MDB AG

Annual Report 2003

MDB

Transparency in the structure

MDB AG

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

Companies without operating business are not shown in the diagram

As at May 2004

Transparency in numbers

Consolidated numbers (in € millions)	2000	2001	2002	2003
Balance sheet total	71.0	70.5	67.1	63.6
Equity	10.7	5.2	16.0	16.4
Sales revenues	128.1	119.7	106.8	116.7
EBIT	3.3	–1.0	13.7	3.8
EBITDA	7.6	3.7	17.7	7.9
Result of ordinary business activities	1.1	–4.0	11.2	2.0
Cash flow	2.8	–0.8	13.6	4.0
Profit/loss for the year	–1.4	–5.6	9.6	–0.1
Investments in fixed assets	3.3	5.6	3.3	3.2
Depreciation of fixed assets	3.8	4.3	3.8	3.7
Personnel (employees)	787	823	731	764

Share figures (in €)	2000	2001	2002	2003
Dividend	0.0	0.0	0.0	0.0*
Result (DVFA/SG)	–5.4	–11.8	0.2	–1.18
Cash flow (DVFA/SG)	6.1	–1.7	6.4	6.5
Number of shares issued (No.)	450,000	450,000	450,000	539,997

* Suggested by Supervisory Board and Management Board

Status report for the AG and the Group for the 2003 business year

Statement on corporate development

Market development

The entire building industry has been in decline for nine consecutive years, i.e. since 1995.

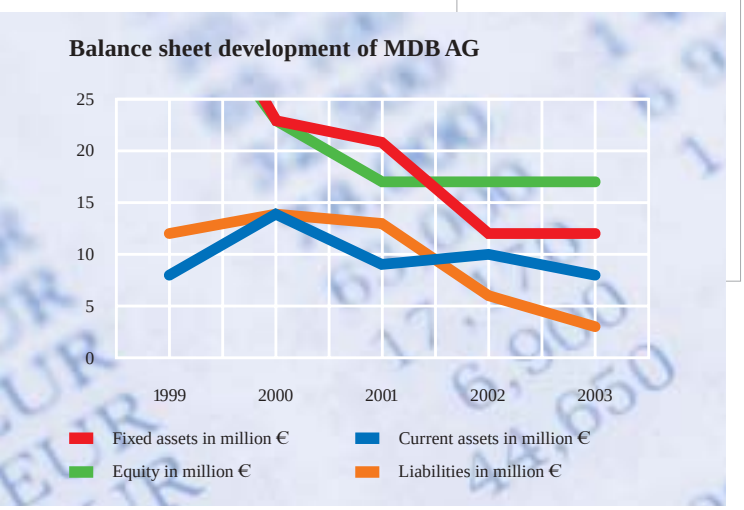
The drop of incoming orders in 2003 was at –10 % exactly at the previous year level. A differentiated consideration shows that the drop in construction engineering was –12.9 % and in civil engineering –7.7 %.

The decline in completion of buildings and the amount of industrial employees in the entire building sector developed in parallel, i.e. by approx. –7.5 % respectively.

At –11 % there were significantly less completions of multiple family dwellings and semidetached houses, whereas the completions of one-family houses reduced only by approx. –2.5% in the year 2003.

The civil works at existing buildings reduced by short of –9 % and at nonresidential buildings by –12 %.

Even more serious was the situation regarding new construction of nonresidential buildings with a decline of –14% regarding completion. The sharpest decline in this category concerns the factory and workshop buildings at –18 %.



Due to the advance effect caused by the unclear tax legislation regarding the owner-occupied home premium, the planning and building permissions in 2003 increased by 8.3 %. However, a general reflation cannot be derived.

Corporate development AG

Due to losses carried forward and needs of own resources of the participations again, as in the previous years, no dividend distribution can be made despite the positive earnings development in all three subgroups.

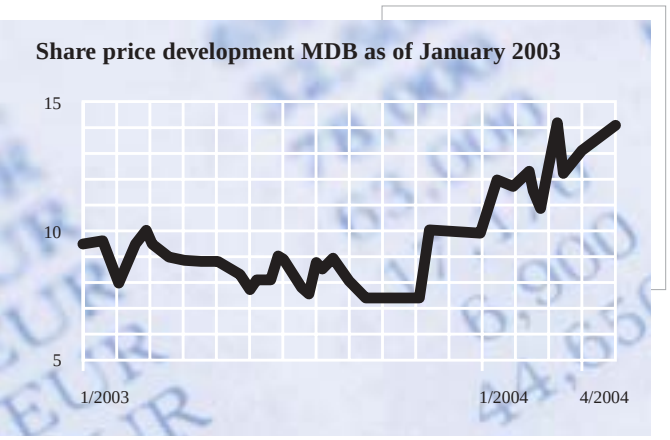
Financing of the holding company and the group was mainly realized through participation assessments, partial repatriations of granted loans, unearned interest and financial means gained from the sale in 2002 of company shares in DIMEX GmbH to Otto Wolff II GmbH.

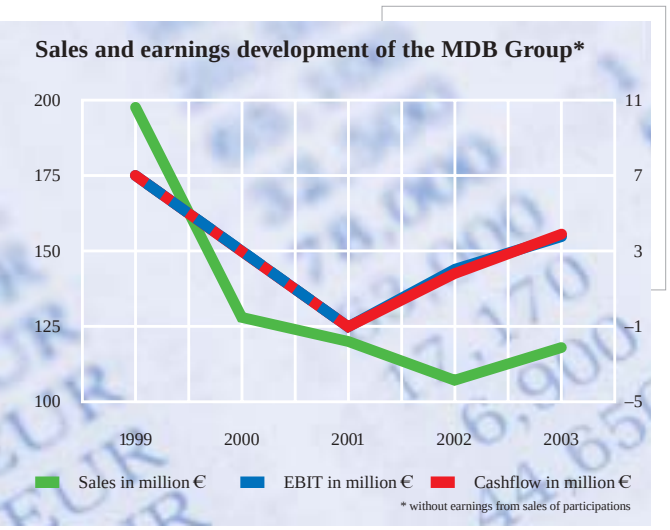
Altogether, the expenses were further declining as in the previous years. The personnel costs were further reduced as against the previous year. Especially the other operational expenses were reduced by € 250,000 as against the previous year by setting up lower accruals.

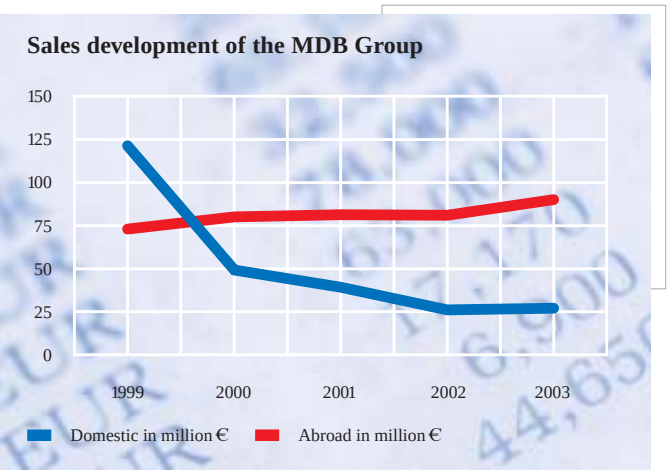
The balance sheet loss was reduced to 8.5 million € by the capital reduction of 11.25 million €, which was resolved upon during the shareholders' meeting for 2003.

According the agreement, a further partial purchase price payment from the disinvestment of Franken Plastik GmbH was made on 1st January 2003. The liabilities of the AG to credit institutes were thus reduced to 1.3 million €. The final purchase price payment was made on 1st January 2004. Thus, the MDB AG is free from debt today and the banking pool was terminated.

With a balance sheet total of 20.5 million € in 2003, the equity is now 16.4 million € or 80 %. In the previous year the equity was 73 % and 56 % in 2001.







In 2003 again, capital measures were made for the subgroups DIMEX and HAUSprofi in the total amount of 1.5 million €, in order to further sustain their investment- and self-financing strength.

Share price

Due to the positive response from the media after publication of our business development in autumn 2003, the share price increased from 7.30 € to 9.90 € at the year end. Following the capital increase in December 2003, the share price increased to 14.10 € by the end of April 2004 at continuing low sales.

Consolidated corporate development

In 2003 we have again made an adjustment of all companies to be consolidated. Due to their increasing commercial relevance, our participations in Slovakia, Hungary, Poland (DIMEX) and Benelux as well as UNITOIT were included in the reporting procedure.

Altogether the consolidated sales of the group increased from 107 million € to 117 million € with the share of the first-time consolidated companies amounting to 5.3 million €.

For the first time since the year 2000 all three subgroups show a positive sales trend.

Due to the especially positive sales trend at DIMEX GmbH, the domestic sales trend increased by approx. 3 million € on the basis of the consolidation of the previous year.

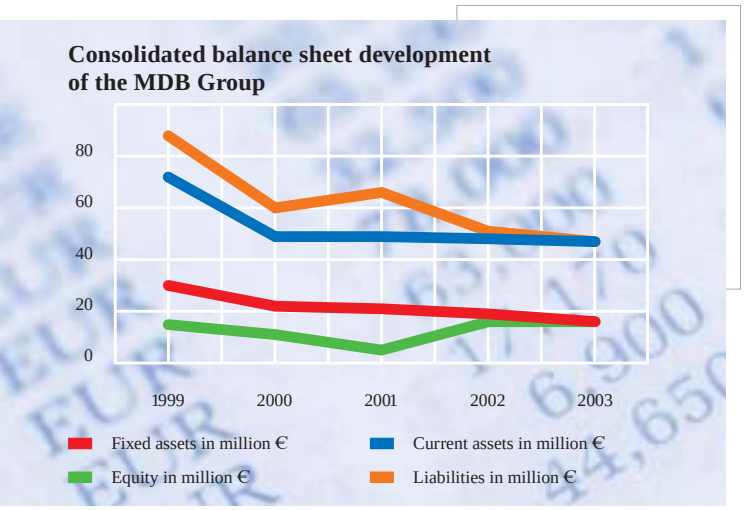
Due to the first-time consolidated foreign participations, which compensate for the growth of the domestic share at DIMEX GmbH, the share of the foreign sales of the group is exactly at the same level as the previous year, i.e. at 76 %.

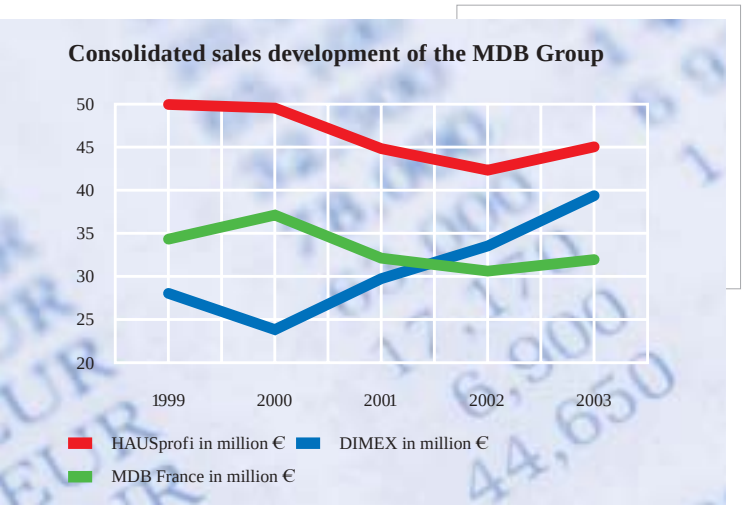
Status report for the AG and the Group for the 2003 business year

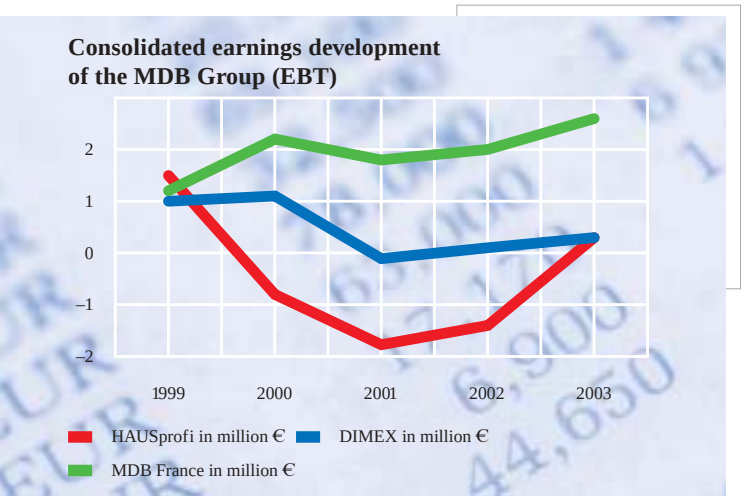
Consolidated balance sheet development

Due to the capital increase in December 2003 and the stabilization of earnings, the equity situation of the group is considerably more stable than in the previous years.

As no disinvestments were made in 2003 the substance is to be evaluated fundamentally positive.







The bank loans of 24 million € were under the previous year level by 6 million €, which also will have a positive effect on further bank ratings regarding the group.

Within the context of the first-time consolidation of participations, additional discrepancy amounts resulting from capital consolidations in the amount of 0.5 million € had to be shown. This amount is not assigned to the equity. Thus, the equity quota has increased only slightly from 24% to 26%.

Investments

As in the previous years, our main investment focus was on foreign countries and with a total of 3.9 million € below the depreciations of total 4.1 million €.

Employees

Due to the additional consolidation, the headcount in the group increased from 731 to 764 employees.

Associate companies

For the first time in three years all our subgroups were able to measure domestic as well as foreign growth impulses.

The HAUSprofi group was able to realize considerable growth, this being the main success factor as in the past, the further undamped foreign demand.

The income trend shows a positive picture. Thus, for the first time in more than two years not only all three business areas were able to breakeven, but also to exceed the previous year figures.

Sales and earnings development 2003/2002*

Divisions	Sales in € '000		Pretax earnings in € '000	
	2003	2002	2003	2002
Hausprofi Group**	45,137	42,437	490	–1,335
DIMEX Group	39,463	33,642	293	145
MDB France Group	32,013	30,693	2,598	2,042
Total amounts	**116,613**	**106,772**	**3,381**	**852**

*without MDB AG

**adjusted basis of consolidation in 2003

HAUSprofi Group

As in the previous years, the parent company of the HAUSprofi-Group shows a decline in sales at the domestic market level.

The organizational measures taken during the second half of the year led to a rapid consolidation. In the fourth quarter, the planned targets were approximately met again for the first time. These impulses were not able to compensate the losses in sales during the first half year.

Due to the improved situation in the corporation, the credit institutions have prolonged the loans and lowered the rate of interest considerably.

The gross earnings were improved by approximately 1% as against the previous year. Positive effects resulting from restructuring measures in the amount of approximately € 800,000 and savings of interest in the amount of € 130,000 were added.

Altogether, the results were improved by € 576,000, nevertheless, remained negative due to low sales.

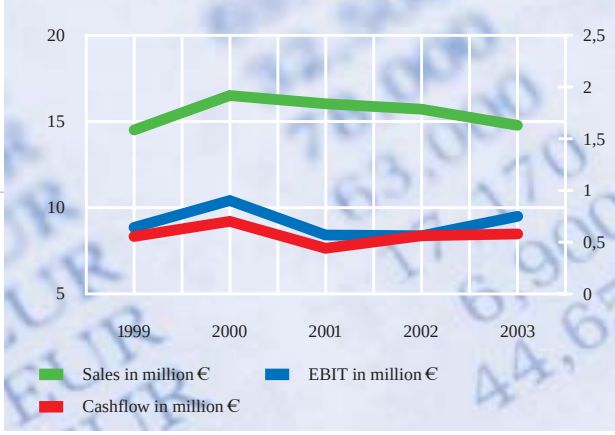
With the consolidation becoming apparent, the general management expects a balanced result for 2004.

Special impulses resulted from a strengthened foreign business in the regions, where we are not yet represented with own companies. These regions being especially Scandinavia, Russia and former Yugoslavia. Also Italy and Spain are gaining in importance increasingly.

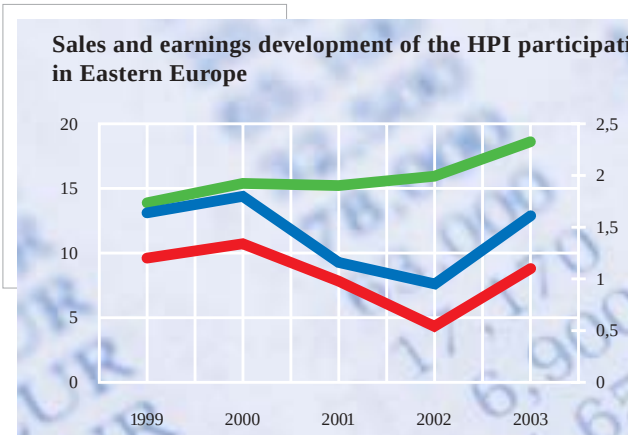
The three core business segments of steep roofs, façades and fixing technology were further extended. At the business location in Freudenstadt the production and warehouse capacity were further optimized, leading to a considerable improvement of the delivery quota in the still competitive German market.

While our Western European HAUSprofi associated companies HOME pro in France and UNI-Bausysteme in

Sales and earnings development of the HPI participations in Western Europe



Sales and earnings development of the HPI participations in Eastern Europe



Status report for the AG and the Group for the 2003 business year

Austria were able to compete successfully within a shrinking market, the markets in Eastern Europe continued to boom. However, there has been an increasing stress of competition for two years.

Therefore, new markets were developed by our associated companies in Czech Republic and Poland to meet the stress of competition successfully.

Our Slovakian and Hungarian associated companies were able to sustain their position positively within a small market of strong local competitors.

DIMEX Group

Analog the previous year the parent company of the subgroup, DIMEX GmbH in Nehren, improved sales by 14% against the previous year. Due to high prices of raw materials, which increased by more than 20% in 2003 and which could not be referred to the clients in full extent, the gross earnings quota declined slightly.

Sales of the own window and door profile systems continued to develop positively. Thus, its share in the total sales were increased by 28% to 10 million €.

In order to further sustain this development, investments were made in 2003 regarding extrusion tools and computing equipment.

Despite the increased sales, the headcount remained on the previous year level.

Altogether, the indebtedness was reduced by approximately 30%. In doing so and due to a capital increase the equity quota is now approx. 43%.

DIMEX ACCORD PROFILE GMBH in Austria was also in a position to further increase sales as in the previous year and to meet with the success of the year 2002.

Our Chinese associate DIMEX (Taicang) window profile Co. Ltd. increased its sales by approximately 70%. Due to a serious increase in raw material prices by more than 25% and high exchange losses through the strong Euro, the planned breakeven was not achieved.

Our Eastern European associated companies in Poland and Czech Republic were not able to meet our expectations.

MDB France Group

The subgroup has further developed on its high sales and earnings level. Altogether, the group was again able to further increase sales as well as earnings.

Contrary to the previous years, in which increase was sustained equally by all three associated companies, in 2003 a different picture becomes apparent.

Thus, the parquet manufacturer PANAGET was able to compete very well in a shrinking market and to even further increase sales by 8%.

The company focuses mainly on highly qualitative niche products and increasingly also in the development of new international markets. Larger increases were realized especially in Northern America and in Italy.

Analog to DIMEX, PANAGET orientates itself in country-specialized requirements and aligns its innovations accordingly.

During the year under review, investments were low compared to previous years. As production is operated at full capacity, larger expansion investments for 2004 are being verified.

The sawmill Chêne de l'Orne, which is affiliated to PANAGET still mainly produces raw parquet block. Operationally sales and earnings were according the previous year level. Due to reversal of accruals, additional earnings were gained.

Unfortunately, our chipboard factory Armor Panneaux was not able to meet with the success of the previous years. Due to the high overcapacity in Western Europe German companies, which have been in insolvency for years, are delivering products to France partly below manufacturing costs.

As we do not follow this ruinous competition, we have waived this deficit sales and thus accepted a decrease in sales and earnings. Nevertheless, a positive result was obtained. The general management assumes to maintain the same in 2004.

Anticipated development in the Group

Contrary to the general market development, which is further declining regarding the building industry as well as the building supply industry, the MDB consolidated group has developed according to plan.

Due to the now completed restructure measures at all associated companies, the consolidation of the group will continue consequently in 2004.

The main focus of all companies is further on the development of costs, especially in the field of acquisition.

The associated companies are developing a variety of new products, which will be ready for marketing during the current business year and we hope they will create positive effects in the market.

As in the previous years, we will expect increased impulses from abroad and will turn our main focus on foreign investments.

Risks of the future development

Market risks

Contrary to the previous years, a decline of approximately 1,5% in sales in the main building industry is assumed in 2004.

There were no serious negative climatic influences during the first quarter of the current business year. Thus, a sales development according to plan can be assumed.

The general shortage in raw materials in steel and PVC might gain a growing influence on the development of the companies. Serious price increases can be seen already and for the second half of the year 2004 first shortage in supply. The associated companies of MDB AG have made respective delivery agreements in 2003 as a precaution, where possible.

In addition, there are exchange rate risks regarding loans, which are income statement-related, however, mainly not liquidity-related.

Risk management

In the year under review, the management board was informed adequately and quickly about arising risks by

Status report for the AG and the Group for the 2003 business year

regular reports coming from an early risk warning system that has been installed.

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

Influence on earnings

In accordance with the contract, the last partial payment of the purchase price of Franken Plastik GmbH was made on 1st January 2004.

Significant incidents

Because of a rectification clause in the purchase agreements for shares in DIMEX GmbH in Nehren to Otto Wolff II GmbH the reserves of 2 million €, set aside in the previous year due to poorer commercial development, were increased by € 350,000.

The cash burden from this liability will presumably be effective in the beginning of the year 2005. No final decision was made until now regarding the financing.

Upon supervisory board decision of 25th November 2003, two capital increases were made in December 2003. Altogether, MDB AG has issued 89,997 new shares. Thus, the company has received € 899,970 and the capital stock has increased from € 450,000 to € 539,997.

Munich, May 2004

The Board of Management

Peter Freiherr von Jungenfeld

Consolidated balance sheet at 31 December 2003

Assets	Annex Figure	31.12.2003 1000 €	31.12.2002 1000 €
A. Fixed assets			
I. Intangible assets	(1)	1,069	754
II. Tangible/fixed assets	(2)	15,017	17,354
III. Financial assets	(3)	237	764
		16,323	18,872
B. Current assets			
I. Inventories	(4)	20,359	22,426
II. Receivables and other assets	(5)		
1. Trade receivables		17,887	14,325
2. Other receivables and assets		3,133	8,193
		21,020	22,518
III. Securities	(6)	15	148
IV. Cash	(7)	4,444	2,418
		45,838	47,510
C. Deferred expenses		1,406	765
Total assets		**63,567**	**67,147**

Equities and liabilities	Annex Figure	31.12.2003 1000 €	31.12.2002 1000 €
A. Equity	(8)		
I. Subscribed capital		540 *)	11,700
II. Revenue reserves		865 **)	0
III. Retained earnings		12,351	1,764
IV. Minority interest		2,675	2,524
		16,431	15,988
B. Differences arising from the consolidation of capital	(9)	828	313
C. Provisions	(10)		
1. Pension provisions and liabilities		1,207	1,645
2. Tax provisions		419	330
3. Other provisions		6,642	5,754
		8,268	7,729
D. Liabilities	(11)		
1. Liabilities to credit institutions		24,012	30,204
2. Other trade liabilities		6,512	6,071
3. Other liabilities		7,434	6,826
		37,958	43,101
E. Deferred income		82	16
Total equity & liabilities		**63,567**	**67,147**

*) € 90,000 from the capital increase agreed on 24th/25th November 2003; entered into the commercial register on 10th March 2004.
**) € 810,000 share premium from the capital increase agreed on 24th/25th November 2003; entered into the commercial register on 10th March 2004.

Consolidated profit and loss account for the period of 1 January – 31 December 2003

	Annex	2003	2002
	Figure	1000 €	1000 €
1. Sales proceeds	(12)	116,660	106,424
2. Decrease in stock of finished & unfinished products		–2,389	–505
3. Capitalized costs		59	117
Overall performance		114,330	106,424
4. Other operating revenues	(13)	3,115	17,047
5. Cost of materials	(14)	62,862	58,809
Gross profit		54,583	64,662
6. Personnel costs	(15)	24,541	23,474
7. Depreciation from tangible and intangible assets	(16)	4,081	4,080
8. Other operating expenses	(17)	22,178	23,446
9. Revenues from participations – from associated companies: 0€ (Previous year: € 123,000)		0	123
10. Revenues from other securities and bank loans – from associate companies : 0€ (Previous year: 0 €)		10	14
11. Write-downs of financial assets		2	0
12. Financial result	(18)	–1,803	–2,576
13. Result from ordinary activities		1,988	11,223
14. Taxes from income and revenues		1,552	1,476
15. Other taxes		578	106
16. Consolidated annual result		–142	9,641
17. Consolidated result carried forward		1,764	–7,629
18. Share in profits/losses of minority interest		521	248
19. Earnings from capital decrease		11,250	0
20. Consolidated balance sheet profit		**12,351**	**1,764**

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 2003. 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 2003, including the Management Report, were audited by Ernst & Young AG chartered accountants in Heilbronn, who were chosen as auditors on 2 December 2003 by the Supervisory Board. A qualified audit certificate was issued. The Supervisory Board agrees with the results of the audit, which contains no objections.

The financial statement and the Management Report 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 would like to thank the Board of Management and all the personnel for the work they have performed in this financial year.

Munich, May 2004

Wolfgang Weidmann

Chairman of the Supervisory Board

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