MDB AG

Annual Report 2002

MDB

Transparency in the structure

MDB AG

Hausprofi Group	DIMEX Group	MDB France Group
Hausprofi Bausysteme GmbH Freudenstadt	**DIMEX window profile GmbH** Nehren	**PANAGET** Bourgbarré France
HOMEpro France S.A.R.L. Hoerdt France	**DIMEX ACCORD-Profil GmbH** Alkoven Austria	**Armor Panneaux** La Chapelle-Caro France
HOMEpro Benelux B.V. Woerden The Netherlands	**DIMEX (Taicang) Window Profile Co., Ltd.** Taicang China	**Chêne de l'Orne** Bellême France
UNI-Bausysteme GmbH Ansfelden Austria	**DIMEX profil system s.r.o.** Blovice Czech Republic	
Hausprofi-Hungaria Kft. Mosonmagyaróvár Hungary	**DIMEX Polska Sp. zo.o.** Torun Poland	
HPI-CZ spol. s.r.o. Hradec Králové Czech Republic		
MAGE-SK s.r.o. Sala Slovakia		
MAGE-POLSKA Sp. zo.o. Warsaw Poland		

Companies without operative business not shown in the diagram

As at April 2003

Transparency in numbers

Consolidated numbers (in € millions)	1999	2000	2001	2002
Balance sheet total	102.4	71.0	70.5	67.1
Equity capital	14.7	10.7	5.2	16.0
Sales revenues	193.8	128.1	119.7	106.8
EBIT	7.3	3.3	–1.0	13.7
EBITDA	13.2	7.6	3.7	17.7
Result of normal business activities	4.3	1.1	–4.0	11.2
Cashflow	7.5	2.8	–0.8	13.6
Profit/loss for the year	1.5	–1.4	–5.6	9.6
Investments in fixed assets	6.7	3.3	5.6	3.3
Depreciation of fixed assets	5.8	3.8	4.3	3.8
Personnel (employees)	1,591	787	823	731

Share figures (in €)	1999	2000	2001	2002
Dividend	0.0	0.0	0.0	0.0*
Result (DVFA/SG)	4.4	–5.4	–11.8	0.2
Cash flow (DVFA/SG)	16.7	6.1	–1.7	6.4
Number of shares issued (No.)	450,000	450,000	450,000	450,000

* Suggested by Supervisory Board and Management Board

Status report for the AG and the Group for the 2002 business year

Statement on corporate development

Market development

The housing construction industry in Germany has now been in a decline for eight consecutive years. After activity fell by 20 % in 2001, this drop will be around 10 % for 2002. No improvement in this trend can be foreseen in 2003.

The political situation has had a particularly negative influence on the construction industry. Due to the elimination of the degressive balance method of depreciation and the reduced amount of depreciation in total, an investment in real estate is no longer lucrative. For this reason not even the currently low interest rates can generate any positive impulses.

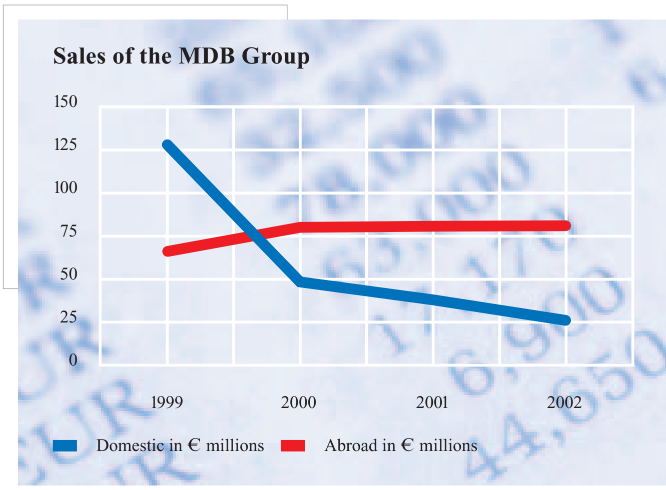
Furthermore, the drastic reduction in the owner-occupied home premium and the planned – but in the final assessment not implemented – full tax liability on profits on sales led to a further insecurity on the market.

Further, the construction industry is particularly sensitive to the general economic situation and thus on the cyclical business conditions.

Due to the still weak cash positions of the municipal administrations, necessary maintenance and reconstruction work is not being done in the fields of structural and civil engineering.

The MDB Group will therefore continue to shift the focus of its business activities abroad.

The sales of the MDB Group in Germany are still declining as against the previous year. The drop amounted to around 24% in the 2002 business year (also due to the sale of Franken Plastik). The foreign share rose by 6% from last year.



Corporate development AG

Earnings position

Due to the negative business results in the previous years there will be no dividends for the year 2002.

The other operating revenues amount to € 3.3 million. These are largely earnings from the book profits from partial sales of shares to DIMEX GmbH.

Personnel costs were reduced once again by € 50,000. Other operating expenses fell by 50 % without accounting for a one-off effect.

Overall a profit of € 13,500 was generated in contrast to the loss of € 6.2 million the previous year.

Debts

The purchase price payment for Franken Plastik GmbH meant all liabilities to credit institutes were able to be paid except for a remaining debt of € 3 million.

Capital measures

While the funds generated by the sale of Franken Plastik GmbH were used solely to pay off liabilities to credit institutes, the sale of the 36.025 % of our shares in the Nehren company DIMEX GmbH served only to consolidate the cash position in 2002.

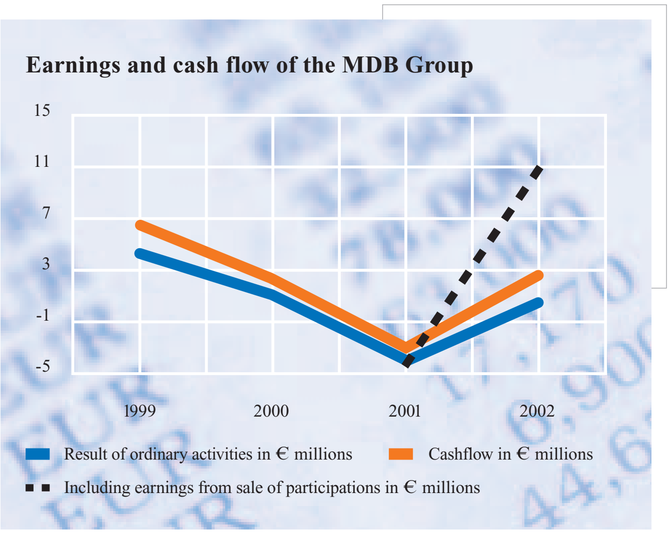
It enabled us to form necessary capital reserves in Hausprofi Bausysteme GmbH and finance current assets in DIMEX GmbH and its associate companies.

In order to be able to absorb the funds from the sale of Franken Plastik, the capital account II (no liability capital) in Thermoval KG was reduced by € 7.8 million.

On the 18th of February, 2002 the reserve company MDB I GmbH was formed. Its share capital amounts to € 25,000.

No further capital measures were carried out in the associate companies.

The virtual elimination of debts meant that the equity ratio could be raised to 72.9 %.



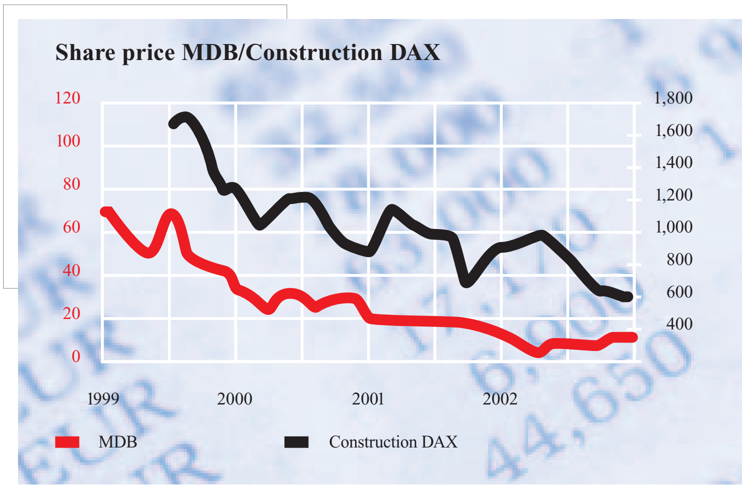
The final payment tranche for Franken Plastik GmbH of € 1.5 million will lead to a total elimination of debt in the AG on the 1st of January, 2004.

Due to the valuation adjustment and disinvestments, the fixed assets fell from € 21.1 million to around € 12.4 million.

Share price

After bottoming out at € 4.65 in April 2002, the share price has now settled at around € 9.00. Share turnover is still very low. The recovery in the share price occurred with the turnover of only a few hundred shares.

Despite the positive development of the AG and the Group as a whole, the MDB share will only be able to recover further ground if the industry sector itself improves.



Consolidated corporate development

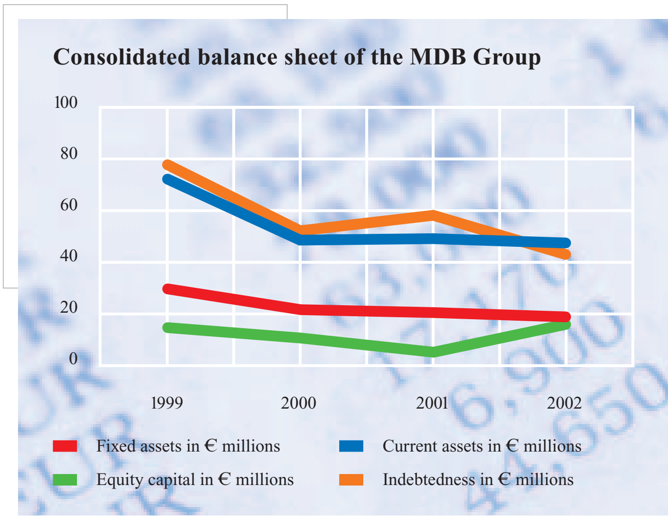
With consolidated sales of € 106.8 million – pertaining to the new consolidated entity after the removal of Franken Plastik GmbH – the Group is at the same level as the previous year. The effective difference is around € –13 million.

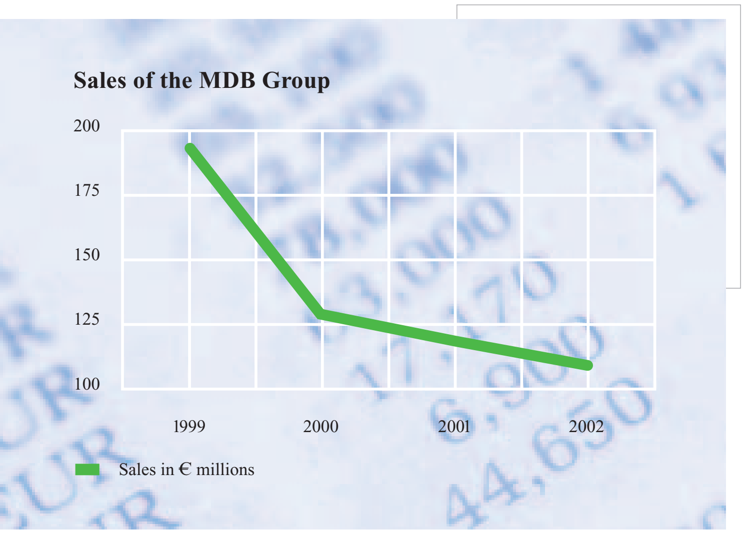
Status report for the AG and the Group for the 2002 business year

Without accounting for other operating expenses resulting from the sale of Franken Plastik GmbH the operating result (EBIT) amounts to € 2.9 million as opposed to € –1.1 million last year.

Due to the large share of foreign activities the tax load ratio was once again over the operative Group result at € 1.5 million.

Taking the other operating expenses into account, the consolidated earnings rose from € –5.6 million to € 9.6 million.





Consolidated balance sheet development

Due to the high positive Group result the equity capital ratio of the Group rose in the 2002 business year from 7 % to around 24 %.

With the sale of Franken Plastik GmbH the change of the fixed assets is only marginal.

The consolidated indebtedness to banks fell from € 42 million to € 30 million and are thus well below the level of the current assets at € 47 million.

Investments

The investments of € 4.5 million were once again € 0.4 million higher than the depreciation at € 4.1 million. Thus, as in previous years, the net assets were maintained through replacement investments.

Liquidity

It is planned to retain the AG banking pool until the 1st of January, 2004.

As regards the participation in Hausprofi Bausysteme GmbH in Freudenstadt, the banking pool approved the retention of the holding until 30 June, 2003, after MDB AG assured measures safeguarding liquidity. After this date the commitment with be reassessed, taking into account the degree to which the company achieves its objectives.

Personnel

The capacity adjustments carried out in 2002 and the sale of Franken Plastik GmbH led to a reduction in personnel from 823 down to 731.

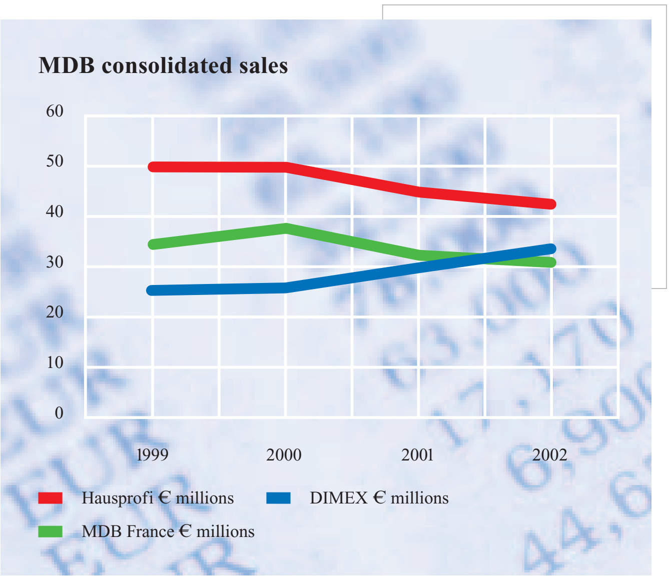
The number of staff in MDB AG reduced to three.

Associate companies

The restructuring of the MDB Group was successfully implemented in all divisions again in 2002.

The consolidated subgroups of Hausprofi, DIMEX and MDB France Group were able to increase their sales consistently despite the problematic domestic economy and a large number of insolvencies and bankruptcies.

The analysis of the sales development of the subgroups shows that the MDB France Group has gone through a consistently positive development in the last four years. The DIMEX Group was able to perform better than its competition with its stable domestic development and increased foreign activities.



The Hausprofi Group proved that, despite reduced sales and high expenses caused by large-scale restructuring, it will be able to break even in the future again.

Sales and earnings development 2002/2001*

Divisions	Sales in € '000 2002	Sales in € '000 2001	Pretax earnings in € '000 2002	Pretax earnings in € '000 2001
Hausprofi Group	42,437	44,796	– 1,335	–1,822
DIMEX Group	33,642	29,819	145	–35
MDB France Group	30,693	32,242	2,042	1,762
Summen	**106,772**	**106,857**	**852**	**–95**

*without MDB AG

Hausprofi Bausysteme GmbH

The decline in demand for construction in Germany is reflected exactly in the sales development of Hausprofi in 2002 at –10%.

Nonetheless, the company was able to reduce its operating loss by around € 1 million through cost reduction measures. Adding the lost profit contribution caused by falling sales to this figure results in a realised potential earnings improvement of € 2.2 million as against the previous year. This shows not only that it is worthwhile restructuring the company, but that this reconstruction is also possible.

The restructuring of Hausprofi will be completed in 2003 by moving location and unloading the logistics activities to an external forwarding company.

These measures will lead to a considerable improvement in efficiency and the company's ability to deliver.

Due to the loss-making situation that has prevailed for some time, MDB AG will ensure liquidity until 30 June, 2003. After this date the company will have to resume fulfilling its obligations alone.

Status report for the AG and the Group for the 2002 business year

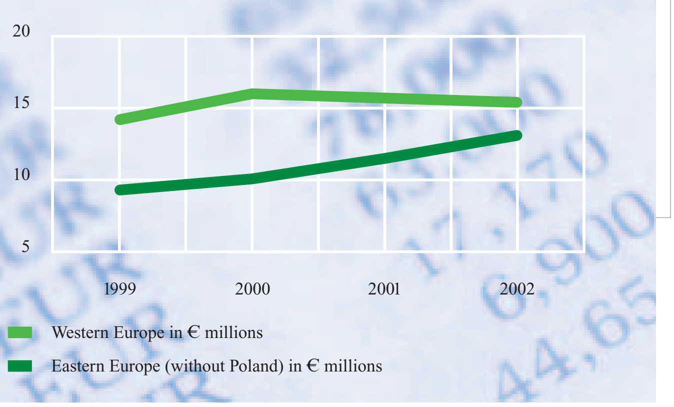
In the year under review further capital reserves amounting to € 1 million were injected into the company and shareholder loans granted to a total of € 980,000.

In the market segments of roof development, façade and mounting engineering, Hausprofi is the only medium-sized company active internationally – alongside a major company group – and that is present on all the important markets with its own subsidiaries and in joint ventures, in particular in Eastern and Western Europe. These successful participations ensure the profitable utilisation of the production capacities of the German parent.

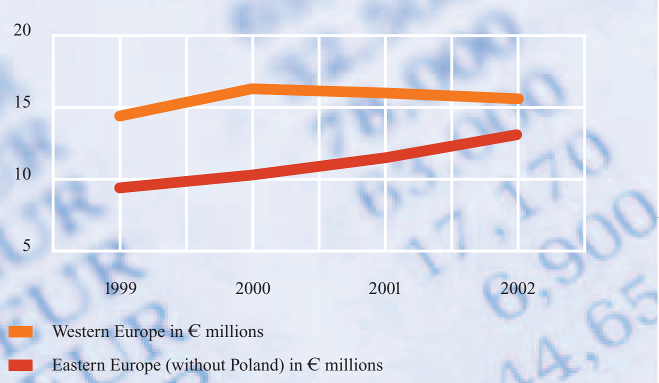
For this reason, Hausprofi is a valued partner for roofing dealers and the industry, who use Hausprofi products to round off their systems.

Whereas sales in our Western European holdings declined slightly, they were able to continue stabilising their earnings developments.

Sales development of the HPI participations



Cashflow development of the HPI participations



Our Eastern European joint ventures are a continuing source of good news. These were able to grow in terms of sales and earnings. Only our Polish joint venture reported a loss. Thanks to the enthusiastic commitment of our Czech partner, we will, however be able to lead this participation back into a profitable future.

But these markets too are increasingly marked by saturation and the consequent drop in demand. As overcapacities prevail here too, pressure on prices will increase again in the future.

DIMEX GmbH

The parent company of the subgroup, DIMEX GmbH in Nehren, increased its sales by over 15 % and improved its earnings by even more.

This positive development results largely from an export share that rose by more than 7 %.

The new foreign participations have also established themselves well.

For example DIMEX ACCORD-Profil GmbH increased it sales, in particular in the DIMEX association, by more than 25 %. The high capacity utilisation and the improved purchase prices made possible by the group effect have led to further improvements in earnings.

Our Czech subsidiary is currently still affected by the loss of a key customer. The management, however, is optimistic that it will be able to compensate for this in the 2003 business year.

Our own trading company in Poland as well as our Eastern European trading partners are continuing to develop well and are making their contribution to the positive development of the DIMEX Group.

Our Chinese participation DIMEX Taicang has not yet been able to meet our expectations in the year under review.

The installation of four sales offices and the hard work done by the management staff has meant that the sales doubled as against the previous year. The result was unfortunately negatively affected by exchange rate fluctuations.

Several contracts were closed with several large customers towards the end of 2002. This will contribute to a lasting positive development of the Chinese company in the coming years.

In the 2002 business year, MDB AG again assured the liquidity of the DIMEX Group. Thus, a total of €1.2 million were transferred to DIMEX GmbH. These funds were largely used to increase the working capital of the foreign participations.

MDB France Group

Our top selling and high earning participations PANAGET and ARMOR PANNEAUX are linked under this non-operative holding organisation. Both companies did well in the year under review.

PANAGET was again able to fully exploit its existing production capacities, just as it did last year. The revenue quality was improved due to a change in the product mix, away from low-earning products and towards high-quality solid and multi-layer parquet floors.

The investments in a new production process for a floor laying system will continue to differentiate the company from its competitors in the future, as well as ensuring a competitive advantage.

In addition, the development of the foreign activities remains good, so that increased sales and earnings can be expected from abroad in the future.

The saw mill CHÊNE DE L'ORNE now supplies 95 % raw parquet block and continues to be an extended workbench for PANAGET.

Sales at ARMOR PANNEAUX were slightly down this year, just as last year. Here to, as with PANAGET, the earnings situation was improved by modifications to the product mix. The investment in a laminating plant led to a considerable improvement in the quality of the product chip board. The demand for these higher-quality products was stable in 2002.

However, the signs in France point to a cyclical reduction in demand in the consumer goods industry, and our French group of companies will not be able to escape this downtrend. More allowance will have to be made here too in the future for the slowing of the domestic economic activity. This will be done by increasing the international commitment in the English-speaking world.

Anticipated development of the Group

Like 2002, the financial year 2003 will be characterised by the development of our business abroad. The first goal is to further consolidate the Hausprofi Group and to achieve an operating profit in the parent company Hausprofi Bausysteme GmbH in Freudenstadt again.

Status report for the AG and the Group for the 2002 business year

The established subgroups enable our Group managers to adjust their holdings to ideally suit the needs of the market.

MDB AG will continue to make a contribution to securing the liquidity of the Group's participations in 2003.

Each company, however, will have to prove its ability to perform on its own, especially in the ongoing business year.

Risks of the future development

Market risks

Due to the continued fall in the number of building permits in Germany, a decline in demand of over 8 % is to be expected in the 2003 business year.

The overcapacities in the markets will continue to lead to a tougher price situation.

Additionally, the unpredictable costs of acquisition caused by the high volatility of in particular the metal and plastics prices hold further risks.

The large number of insolvencies will lead to massive structural changes both among the customers and the competition.

The goal must therefore be to continue stabilising our foreign participations, thus securing the survival of the Group for the long term.

Risk management

In the year under review the management board was informed adequately and quickly about arising risks by regular reports coming from an early risk warning system that has been installed.

Apart from the still troublesome liquidity situation in Hausprofi Bausysteme GmbH, no existential risks are to be reported.

The restructuring measures are largely finished. In 2003 Hausprofi will spin off some divisions.

Influence on earnings

In accordance with the contract there was a further partial payment of the purchase price for Franken Plastik GmbH on the 1st of January, 2003. The last of these instalments is due on the 1st of January, 2004 and will lead to the total elimination of debts in the AG.

Significant events

Because of a rectification clause in the purchase agreements for shares in DIMEX GmbH in Nehren, reserves of € 2 million were set aside due to the poorer commercial development of the company.

Munich, May 2002

The Board of Management

Peter Freiherr von Jungenfeld

Group Balance Sheets at 31 December 2002

Assets	Annex Figure	31.12.2002 1000 €	31.12.2001 1000 €
A. Non-current assets			
I. Intangible assets	(1)	754	554
II. Tangible/fixed assets	(2)	17,354	19,408
III. Financial assets	(3)	764	619
		18,872	20,581
B. Current assets			
I. Inventories	(4)	22,426	24,343
II. Receivables and other assets	(5)		
1. Trade receivables		14,325	14,280
2. Other receivables and assets		8,193	5,530
		22,518	19,810
III. Securities	(6)	148	180
IV. Liquid assets	(7)	2,418	4,845
		47,510	49,178
C. Deferred expenses		765	765
		67,147	**70,524**

Equities and liabilities	Annex Figure	31.12.2002 1000 €	31.12.2001 1000 €
A. Equity	(8)		
I. Subscribed capital		11,700	11,700
II. Revenue reserves		0	533
III. Consolidated net losses		1,764	–7,629
IV. Minority interest		2,524	570
		15,988	5,174
B. Differences arising from the consolidation of capital	(9)	313	313
C. Provisions	(10)		
1. Pension provisions and liabilities		1,645	1,792
2. Tax reserves		330	188
3. Other reserves		5,754	4,758
		7,729	6,738
D. Liabilities	(11)		
1. Liabilities to credit institutions		30,204	42,442
2. Other trade liabilities		6,071	8,667
3. Other liabilities		6,826	7,095
		43,101	58,204
E. Differed income		16	95
		67,147	**70,524**

Consolidated net profits & losses for the period of 1 January – 31 December 2002

		Annex Figure	2002 1000 €	2001 1000 €
1.	Sales proceeds	(12)	106,812	119,724
2.	Increase in stock of finished & unfinished products		–505	1,806
3.	Other activated services		117	91
	Overall performance		106,424	121,621
4.	Other operating revenues	(13)	17,047	2,512
5.	Cost of materials	(14)	58,809	66,798
	Gross profit		64,662	57,335
6.	Personnel costs	(15)	23,474	27,742
7.	Write-downs from tangible and intangible assets	(16)	4,080	4,641
8.	Other operating expenses	(17)	23,446	25,928
9.	Revenues from participations – 123,000 € from associated companies (Previous year: 2,000 €)		123	2
10.	Revenues from other securities and bank loans – 0 € from associate companies (Previous year: 23,000 €)		14	32
11.	Write-downs of financial assets		0	133
12.	Interest	(18)	–2,576	–2,887
13.	Profit from ordinary activities		11,223	–3,962
14.	Taxes from income and revenues		1,476	1,549
15.	Other taxes		106	122
16.	Consolidated annual losses		9,641	–5,633
17.	Consolidated losses and profits carried forward		–7,629	–1,718
18.	Share in profits/losses of other partners		–248	–278
19.	**Consolidated balance sheet profit/loss**		**1,764**	**–7,629**

Report of the Supervisory Board

The Supervisory Board was informed regularly throughout the business year by means of both written and oral reports from the Board of Management on the current situation and development of the company and its partner companies, as well as on all important management issues.

The Supervisory Board convened a total of four Supervisory Board meetings throughout 2001. All members of the Supervisory Board attended these meetings. No committees were formed by the Supervisory Board. In these meetings the Supervisory Board predominantly examined matter of business policy and the corporate situation of the partner companies and discussed these issues in depth with the Board of Management. The Supervisory Board was able to satisfy itself of the orderly conduct of management affairs by means of reports and the information provided by the Board of Management. The requirements of the German Law on Control and Transparency in Business (KonTraG) were met by the Supervisory Board. The recommendations of the government commission of the German Corporate Governance Codex for the work of the Supervisory Board and the activities of the Chairman of the Supervisory Board were adhered to.

The accounting and financial statements for the year ended 31 December 2002, including the Management Report, were audited by Ernst & Young Deutsche Allgemeine Treuhand AG chartered accountants in Heilbronn, who were chosen as auditors of the annual accounts at the general meeting of shareholders. The auditing request was made on 16 December 2002 by the Supervisory Board. An unqualified audit certificate was issued. The Supervisory Board agrees with the results of the audit, which contains no objections.

The financial statement, the Management Report and the proposal of the Board of Management for the use of the annual profit were reviewed by the Supervisory Board. During its deliberations, the Supervisory Board had the auditor’s report to hand and consulted with the auditors. No objections were made in the process. The Supervisory Board therefore agrees with the final results of the audit. The Supervisory Board took notice of and approved the consolidated financial statements, the consolidated Management Report and the audit certificate for the Group’s financial statements.

The Supervisory Board has approved the financial statements prepared by the Board of Management, and they are hereby adopted. The Supervisory Board fully supports the suggestion made by the Board of Management to carry the annual profit of € 13,451.02 forward to a new account.

The Supervisory board was elected at the general meeting of shareholders on 18 July 2002. Alongside the incumbent members – Senator E.h. Otto Rettenmaier and Wolfgang Weidmann – the new member Dr. Leonhard Weck was also elected to the board. The term of office of the members of the Supervisory Board lasts until the end of the general meeting of shareholders, which ratifies the acts of management for the 2006 financial year. After the general meeting of shareholders the Supervisory Board elected Wolfgang Weidmann to the position of Chairman and Senator E.h. Otto Rettenmaier as Deputy Chairman.

The Supervisory Board would like to thank Mr. Kurt D. Rauch, who has chosen to leave the committee, for his many years of dedicated work for the company, as well as the Board of Management and all the personnel for the work they have performed in this financial year.

Munich, May 2003

Wolfgang Weidmann
Chairman of the Supervisory Board

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