIC bases its opinion on a steadily growing network of medical and technical experts, consultants, legal experts, partners in commerce and trade.

The assistance of development projects in accordance with modern process models such as rapid-prototyping requires a high level of management and spe-



cialist competence. The MPIC initiates contacts to investors, venture capital companies and co-operation partners for the realisation of synergy concepts.

Realisation

The MPIC forms an interdisciplinary platform for the consistent realisation of promising innovations to mature market developments.

In the initial stage of co-operation (procedural processing) with the innovators, the MPIC assesses the ideas free of charge. If the basic assessment is positive, the MPIC provides secondary patent and competition research and a market/demand and risk analysis. If this research is successfully concluded and results in promising, marketable product or procedural approaches, the process enters the stage of project processing. Depending on the intention of the innovators, customised concepts are developed and realised as projects.

The scope of project objective ranges from marketing concepts, acquisitions of patents or licensing contracts to the provision of capital for the construction of prototypes to the conclusion of sales agreements and business planning for joint ventures.

MPIC focal issues

From the considerable number of approximately 150 applications received, the MPIC primarily judges, assesses and promotes innovations and products concerning issues related to health care policies. These include, in particular, diagnostic and treatment methods of the such wide-spread illnesses as diabetes, cancer, cardio-circulatory disorders and diseases of the spine, where concrete projects are currently at the transfer stage.

NIMOS – Non-invasive monitoring of blood sugar

At the start of the 2000/2001 financial year, RÖSCH AG secured worldwide rights on the innovative technology of needle-free blood sugar monitoring (NIMOS) by concluding an option agreement with the ICB (Institut für Chemo- und Biosensorik, Münster e.V.) relating to granting an exclusive licence for production, use and distribution. Following approval from the Annual General Meeting at the end of November 2000, with regard to the post-formation acquisition contract on the exercising of the option to conclude a patent and expertise licence agreement for the area of application of non-invasive blood sugar monitoring, this option was exercised in February 2001.

Currently the business planning and capital provision of this strategic main project are at the stage of founding a joint venture. The business objective of this is the development and production of the marketable NIMOS monitoring system. Extended clinical trials using prototypes will represent the initial stages of development to a marketable product. According to the Merrill Lynch report »Diabetes Monitoring and Therapy« published in August 2001, NIMOS suitable technologies are currently expected to generate the greatest market opportunities. They are predetermined to become the future leading generation of needle-free monitoring systems.

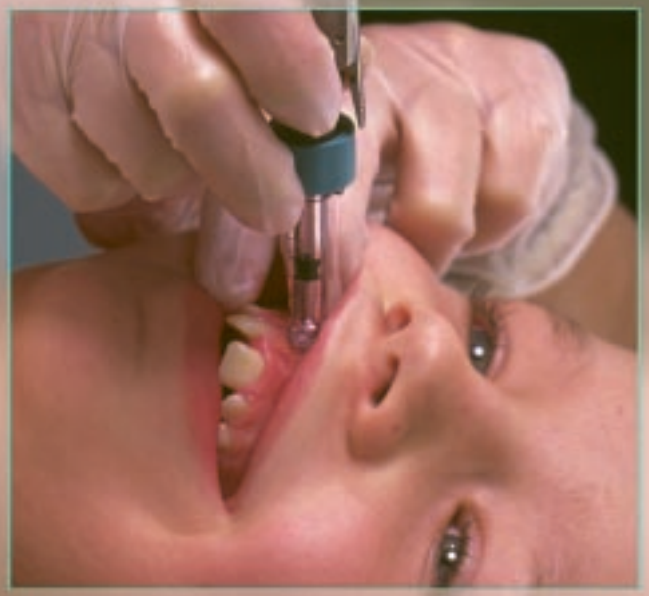
The NIMOS system is predominantly targeted at type I and II diabetics treated with insulin, who therefore need to continually monitor their blood sugar levels. To date, this monitoring is done by means of a painful prick to the tip of the finger and subsequent determination of the sugar levels using the drop of blood thus gained.

The sale of a blood sugar monitoring device entails the daily use of test strips which, combined, represent a global market of around USD 3.8 billion. The NIMOS system is a pain-free alternative and should therefore promote the therapeutically required strict control of blood sugar, especially as the current standard procedure is very unpleasant, leading to the monitoring often being performed negligently, thereby endangering successful treatment.

In Germany, it is assumed that there are approx. four million diabetics, of which approximately 95 % are type II diabetics (= 3.8 million patients), 5 % are thought to be type I (= 200,000 patients). Type I diabetics represent NIMOS AG's primary target group. RÖSCH AG believes that the assumption of a 20 % market penetration is certainly realistic due to the clear benefits in application.

The larger market is without a doubt that of the type II diabetics. Although only 20 % are treated with insulin and therefore should be strictly monitored like the type I diabetics, blood sugar assessment is also necessary for them in other treatment groups.

Dental division



Dental division

The acquisition of mdc had as its aim the extension of RÖSCH AG's strength on the dentistry market.

With this acquisition, RÖSCH AG gained access to interesting sub-markets such as digital x-ray, practice networks and software, thus being able to suitably supplement its product portfolio.

Right from the beginning, the joint sales structure was also converted to exclusive distribution through dental specialist suppliers. This enables a more rapid market penetration of the products by means of the intensive presence of specialist suppliers at the customer's premises. Large specialist suppliers such as Demedis, Pluradent or the worldwide Henry Schein Group were gained as distribution partners. This stage of development concluded on a positive note with a newly designed presence at the bi-annual International Dental Show (IDS) in Cologne.

In the past 2000/2001 financial year, mdc was established as a "Dental Profit Centre" by means of further restructuring measures. Professionalism was raised by establishing competent product management for the areas »Digital Products, Multimedia« and »Dental Local Anaesthetics«. During this stage all of RÖSCH AG's dental field staff were also taken on by mdc. In combination with mdc's field staff, the number of employees in sales was doubled.

At the same time product management led the new developments »Merlin Cool« (highly integrated, innovative intra-oral camera) and »Merlin Crystal« (practice-tested, digital specialist monitors) to market maturity. Sales are set to commence in September 2001.

With the complete overhaul, mdc is now responsible for the entire national dental business of RÖSCH AG. The current product range opens up prospects for offering the highly innovative concept »digital practice of the future«.

To complete the existing Dental business and as a basis for the future expansion of this division, RÖSCH AG took a 44 % stake in Ritter Concept GmbH in Zwönitz in the middle of September 2001. Moreover, this participation puts RÖSCH AG in a position of being able to offer around 80 % of dental equipment for dentists' practices.

With the transfer of the traditional Dental division, RÖSCH AG has generated the opportunity to focus on its core business of »needle-free injection«.

Our staff

Key element in the fiscal year was the integration of Acanthos GmbH, acquired towards the end of the previous financial year, and the majority participations in MDC Medical Digital Concepts Verwaltungs GmbH and MDC Medical Digital Concepts GmbH & Co. KG, purchased in August 2000. The different company cultures had to be aligned, which was achieved thanks to joint efforts by the staff of all participating companies.

Staff development

The RÖSCH Group increased the number of staff from 45 at the beginning of the fiscal year to 77 as at July 31, 2001. A significant proportion of the increase is due to the acquisition of the MDC companies which had 14 staff by the end of the financial year. Taking into consideration the normal rate of fluctuation, the remaining share is largely the result of new appointments at RÖSCH AG Medizintechnik.

In addition to the Group's permanent staff, a contract was concluded, as in the previous year, with pharmexx sales & marketing intelligence GmbH, Mannheim, according to which 9 pharmaceutical representatives were active in field work for RÖSCH AG Medizintechnik to strengthen the sales organisation for **INJEX™**. As at July 31, 2001, the RÖSCH Group therefore offered jobs to 86 people, both directly and indirectly.

Organisation

In the year under review the RÖSCH Group placed value in retaining the flat organisational structure, despite growth. The highest hierarchical level consists of two members of the Board of Directors at RÖSCH AG and three Managing Directors at the subsidiaries which also take on project functions in addition to managerial functions. In the year under review, three staff members were granted power of attorney which authorises the member of staff to represent the company jointly with a member of the Board of Directors. Thus, the ability to take action is always guaranteed, even during the absence of a member of the Board of Directors. The second hierarchical level consists of eight staff members, some of whom have extensive authorisation to act and who report directly to the Board of Directors or the Managing Directors of the subsidiaries. Due to this flat hierarchy, short decision-making paths and thus a rapid reaction to a change in demand in daily business is secured.

However, significant features which characterise the RÖSCH Group's corporate culture are the open and timely communication by management both within the individual companies and between the group companies and the co-operation of all staff members as a team.

Employee stock option programme

This financial year, the Board of Directors again made use of the authority granted by the Annual General Meeting on January 21, 2000, of issuing subscription rights to staff for RÖSCH AG Medizintechnik shares in the context of a stock option programme.

Following the issue of 45,088 subscription rights in the previous financial year, the Board of Directors issued a second tranche of subscription rights with a volume of 33,550 at the end of November 2000, in agreement with the Supervisory Board. Taking into consideration the adjustments in the composition of staff of the RÖSCH Group, there are still 72,299 subscription rights at the end of the 2000/2001 financial year.

Annual and Consolidated Financial Statements

Audit Opinion

To the annual financial statements, the consolidated financial statements and the management report we expressed the following unqualified audit opinion:
"We have audited the annual financial statements, together with the bookkeeping system, of the RÖSCH AG Medizintechnik, Berlin, and the consolidated financial statements prepared by the Company and the management report which is combined with the group management report (management report) for the business year from August 1, 2000, to July 31, 2001. The preparation of these documents in accordance with German Commercial Law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, the bookkeeping system, the consolidated financial statements as prepared by the Company, and the management report based on our audit.

We conducted our audit of the annual financial statements and the consolidated financial statements in accordance with § 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer e.V. (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements and in the consolidated financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Know-ledge of the business activities and the economic and legal environment of the Company and the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and consolidated financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the annual financial statements, the consolidated financials statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.
In our opinion, the annual financial statements and the consolidated financial statements give a true and fair view of the net assets, the financial position and results of operations of the Company and of the Group in accordance with principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's and the Group's position and suitably presents the risks of future development."

Berlin, October 5, 2001

Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

Dr. Michael Schlößer
Auditor

Hubert Pilawa
Auditor

Consolidated balance sheet as of 31 July 2001

ASSETS	Euro	Euro	31.07.2000 TEuro
A. Start-up costs and business expansion expenses		574,110.46	505
B. Fixed assets			
I. Intangible assets			
1. Software	231,542.23		10
2. Patents	1,977,961.31		590
3. Goodwill	609,994.29		63
		2,819,497.83	663
II. Tangible assets			
1. Technical equipment	1,695,196.44		29
2. Other equipment, factory and office equipment	656,036.83		483
3. Payments on account	965,298.61		1,470
		3,316,531.88	1,982
III. Financial assets			
Participations		292,280.99	292
C. Current assets			
I. Inventories			
1. Finished goods and merchandise	6,449,260.01		2,721
2. Payments on account	212,212.09		5
		6,661,472.10	2,726
II. Receivables and other assets			
1, Trade receivables	2,652,060.27		1,722
2. Receivables due from enterprises in which participations are held	0.00		79
3. Other assets	1,198,325.27		569
		3,850,385.54	2,370
III. Securities held as current assets			
Other securities		1,142,361.60	14,753
IV. Cash-in-hand and bank balances		11,970,012.99	13,168
D. Prepaid expenses		237,580.29	27
		30,864,233.68	**36,486**

Consolidated balance sheet as of 31 July 2001

LIABILITIES	Euro	Euro	31.07.2000 TEuro
A. Equity			
I. Subscribed capital	4,800,000.00		4,800
Conditional capital Euro 353,605.00			
II. Capital reserves	34,625,546.81		34,626
III. Accumulated losses	11,717,935.05		4,331
IV. Minority interests	1,644.08		0
		27,709,255.84	35,095
B. Special reserves with an equity portion		17,895.22	18
C. Special reserves for investment grants		83,239.14	72
D. Accruals			
1. Accurals for pension and similar obligations	23,302.00		21
2. Tax accruals	0,00		11
3. Other accruals	599,169.35		690
		622,471.35	722
E. Liabilities			
1. Liabilities due to banks	72,911.92		0
2. Trade payables	1,806,128.50		484
3. Other liabilities	299,993.21		95
of which taxes Euro 61,187.86 (previous year: TEuro 45)			
of which relating to social security			
Euro 76,371.69 (previous year: Euro 44)			
		2,179,033.63	579
F. Deferred income		252,338.50	0
		30,864,233.68	**36,486**

Consolidated statement of income for the business year from 1 August 2000 to 31 July 2001

		Euro	Euro	01.08.1999 31.07.2000 TEuro
1.	**Sales**		6,809,400.43	3,996
2.	**Own work capitalised**		0.00	256
3.	**Other operating income**		482,090.33	108
	of which income from the reversal of special reserves for investment grants Euro 14,078.96 (previous year: TEuro 8)			
			7,291,490.76	4,360
4.	**Cost of materials**			
	a) Cost of purchased goods	4,801,474.67		2,126
	b) Cost of purchased services	39,674.48		45
			4,841,149.15	2,171
5.	**Personnel expenses**			
	a) Wages and salaries	2,777,967.95		1,324
	b) Social securities and other pension costs	477,108.08		224
	of which in respect of pension costs Euro 12,214.76 (previous year: TEuro 15)			
			3,255,076.03	1,548
6.	**Depreciation on intangible fixed assets and tangible assets as well as on capitalised start-up costs and business expansion expenses**		1,366,740.12	415
7.	**Other operating expenses**		6,184,969.68	2,239
			-8,356,444.22	-2,013
8.	**Income from other investments**	319,760.12		455
9.	**Other interest and similar income**	593,958.27		33
10.	**Amortization on investments in current assets**	10,225.84		86
11.	**Interest and similar expenses**	45,252.94		39
			858,239.61	363
12.	**Result from ordinary activities**		-7,498,204.61	-1,650
13.	**Extraordinary income**		111,416.31	0
14.	**Extraordinary expenses**		0.00	2,193
15.	**Taxes on income**		-176,35	-20
16.	**Other taxes**		2,111.66	7
17.	**Net loss for the year**		-7,389,076.31	-3,830
18.	**Minority interests**		1,689.26	0
			-7,387,387.05	-3,830
19.	**Losses carried forward**		4,330,548.00	501
20.	**Accumulated losses**		**-11,717,935.05**	**-4,331**

Balance sheet as of 31 July 2001

ASSETS	Euro	Euro	31.07.2000 TEuro
A. Start-up costs and business expansion expenses		353,443.02	505
B. Fixed assets			
I. Intangible assets			
1. Software	163,839.25		7
2. Licences	1,973,536.93		590
		2,137,376.18	597
II. Tangible assets			
1. Technical equipment	1,692,863.10		29
2. Other equipment, factory and office equipment	452,478.34		456
3. Payments on account	965,298.61		1,470
		3,110,640.05	1,955
III. Financial assets			
1. Shares in affiliated enterprises	1,499,509.67		131
2. Participations	292,280.99		292
		1,791,790.66	423
C. Current assets			
I. Inventories			
1. Finished goods and merchandise	4,594,165.87		2,721
2. Payments on account	212,212.09		5
		4,806,377.96	2,726
II. Receivables and other assets			
1. Trade receivables	1,981,548.74		1,657
2. Receivables due from affiliated enterprises	3,024,099.63		0
3. Receivables due from enterprises in which participations are held	0.00		78
4. Other assets	1,025,340.33		535
		6,030,988.70	2,270
III. Securities held as current assets			
Other securities		1,142,361.60	14,753
IV. Cash-in-hand and bank balances		11,825,930.86	13,131
D. Prepaid expenses		234,229.27	25
		31,433,138.30	**36,385**

Balance sheet as of 31 July 2001

LIABILITIES	Euro	Euro	31.07.2000 TEuro
A. Equity			
I. Subscribed capital			
Conditional capital Euro 353,605.00	4,800,000.00		4,800
II. Capital reserves	34,625,546.81		34,626
III. Accumulated losses	10,745,756.22		4,331
		28,679,790.59	35,095
B. Special reserves for investment grants		83,239.15	73
C. Accruals			
1. Accurals for pension and similar obligations	23,302.00		20
2. Other accruals	396,154.52		672
		419,456.52	692
D. Liabilities			
1, Trade payables	1,670,941.81		437
2. Payables due to affiliated enterprises	212,796.35		8
3. Other liabilities	114,942.05		80
of which taxes Euro 43,179.01 (previous year: TEuro 37)			
of which relating to social security Euro 56,692.53 (previous year: TEuro 39)			
		1,998,680.21	525
E. Deferred income		251,971.83	0
		31,433,138.30	**36,385**

Consolidated statement of income for the business year from 1 August 2000 to 31 July 2001

		Euro	Euro	01.08.1999 -31.07.2000 TEuro
1.	**Sales**		7,412,669.84	3,996
2.	**Own work capitalised**		0.00	256
3.	**Other operating income**		549,056.67	108
	of which income from the reversal of special reserves for investment grants Euro 14,078.96 (previous year: TEuro 8)			
			7,961,726.51	4,360
4.	**Cost of materials**			
	a) Cost of purchased goods	5,962,077.64		2,126
	b) Cost of purchased services	34,372.85		45
			5,996,450.49	2,171
5.	**Personnel expenses**			
	a) Wages and salaries	1,995,408.28		1,324
	b) Social securities and other pension costs of which in respect of pension costs Euro 12,214.76 (previous year: TEuro 15)	333,190.91		224
			2,328,599.19	1,548
6.	**Depreciation on intangible fixed assets and tangible assets as well as on capitalised start-up costs and business expansion expenses**		1,006,350.33	415
7.	**Other operating expenses**		5,966,345.79	2,239
			-7,336,019.29	-2,013
8.	**Income from other investments**	319,760.12		455
9.	**Other interest and similar income**	612,702.50		33
	of which affiliated enterprises Euro 15,751.53 (previous year: TEuro 0)			
10.	**Amortization on investments in current assets**	10,225.84		86
11.	**Interest and similar expenses**	2,205.40		39
			920,031.38	363
12.	**Result from ordinary activities**		-6,415,987.91	-1,650
13.	**Extraordinary income**		0.00	2,193
14.	**Extraordinary expenses**		0.00	-20
15.	**Taxes on income**		-779.69	7
16.	**Other taxes**		-6,415,208.22	-3,830
17.	**Losses carried forward**		4,330,548.00	501
18.	**Accumulated losses**		**-10,745,756.22**	**-4,331**

Notes to the Annual and Consolidated Financial Statements for the Financial Year from August 1, 2000 to July 31, 2001

General notes

The following annual financial statements of Rösch AG Medizintechnik were prepared in accordance with §§ 242 et seq. and §§ 264 et seq. of the German Commercial Code and in accordance with the relevant provisions of the German Stock Corporation Act. RÖSCH AG Medizintechnik has complied with provisions applicable to large stock corporations.

The statement of income has been prepared using the type of expenditure format.

The consolidated financial statements were prepared in accordance with § 290 et seq. of the German Commercial Code.

Due to the extension of the companies subject to the consolidation taken place in the financial year 2000/2001 the comparability of the consolidated financial statements as of July 31, 2001, with previous year´s figures is limited. Material effects on the consolidated financial statements will be explained in connection with the individual items of the consolidated balance sheet and the consolidated statement of income.

The consolidated statement of income has likewise been prepared using the type of expenditure format.

Reporting entity and year-end date

In the RÖSCH AG Medizintechnik consolidated financial statements dated July 31, 2001, the following subsidiaries were included in accordance with the principles of full consolidation:

	Equity share in %
Acanthos GmbH, Hanover	100
MDC Medical Digital Concepts Verwaltungs GmbH, Neu-Ulm	100
MDC Medical Digital Concepts GmbH & Co. KG, Neu-Ulm	100
MedArt Werbeagentur GmbH, Berlin	100
RÖSCH AG Medizintechnik (Schweiz), Zug, Switzerland	95

The balance sheet date of all companies included in the consolidated financial statements is July 31, 2001. MDC Medical Digital Concepts GmbH & Co. KG, Neu–Ulm (hereafter referred to as MDC KG), and MDC Medical Digital Concepts Verwaltungs GmbH, Neu–Ulm (hereafter referred to as MDC GmbH), have adjusted their financial year-end in the passed financial year from September 30 of the calendar year to July 31 of the calendar year. For integration into the existing consolidated financial statements, annual financial statements for the twelve

month period August 1, 2000 to July 31, 2001 were prepared by both companies, which were both included into the present consolidated financial statements. The 12-month period was differentiated from the MDC KG financial year through the preparation of an appropriate statement of income and the adjustment of the existing equity at the point of time at the first consolidation by the result of the period from August 1 to September 30, 2000.

With the notarial recording of the agreement from August 3, 2000, RÖSCH AG Medizintechnik acquired 60 % of the shareholding of MDC Medical Digital Concepts Verwaltungs GmbH, Neu-Ulm, as well as 60 % of the MDC Medical Digital Concepts GmbH & Co. KG, Neu-Ulm, interests in a limited partnership.

With the resolution of the shareholders' meeting of October 17, 2000, the MDC GmbH nominal capital was increased from an initial Euro 25,000.00 to Euro 75,000.00 and the MDC KG capital of an initial Euro 409,033.50 to Euro 1,200,000.00. The capital increases were implemented by means of a cash contribution from RÖSCH AG Medizintechnik, excluding the subscription rights of the other shareholders. The capital increases were subject to the approval of the RÖSCH AG Medizintechnik Annual General Meeting, which was granted on November 28, 2000.

The capital increase at MDC GmbH was entered into the Commercial Register on March 22, 2001 and at MDC KG on April 26, 2001. RÖSCH AG Medizintechnik then had a stake in the nominal capital of MDC GmbH as well as in the MDC KG limited capital, amounting to 86.67 %.

With the notarial recording of the document dated April 6, 2001, RÖSCH AG Medizintechnik has purchased the remaining 13.33 % of shares in MDC GmbH and, with a contract of sale dated April 6, 2001, the remaining 13.33 % of MDC KG shares.

The shares in MedArt Werbeagentur GmbH, Berlin, were acquired with a contract drawn up before a notary dated July 5, 2001. In the 2000/2001 financial year, the company had not yet initiated its own operating business. All transactions result from the time after the acquisition of the shares by RÖSCH AG Medizintechnik, in order that MedArt Werbeagentur GmbH, Berlin, be included in the enclosed consolidated financial statements according to the principles of full consolidation.

RÖSCH AG Medizintechnik (Schweiz), Zug, Switzerland (hereafter referred to as RÖSCH AG Schweiz), was founded on October 6, 2000. The company was entered into the main register of the Commercial Register Office of the canton of Zug (Switzerland) on October 10, 2000. RÖSCH AG Schweiz has therefore drawn up financial statements for the short fiscal year from October 10, 2000 to July 31, 2001, which has been included in the consolidated financial statements.

The shares in Acanthos GmbH, Hanover had already been purchased the previous financial year, with the result that the annual financial statements of Acanthos GmbH, Hanover, as at July 31, 2001 were included in the consolidated financial statements in accordance with the principles of full consolidation.

Consolidation principles

The capital consolidation followed the book value method in accordance with § 301 Para. 1 of the German Commercial Code through offsetting the book value of the shareholding against the share of Group equity of the consolidated subsidiaries at the point of first-time integration into the consolidated financial statements.

The book value of the shares exceeds the pro rata equity for all subsidiaries which are to be consolidated. Since no hidden reserves were included in subsidiaries' individual balance sheet items, the resulting difference was posted as goodwill. The goodwill is to be depreciated over a period of 4 years.

The point of the first-time integration of the subsidiaries acquired in the 2000/2001 financial year was the acquisition date in each case.

Within the framework of debt consolidation in accordance with § 303 of the German Commercial Code, receivables, accruals and liabilities between companies included in the consolidated financial statements were offset against each other. Differences from the debt consolidation, arise only out of exchange rate differences from the receivables and liabilities existing against RÖSCH AG Schweiz. These were treated in the consolidated financial statements in a way impacting the statement of income.

With the consolidation of expenditure and income items using § 305 of the German Commercial Code, the sales from trade receivables and the other opeating income between companies included in the consolidated financial statements were offset against their respective expenditure.

Results realized between the reporting entities have been eliminated using § 304 of the German Commercial Code.

There is no deferred taxation due to the application of uniform accounting and valuation principles in the Group and the implementation of consolidation measures.

Currency conversion

The conversion of the individual RÖSCH AG Schweiz financial statements drawn up in SFR follows the format of functional currency at the middle rate of exchange at the balance sheet date. A conversion to monthly average rates for the expenses and income included in the statement of income was not implemented. These were similarly converted at the middle rate of exchange at the balance sheet date, since not only the difference between the middle rate of exchange at the balance sheet date and the monthly average rate, but also the expenditure and income as a whole for the consolidated financial statements were insignificant.

Accounting and valuation methods

The financial statements of the companies in the reporting entity have been prepared using uniform accounting and valuation principles.

The following essential accounting and valuation methods have been applied, largely unchanged against the previous year.

In the 1998/1999 and 1999/2000 calendar years costs were incurred by various divisions with the first introduction of the new product group "**INJEX™**" at RÖSCH AG Medizintechnik; these costs have been capitalised as expenses for the expansion of business in accordance with § 269 of the German Commercial Code. These costs are redeemed by means of depreciation at an annual level of 25 %, capitalised as beginning with the financial year following capitalisation.

Furthermore, in the annual financial statements dated September 30, 1999, MDC Medical Digital Concepts GmbH & Co. KG had various costs resulting from the start-up of the operating business which followed its formation, which were capitalised as expenses for the start-up of business in accordance with § 269 of the German Commercial Code. These were also redeemed by annual depreciation of 25 %, beginning with the financial year following capitalisation. The depreciated book value of the amounts not yet redeemed through depreciation are capitalised in the consolidated financial statements as at July 31, 2001.

RÖSCH AG Medizintechnik and MDC KG have taken advantage of the option in accordance with § 264b of the German Commercial Code and waived the drawing up of annual financial statements for MDC KG in accordance with the regulations of § 264 ff. of the German Commercial Code. Within the scope of this option, at the drawing up of the individual financial statements for MDC KG, there was no formation of an adjustment item in accordance with § 264c of the German Commercial Code for the capitalised expenses in connection with the start-up of the business. In the consolidated financial statements the option was used accordingly.

Acquired intangible assets have been posted at the acquisition cost and written down using scheduled depreciation in line with their usefull life. The patents and licences capitalised in this item amounting to TEuro 1,978 are derived almost exclusively from the patent for the production and distribution of **INJEX™** acquired by RÖSCH AG Medizintechnik in the 1999/2000 financial year, as well as the license for the needle-free blood sugar monitoring system NIMOS. The patent is written down over a total period of five years as of the 1999/2000 financial year, and the licences is depreciated over a total period of 124 resp. 158 months.

The goodwill derived from the initial consolidation will be redeemed through depreciations by at least one quarter every year in accordance with the regulations of § 309 Para. 1 of the German Commercial Code. For the subsidiaries acquired or established during the course of the financial year, goodwill is depreciated pro rata temporis.

Tangible assets are posted at the acquisition cost and are depreciated, in line with the expected usefull life, according to scheduled depreciation, using the straight-line method. Capital goods under the value of DM 800 are completely written off in the year of acquisition. Additions to tangible assets are depreciated pro rata temporis. The simplified half-year provisions of R 44 Para. 2 of the income tax regulations is used for movable assets.

A fixed valuation is formed for the "exhibition room equipment" capitalised under tangible assets.

The advance payments in the tangible assets item includes payments of TEuro 965 for additional production lines for **INJEX™** accessories. The total investment amounts to TEuro 1,263. The commissioning of machines is planned for the next financial year.

The financial assets posted in the individual financial statements of RÖSCH AG Medizintechnik are derived from the acquisition costs for the subsidiaries included in the consolidated financial statements and the shares in Equidyne Corporation, Westford, Massachusetts, USA purchased last year. The financial assets are capitalised at acquisition cost.

The financial assets posted in the consolidated financial statements are derived solely from the acquisition costs for the shares in Equidyne Corporation, Westford, Massachusetts, USA.

Inventories are posted at the lower of acquisition cost or market prices. All identifiable risks associated with inventory assets due to extended storage periods, reduced serviceability or lower replacement costs are taken into account with suitable write-downs.

Receivables and other assets are posted at nominal value. Provisions are made for all items entailing a risk in the form of appropriate specific allowances.

Other securities are capitalised on the balance sheet date at the lower of cost or market in accordance with § 253 Para. 3 of the German Commercial Code.

In previous years, Acanthos GmbH formed a special reserve item of TEuro 18 in accordance with § 7g of the Income Tax Act for investment measures planned for future financial years; this item was maintained in the 2000/2001 financial year at an unchanged level. The special reserve item was transferred to the consolidated financial statements at the level established at Acanthos GmbH.

The special item for investment subsidies posted in the consolidated financial statements and the individual financial statements of the parent company was formed last year and during the financial year 2000/2001 for the subsidies awarded to RÖSCH AG Medizintechnik as part of the joint task of "Improving the regional economic structure". This special item is written back in line with the depreciation of the assets subsidised.

Pension accruals are posted at the level permitted according to tax regulations in accordance with actuarial principles using a rate of interest of 6 % in line with § 6a of the Income Tax Act.

Other accruals include all contingent liabilities.

Liabilities are posted at the repayable amount.

Liabilities in foreign currencies were entered as such at the higher of the exchange rate applicable on the balance sheet date or on the date on which the liabilities were first posted.

Notes on the balance sheet

Start-up costs and business expansion expenses

The development of expenses for the expansion of business operations is shown under depreciation in the fixed-asset movement schedule of the financial year.

In the consolidated financial statements this figure also includes start-up costs at the net book value of TEuro 221 capitalised at MDC KG.

Fixed assets

The development of the individual positions of fixed assets is shown under depreciation in the fixed-asset movement schedule of the financial year.

Financial assets

The financial assets of TEuro 1,500 capitalised in the individual financial statements of the parent company relate to the acquisition costs for the subsidiaries included in the consolidated financial statements; those of TEuro 292 relate to the shares purchased last year in the former shareholder of RÖSCH AG Medizintechnik, Equidyne Corporation, Westford, Massachusetts, USA.

Notes on shareholdings

	Currency	Stake %	Equity TEuro	Result TEuro
Germany				
Acanthos GmbH, Hanover	Euro	100	-106	- 173
MDC Medical Digital Concepts Verwaltungs GmbH, Neu-Ulm	Euro	100	75	1
MDC Medical Digital Concepts GmbH & Co. KG, Neu-Ulm	Euro	100	- 524	- 1,027
MedArt Werbeagentur GmbH, Berlin	Euro	100	25	- 0,5
Abroad				
RÖSCH AG Medizintechnik (Schweiz), Zug, Switzerland	Euro	95	33	- 34

The shares in Equidyne Corporation, Westford, Massachusetts, USA, amount to less than 20 % of the entire shares of this company.

Inventories

Inventories include merchandise to the amount of TEuro 6.449 as well as payments on account of TEuro 212.

Finished goods and merchandise are allotted to RÖSCH AG Medizintechnik with TEuro 4,436 and to MDC KG with TEuro 1,804 taking elimination of profits realized between the reporting entities into account.

Receivables and other assets

The trade receivables capitalised in the individual financial statements of RÖSCH AG Medizintechnik includes a partial amount of TEuro 26 with a residual term of more than one year.

Receivables due from affiliated enterprises shown in the individual financial statements of RÖSCH AG Medizintechnik include a partial amount of TEuro 251 with a residual term of more than one year.

Other assets posted in the individual financial statements of the parent company include personnel loans totalling TEuro 14 with a residual term of more than one year.

The consolidated financial statements include trade receivables totalling TEuro 26 with a residual term of more than one year and other assets of TEuro 14 with a residual term of more than one year.

Other assets essentially include tax refunds, amounts due from employees, short-term loans and the capitalised pension policy value.

Receivables capitalised last year from companies in which participations are held were all due from the then shareholder Equidyne Corporation, Westford, Massachusetts, USA.

Trade receivables shown in the consolidated financial statements are caused with TEuro 500 and other assets with TEuro 155 by MDC KG.

Deferred income and prepaid expenses

The deferred income and prepaid expenses resulted largely from a payment received in the year under review for the granting of a particular exclusive distribution right which is to be awarded for the contractual period in accordance with the contractually agreed terms. Part of the payment received for the distribution right is to be appropriated to the former shareholder, Equidyne Corporation, Westford, Massachusetts, USA, as stipulated in a contract and is therefore posted under prepaid expenses. This prepaid expenses item is written back in line with the procedure adopted for writing back the deferred income item over the term specified in the agreement.

Subscribed capital

As of the balance sheet date, 4,800,000 bearer shares had been issued. There has been no change from the previous year.

Authorised capital

With the resolution adopted by the shareholders' meeting on December 10, 1999, the Board of Management was authorised, once the company has been listed on the Frankfurt Stock Exchange, and subject to the approval of the Supervisory Board, to increase the capital by a maximum of Euro 1,768,025 in the period through to December 31, 2004 through one or several issues of new common stock against cash contributions and/or contributions in kind.

The Extraordinary General Meeting on January 21, 2000 adopted a resolution on an increase in the authorised capital. Accordingly, the Board of Management is authorised, once the company has been listed on the Frankfurt Stock Exchange, and subject to the approval of the Supervisory Board, to increase the capital stock by a maximum of Euro 2,400,000.00 in the period through to December 31, 2004 through one or several issues of new common stock against cash contributions and/or contributions in kind. The Board of Management is authorised, subject to the approval of the Supervisory Board, to decide on the exclusion of subscription rights. The exclusion of subscription rights is only permissible

- for a capital increase against contributions in kind to acquire a shareholding and
- for the listing of shares on a stock exchange.

The authorised capital was entered in the Commercial Register on January 28, 2000.

Conditional capital

The Annual General Meeting on January 21, 2000 adopted a resolution to implement a conditional increase of up to Euro 353,605.00, divided into up to 353,605 common shares. The sole purpose of the conditional capital increase is the issue of up to 353,605 bearer shares by way of exercising subscription rights to be granted within the framework of a stock option plan at RÖSCH AGMedizintechnik on the basis of the authorisation granted on January 21, 2000; these options are granted to employees and members of the management of the company and affiliated companies. In this respect, the subscription rights of shareholders are excluded.

The conditional capital was entered in the Commercial Register on January 28, 2000.

The subscription rights may be issued by the Board of Management with the consent of the Supervisory Board in a number of tranches. The subscription rights are granted as options to purchase two bearer shares in the company (Share A and Share B). The exercising of the subscription right to a share of Type A is dependent upon the development of the stock market price of the share in RÖSCH AG Medizintechnik in relation to the basic price, and the exercising of the subscription right to a share of Type B is dependent upon the development of the stock market price of the share in RÖSCH AG Medizintechnik in relation to the Neuer Markt Index.

The group of beneficiaries covers members of the Board of Management of the company with up to 10 % of the respective tranche (Group 1), members of the management of affiliated companies insofar as they are not also members of the Board of Management of the company with up to 20 % of the respective tranche (Group 2), and other employees of the company and affiliated companies with up to 70 % of the respective tranche (Group 3). If at the point in time of the issue of a tranche there are no beneficiaries in Group 2, the 20 % to be allocated to Group 2 are to be issued to the beneficiaries in Group 3.

The exercising of the subscription rights is only possible after a waiting period of at least 2 years.

As of the balance sheet date 72,299 subscription rights had been subscribed to by beneficiaries. As each subscription right contains a share of Type A and one share of Type B, Euro 144,598 of the conditional capital has been subscribed.

Capital reserve

The capital reserve in the individual financial statements of RÖSCH AG Medizintechnik corresponds to the premium in accordance with § 272 Para. 2 No. 1 of the German Commercial Code and is derived exclusively from the capital increases implemented over the past few financial years and the premium, minus remunerations and commissions, from the placement of 1,263,950 bearer shares on the Frankfurt Stock Exchange.

The capital reserve shown in the consolidated financial statements include another capital contribution of TEuro 41 from partners to the equity of Acanthos GmbH, Hanover, in accordance with § 272 Para. 2, No. 4 of the German Commercial Code.

Net loss for the year

The net loss for the year at RÖSCH AG Medizintechnik developed as follows during the 2000/2001 financial year:

	TEuro
Accumulated losses brought forward, August 1, 2000	4,331
Net loss for the year 2000/2001	6,415
Accumulated losses, July 31, 2001	10,746

Net loss for the year developed as follows on the consolidated balance sheet for the financial year:

	TEuro
Accumulated losses brought forward, August 1, 2000	4,331
Net loss for the year 2000/2001	7,3890
Minority interest	-2
Accumulated losses, July 31, 2001	11,718

Special reserve items

The special reserve item of TEuro 83 carried as a liability in the individual financial statements of RÖSCH AG Medizintechnik includes investment subsidies granted in the context of the joint task of "Improving the regional economic structure". This special item is written back using the same procedure as that adopted for writing off subsidised assets.

A further TEuro 18 are included in the consolidated financial statements which were carried as a liability at Acanthos GmbH in the context of the utilisation of special depreciation in accordance with Para. 7g of the Income Tax Act.

Provisions for pensions and similar obligations

The maximum amounts permissible under tax rules were allocated to provisions for pensions in the year under review.

Other provisions

Other provisions in the consolidated financial statements relate predominantly to vacation entitlements (TEuro 214), costs of establishing the annual financial statements (TEuro 104), open invoices (TEuro 99) and legal disputes (TEuro 46). Total provisions posted in the consolidated financial statements are caused with TEuro 157 by MDC KG

The provisions carried as a liability in the individual financial statements of RÖSCH AG Medizintechnik predominantly relate to open vacation entitlements (TEuro 145), costs of establishing the annual financial statements (TEuro 66), open invoices (TEuro 43) and legal disputes (TEuro 46).

Statement of liabilities in TEuro

RÖSCH AG Medizintechnik

Type of liability	Residual term Up to 1 year	1 to 5 years	Secured with/	Total 31.7.2001	31.7.2000
1. Trade payables	1,671			1,671	437
(previous year)	(437)				
2. Payables due to affiliated enterprises	213			213	8
(previous year)	(8)				
3. Other liabilities	115			115	80
(previous year)	(80)				
- thereof taxes	43			43	37
(previous year)	(37)				
- thereof in respect of social security	57			57	39
(previous year)	(39)				

The amounts due to banks are secured through an assignment of trade payables in accordance with a contract from January 5/26, 1994 and through an assignment of Mr. Andy Rösch's term life insurance totalling DEM 1,000,000.00.

Consolidated balance sheet

Type of liability	Residual term Up to 1 year	1 to 5 years	Secured with/	Total 31.7.2001	31.7.2000
1. Liabilities due to banks	73	*		73	0
(previous year)	(0)				
2. Trade payables	1,806			1,806	484
(previous year)	(484)				
3. Other liabilities	300			300	95
(previous year)	(95)				
- thereof taxes	61			61	45
(previous year)	(45)				
- thereof in respect of social security	76			76	44
(previous year)	(44)				

* 1 and 5 years in the amount of TEuro 141. As debits and credits to the same bank institution are offset, the liability included in the individual balance sheet of MDC KG and included in the consolidated financial statements are only TEuro 23, where they are included in the short term liabilities.

Trade payables in the amount of TEuro 116 and other liabilities in the amount of TEuro 158 recorded in the consolidated financial statements are caused by MDC KG.

There is assignment as security of all capitalised vehicles included in the fixed assets of MDC KG to Landesbank Baden-Württemberg, Reutlingen, in accordance with special contracts on the transfer of property by way of security.

Contingent liabilities

On January 4, 2001, RÖSCH AG Medizintechnik provided a letter of subordination over a loan of DEM 50,000 granted to Acanthos GmbH. In addition, RÖSCH AG Medizintechnik provided a letter of subordination on July 2, 2001 with regard to a partial amount of DEM 400,000 of the total due from Acanthos GmbH.

On July 2, 2001, RÖSCH AG Medizintechnik also provided a letter of subordination with regard to a partial amount of DEM 2,200,000 of the total due from MDC KG.

Other financial obligations

On the balance sheet date there are other financial obligations within the Group from fixed-term rent and lease agreements of a total of TEuro 1,308. The rent and lease contracts will expire between 2002 and 2006.

On the balance sheet date there were other financial obligations from fixed-term rent and lease agreements of TEuro 896 at RÖSCH AG Medizintechnik. The rent and lease agreements will expire between 2002 and 2006.

Order obligations from awarded investment orders amounts to TEuro 384 taking payments in advance into account.

On the balance sheet date, order commitments from deliveries of goods were TEuro 5,941 at RÖSCH AG Medizintechnik and TEuro 6,273 as well as TUS-$ 930 in the Group.

In addition there existed for RÖSCH AG Medizintechnik and for the group on the balance sheet date other financial obligations out of a minimum licence fee amounting to TEuro 50 and out of a sponsoring contract in the amount of TEuro 58. Both amounts are due in the next financial year.

Notes on the statement of income

Sales

■ according to business area

	2000/2001 TEuro	%	1999/2000 TEuro	%
Dental	4,639	63	1,666	42
INJEX™	2,161	29	1,468	37
Paediatrics/Audiometry	310	4	587	15
Service	293	4	275	6
Other sales	10	0	0	0
	7,413	**100**	**3,996**	**100**

■ according to region

	2000/2001 TEuro	%	1999/2000 TEuro	%
Domestic	5,166	70	2,254	56
EC countries	1,898	26	1,514	38
Other countries	349	4	228	6
	7,413	**100**	**3,996**	**100**

Sales

■ according to business area

	2000/2001 TEuro	%	1999/2000 TEuro	%
Dental	4,092	60	1,666	42
INJEX™	2,104	31	1,468	37
Paediatrics/Audiometry	310	5	587	15
Service	293	4	275	6
Other sales	10	0	0	0
	6,809	**100**	**3,996**	**100**

■ according to region

	2000/2001 TEuro	%	1999/2000 TEuro	%
Domestic	4,096	60	2,254	56
EC countries	2,328	34	1,514	38
Other countries	385	6	228	6
	6,809	**100**	**3.996**	**100**

The consolidated financial statements include third party sales realized by MDC KG amounting to TEuro 2,282, which only relates to the dental business area.

Other operating income

Other operating income included in the consolidated financial statements is predominantly from the individual statements of RÖSCH AG Medizintechnik.

Other operating income in the individual statements of RÖSCH AG Medizintechnik predominantly includes earnings from reversed provisions (TEuro 324) and non-monetary compensation (TEuro 43) allocated.

Cost of materials

Cost of materials of TEuro 4,841 as shown in the consolidated financial statements are caused with TEuro 1,794 by MDC KG.

Personnel expenses

Personnel expenses of the Group are allotted to MDC KG with TEuro 651.

Depreciation

Depreciation expenses shown in the consolidated financial statements are caused by MDC KG in the amount of TEuro 181.

Other operating expenses

Other operating expenses included in the individual statements of the parent company primarily include advertising and travel expenses (TEuro 1,934, previous year: TEuro 399), costs of goods dispatch (TEuro 1,406, previous year: TEuro 343), cost of office (TEuro 267, previous year: TEuro 206), expenses in connection with the **INJEX™** product launch (TEuro 244, previous year: TEuro 166), legal and consultancy costs (TEuro 159, previous year: TEuro 356) and vehicle costs (TEuro 158, previous year: TEuro 115).

The other operating expenses in the consolidated financial statements predominantly relate to advertising and travel expenses (TEuro 2,274), costs of goods dispatch (TEuro 1,250), cost of office (TEuro 347), expenses for research and development (TEuro 244), legal and consultancy costs (TEuro 376) and vehicle costs (TEuro 254). Total consolidated other operating expenses are caused by MDC KG with an amount of TEuro 905.

Extraordinary income

The extraordinary income is mainly the result of the waiving of a debt by a former limited partner of MDC KG against MDC KG. The waiving of the debt was issued in the context of purchasing the limited partner's share of 60 % in MDC KG by RÖSCH AG Medizintechnik

Extraordinary expenditure

The extraordinary expenses itemised in the previous year's – individual and consolidated - financial statements exclusively related to the expenses incurred in connection with the IPO at the Frankfurt Stock Exchange.

Financial position of RÖSCH AG Medizintechnik

	2000/2001 TEuro	1999/2000 TEuro
1. Operating area		
Net loss for the year	-6,415	- 3,830
Depreciation of fixed assets	1,007	415
Change in pension accruals	3	2
Income from the capitalisation of expansion expenses not affecting cash	0	- 256
Income from the increase in the capitalised value of pension policy not affecting cash	-4	- 4
Income from the release of accruals not affecting cash	-324	0
Change in special reserves for investment grants	10	73
Change in inventories, trade receivables and other assets	-6,047	- 2,783
Change in trade payables and other liabilities	1,774	-375
Cash flow from operating activities	-9,996	- 6,758
2. Investing area		
Cash inflow from disposal of fixed assets	2	16
Payments for investments in		
tangible assets	-1,776	-1,763
intangible assets	-1,777	- 7
financial assets	-1,369	- 423
Cash flow from investing activities	-4,920	- 2,177
3. Financing area		
Cash inflow from capital increases	0	2,997
Other cash inflow from shareholders (premium from capital increase)	0	33,956
Cash outflows from the repayment of loans	0	-184
Cash flow from financing activities	0	36,769
4. Cash and cash equivalents		
Change in cash and cash equivalents affecting payments (sub-totals 1 - 3)	-14,916	27,834
Cash and cash equivalents at the beginning of the period	27,884	50
Cash and cash equivalents at the end of the period	12,968	27,884
5. Composition of cash and cash equivalents		
Liquid funds	11,826	13,131
Securities held as current assets	1,142	14,753
Cash and cash equivalents at the end of the period	12,968	27,884

The Statement of Cash flows clarifies that the cash outflow in the amount of Euro 14.9 million is mainly caused by the net loss for the year and the increase in inventories and trade receivables in the amount of Euro 12.5 million. Furthermore, the cash outflow from investing activities amounted to Euro 5 million.

Financial situation of Group

The change in the cash and cash equivalents as well as the cash flows responsible for this are shown on the basis of the following cash flow statement.

	2000/2001 TEuro	TEuro
1. Operating area		
Net loss for the year	-7,388	- 3,830
Depreciation of fixed assets	1,367	415
Change in pension accruals	3	2
Income from the capitalisation of expansion expenses not affecting cash	0	- 256
Income from the increase in the capitalised value of a pension policy not affecting cash	-4	- 4
Income from the release of accruals not affecting cash	-324	0
Change in special reserves for investment grants	11	73
Change in inventories, trade receivables and other assets	-5,621	- 2,783
Change in trade payablesand other liabilities	2,001	-375
Cash flow from operating activities	-10,778	- 6,758
2. Investing area		
Cash inflow from disposal of fixed assets	6	16
Payments for investments in		
tangible assets	-1,871	-1,763
intangible assets	-1,783	- 7
financial assets	0	- 292
Cash outflow from the acquisition of consolidated companies	-458	- 94
Cash flow from investing activities	-4,106	- 2,140
3. Financing area		
Cash inflow from capital increases	0	2,997
Minority interests	2	0
Other cash inflows from shareholders (premium from capital increase)	0	33,956
Cash outflow from the repayment of loans	0	- 184
Cash flow from financing activities	2	36,769
4. Cash and cash equivalents		
Change in cash and cash equivalents		
affecting payments (sub-totals 1 - 3)	-14,882	27,871
Cash and cash equivalents at the beginning of the period	27,921	50
Cash and cash equivalents at the end of the period	13,039	27,921
5. Composition of the cash and cash equivalents		
Liquid funds	11,970	13,168
Securities held as current assets	1,142	14,753
Short-term amounts due to banks	-73	0
Cash and cash equivalents at the end of the period	13,039	27,921

Additional information to the consolidated cash flow statement

	TEuro
Purchase price	577
Shares of purchase price which are cash or cash equivalents	577
Acquired cash or cash equivalents	119
Acquired tangible assets	167
Acquired intangible assets	86

Segment reporting

	Needlefree applications TEuro	Private Label/ Reselling TEuro	Holding TEuro	Total TEuro
Sales	2,104	4,694	11	6,809
Cost of materials	-1,500	-3,366	26	-4,841
Personnel expenses	-604	-1,413	-1,238	-3,255
Depreciation	-872	-233	-262	-1,367
Other operating expenses minus other operating income	-1,402	-1,283	-3,018	-5,703
Financial result	0	0	858	858
Extraordinary result	0	111	0	111
Taxes	0	0	-2	-2
Net loss for the year	-2,275	-1,489	-3,625	-7,389
Fixed assets	3,651	727	2,625	7,002
Investments in fixed assets	2,015	845	1,498	4,358

The segment Needle-free Applications consists of **INJEX™** and **ROJEX™** sales including any and all accessories as well as corresponding costs. Product areas dental, paediatrics/audiometry and service are summarized in the segment Private Label/ Reselling.

Besides general administration the segment Holding consists of costs relating to the MPIC and research and development. The material personnel expenses are mainly due to remunerations of the Board of Management and the general managers of the subsidiaries. The total of other operating expenses minus other operating income mainly consists of travel expenses caused by the general management of the consolidated entities and of research and development expenses.

Other information

Board of Management

The following persons were appointed to the Board of Management of RÖSCH AG Medizintechnik during the 2000/2001 financial year:

Andy Rösch, Berlin, business man, as the Chairman of the Board of Management and

Christoph von zur Gathen, MBA, Berlin, as a member of the Board of Management

The Chairman of the Board of Management, Andy Rösch, has been granted power of sole representation. Mr Rösch is exempt from the restrictions of § 181 of the German Civil Code.

Mr. Rösch is managing director of MedArt Werbeagentur GmbH, Berlin, since July 5, 2001.

Mr. von zur Gathen is also managing director of Acanthos GmbH, Hanover, since June 28, 2000 and since October 6, 2000 the president of the Board of Directors of RÖSCH AG Medizintechnik (Schweiz), Zug, Switzerland.

Remuneration of the Board of Management

The remuneration of the Board of Management of RÖSCH AG Medizintechnik was TEuro 358 in the period under review.

As of the balance sheet date 3,811 subscription rights had been assumed by the Board of Management. Each subscription right comprises a share of Type A and one of Type B.

The accruals formed in the individual and consolidated financial statements for pensions and other obligations are the result of a pension commitment towards the Chairman of the Board of Management, Mr. Rösch.

Supervisory Board

The following persons were appointed as members of the Supervisory Board in the 2000/2001 financial year

Dr. Dieter Leithäuser, Doctor of Medicine, Warburg, Chairman,

Markus Saller, MBA, Garmisch Partenkirchen, Deputy Chairman,

Dr. Jörg Zimmermann, Doctor of Medicine, Leipzig, (since November 28, 2000),

James Stuart Parsons, Technical Consultant, Aliso Viejo, California, USA, (until November 20, 2000)

The members of the Supervisory Board are not represented on any other supervisory boards or managing bodies.

Remuneration of the Supervisory Board

In accordance with the articles of association the remuneration of the Supervisory Board totalled TEuro 17. The amount disclosed also consists of the

remuneration of the Supervisory Board for the financial year 1999/2000, as that remuneration had to be approved by the Shareholder´s Meeting hold on November 28, 2000, at first and therefore, had been paid in the period under review.

Employees

The average number of employees at RÖSCH AG Medizintechnik during the financial year

	2000/2001	1999/2000
Employees	48	38
Trainees	1	1
	49	39

The average number of employees in the Group during the financial year:

	2000/2001	1999/2000
Employees	64.5	42
Trainees	2	1
	66.5	43

Berlin, September 2001

Rösch
Chairman of the Board of Management

von zur Gathen
Member of the Board

Consolidated fixed assets movement schedule

	Historical Costs					
	1/8/2000	Additions*	Additions	Disposals	Reclasses	31/7/2001
	Euro	Euro	Euro	Euro	Euro	Euro
A. Start-up costs and business expansion expenses	606,504.76	407,386.12	0.00	0.00	0.00	1,013,890.88
B. Fixed assets						
I. Intangible assets						
1. Software	26,418.99	83,615.27	183,236.98	3,579.04	0.00	289,692.20
2. Patents	737,710.64	6,033.24	1,600,000.02	0.00	0.00	2,343,743.90
3. Goodwill	63,429.14	0.00	703,717.63	0.00	0.00	767,146.77
	827,558.77	89,648.51	2,486,954.63	3,579.04	0.00	3,400,582.87
II. Tangible assets						
1. Technical equipment	33,080.58	0.00	702,244.21	15,743.96	1,470,464.30	2,190,045.13
2. Other equipment, factory and office equipment	686,424.69	204,677.47	187,949.03	11,869.87	0.00	1,067,181.32
3. Payments on account	1,470,464.30	0.00	981,097.53	0.00	1,470,464.30	981,097.53
	2,189,969.57	204,677.47	1,891,290.77	27,613.83	0.00	4,238,323.98
III. Financial assets						
Participations	292,280.99	0.00	0.00	0.00	0.00	292,280,99
	292,280.99	0.00	0.00	0.00	0.00	292,280,99
	3,309,809.33	294,325.98	4,358,245.40	31,192.87	0,00	7,931,187,84

* Additions from the change of companies included in the consolidation

Consolidated fixed assets movement schedule

	Accumulated Depreciation					Book Values	
	1/8/2000	Additions*	Additions	Disposals	31/7/2001	31/7/2001	31/7/2000
	Euro	Euro	Euro	Euro	Euro	Euro	Euro
	101,435.68	84,872.15	253,472.59	0.00	439,780.42	574,110.46	505,069.08
	16,844.07	3,670.85	37,635.05	0.00	58,149.97	231,542.23	9,574.92
	147,542.15	402.22	217,838.22	0.00	365,782.59	1.977,961.31	590,168.49
	0.00	0.00	157,152.48	0.00	157,152.48	609,994.29	63,429.14
	164,386.22	4,073.07	412,625.75	0.00	581,085.04	2,819,497.83	663,172.55
	4,410.74	0.00	506,181.91	15,743.96	494,848.69	1,695,196.44	28,669.84
	203,698.08	37,714.78	179,660.95	8,929.32	411,144.49	656,036.83	482,726.61
	0.00	0.00	15,798.92	0.00	15,798.92	965,298.61	1,470,464.30
	208,108.82	37,714.78	700,641.78	24,673.28	921,792.10	3,316,531.88	1,981,860.75
	0.00	0.00	0.00	0.00	0.00	292,280.99	292,280.99
	0.00	0.00	0.00	0.00	0.00	292,280.99	292,280.99
	372,495.04	41,787.85	1,113,267.53	24,673,.28	1,502,877.14	6,428,310.70	2,937,314.29

Fixed assets movement schedule

	Historical Costs				
	1/8/2000 Euro	Additions Euro	Disposals Euro	Reclasses Euro	31/7/2001 Euro
A. Start-up costs and business expansion expenses	606,504.76	0.00	0.00	0.00	606,504.76
B. Fixed assets					
I. Intangible assets					
1. Software	24,132.44	176,984.78	0.00	0.00	201,117.22
2. Patents	737,710.64	1,600,000.02	0.00	0.00	2,337,710.66
	761,843.08	1,776,984.80	0.00	0.00	2,538,827.88
II. Tangible assets					
1. Technical equipment	33,080.58	699,910.87	15,743.96	1,470,464.30	2,187,711.79
2. Other equipment, factory and office equipment	653,903.44	95,313.30	2,925.21	0.00	746,291.53
3. Payments on account	1,470,464.30	981,097.53	0.00	-1,470,464.30	981,097.53
	2,157,448.32	1,777,321.70	18,669.17	0.00	3,915,100.85
III. Financial assets					
1. Shares in affiliated enterprises	130,716.32	1,368,793.35	0.00	0.00	1,499,509.67
2. Participations	292,280.99	0.00	0.00	0.00	292,280.99
	422,997.31	1,368,793.35	0.00	0.00	1,791,790.66
	3,342,288.71	4,922,099.85	18,669.17	0.00	8,245,719.39

Fixed assets movement schedule

	Accumulated Depreciation				Book Values	
	1/8/2000	Additions	Disposals	31/7/2001	31/7/2001	31/7/2000
	Euro	Euro	Euro	Euro	Euro	Euro
	101,435.68	151,626.06	0.00	253,061.74	353,443.02	505,069.08
	16,844.07	20,433.90	0.00	37,277.97	163,839.25	7,288.37
	147,542.15	216,631.58	0.00	364,173.73	1,973,536.93	590,168.49
	164,386.22	237,065.48	0.00	401,451.70	2,137,376.18	597,456.86
	4,410.74	506,181.91	15,743.96	494,848.69	1,692,863.10	28,669.84
	198,135.23	96,677.96	0.00	293,813.19	452,478.34	455,768.21
	0.00	15,798.92	0.00	15,798.92	965,298.61	1,470,464.30
	202,545.97	617,658.79	15,743.96	805,460.80	3,110,640.05	1,954,902.35
	0.00	0.00	0.00	0.00	1,499,509.67	130,716.32
	0.00	0.00	0.00	0.00	292,280.99	292,280.99
	0.00	0.00	0.00	0.00	1,791,790.66	422,997.31
	366,932.19	854,724.27	15,743.96	1,205,912.50	7,039,806.89	2,975,356.52

RÖSCH AG Medizintechnik Management report and Group management report according to § 289 of the German Commercial Code and § 315 of the Commercial Code as at July 31, 2001

A. Substance of comments and previous year figures

The following analyses and comments focus on the consolidated financial statements of the Rösch Group and the individual financial statements of RÖSCH AG Medizintechnik. The partial amounts relating to Acanthos GmbH, Hanover (hereafter referred to as Acanthos), MDC Medical Digital Concepts Verwaltungs GmbH, Neu-Ulm, MDC Medical Digital Concepts GmbH & Co. KG, Neu-Ulm (hereafter referred to as MDC) and RÖSCH AG Medizintechnik (Switzerland), Zug, Switzerland (hereafter referred to as Rösch (Switzerland)) are only given additionally for items where a further breakdown by subsidiary is required for comprehension.

The previous year figures relate to the 1999 / 2000 financial year covering the period from August 1, 1999 to July 31, 2000. When analysing the changes in the consolidated financial statements, however, it must be taken into consideration that the consolidated previous year figures in the balance sheet only include RÖSCH AG Medizintechnik and Acanthos, and that those in the statement of income only include RÖSCH AG Medizintechnik. MDC was not acquired nor Rösch (Switzerland) founded until the 2000 / 2001 financial year.

B. Description of the development of business in the financial year from August 1, 2000 to July 31, 2001

Development of sales and order level

The financial year from August 1, 2000 to July 31, 2001 at RÖSCH AG Medizintechnik was characterised by major developments in the history of the company. The start of sales in **INJEX™** and its accessories and the expansion of the dental sector are worthy of particular mention.

In the **INJEX™** sector, a sales revenue of TEuro 2,104 was attained (previous year: TEuro 1,468). Although this increase is significantly less than expected for the last financial year, it indicates a shift towards the crucial role this business sector will come to play in the medium term.

A significant increase was attained in parts of the export market. In the Group as a whole, sales in EU and third countries increased from TEuro 1,742 (previous year) to TEuro 2,713. It must however be noted that the targets were not met significanty.

Main reasons for the significantly less achieved than planned sales in the **INJEX™** sector are on the one side the still missing general reimbursement by the German Health Insurers and on the other side the insufficient public awareness of the product **INJEX™**.

Overall, sales in the dental sector grew from TEuro 1,666 (previous year) to TEuro 4,092, i.e. a significant increase in sales was attained. This is due particularly to the acquisition of MDC. As a percentage, sales in the dental sector developed in relation to the overall sales of the company (previous year: 42 %) positively to 60 %, even though a significant reduction in the percentage share of dental sales was planned. Independently of the relative development, it must be reported that the sales and earnings targets (in absolute figures) also were not attained in the dental sector. There were a number of reasons for this:

- The integration of MDC into the procedures of RÖSCH AG Medizintechnik took longer than expected. Particular mention must be made here of the overlaps in the areas of activity of the individual employees. In the interests of a more effective structuring of the dental sector, RÖSCH AG Medizintechnik therefore decided to transfer all German dental activities to MDC as from August 1, 2001.
- It must also be mentioned that an internal decision was taken in autumn 2000 to shift the main orientation of the distribution of dental products away from direct distribution to cooperation with dental warehouses and wholesalers. This conversion process led to a significant increase in the workload of the employees involved, without this immediately bringing about the necessary results.
- In addition, the MDC product range, the digital X-ray technology, had to be integrated and, as it has not been available for long on the German and European markets, introduced to doctors with its advantages over conventional X-ray technology. Independent of the newness of the technology, a strong increase in demand from specialist traders and a correspondingly sharp rise in the sales volume was reported by the middle of the financial year. However, specialist outlets themselves underestimated their ability to penetrate the market, with the result that the development of sales in the digital X-ray sector was extremely modest in the third and fourth quarters of the financial year.
- Furthermore the loss of a Swedish customer of MDC had a negative impact on the sales development. The main part of goods already invoiced and delivered could be fetched back, so that credit notes had to be issued. In regard of a remaining amount a payment agreement was made and has been observed by the customer till now.

The aim of the concentration of the dental sector into MDC is to generate positive contribution margins. The objective is that digital X-ray sensors, for

which an exclusive agreement with Schick Technologies Inc., New York, USA, concerning an OEM version has been in force since January 9, 2001, will make a more significant contribution to the success of the dental sector than that seen to date. The exclusive agreement is valid until December 31, 2001. The measures announced in the past for increasing staff and for providing employees in the dental sector with the requisite professional training were implemented as planned.

The Board of Management of RÖSCH AG Medizintechnik set itself the general aim of reversing the extremely unsatisfactory results of the dental sector and that of MDC. If the current state persists during the months of October to December, traditionally months in which strong sales are recorded, further decisions relating to this matter affecting the Group as a whole cannot be ruled out.

Due to the nature of business in the dental sector, it is not possible to generate a longer-term order book.

Sales in the paediatric/audiometric sector fell from TEuro 587 (previous year) to TEuro 310, leading to a reduction in its share of total sales from 15 % to 5 %. The main reason for this is the trend towards reducing the focus on the paediatric/audiometric sector at RÖSCH AG Medizintechnik. An absolute increase in sales from TEuro 275 to TEuro 293 was reported in the service sector, corresponding to a decrease in comparison to the previous year (6 %) to 4 % of total sales.

2. INJEX™

Over the period under review as a whole a major share of the company's material and personnel resources was invested in the further development of **INJEX™**, the ampoules and the accessories for the system, in order to obtain access to new sales markets.

By acquiring highly qualified employees the company was thus able to ensure that the majority of research and development work for this sector could be carried out in-house at relatively low costs. In addition, the cooperation with OLPE Jena GmbH, the contracted producer of **INJEX™** and **ROJEX™** in R&D, also proved to be extremely productive during the period under review. The production of **INJEX™** was continued by OLPE Jena GmbH as agreed, thus building up an inventory allowing sufficient flexibility in response to future sharp increases in demand. For more information on this subject, please refer to the discussion on risk factors below.

The contracting partner, Nypro GmbH and its supplier, Nypro Kunststofftechnik GmbH in Oldenburg, Schleswig-Holstein, began fully automatic ampoule production during the last financial year. Although Nypro GmbH was, relatively speaking, breaking new technological ground with the production of the 0.3 ml ampoule, it was able to cope with the naturally occurring problems associated with mass production.

Following approval by the Annual General Meeting held on November 28, 2000,

a "Manufacturing and Supply Agreement" was concluded with Nypro GmbH in the planned form. The agreement, as a post-formation contract, was entered in the Commercial Register of the Charlottenburg local court on February 22, 2001. In order to double the production capacity for 0.3 ml ampoules, the company completed the order to Nypro, Inc. of the second production line on April 3, 2000. The investment level of TEuro 784 is significantly lower than that for the first sub-line, as only the tools for injecting the plastic of the complete ampoules had to be procured in the second investment stage. In addition, various investment measures were implemented regarding additional adapters etc. for **INJEX™**.

3. ROJEX™

The company's patent attorney has filed the registration of the **ROJEX™** and **ROEJEX™** brand names for the major countries of the world in June 2000. A large number of registrations have been performed since then.

Another product of the pleasing collaboration with OLPE Jena GmbH was the development by OLPE Jena GmbH of the **ROJEX™** prototypes in close cooperation with the company. Several thousand **ROJEX™** units were produced in the first production stage. The main purpose of this is to allow interested pharmaceutical companies to familiarise themselves with the disposable injection device. In addition, pharmaceutical companies use **ROJEX™** to perform the necessary tests. The company is in agreement with OLPE Jena GmbH that the start and organisation of the establishment of fully automatic production of **ROJEX™** is to be determined by the precise specification proposed by the respective pharmaceutical company.

4. Additional research and development projects

It was possible to start or implement a number of development projects concerning the further development of needle-free injection technology thanks to the increased expansion of research and development resources. The following projects are worthy of particular mention:

- dental module for integration into the dental treatment unit
- development of an all-in-one device
- implementation of a technically feasible solution for the application of liquids in volumes of 0.5 ml.

Other projects are at the preliminary study stage. A general feature of R&D projects is that no certain forecasts of the technical and commercial feasibility of the projects can be given. Therefore, the possibility that in some cases resources have been and will be used for projects that retrospectively prove to be uneconomical cannot be ruled out.

5. Investment measures

The company increased its investment activity in fixed assets during the financial year from TEuro 2,193 (previous year) to TEuro 4,922. The following investment measures were the major issues:

- further increase in production resources for the ampoules and other accesso ries for the **INJEX™** and **ROJEX™** products.
- investments as capital measures at MDC Medical Digital Concepts GmbH and MDC Medical Digital Concepts GmbH & Co. KG. These capital measures were approved by the Annual General Meeting on November 28, 2000 as post-formation contracts.
- payment of an option premium for the Nimos project. This investment was also approved by the Annual General Meeting on November 28, 2000 as a post-formation contract.
- Change of the financial software to 'Navision Financials'.
- Foundation of Rösch (Schweiz) and outsourcing of all advertising and marketing activities to MedArt GmbH.

As decisions to invest in tangible assets for the production of ampoules and accessories have a long run-up prior to the actual start of production, it is possible that decisions to invest are taken but then prove to be wrong when production starts. However, the company strives to ensure that the respective investment decisions are taken with due consideration of all statutory and market-related restrictions.

At RÖSCH AG Medizintechnik TEuro 95 were invested in the expansion of furniture and equipment. A total of 24.17 % of these investments are subsidized in line with the financial contributions resolution passed by InvestitionsBank Berlin on December 14, 1999.

In August 2000 RÖSCH AG Medizintechnik acquired an initial 60 % stake in MDC Medical Digital Concepts Verwaltungs GmbH (as general partner) and MDC Medical Digital Concepts GmbH & Co. KG. Following approval from the Annual General Meeting on November 28, 2000, RÖSCH AG Medizintechnik implemented a capital increase in the two companies, which increased the shareholding of RÖSCH AG Medizintechnik in the two companies to approximately 87%. In April 2001, RÖSCH AG Medizintechnik purchased the remaining shares from the partners of the two companies at nominal value, so that both companies are now 100 % owned by RÖSCH AG Medizintechnik.

RÖSCH AG Medizintechnik converted its accounting and merchandise information system to "Navision Financials" with effect from February 1, 2001, in order to keep up-to-date with the increasing requirements of the Controlling and Reporting. With time, the aim is to exploit all possibilities of the new software, involving the use of the controlling modules in particular. The plan is to also equip the subsidiaries with "Navision Financials" during the 2001/2002 financial year, in order to accelerate the financial link to RÖSCH AG Medizintechnik and simplify integration.

RÖSCH AG Medizintechnik (Switzerland) was registered in October 2000 and has its legal head office in Zug. The majority of the employees in Zug are engaged in research and development work for needle-free systems.

On May 30, 2001, the company's Supervisory Board approved the proposal of the Board of Management to spin off the advertising and marketing activities of Rösch into a 100 % subsidiary. Following this approval a limited liability company was acquired and renamed to MedArt Werbeagentur GmbH. This company is based at the company's head office in Berlin and started operating activities on August 1, 2001. The main reasons for the spin-off are

1. the desire to create stronger cost-awareness in individual sectors of RÖSCH AG Medizintechnik and
2. the fact that an external agency can obtain additional discounts when placing orders.

6. Financing measures

Special financing measures were not implemented during the period under review, as sufficient short-term funds are available for all commercial activities. On May 11, 2001, Deutsche Bank AG, Berlin, granted the company a loan commitment of TEuro 1,500. In addition, Rösch has a credit line of DM 1.0 million at Berliner Volksbank eG for working funds. These loans are available at short notice in addition to existing liquid funds.

At MDC KG a capital increase of totally TEuro 791 has taken place. We refer to our explanations in regard of investments.

In principle, RÖSCH AG Medizintechnik guaranteed financing of the subsidiaries.

7. Personnel and social matters

For greater clarity, the average employee and specific employee figures as per the balance sheet date are given in the following table.

Company	Average number of employees		Number of employees	
	1999/2000	2000/2001	31.07.2000	31.07.2001
RÖSCH AG Medizintechnik	39	49	41	58
RÖSCH AG Medizintechnik (Switzerland)	0	1	0	2
MDC Medical Digital Concepts GmbH & Co. KG		13		14
Acanthos GmbH	4	3,5	4	3
RÖSCH-Group	43	66.5	45	77

In addition, 9 external sales representatives were employed in distribution as per July 31, 2001. The aim is to integrate these employees into the main staff of RÖSCH AG Medizintechnik as quickly as possible, if a decision is taken to retain the internal force in the existing structure. The costs for this sales force, which operates exclusively for the company, are settled via a separate service agreement with pharmexx sales & marketing intelligence GmbH, Mannheim.

The age structure of employees with a direct employment contract with the Group companies looks as follows.

Company	Average age of employees as ´	
	31.07.2000	31.07.2001
RÖSCH AG Medizintechnik	37	37
RÖSCH AG Medizintechnik (Switzerland)	-	27
MDC Medical Digital Concepts GmbH & Co. KG	36	38
Acanthos GmbH	35	32

Employees receive a fixed monthly salary plus in some cases voluntary social security payments such as capital formation payments, childcare allowance and accident insurance. Some employees receive an additional salary component determined by individual gross earnings or sales. An invitation timed to coincide with the Annual General Meeting on November 28, 2000 was issued to all employees of the company to participate in the stock-option program based on the company's statutes. All employees accepted the offer. The idea is that the stock-option program will also help generate motivation and commitment among employees.

All employees involved in distribution or service must receive regular product training in accordance with the Medial Products Act. Records must be kept of all training sessions.

The company does not have a Work's Council and is not bound to any collective wage agreement.

8. After-founding procedures

In accordance with § 52, Paragraph 1, Clause 1 of the Stock-Corporation Act, agreements of a public limited company, according to which the public limited company was to acquire existing plants or plants to produce, or other assets for a remuneration exceeding one tenth of the share capital and which were concluded within the first two years following the entry of the company into the Commercial Register, only became effective with approval of the Annual General Meeting and entry of the agreements into the Commercial Register. For this reason the company had submitted four agreements to the Annual General Meeting for approval. The Annual General Meeting approved all four after-founding agreements with a clear majority. The after-founding agreements were entered into the Commercial Register of the company on February 22, 2001. On January 24, 2001, the "Law on Registered Shares and the Simplification of the Exercise of Voting Rights" was published in the Federal Gazette, volume 4/2001. On the basis of this law, the after-founding agreements would not have required agreement by the Annual General Meeting.

9. Quality management, ISO certification

On September 12, 1997, the certification authority MEDCERT Zertifizierungs-

und Prüfungsgesellschaft für die Medizin GmbH, Schaarsteinweg 14 in 20459 Hamburg issued certificates to the effect that RÖSCH AG Medizintechnik has introduced and utilises a quality assurance system in accordance with the stipulations of DIN EN ISO 9002 and Appendix VI of the Council Directive 93/42/ECC on Medical Products.

Regular audit by MEDCERT have so far not resulted in any objections.

RÖSCH AG Medizintechnik has thus fulfilled, since September 1997, the necessary legal requirements for the distribution of medical products which first became legally binding on June 14, 1998.

In the past financial year audits were implemented both at the business premises of the company and at those of suppliers of **INJEX™** components, resulting in the issue to the company of a certificate stating that the requirements of DIN EN ISO 9001 and of Appendix VI of the Council Directive 93/42/ECC on Medical Products were being met.

A further milestone was reached with the upgrading of the internal quality management system from DIN EN ISO 9002 to DIN EN ISO 9001. The MEDCERT certificates are dated August 11, 2000.

The follow-up audit which is to be executed on a regular basis is scheduled for the beginning of October 2001.

10. Supervisory Board

Four regular meetings of the Supervisory Board were held during the last financial year. In addition, a total of six circular resolutions of the Supervisory Board were passed. The Management Board also regularly provided the members of the Supervisory Board with information on the current situation of the company, either via telephone or in person.

11. Important events during the financial year

On January 25, 2001, RÖSCH AG Medizintechnik published the agreement concluded with the Swedish company Pharmacia AB. The main substance of the agreement is that Pharmacia AB is granted exclusive rights worldwide to sell the Pharmacia growth hormone GENOTROPIN with the needle-free injection system **INJEX™**. The contract expires in 2006. An option for a two-year extension is agreed.

12. Financial and earnings situation

From a commercial point of view, the individual financial statements of RÖSCH AG Medizintechnik are crucial to the assessment of the Group financial statements, although MDC Medical Digital Concepts GmbH & Co. KG is of great importance in the dental sector. The following analyses and comments therefore focus on the annual financial statements of RÖSCH AG Medizintechnik. MDC data are also used for important items.

12.1 Financial position

Business expansion expenses. The increase in expenses for the start-up and

expansion of business operations is due to the inclusion of MDC in the consolidated financial statements for the first time. The position relates in an amount of TEuro 353 to RÖSCH AG Medizintechnik and in an amount of TEuro 221 to MDC. The reduction derived from the scheduled depreciation of TEuro 152 at RÖSCH AG Medizintechnik is offset by start-up expenditure at MDC of TEuro 221. Capitalised expenditure predominantly comprised personnel and advertising costs.

Fixed assets . The fixed assets of RÖSCH AG Medizintechnik rose from TEuro 2,975 to TEuro 7,040. Intangible assets increased from TEuro 597 to TEuro 2,137, primarily as a result of the acquisition of the exclusive distribution rights for the needle-free blood sugar monitoring system NIMOS, while tangible assets rose by TEuro 1,156 to TEuro 3,111 due to the capitalisation of advance payments on further production systems for the production of ampoules required for the distribution of the **INJEX™** and **ROJEX™** injection systems. Financial assets increased by TEuro 1,369, largely due to the acquisition of the stake in MDC KG and MDC GmbH as well as to the capital increases for the two companies, approved by the Annual General Meeting of RÖSCH AG Medizintechnik.

Fixed assets within the Group rose from TEuro 2,937 to TEuro 6,428, largely due to the above reasons. Goodwill increased from TEuro 63 by TEuro 547 to TEuro 610 due to the acquisition of the subsidiaries and their first inclusion in the consolidated financial statements.

Inventories. The increase in inventories from TEuro 2,726 to TEuro 4,806 was the result of an increase in the stock of **INJEX™** systems and ampoules from TEuro 1,558 to TEuro 3,664. Based on the planned sales quantities orders were issued. However, as sales development was not in line with planned numbers and an adjustment of ordered quantities could not be realized in the short-term, an unplanned increase in stock on hand occurred. Sufficient stock is available to cover the demand expected for autumn 2001 and to maintain readiness to supply. However, this increase was offset by a slight decline in the stocks of items from traditional business during the last year.

Inventories in the Group increased from TEuro 2,726 to TEuro 6,661, although the apparent greater increase in stocks across the Group compared with the individual financial statements of RÖSCH AG Medizintechnik is generated by the stocks of digital X-ray sensors at MDC KG. A conscious decision to build up inventories was taken – but not in the extent actually shown – in order to obtain more favourable purchase conditions. Due to the difficult market situation the sales volume planned for the 2nd half-year could not be realized, resulting in the unexpected increase of inventory.

Short-term receivables. The increase of short-term receivables in the individual financial statements of RÖSCH AG Medizintechnik from TEuro 2,185 in the previous year to TEuro 5,741 was generated in the amount of TEuro 4,801 by supplies to MDC KG and agreements with distribution companies specifying payment periods of several months.

The increase of short-term receivables from TEuro 1,759 to TEuro 3,811 reported in the consolidated financial statements is not only due to the above mentioned change at RÖSCH AG Medizintechnik but is also due by more than the half to receivables of MDC KG from dental customers.

Liquid funds, current asset securities and other assets. The decline in the total of liquid funds and current asset securities from TEuro 27,884 to TEuro 12,968 in the individual financial statements of RÖSCH AG Medizintechnik and from TEuro 27,921 to TEuro 13,112 in the consolidated financial statements particularly reflects the investments in production plants and in inventories as well as the negative cash flow posted in the year under review.

The rise of other assets in the individual financial statements of RÖSCH AG Medizintechnik from TEuro 535 to TEuro 1,025 is primarily the result of sales tax claims. The same applies to the change in the consolidated financial statements.

Equity. The share of equity in the balance sheet total has dropped from 96.5 % to 91.2 % (RÖSCH AG Medizintechnik) resp. from 96.2 % to 89.9 % (Group), which reflects the loss made in both cases during the year under review.

Short-term liabilities. The rise in short-term liabilities is predominantly the result– both for RÖSCH AG Medizintechnik and for the Group - of the increased trade payables of RÖSCH AG Medizintechnik to its two main suppliers, OLPE Jena GmbH and Nypro GmbH, in particular.

12.2 Financial position

At the end of the financial year total liquid funds at RÖSCH AG Medizintechnik amount to TEuro 12,968 and at RÖSCH Group to TEuro 13,039.

RÖSCH AG Medizintechnik recorded a total outflow of funds of TEuro 14,916, which was financed predominantly from the inflows of funds of the previous year derived from capital increases and the IPO of the company of TEuro 36,769.

The outflow of funds from operating activities rose from TEuro 6,758 in the previous year to TEuro 9,996. However, this is due predominantly to the increase of TEuro 6,047 in inventories and trade receivables and an increase of TEuro 2,585 in the net loss for the year. The higher amount of stock on hand will be offset by corresponding sales revenues during the next financial year and receivables will be offset by incoming payments. Furthermore, outflows of funds totalling TEuro 4,922 (previous year. TEuro 2,193) were generated from investments in fixed assets, predominantly involving investments in the exclusive distribution rights for NIMOS, in production plants for ampoules and in the acquisition of a stake in the MDC companies.

Within the Group the liquid funds fell from TEuro 27,921 to TEuro 13,039, largely for the same reasons as for RÖSCH AG Medizintechnik. In this case, however, a higher net loss for the year compared with RÖSCH AG Medizintechnik is offset by a smaller increase in inventories and trade receivables.

12.3 Earnings Situation

The 2000 / 2001 financial year showed continued concentration of sales on the market launch of the **INJEX™** system and the broadening of the dentistry area of business, particularly through the acquisition of MDC. The paediatric/audiometric and service divisions, combined with the dental business in the Private Label/Reselling segment, continue unchanged against the previous year.

Neither the sales forecast nor the earnings expectations could be fulfilled in the two main areas of business, of both RÖSCH AG Medizintechnik and RÖSCH Group.

INJEX™ systems unit sales were slow, so that, in addition to the build up of inventories resulting from the fixed delivery contracts with suppliers, no adequate profit contribution was generated. In the Private Label/Reselling business segment sales developed somewhat better, but still fell short of expectations, thus preventing a positive contribution to the overall performance of both RÖSCH AG Medizintechnik and of the Group. The cause was largely the restrained investment behaviour of the medical profession as a result of cuts in the health service. Only services, which are approximately level with those of the previous year, developed in accordance with assumptions.

To summarize, the sales income generated was by no means sufficient to cover expenditure in the individual financial statements of RÖSCH AG Medizintechnik as well as in the consolidated financial statements, so that considerable losses amounting to TEuro 6,415 at RÖSCH AG Medizintechnik and to TEuro 7,389 in the Group were posted to the end of this financial year.

Cost of material. The amount of cost of material in relation to the overall performance rose from 51.1 % to 80.9 % at RÖSCH AG Medizintechnik and from 51.1 % to 71.1 % in the Group.

The above-average increase in cost of material at RÖSCH AG Medizintechnik and in the Group is a result of the rise, as compared with the previous year, in dental sales with narrow margins, while sales of the needle-free injection system **INJEX™**, with much higher margins than in the other product ranges, only rose slightly against the previous year. The 2000/2001 financial year **INJEX™** had a share of sales of approximately 31 % (previous year: 37 %).

In RÖSCH AG Medizintechnik individual financial statements, it has also become apparent that there are agreements with suppliers on the purchase of dental products supplied to subsidiaries and for which only a small surcharge for handling costs is added.

Personnel expenses. The increase in personnel costs from TEuro 1,548 to TEuro 2,329 (RÖSCH AG Medizintechnik) and from TEuro 1,548 to TEuro 3,255 (Group) is due to the rise in the average number of employees from 39 to 49 and from 43 to 66.5 respectively. The increase in the Group figures is essentially attributable to the acquisition of MDC KG. Furthermore, better-qualified and therefore more expensive employees were recruited in the 2000 / 2001 financial year, and salary increases were implemented. Relating to twelve months in the

Group, this resulted in average personnel expenditure per employee per year rising from TEuro 40 to TEuro 49. At RÖSCH AG Medizintechnik the average personnel cost per employee increased from TEuro 40 to TEuro 48.

Depreciation. Scheduled depreciation at RÖSCH AG Medizintechnik increased in comparison with last year by TEuro 661, from TEuro 334 to TEuro 995. The increase is primarily due to the initial depreciation of the production equipment for the manufacture of ampoules (TEuro 337) in the 2000 / 2001 financial year, the immediate depreciation of tools for the ROJEX™ prototypes (TEuro 133) and the increased depreciation of expenses for the expansion of business operations of TEuro 152 (previous year TEuro 88) in accordance with the provisions in section 282 of the German Commercial Code.

In the Group, scheduled depreciation rose from TEuro 334 to TEuro 1,356. Alongside the changes in the RÖSCH AG Medizintechnik annual financial statements, this is due to the effect of the first-time depreciation of capitalised goodwill (TEuro 157) in particular and the capitalised expenditure of MDC KG in connection with the start-up of the business (TEuro 102).

Total of other operating expenses less other operating income.

	2000/2001 TEuro	1999/2000 TEuro	Change TEuro
Operating costs	1.395	919	476
Advertising and travel expenses	2.274	399	1,875
Office costs	347	206	141
Cost of goods dispatch	1.250	343	907
Vehicle costs	254	115	139
Contributions, fees, insurance premiums	127	37	90
Repairs & Main	159	1	158
Other expenses	379	219	160
	6.185	2.239	3.946
Other operating income	-482	-108	374
	5.703	**2.131**	**3.572**

The striking increase in advertising and travel costs results from the measures initiated in the financial year to launch the **INJEX™** system and the digital X-ray sensors onto the dental market as well as the necessary extensive public relations work in connection with the quotation on the stock exchange of RÖSCH AG Medizintechnik.

Operating expenses essentially include Research and Development costs (TEuro 244, previous year: TEuro 166), legal and consulting costs (TEuro 156, previous year: TEuro 356) and the cost of the Annual General Meeting (TEuro 134, previous year: TEuro 0).

The cost of goods dispatch rose as a result of increased business activity and in particular because of expenses amounting to TEuro 692 in conjunction with the sales team contracted from pharmexx sales & marketing intelligence GmbH.

C. Future development perspectives of the company

1. Future prospects and opportunities and risks in the 2001 / 2002 financial year

Development of sales and revenues in the Group. The Board of Management expects that the demand for products of the area needle-free injection and the area Private Label / Reselling will rise clearly. In total sales should increase strongly. Furthermore cost-reductions are planned. At this a balanced result is endeavoured. These assumption are based on a number of prerequisites that relate to both the national and the international sales activities for all product groups of the RÖSCH Group. These prerequisites, which have to be seen in connection with risks, will be discussed in the corresponding paragraphs below in regard to needle-free application systems and Private Label / Reselling.

Planned capital expenditures amount to about Euro 3.5 million up to Euro 6 million. The exact amount of capital expenditures in the period under review mainly depends on R&D activities resulting in the manufacture of prototypes or series production and, in addition, on the number of production equipment which will be necessary to produce the additional need of products of the product group needle-free injection. Furthermore, the amount of capital expenditures depends on the extent of milestone payments received at RÖSCH AG Medizintechnik from co-operation partners from the pharmaceutical industry.

Needle-free applications INJEX™ and ROJEX™. Within Germany, the marketing possibilities depend to a large extent on the approval of health insurance companies. From a company point of view, no indication can be given as to when this approval will be granted by the appropriate authority. In connection with general discussions about the future organization of the German social security system, no reliable statement can be made in regard to a positive decision. The marketing potential abroad depends on many additional factors. Through the completion of a series of distribution contracts, RÖSCH AG Medizintechnik has positioned itself so that the implementation of the contracts in the financial year under review may lead to a positive earnings contribution, insofar as general conditions move in line with RÖSCH AG Medizintechnik assumptions. These general conditions included an acceptable level of security regarding payments. However, this will not always be achieved to the complete satisfaction of RÖSCH AG Medizintechnik, which means that in the future customer payment risks could result.

Negotiations with powerful pharmaceutical partners for marketing **INJEX™** and **ROJEX™** are in various phases. In this context, the company is of the opinion that completions can be made during the coming financial year. However, statements about the scope of such contracts are not reliably possible.

Nonetheless, the concluding contracts are likely to have a not insignificant scope, so it can be expected that the contracts will have very positive effects even in the short term. The principal aim is to generate considerable milestone payments in R & D co-operations.

A co-marketing campaign with a renowned major company is due to start in Germany later on in this financial year, which will create a wider coverage for the **INJEX™** product name among the public. The start of the campaign is planned to coincide with MEDICA '01. The major share of the costs for this campaign would by borne by the company's partner. The extent to which circumstances over which the partners have no direct control may cause the campaign to be postponed cannot be assessed.

Should general difficulties occur in marketing **INJEX™** and **ROJEX™** which negatively influence the company´s result in a sustained and profound manner, a series of rationalisation measures must be instigated, the effects of which may be evident even in the short term.

In particular, in the case of failure the investments with a long lead time for the production of ampoules and the production of additional products for **INJEX™** would be misinvestments. Besides the investments in production equipment this situation will also apply to the liquid funds bound in inventory on hand. Stocks have been built up in order to be able to meet increased demand in time. However, if it should become apparent, contrary to expectations, that there are fundamental defects in **INJEX™** or its accessories, value adjustments on the inventory will be inevitable.

The resulting negative effects on the net worth, financial position and results of operations would be so far-reaching that they could not be compensated for by the traditional areas of the company in short term.

Private Label / Reselling. The Board of Management is of the opinion that the present business division of Private Label / Reselling will be continued, but on the condition that each profit centre provides its own positive earnings contribution. The profitability of this division is to be re-established with transferred of the whole German dental business to MDC. There is no certainty that MDC will generate positive contribution results quickly. As parent company, RÖSCH AG Medizintechnik has however created the basis for MDC to develop into a profitable business. The broadening of the MDC product range goes hand in hand with purchase commitments for certain products in the area of digital dentistry. As of the reporting date of July 31, 2001 this is considered by the MDC management as being essential for market penetration.

The company assumes that these are obligations beneficial to the dental division, although it cannot be dismissed that the scheduled sales may not appear in time. Within this context in particular valuation risks and financing risks resulting from the large stock of digital X-ray sensors on hand have to be stated. Stock of digital X-ray sensors on hand exceeds the usually necessary quantity, which means that significantly more sensors must be sold in the coming financial year 2001/2002 than during the period under review. The chances of achieving this are

good, but it cannot be guaranteed. If sales of X-ray sensors are as restrained as they were last financial year, value adjustments may have to be made on the X-ray sensors. As these products are state-of-the-art technology, products that are technologically vastly superior to the existing X-ray sensors are not expected to be launched onto the market in the immediate future. A decision cannot be made until the 2001/2002 financial year, as MDC is expecting a significant increase in demand for X-ray sensors.

Besides the valuation and financing risks at MDC KG corresponding risks exist in the individual and consolidated financial statements of RÖSCH AG Medizintechnik. At the balance sheet date RÖSCH AG Medizintechnik capitalized a book value of the investment in MDC KG amounting to Euro 1.2 million and shows receivables due from MDC KG in the amount of Euro 3.2 million. The goodwill for MDC KG shown in the consolidated financial statements amounts to Euro 0,7 million. If results of operations of MDC KG will not develop as planned the book value of the investment and the receivables have to be newly valued. The same applies to the goodwill in the consolidated financial statements.

Within this context we would like to refer to events of particular importance after the close of the financial year.

Medical Patent And Innovations Centre. In the MPIC (Medical Patent and Innovations Centre), product ideas are presented which are investigated by the company for their technical feasibility and marketability and eventually, in positive cases, placed on the market by the company. It is evident that in this field especially, the company acquires highly sensitive information. It is to be expected that extremely interesting products which can have an influence on the development of the business come from this innovative business area. Since some of the ideas and products considered marketable are still in a very early stage of development, these new products can only possibly contribute positive results to the company´s success in the distant future.

Financing of the Group. Advance performances regarding the start-up of the segment **INJEX™** as well as the expansion of the segment Private Label required considerable financial funds resulting in liquid funds of the Group declining from TEuro 27,921 by TEuro 14,882 to TEuro 13,039. However, liquid funds on hand of TEuro 13,039 at the end of the financial year provide a sufficient basis for the further expansion of business activities, as cash outflows for investments in fixed assets planned for the financial year 2001/2002 are lower.

The business plan assumes that in the financial year 2001/2002 sales could be increased and the consolidated results could be improved. In connection with the development of sales and profits the cash flow from operating activities should also be increased to guarantee the mid-term liquidity.

However, if sales of the segment **INJEX™** at RÖSCH AG Medizintechnik and of the segment Private Label at MDC KG will not be realized in the planned volume or in the planned time frame, a negative cash flow will be recognised resulting in financing requirements in the mid-term.

The Board of Management of RÖSCH AG Medizintechnik believes that the current prevailing political and economic climate provides no secured guarantee that any necessary discussions during the next financial year to secure financing above and beyond the existing credit commitments will be successful. The financial position of the Group leads to the conclusion that there is no need for additional financing at present. Nevertheless, with its authorised capital of Euro 2,400,000, the company has created the fundamental conditions to respond to capital requirements. In this connection, a possible increase in share capital is dependent on the respective market conditions. However, the Board of Management believes that, if this capital is actually increased, the opportunities are good. Furthermore, credit lines of about Euro 2 million are granted to RÖSCH AG Medizintechnik.

2. Opportunities and risks for the coming financial years

The continuation and increased intensity of the company's research and development work, involving both **INJEX™/ROJEX™** and other products, will in all likelihood lead to future products offering further improvements for the user, patient and doctor. The ensuing potential for the company can not be specified at the time of producing this report. The company has planned to provide considerable funds for research and development work, provided that the medium-term prospects of certain development projects at least are such that the products will be able to make a significant contribution to earnings. Due to the specialisation of RÖSCH AG Medizintechnik in needle-free injection systems, which are to be marketed largely by third parties, the company's core expertise is focused on needle-free injection systems.

Concerning the risks, preferral is made to the previous paragraph.

D. Events of particular significance after the end of the financial year

RÖSCH AG Medizintechnik acquired a 44 % stake in the share capital of TEuro 25 and the capital reserves of TEuro 50 of Ritter Concept GmbH on September 18, 2001, at the nominal value. The aim of acquiring this stake was to enhance the existing dental business. In addition to RÖSCH AG Medizintechnik, the production specialist OLPE Jena GmbH (a member of the Jenoptik Group) is another shareholder of Ritter Concept GmbH with a 46 % stake. clinic S.R.L., Imola, Italy, holds 10 % of the company. The dental units are marketed under the auspices of Ritter Concept GmbH, although close cooperation with MDC is sought.

In an asset deal, the newly formed Ritter Concept GmbH acquired the inventories, service business and production plants of the German dentist chair manufacturer, Ritter GmbH, in addition to its name, customer base, and orders on hand. Ritter Concept GmbH also acquired the production site and the land on which it stands.

The initial financing will be done by the shareholders, but will be redeemed by bank loans within 12 months.

RÖSCH AG Medizintechnik will make available a short-term loan in the amount of TEuro 743.

Berlin, September 26, 2001

RÖSCH AG Medizintechnik

Rösch
Chairman of the Board of Management

von zur Gathen
Member of the Board

Result of the Audit

We have audited the reconciliation from HGB to IAS presented to us, shown in attachment 1, on the basis of the consolidated financial statements as of 31 July 2001 audited by us in accordance with HGB.

In our opinion, the reconciliation of the consolidated loss for the business year ended on 31 July 2001 and of the consolidated equity as of 31 July 2001 shown in attachment 1, presents fair the differences between the consolidated loss for the year and the consolidated equity according to HGB and to International Accounting Standards (IAS) in all material respects.

Berlin, October 5, 2001

Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

Dr. Michael Schlößer
Auditor

Hubert Pilawa
Auditor

Attachment 1 referred to by Ernst & Young Deutsche Allgemeine Treuhand AG in the result of the audit is presented on page 90 in this annual report.

Adjustments to reconcile consolidated shareholder's equity as of 31 July 2001 and consolidated loss for the year for the business year ended as of 31 July 2001 according to International Accounting Standards (IAS)

	31.7.2001 TEuro	31.7.2000 TEuro
Reconciliation of consolidated shareholder's equity		
Shareholder's equity according to HGB	27,708	35,095
Elimination of start-up costs and business expansion expenses capitalised as of 31 July 2001	-574	-505
Increase in goodwill due to the change in consolidated enterprises	241	0
Write off of financial assets to the lower stock value as of the balance sheet date	-173	0
Capitalisation of deferred taxes	2,809	0
Shareholder's equity according to IAS	**30,011**	**34,590**

	2000/2001 TEuro	1999/2000 TEuro
Reconciliation of consolidated loss for the year		
Consolidated net loss for the year according to HGB	-7,389	-3,829
Elimination of income from start-up costs and business expansion expenses accounted for in the HGB financial statements	0	-256
Additional depreciation of the goodwill according to IAS	-80	0
Write off of financial assets to the lower stock value as of the balance sheet date	-173	0
Elimination of costs resulting from the initial public offering	0	2.193
Elimination of income from the release of the general bad debt allowance on trade receivables	0	-7
Elimination of depreciation on start-up costs and business expansion expenses accounted for in the HGB financial statements	254	88
Deferred taxes	2,809	-305
Consolidated net loss for the year according to IAS	**-4,579**	**-2,116**

Computation of earnings by DVFA/SG

	01.08.1999 - 31.07.2000 TEuro	01.08.1999 - 31.07.2000 TEuro
Net loss for the year	-7,387	-3,829
Income from the capitalisation of start-up costs and business expansion expenses	0	-256
Depreciation on capitalised start-up costs and business expansion expenses	254	88
Change in the depreciation on goodwill, as the depreciation period is below 5 years	32	0
Expenses relating to the initial public offering		2,193
Effect on the result for the period resulting from stock options issued to employees according to DVFA Info 8/00	-1,363	0
Deferred taxes on the result according to DVFA	3,293	0
Net loss for the year in accordance with DVFA	**-5,171**	**-1,804**
Number of shares on which the computation is based	4,800,000	4,800,000
Net loss per share		
according to DVFA/SG	-1.08	-0.38
according to HGB	-1.54	-0.80

Due to the loss situation the diluted result per share has not been stated as potential shares from subscription rights can only be regarded as dilutive if their conversion into shares would reduce the DVFA/SG result.

With agreement dated November 30, 2000, RÖSCH AG Medizintechnik has granted an additional total number of 33,550 subscription rights to employees. The subscription rights are granted as option to purchase two bearer shares in the company. The basic price of the subscription right amounts to Euro 58.12. The closing stock price on November 30, 2000, amounted to Euro 54.75 in the electronic securities trading system Xetra and to Euro 55.00 in floor trading in Frankfurt. As the value of the option has to be determined as fair value at the time of granting the options, and at this point of time the basic price was higher than the closing price RÖSCH AG Medizintechnik assumes that no fair value exists. Therefore, the company has not considered additional personnel expenses for the above mentioned options calculating the result according to DVFA.

	01.08.2000 - 31.07.2001 TEuro	01.08.1999 - 31.07.2000 TEuro
EBIT	-8,245	-4,205
EBITDA	-6,878	-3,790

Corporate calendar

Dates 2001	
Press Conferenz, Frankfurt a. Main	06 November 2001
MEDICA in Düsseldorf	21-24 November 2001
General Meeting Berlin	04 December 2001
Publication of the three month statement 01.08.2001-31.10.2001	in December 2001

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