

Financial Report 2004



Westag & Getalit AG

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Balance sheet as of December 31, 2004

Assets	Notes	Dec. 31, 2004	Dec. 31, 2003
		€	€ '000
A. Fixed assets	1		
I. Intangible assets			
Concessions, industrial property rights and similar rights and values, as well as licenses thereto		259,346.79	204.5
II. Tangible assets			
Land and leasehold rights and buildings, including buildings on third-party land		19,677,625.77	20,585.9
Plant and machinery		13,112,009.00	15,955.1
Other fixtures and fittings, tools and equipment		7,756,898.51	8,466.0
Payments on account and tangible assets in course of construction		1,702,871.55	127.6
		42,249,404.83	45,134.7
III. Financial assets			
Other loans		102,458.36	115.5
		42,611,209.98	45,454.7
B. Current assets	2		
I. Inventories			
Raw materials and supplies		13,801,924.00	14,213.6
Work in progress		3,378,970.00	3,694.3
Finished goods and goods for resale		10,008,417.00	11,304.2
		27,189,311.00	29,212.1
II. Accounts receivable and other assets			
Accounts receivable		17,329,757.79	15,790.0
Other assets		579,860.66	586.4
		17,909,618.45	16,376.4
III. Investments			
Own shares		0.00	120.2
Other investment		12,211,800.00	9,211.8
		12,211,800.00	9,332.1
IV. Cheques, cash on hand and cash in other bank accounts		8,436,304.15	8,122.2
		65,747,033.60	63,042.7
C. Prepayments and accrued income	3	111,313.53	137.7
		108,469,557.11	108,635.1



Assets	Notes	Dec. 31, 2004	Dec. 31, 2003
		€	€'000
A. Capital stock	4		
I. Subscribed capital			
Ordinary shares		7,321,600.00	7,321.6
Preference shares		7,321,600.00	7,321.6
		14,643,200.00	14,643.2
II. Capital reserve		24,344,572.38	24,344.6
III. Revenue reserve			
Legal reserve		595,757.30	595.8
Reserve for own shares		0.00	120.2
Other revenue reserves		29,000,000.00	26,200.0
		29,595,757.30	26,916.0
IV. Net profit for the year		3,880,466.25	2,576.7
		72,463,995.93	68,480.5
B. Special item with an equity portion	5	2,670,871.47	3,064.6
C. Accrued liabilities	6		
Provisions for pensions and similar obligations		9,547,667.00	12,345.9
Provisions for taxation		2,136,500.00	1,656.2
Other provisions		10,672,825.00	8,926.8
		22,356,992.00	22,928.9
D. Liabilities	7		
Due to banks		0.00	2,343.7
Advances from customers		188,058.65	156.6
Accounts payable		5,394,022.64	5,430.6
Other liabilities		5,395,616.42	6,230.2
		10,977,697.71	14,161.1
		108,469,557.11	108,635.1



Fixed asset development

(in €)	A. Gross values				
	Jan. 01, 2004 Acquisition cost/ cost of production	Additions	Disposals	Book transfers	Dec. 31, 2004 Acquisition cost/ cost of production
I. Intangible assets					
Concessions, industrial property rights and similar rights and values, as well as licenses thereto	971,148.78	219,382.07	185,013.80	0.00	1,005,517.05
	971,148.78	219,382.07	185,013.80	0.00	1,005,517.05
II. Tangible assets					
Land and leasehold rights and buildings, including buildings on third-party land	45,585,826.14	274,221.10	4,819.03	15,549.66	45,870,777.87
Plant and machinery	75,355,204.56	1,469,144.88	693,806.92	0.00	76,130,542.52
Other fixtures and fittings, tools and machinery	58,122,637.80	2,772,484.72	1,741,039.64	64,075.15	59,218,158.03
Payments on account and tangible assets in course of construction	127,645.58	1,654,850.78	0.0	- 79,624.81	1,702,871.55
	179,191,314.08	6,170,701.48	2,439,665.59	0.00	182,922,349.97
III. Financial assets					
Other loans	115,476.54	0.00	13,018.18	0.00	102,458.36
	115,476.54	0.00	13,018.18	0.00	102,458.36
Total fixed assets	180,277,939.40	6,390,083.55	2,637,697.57	0.00	184,030,325.38



B. Valuation adjustment					C. Net values (A-B)	
Jan. 01, 2004 Accumulated depreciation	Additions	Disposals	Write-ups	Accumulated depreciation as at Dec. 31, 2004	Net book value, year under review as at Dec. 31, 2004	Net book value, previous year as at Dec. 31, 2003
766,652.99	164,255.07	184,737.80	0.00	746,170.26	259,346.79	204,495.79
766,652.99	164,255.07	184,737.80	0.00	746,170.26	259,346.79	204,495.79
24,999,936.69	1,195,182.44	1,967.03	0.00	26,193,152.10	19,677,625.77	20,585,889.45
59,400,065.56	4,306,908.88	688,440.92	0.00	63,018,533.52	13,112,009.00	15,955,139.00
49,656,630.29	3,420,168.87	1,615,539.64	0.00	51,461,259.64	7,756,898.51	8,466,007.51
0.00	0.00	0.00	0.00	0.00	1,702,871.55	127,645.58
134,056,632.54	8,922,260.19	2,305,947.59	0.00	140,672,945.14	42,249,404.83	45,134,681.54
0.00	0.00	0.00	0.00	0.00	102,458.36	115,476.54
0.00	0.00	0.00	0.00	0.00	102,458.36	115,476.54
134,823,285.53	9,086,515.26	2,490,685.39	0.00	141,419,115.40	42,611,209.98	45,454,653.87



Profit and loss account - financial year 2004

	Notes	2004	2003
		€	€ '000
Sales revenues	8	167,392,525.39	162,787.6
In/decrease in finished goods inventories and work in process		- 1,297,883.00	- 471.2
Capitalised cost of self-constructed assets		325,385.94	153.0
Other operating income	9	3,278,678.35	2,672.5
Cost of materials	10		
a) Cost of raw materials, consumables and supplies, and of purchased materials		- 74,192,718.18	- 73,537.3
b) Cost of purchased services		- 1,590,242.16	- 1,522.6
		- 75,782,960.34	- 75,059.9
Personnel expenses	11		
a) Wages and salaries		- 46,105,287.58	- 45,144.6
b) Social security and other pension costs, thereof in respect of old-age pensions		- 11,059,762.34	- 11,625.2
		- 57,165,049.92	- 56,769.8
Depreciation of intangible fixed assets and tangible assets	12	- 9,086,515.26	- 10,634.4
Other operating expense	13	- 18,677,703.02	- 19,026.5
Income from other investments and long-term loans	14	3,169.04	3.7
Other interest and similar income	14	674,666.52	301.7
Interest and similar expenses	14	- 154,539.06	- 245.5
Results from ordinary activities		9,509,774.64	3,711.2
Taxes on income	15	- 3,592,389.65	- 1,630.2
Other taxes	15	- 160,677.58	- 289.9
Annual net profit		5,756,707.41	1,791.1
Previous year's appropriated retained earnings brought forward		803,476.84	806.9
Withdrawal from own share reserve		120,282.00	0.0
Transfer to own share reserve		0.00	- 21.3
Transfer to other revenue reserves		- 2,800,000.00	0.0
Net profit for the year		3,880,466.25	2,576.7



Notes

Preliminary remarks

Westag & Getalit AG's annual accounts were prepared in accordance with HGB (German Commercial Code) and AktG (German Stock Corporation Act) regulations. The expenditure type of presentation was applied to the profit and loss account.

We notified Syntalit AG, Zug, Switzerland, of the fact that Westag & Getalit AG must be included in Syntalit AG's consolidated financial statements.

Accounting and valuation principles, currency translation

Accounts receivable, liabilities and payments on account denoted in foreign currencies were valued at the buying/selling rate applicable on the date of entry, unless a rise or decline in the exchange rate necessitated either a devaluation of the respective asset item or an upward revaluation of the respective liability. Losses arising in connection with exchange rate fluctuations that occurred before the balance sheet day were taken into account.

Accounting information

The presentation and the structure of the 2004 annual account comply with the German Commercial Code's statutory regulations. Insofar as any required information was not presented in the balance sheet or the profit and loss account, this information is supplied in the Notes.

In accordance with Section 58 of the German Stock Corporation Act, part of the annual net profit was transferred to the revenue reserve.

Information regarding valuation methods

The valuation methods did not change fundamentally from those used in 2002. The requirement to reinstate original values in accordance with Section 280 HGB also applied.

Coverage involving forward exchange transactions, which serve exclusively to hedge our foreign raw material supplies, was converted at the hedging price.

Intangible assets

The valuation methods did not change fundamentally from those used in 2003. The requirement to reinstate original values in accordance with Section 280 HGB also applied.

Tangible assets

Tangible assets were valued at acquisition cost or cost of production minus depreciation. The extent of acquisition costs complies with Section 255 Par.1 HGB. The production costs associated with self-produced assets include the cost of material at acquisition cost, direct labour and prorated production overheads including depreciation. Depreciation is in line with the officially accepted useful life expectancy. With respect to factory, business, residential and other buildings, life expectancy mostly amounts to between 25 and 50 years, with respect to plant and machinery to up to 15 years and with respect to other fixtures and fittings, tools and equipment to between 3 and 10 years. Minor assets were fully written off during the year of acquisition and reported under disposals at the end of the same year. Buildings and other constructions were again depreciated at the usual rates (partially at the staggered rates according to Section 7 Par. 5 EStG) using the straight-line method. Apart



from minor sub-areas, in which the straight-line method was applied, movable assets were written down according to the declining balance method at the lawful maximum rates, insofar as fiscally admissible. The possibility to convert from the declining balance method to the straight-line method was used where this led to higher annual depreciation. Due to the abolition of the half-year rule, movable assets have also been written down on a pro rata temporis basis since January 1, 2004.

Financial assets

Interest-bearing loans and co-operative shares were reported at their nominal value.

Inventories

As during the previous years, raw materials and supplies as well as merchandise were valued at either acquisition cost or the lower replacement cost as at the balance sheet day. In accordance with fiscal code regulations, work in progress and finished goods were valued at production cost including both directly attributable costs and the cost of material, production overheads and depreciation. As usual, depreciation accounting for obsolescence, reduction in quality and other restricted utilisation possibilities was applied.

Accounts receivable and other assets

Accounts receivable and other assets were reported at either their nominal value or the lower current value as at the balance sheet day as a matter of principle. Depreciation or individual value adjustments were applied to accounts receivable and bills receivable to the extent required. A respective general allowance takes into account the general credit risk.

Securities

This item consists of fixed-interest securities and own shares which were valued either at the cost of acquisition or at the lower market price as at the balance sheet day.

Liquid funds

Cheques, cash on hand and cash in other bank accounts were reported at their nominal value or, in the case of foreign exchange balances, at acquisition cost or the lower buying price as at December 31, 2004.

Special items with an equity portion

These items include special items for investment subsidies as part of fixed assets, amounting to the subsidies received minus the prorated retransfer of these items. Provisions and valuation adjustments in accordance with fiscal provisions are also reported under this item. Insofar as the fiscal authorities require them to be reported in the commercial balance sheet, they have been valued at the officially accepted amounts.

Provisions for pensions and similar obligations

Pension provisions correspond to the full proportional value of our total pension obligations. They were reported in accordance with actuarial calculations on the basis of fiscal provisions using a 6% interest rate. Deficits did not arise.



Other provisions

Provisions for taxes and other provisions take into account all recognisable risks and contingent liabilities.

Liabilities

Liabilities were accrued at their repayment amount.

Further information regarding individual annual account items

1.
Fixed assets

The breakdown of the fixed asset items summarised in the balance sheet and their development throughout the financial year 2004 have been recorded in the respective notes to the balance sheet.
2.
Current assets,
Accounts receivable
and other assets

Accounts receivable and other assets due in less than one year did not arise.
The assets reported in the annual accounts include accrued interest amounting to € 256 thousand (previous year: € 318 thousand).
3.
Prepayments and
accrued income

This annual account item includes a € 0 thousand disagio (previous year: € 74 thousand).



4. Due to the Annual General Meeting resolutions of August 24, 1999, the company's capital stock amounts to € 14,643,200.00 and consists of:

4.1. Bearer shares
Subscribed capital

Number of ordinary shares		
Number of share certificates	Number of individual share certificates	Amount in €
12,250	2,450,000	6,272,000.00
14,000	280,000	716,800.00
13,000	130,000	332,800.00
	2,860,000	7,321,600.00
Number of preference shares		
Number of share certificates	Number of individual share certificates	Amount in €
286,000	2,860,000	7,321,600.00
	2,860,000	7,321,600.00
Total number and amount of ordinary and preference shares	5,720,000	14,643,200.00

All of the company's shares are registered for trade and officially quoted at the Duesseldorf and Frankfurt stock exchanges. The ordinary shares are full voting shares while the preference shares are nonvoting. Preference shareholders receive a preferred dividend of € 0.12 per preference share out of the net profit for the year. If the distributable net profit for the year is not sufficient to pay out a dividend of € 0.12 per preference share, the deficit must be paid, without interest, out of the net profit for the year generated during the subsequent years in such a way that the older deficits are paid before the newer ones and the preferred amounts payable for the year out of the same

year's profit are paid subsequent to the repayment of all deficits. Subsequent to the distribution of a dividend of € 0.12 per ordinary share, the preference shareholders receive an extra dividend, which may not be paid retroactively, of € 0.06. Both preference and ordinary shareholders participate in a further distribution in the proportion of their prorated shares in the capital stock.

The company reserves the right to issue further preference shares which, with respect to a distribution of profit or of company assets, are either of equal rank or take priority over the existing nonvoting preference shares.



4.2. Revenue reserves that are not governed either by law or by the articles of association, developed as follows:
Revenue reserves

		€
Revenue reserves that are not governed either by law or by the articles of association, developed as follows:		
As at January 01, 2004	26,200,000.00	
+ Allocation in accordance with Sect. 58 (2) AktG during the year under review	2,800,000.00	
As at December 31, 2004	29,000,000.00	

5. Special item with an equity portion

Liabilities (in € '000)	2004	2003
Special item with an equity portion		
Fixed asset value adjustment in acc. with Section 6b EStG	136	145
Fixed asset value adjustment in acc. with Section 34 EStR	0	2
Fixed asset value adjustment in acc. with Section 35 EStR	2,535	2,918
Total	2,671	3,065

Due to a change in these provisions/valuation adjustments, the company's annual net profit increased by approx. € 394 thousand (previous

year: € 447 thousand). The respective income tax burden amounts to approx. 40%.

6. Provisions

Other provisions include amounts relating to queries, guarantee obligations, bonuses, outstanding vacation obligations, partial retirement, royalties, anniversary benefits, severance pay, environmental protection measures,

contributions to social insurance against occupational accident, time credits, other contributions and charges and other items of an indeterminate amount. These provisions fully take into consideration all discernible risks.



7.
Liabilities

Liabilities are broken down according to their residual term as follows:

Liabilities (in € '000)	2004	2003
Liabilities due in less than 5 years		
Due to banks	0	781
Liabilities due between 1 and 5 years		
Due to banks	0	1,250
up to 1 year		
Due to banks	0	312
Advances from customers	188	157
Accounts payable	5,394	5,431
Other liabilities	5,396	6,230
	10,978	12,130
Total liabilities	10,978	14,161

Liabilities (in € '000)	2004	2003
Following amounts are included in the other liabilities		
Taxes	1,874	2,234
Social security liabilities	1,448	1,463



Notes to the profit and loss account

8.	in € '000	2004	2003
Sales revenue			
	Breakdown according to regions, in € '000		
	Domestic	139,763	137,434
	Abroad	27,630	25,354
	Total	167,393	162,788

9. Other operating income

The income generated by the retransfer of the special item with an equity portion is composed as follows:

	in € '000	2004	2003
	Fixed asset value adjustment		
	in accordance with Section 34 EStR	2	1
	in accordance with Section 6b EStG	9	8
	in accordance with Section 35 EStR	383	438
	Total	394	447

10.	in € '000	2004	2003
Cost of material			
	Cost of material		
	Cost of raw materials, consumables and supplies, and of purchased materials	74,193	73,537
	Cost of purchased services	1,590	1,523
	Total	75,783	75,060

11. Personnel expenses/staff

The company's personnel expenses include pension costs amounting to € 1,261 thousand (previous year: € 1,627 thousand).

	Number of staff (annual average)	2004	2003
	Number of staff (excl. trainees)		
	Employees	323	321
	Industrial employees	866	894
	Total	1,189	1,215



12. Depreciation The depreciation item does not include any non-scheduled depreciation. Due to the abolition of the half-year rule, depreciation was down by € 262 thousand on the previous year.

13. Other operating expenses With the exception of the Supervisory Board compensation, other operating expenses do not include any data that are subject to the duty to report.

14. Interest result The interest result includes income from other investments and long-term financial investments as well as interest income and expenses.

15. Taxes	€'000	2004	2003
Taxes			
Taxes on income		3,592	1,630
Other taxes		161	290
Total		3,753	1,920

16. Other information	€ '000	2004	2003
Contingencies			
16.1. Contingencies	Bill commitments	4	57

16.2 Other financial obligations The other financial obligations amount to a total of € 1,239 thousand (previous year: € 1,891 thousand).

16.3.

Executive bodies

Management board

Pedro Holzinger
Managing Director
Rheda-Wiedenbrück

Wilhelm Beckers
Director Doors/Frames Division
Rheda-Wiedenbrück

Dr. Michael Paulitsch
Director Plywood/Shuttering Division
Warendorf

Thorsten A. Spengler (until Dec. 31, 2004)
Director Central Division
Gütersloh

Edmund Volmer
Director Laminates/Elements Division
Wadersloh

Jan Trommershausen (since Sep. 01, 2004)
Director Central Division
Halle (Westf.)

Supervisory board

Hans Georg Ahrens
Lawyer and notary public
Hanover
Chairman *

Hubert Stretz
Engineering graduate
Guetersloh
Vice Chairman

Ronald Jeffries
Businessman
London/Great Britain

Franz-Josef Knapp**
Chairman of the works council
Rheda-Wiedenbrück

Dietmar Lewe**
Wood processing mechanic
Rietberg

Klaus Pampel
Managing Director of Hüttenes-
Albertus Chemische Werke GmbH
Meerbusch

* Hans Georg Ahrens is also
Chairman of the supervisory board
of 12 Ghosts AG, Hanover
** Employee representative

16.4

Supervisory Board
and Management
Board compensation

	2004	2003
	€	€
Total Supervisory Board compensation	52,500.00	52,500.00
Total Management Board compensation	1,572,090.01	958,331.42
Total compensation received by former Management Board members and their surviving dependants	118,326.45	116,894.76
Pension reserves for former Management Board members and their surviving dependants	770,758.00	801,048.00

17.

Corporate
Governance Kodex

Westag & Getalit AG has issued the compliance declaration regarding the recommendations made by the German Corporate Governance Code government commission that is required under Section 161 AktG and has given shareholders access to this declaration via the internet.



18. Agreed auditor's fee The agreed auditor's fee as defined in Section 319 (1) of the German Commercial Code is comprised as follows:

€'000	
Audit	94
Tax consulting services	35
Other services	31
Total	160

- Proposal regarding the appropriation of the annual net profit The 2004 net profit for the year amounts to € 3,880,466.25 and is composed as follows:

	€
Annual net profit 2004	5,756,707.41
Previous year's appropriated retained earnings brought forward	803,476.84
Withdrawal from the reserve for own shares	120,282.00
Allocation to other revenue reserves in accordance with Sect. 58 (2) AktG	- 2,800,000.00
Net profit for the year	3,880,466.25

We submit to the Annual General Meeting the following proposal regarding the appropriation of the net profit for the year:

	€
Distribution of a dividend of	
€ 0.48 per ordinary share	1,372,800.00
€ 0.54 per preference share	1,544,400.00
Residual profit to be brought forward to new account	963,266.25
Net profit for the year	3,880,466.25

Each type of share consists of 2,860,000 no par shares.

Rheda-Wiedenbrück, February 21, 2005

Westag & Getalit Aktiengesellschaft
Management Board

Holzinger Trommershausen Beckers Dr. Paulitsch Volmer



Corporate Governance

Westag & Getalit AG complies with the requirements of the German Corporate Governance Code with a few exceptions.

The term “corporate governance” refers to the management and control of a company on the basis of accountability and long-term value creation. This is based on compliance with applicable laws, our statutes and the international standards summarised in the German Corporate Governance Code.

At Westag & Getalit AG, the relationships between the Management Board and the Supervisory Board have traditionally been characterised by responsibility and transparency. In addition, our action is based on compliance with shareholders’ interests as well as on open communication. This promotes our stakeholders’ interest in the management and supervision of our company. Moreover, we constantly review our internal processes, regulations and organisational structures and implement sensible changes as quickly as possible.

The German Corporate Governance Code is an important step towards the further development of the legal provisions and the practice of corporate governance and control in Germany. Westag & Getalit AG therefore appreciates the adoption of the Corporate Governance Code by the Commission of the same name installed by the Federal Government. We are confident that the Code will help make the system of corporate governance more easily comprehensible particularly to foreign investors in Germany. The Management Board and the Supervisory Board of Westag & Getalit AG have issued the following declaration of conformity pursuant to Section 161 of the German Stock Corporation Act:

“In accordance with Section 161 of the German Stock Corporation Act, the Management Board and the Supervisory Board of Westag & Getalit AG declare that the company complies with the recommendations of the German Corporate Governance Code Commission as amended on May 21, 2003 save for the following exceptions:

1. The D&O insurance taken out by Westag & Getalit AG for the members of the Management Board and the Supervisory Board does not include a deductible (Clause 3.8 (2) of the Code).

2. The Management Board and the Supervisory Board report on the company’s corporate governance in the annual financial report but do not provide a detailed description of any deviations from the recommendations and suggestions of the Code. (Clause 3.10 phrases 2 and 3 of the Code).

3. In the Notes to the Consolidated Financial Statements, the compensation of the members of the Management Board is not reported in individualised form and not subdivided according to fixed, performance-related and long-term incentive components (Clause 4.2.4 of the Code).

4. The company’s Articles of Association do not provide for the compensation of the members of the Supervisory Board to reflect the exercising of the chair and membership in committees (Clause 5.4.5, paragraph 1, phrase 3 of the Code).

The compensation of the members of the Supervisory Board does not take into account the performance of the company (Clause 5.4.5, paragraph 2 of the Code). Payments made or advantages extended by the company to the members of the Supervisory Board for services provided individually, in particular



advisory or agency services, are not listed separately in the Notes to the Consolidated Financial Statements (Clause 5.4.5, paragraph 3, phrase 2 of the Code).

5. Given that Westag & Getalit AG does not hold any equity investments, the company does not establish consolidated financial statements, which means that, under current legislation, the company is not required to prepare its financial statements to international standards. Westag & Getalit plans to apply international accounting standards as soon as the respective legal foundation has been laid (in 2005) Clause 7.1.1 to 7.1.4 of the Code)."

The German declaration of conformity is available to shareholders at: www.westag-getalit.de/corporate-governance. In accordance with Clause 4.2.3 of the German Corporate Governance Code, we provide the following additional information on the basic principles of the compensation scheme for our Management Board members:

The compensation of the Management Board members includes fixed and variable components. The variable components for the Board members responsible for the production divisions result from a combination of the respective division's annual profit and that of the whole company. The annual profit is the annual net profit less a potential loss carried forward from the previous year and the amounts to be allocated to open reserves under the applicable laws and the Articles of Association. The variable component for the Board members in charge of the central division is exclusively determined by the company's annual profit. To provide incentives for a maximum annual profit, the profit shares rise at a disproportionate rate when certain profit

levels are exceeded. The percentage of the variable component of the total compensation varies depending on the annual profit generated. The Supervisory Board has the right to limit the variable component in case of unforeseen, extraordinary developments. There are no agreements with the Management Board members regarding the granting of company shares, stock options or similar schemes.

The Supervisory Board is convinced that the above compensation scheme for the Management Board takes appropriate account of the tasks of the respective Board members, their personal achievements, the performance of the full Management Board and the economic situation and the performance of the company.



Segmental reporting

Segment	Jan. 1 to Dec. 31, 2004	Jan. 1 to Dec. 31, 2003
Domestic		
Sales	139,763	137,434
Result before taxes on income	8,105	3,126
Exports		
Sales	27,630	25,354
Result before taxes on income	1,244	295
Total for Westag & Getalit AG		
Sales	167,393	162,788
Result before taxes on income	9,349	3,421

Statement of changes in equity

	Subscribed capital	Capital reserve	Revenue reserve	Net profit for the year	Total
As at Jan. 1, 2003	14,643	24,345	26,895	1,147	67,030
Withdrawal from own share reserve			21	- 21	0
Transfer to other reserve					0
Dividend				- 341	- 341
Annual net profit				1,791	1,791
As at Dec. 31, 2003	14,643	24,345	26,916	2,576	68,480
As at Jan. 1, 2004	14,643	24,345	26,916	2,576	68,480
Withdrawal from own share reserve			-120	- 21	0
Transfer to other reserve			2,800	- 2,800	0
Dividend				- 1,773	- 1,773
Annual net profit				5,757	5,757
As at Dec. 31, 2004	14,643	24,345	29,596	3,880	72,464



Cash flow statement 2003

Cash flow statement 2004	2004	2003
		€'000
Annual net profit	5,757	1,791
Depreciation of intangible assets and tangible assets	9,087	10,634
In/decrease in long-term provisions	- 2,798	441
In/decrease in special item with an equity portion	- 394	- 446
Cash flow in acc. with DVFA/SG (sub total)	11,652	12,420
Earnings contributions as a result of fixed asset disposals	- 98	- 60
In/decrease in inventories/Veränderung der Vorräte	2,023	- 176
In/decrease in accounts receivable and other assets	- 1,533	- 511
In/decrease in prepayments and accrued income	26	128
In/decrease in other provisions	2,226	1,879
In/decrease in short-term liabilities	- 840	- 33
Cash flow generated from current business activities	13,456	13,647
Payments for investments made in intangible assets and tangible assets	- 6,390	-3,768
Deposits arising from the disposal of intangible assets and tangible assets	231	159
Deposits arising from divestments	13	22
Cash flow generated from investment activities	- 6,146	- 3,587
In/decrease in due to banks	- 2,344	- 1,936
In/decrease in investments	- 2,879	- 8,999
Dividend payments	- 1,773	- 341
Cash flow from financing activities	- 6,996	- 11,276
In/decrease in financial resources affecting payments (Total cash flow)	314	- 1,216
Financial resources as at January 01	8,122	9,338
Financial resources as at December 31	8,436	8,122



Audit certificate

We have audited the annual accounts of Westag & Getalit AG, including the accounting and the annual report, for the financial year starting on January 01 and ending on December 31, 2004. According to the German Commercial Code, the company's legal representatives are responsible for the preparation of these documents. It is our responsibility to form an opinion, based on our audit, on the annual accounts, including the accounting and the annual report. We have conducted our audit in accordance with Section 317 of the HGB, based on the Principles of Proper Auditing laid down by the "Institut der Wirtschaftsprüfer in Deutschland e. V. (IDW)" auditing standards. According to this, the audit is to be planned and carried out in such a way that misrepresentations and infringements that significantly affect the picture of the financial and earnings position as given in the annual accounts and the annual report, prepared with due regard to the Principles of Proper Bookkeeping, are detected with a sufficient degree of certainty. Knowledge of the business activities and the economic and legal environment of the company as well as expectations of possible errors are taken into account when the audit procedure is laid down. During the audit, the effectiveness of the accounting-related internal control system as well as the proof for statements made in the

accounting, annual accounts and the annual report are evaluated on the basis of sample audits. The audit includes an evaluation of the accounting and consolidation principles applied, as well as an appraisal of the legal representatives' principal judgements and an assessment of the overall presentation of the annual accounts and the annual report. In our opinion, our audit forms a sufficiently reliable basis for our evaluation.

No objections were raised in response to our audit.

It is our conviction that the annual accounts, with due regard to the Principles of Proper Bookkeeping, convey a correct picture of the company's financial and earnings position. In general, the annual report presents a true and fair view of the group's position and gives a fair representation of the risks concomitant with future development.

Hanover, February 22, 2005

Peters & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Matthias Heinz
Auditor

Jochen Mischer
Wirtschaftsprüfer





Management Report

Strong increase in earnings on moderately higher sales.

Business development in 2004

Expectations that construction activity in Germany had reached the trough in 2003 proved to be wrong in 2004, when incoming orders in the building construction sector, which are the most important business indicator for Westag & Getalit AG, were down by another 6.3% on the previous year.

Sales at Westag & Getalit AG nevertheless increased by € 4.6 million (+2.8%) to € 167.4 million (previous year: € 162.8 million), with domestic and foreign sales each up by approx. € 2.3 million. Domestic sales for the fiscal year totalled € 139.8 million, a relative increase of 1.7% on the previous year's € 137.4 million. The export volume rose by a gratifying 9.0% from € 25.4 million to € 27.6 million.

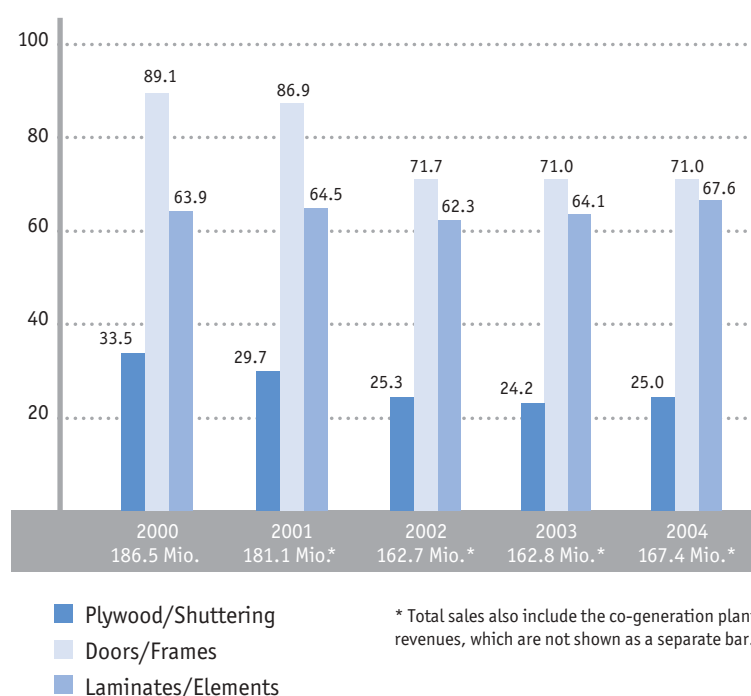
A breakdown by divisions shows that the two

divisions that are most directly exposed to construction activity developed differently. Following a 4.3% decline in sales in the previous year, the Plywood/Formwork Division recovered noticeably and reported a 3.1% increase for 2004. Besides moderate sales growth abroad, the Division also increased its domestic sales again. Sales in the Doors/Frames Division held steady at the previous year's levels, which temporarily led to short-time working due to fluctuations in capacity utilisation.

Total sales in the Laminates/Elements Division rose by 5.4%, with foreign sales up by as much as 16.8%.

On a full cost basis, all divisions clearly increased their operating results, which, especially against the background of mounting price pressure in all output markets, confirms our success in serving and advising our customers and managing our cost structures.

Sales performance of the divisions
€ million





Plywood/Formwork

At € 25.0 million, divisional sales were up by € 0.8 million, which represents a turnaround from the previous year. The expansion of the product range and a positive development of the sales mix contributed to the division's improved result. The performance of our development and service staff and their flexibility towards our customers has been rewarded by the market both in Germany and abroad. Exports climbed by a moderate 1.2% to € 6.4 million; this does not include indirect foreign sales resulting from customers' exports.

Doors/Frames

The market for doors is largely demand-driven and continues to be marked by high price pressure. In this difficult environment, the Doors/Frames Division managed to maintain sales at € 71.0 million. This result is all the more gratifying as the division's contract business, which is suffering strongly from the general weakness of the construction sector, is facing increasing competition from smaller suppliers, who try to enter this complex market to find a basis for survival. Against this background, our contract doors business was exposed to fluctuations in capacity utilisation, which were partly offset by short-time work. To maintain our flexibility and avoid short-time working, we held talks with our employee representatives in November/December and later also with the trade union with a view to introducing more flexible working hours in the production department. Unfortunately, the trade union refused to accept the measures we proposed.

We were nevertheless able to improve the earnings position with the help of a large number of small measures. In addition, we

continued to round off the product portfolio by introducing white enamelled doors in classic styles and competitively priced veneered warehouse doors in addition to the previous year's innovations. These extensions to our product range have successfully been integrated into our highly automated production and storage processes, which means that we can now promise our customers not only punctual deliveries and high quality but also great variety.

Export sales held steady at the previous year's level. We have reviewed our output markets for their earnings contributions and withdrawn from certain customers and outlets not supporting sufficient earnings potential. At the same time, we have laid the foundation for entering some highly interesting markets in China and Arabia; the success achieved to date shows that this is the right strategy.

Laminates/Elements

The Laminates/Elements Division again boosted its sales by 5.4% from € 64.1 million in the previous year to € 67.6 million. This growth was supported by our traditional sales drivers - worktops, window sills and Getalit boards - as well as by the GetaCore® acrylic based solid surface worktop material. At the same time, we again launched new products in the market, giving impressive proof of our ability to innovate and our competitive lead (cf. "Research and Development").

In addition, we improved our performance with regard to directly measurable parameters such as the variety of designs, quality, long life and delivery periods and introduced additional services. The success of these efforts is not least reflected in the division's improved result.



The export share was also increased once again. In 2004, 22.9% of our products were exported, up from 20.7% in the previous year. This increase reflects our strengthened sales team, which helped us expand our market position systematically. We will aim to continue this strategy in 2005.

Exports

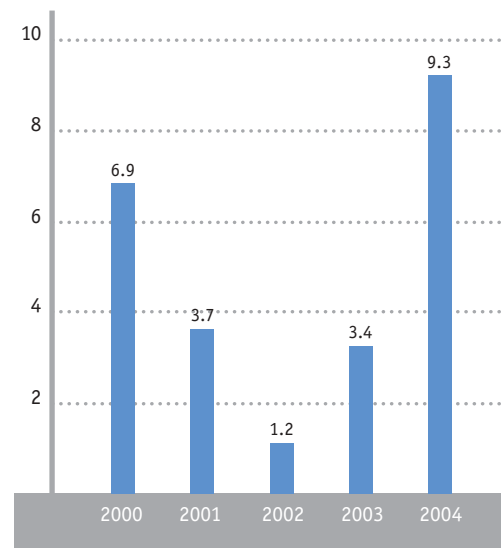
Our export strategy, which is focused on core markets, again proved its worth in the past fiscal year. We take a systematic approach to opening up new markets offering interesting sales potential and seek to build up long-term distribution channels.

Projects on hand show that order opportunities are good and export shares are likely to rise in future. In particular, we expect the market for contract doors to compensate for the weak domestic market. The countries offering the most promising growth rates in 2004 included the UK, France and the United Arab Emirates.

Results

The result before taxes on income rose sharply from the previous year's € 3.4 million to € 9.3 million in 2004. Against the background of growing price pressure in all our output markets, this development is all the more gratifying. A major portion of this earnings growth is attributable to the fact that sales volumes increased moderately contrary to all conservative expectations. Our successful cost-cutting efforts in the previous years mean that our cost side was well prepared for fiscal 2004. Achievements of the past were optimised further and additional projects were defined and put into practice. While the main emphasis was on the continued optimisation

Result before taxes on income
€ million



■ Result before taxes on income

of personnel deployment, a strong focus was on the cost of materials and overheads. The company encountered particular challenges with regard to certain raw materials, whose prices had risen sharply over the previous years. These include basic chemicals such as phenol, the price of which doubled in the course of the year, as well as particle boards, whose prices surged as well. Cost prices developed progressively in the course of the year and were therefore reflected in earnings only to a limited extent. The increase in energy prices was offset by a further increase in the performance and availability of our co-generation plant.

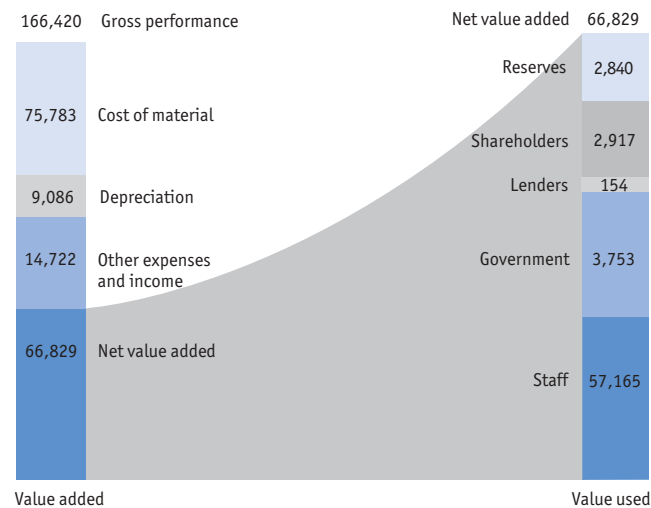
Personnel expenses as a percentage of sales once again declined slightly due to the increased gross performance that was produced without additional personnel.

Annual net profit amounted to € 5.8 million (previous year: € 1.8 million). DVFA/SG earnings per share climbed from the previous year's € 0.32 to € 1.04.



Value added

€ '000



Value added

During the year under review, Westag & Getalit AG's net value added amounted to € 66.8 million, up € 6.1 million or 10.0% on the previous year's € 60.7 million. This positive development is mainly attributable to the increase in gross performance. The higher value added will allow the company to increase its dividend by an impressive 65% and to allocate an amount of € 2.8 million to the revenue reserve. This will improve the balance sheet structure and increase the future financial scope for our company.

Staff

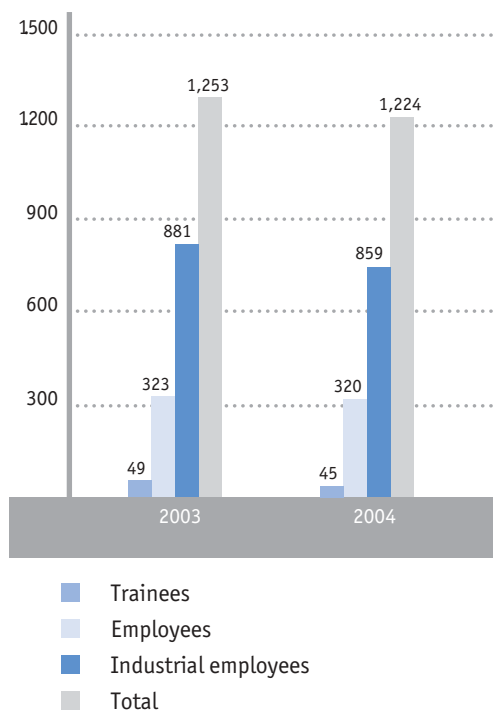
The price pressure prevailing in our markets has prompted us to take a highly restrictive approach to hiring new staff. Accordingly, the number of employees declined by another 29 from the previous year's 1,253 to 1,224. While the 1.5% pay rise agreed between labour and management in June 2004 led to a commensurate increase in personnel expenses per employee, this was offset by the lower headcount.

Balance sheet structure

Westag & Getalit AG's balance sheet structure continued to improve in the past fiscal year. With total assets slightly lower than in the previous year, the equity ratio rose from 63.0% in 2003 to 66.8% on December 31, 2004. Liquid funds increased moderately to € 8.4 million (previous year: € 8.1 million). In addition, Westag & Getalit AG holds investments classified as current assets in an amount of € 12.2 million, which represents a € 2.9 million increase over the previous year. These investments are excellently rated bonds which may be sold at any time, with the exception of one bond that has a maximum term of two years. Our total funds thus amount to € 20.6 million, of which an amount of € 17.6 million is freely available. Moreover, we redeemed all remaining liabilities to banks through early repayment of a € 2.3 million loan. This means that Westag & Getalit AG has no more liabilities to banks. Pension provisions declined by € 3.1 million due to early payment of future pension obligations.



Number of staff
As at December 31



Capital expenditure

The capex volume increased by € 2.6 million to € 6.4 million in the past fiscal year, which was much lower than the planned amount of € 10.5 million. This is mainly attributable to the fact that certain investments were postponed to the next year as well as to investments in a new production process which has not yet reached the maturity required to install the respective plant and machinery. Overall, Westag & Getalit AG has sufficient capacity reserves, which were built up through substantial investments in the past years. Besides the necessary replacement investments, the focus of new investment projects will therefore be on increasing plant efficiency and introducing the production technologies required for new, innovative products. This means that Westag & Getalit AG will continue to have modern, high-performance production plants. The following major

projects were completed in the past fiscal year: flexibilisation of the production of standard doors by increasing the number of variants, processing centre for cutting worktops, replacement of a suspension drier for the application of phenolic resin as well as various measures aimed at optimising the security of our computing centre.

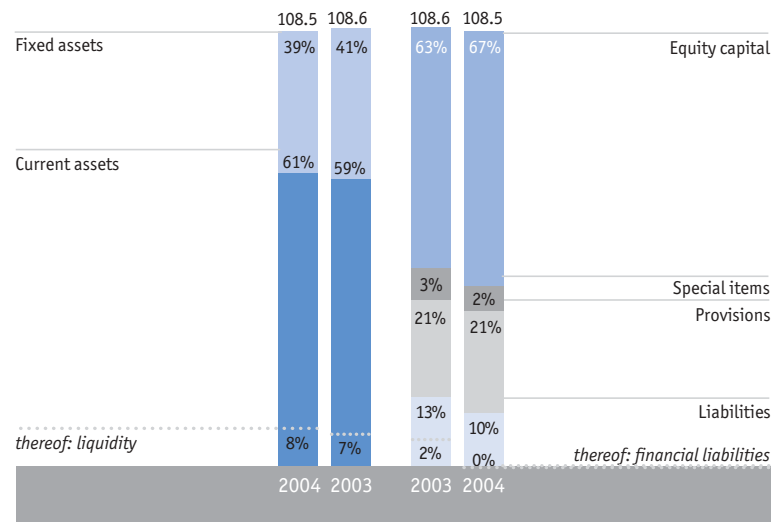
Research and development

Westag & Getalit AG continued to refine its product range and processes in the past fiscal year with a view to responding to future market requirements and developing new markets through the consistent use of our know-how. The Plywood/Formwork Division focused on the development of boards with special surface properties and their use in new applications such as aircraft assembly. We also developed particularly scratch-proof and UV-resistant plywood surfaces, which we expect to open up new potential for outer panels in the trailer construction sector and, at a later stage, for other outdoor applications. Development activity in the Doors/Frames Division was determined by the expansion of the product range. In addition to the respective frames, excellent paint adhesion and a unique soft touch appeal were achieved for the range of white enamelled doors. The Laminates/Elements Division developed a host of innovative products. A modular system of granite worktops has been added to the range of DIY store products.

The GetaStyle® translucent polyester board - an alternative to hardened glass surfaces - and the high-gloss GetaLan brilliant®-coated particle board - which is targeted at the market for high-quality interior design - also followed new trends.



Balance sheet structure € million



Relationships with affiliated companies

According to information supplied by Syntalit AG on December 6, 2002, Syntalit still holds the majority of our company's ordinary shares (73.8 %). Since then, we have received no notification of a change in shareholdings subject to reporting requirements. With regard to our relationships with affiliated companies, we would like to point out that we did not conduct any legal transactions with Syntalit AG. The respective report required under Section 312 AktG (German Stock Corporation Act) concludes with the following declaration: "Transactions which are subject to reporting requirements did not take place."

Risk management

Any entrepreneurial activity is characterised by the consistent development and exploitation of opportunities to increase the company value and enhance its position in the market. This inevitably means taking entrepreneurial risks. Our risk management system therefore

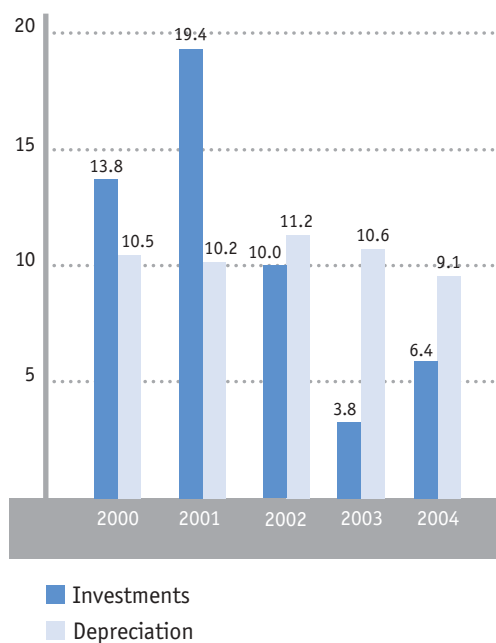
aims to identify these risks at an early stage and to mitigate them by taking effective measures so as to strike a balance between risk and opportunity. This makes risk management an integral element of management control.

Sales risks

As in the previous years, the main risk for our company is the ongoing decline in the construction and building supply industry. Demand again decreased in the past year, and there is no indication that the industry has bottomed out. This will inevitably lead to even fiercer competition for the remaining orders, which, in turn, will result in strong pressure on prices. We have taken numerous measures in response to these challenges. On the one hand, we streamlined our staff capacities and will continue to do so whenever this will be required. At the same time, we continue to optimise our cost structure on an ongoing basis, with regard to both raw materials and overheads. On the other hand, we are expanding our sales potential by developing and



Capital expenditure and depreciation
€ million



marketing new products in traditional markets and by developing new export markets for our existing product range.

Another important task is the elimination of default risks resulting from the large number of bankruptcies in our industry. We pursue a consistent receivables management strategy and have taken out appropriate insurance cover for most of our accounts receivable.

Supplier risks

We are heavily dependent on the performance and abilities of our suppliers and are therefore exposed to risks relating to the availability of input materials as well as competitive prices. Measures aimed at mitigating these risks include the close monitoring of our procurement markets, the conclusion of appropriate contracts and, if necessary, the development of new suppliers.

Operational risks

Due to the numerous different production processes, the availability of our plants and the management of the production procedures is of special importance for Westag & Getalit AG. In response to this challenge, we ensure that our plants are serviced and monitored regularly, have taken out appropriate insurance cover against damage by natural forces and train our staff on an ongoing basis. We do this in the context of a continuous improvement process, which we regard as an important tool for protecting the level of performance achieved as well as for ongoing optimisation.

Information technologies play an important role in our business processes. The continued integration of sub-processes leads to risks which we aim to mitigate by increasing information security. Besides the systematic adoption of current plant engineering standards, this also includes the preparation and implementation of security plans.

Personnel risks

We recognise that the success of our company hinges on the qualification and commitment of our employees. In response to the need for increasing know-how, we offer suitable training initiatives to ensure our employees and executives will be able to master the tasks of the future.

Financial and exchange risks

Due to purchase volumes from foreign-currency countries, Westag & Getalit AG is exposed to limited financial and exchange risks. To mitigate these risks, we use rate-hedging instruments and monitor current exchange rate trends.



Management report - Outlook

We want to further expand our product range, achieve moderate growth in the domestic market as a result and continue to increase our export shares. We will continue to focus our efforts on improving our cost structure. However, increased commodity prices will impact our profit outlook.

The economy in 2005

While general economic indicators are pointing slightly upwards at present, we do not see any signs in our industry that would give cause for optimism. Persistent uncertainty among customers, especially as a result of the aggressive price war for market share, as well as the continued need for economic reforms in Germany, our main output market, will weigh on our trading conditions.

Outlook for Westag & Getalit AG

Our projections for 2005 see moderate growth in the domestic market, which will hardly help improve results in the face of persistent pressure on prices. We will aim to put our sales potential on a broader basis by complementing our product range, not only with a view to having additional sales drivers but also with a view to attracting greater customer interest by positioning us as a full-service supplier. With regard to exports, we will continue our strategy of focusing on individual interesting markets and expect to expand our position.

The procurement market will require close attention in 2005. The prices of certain important raw materials increased sharply already at the end of 2004. The market for particle boards, one of our fundamental raw materials, is seeing a concentration on very few suppliers. Due to strong competition in

our market, the increase in raw materials prices can be passed on to our customers only with a certain delay and to a limited extent. Our company will be affected by partly substantial increases in other costs, resulting, for example, from the introduction of the truck toll and rising electricity prices. On the other hand, we expect to benefit from certain cost savings, e.g. lower loan and property insurance contributions and reduced consulting expenses.

Capital expenditure

Investments of € 11.3 million have been budgeted for 2005. As in 2004, our investment activities will not focus on additions to capacity but on efficiency and quality-enhancing measures and investments in new products.

Income

While the above will make it difficult for our company to repeat the favourable results of the previous year in 2005, we are confident that we will generate appropriate income also in these difficult times. However, we will not focus our efforts exclusively on the current year but adopt a medium to long-term approach.