

Financial Report 2002



**WESTAG &
GETALIT AG**

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Balance sheet as of December 31, 2002

Assets	Notes	Dec. 31, 2002	Dec. 31, 2001
		€	€ (in thousands)
A. Fixed assets	1		
I. Intangible assets			
Concessions, industrial property rights and similar rights and values, as well as licenses hereto		399,646.79	150.6
Tangible assets			
Land and leasehold rights and buildings, including buildings on third-party land		21,723,318.45	22,716.5
Plant and machinery		18,077,004.00	19,452.2
Other fixtures and fittings, tools and equipment		10,000,321.51	10,075.7
Payments on account and tangible assets in course of construction		2,103,132.12	1,254.1
		51,903,776.08	53,498.5
III. Financial assets			
Shares in affiliated undertakings		0.00	1,278.2
Other loans		137,365.78	158.4
		137,365.78	1,436.6
		52,440,788.65	55,085.7
B. Current assets	2		
I. Inventories			
Raw materials and supplies		13,848,687.00	17,647.4
Work in progress		4,098,223.00	4,204.0
Finished goods and goods for resale		11,089,404.00	11,691.9
Payments on account		0.00	140.5
		29,036,314.00	33,683.8
II. Accounts receivable and other assets			
Accounts receivable		14,995,935.83	18,494.5
Due from affiliated companies		0.00	105.3
Other assets		869,307.60	1,239.4
		15,865,243.43	19,839.2
III. Investments			
Own shares		99,006.60	362.2
Other investments		234,555.15	234.6
		333,561.75	596.8
IV. Cheques, cash on hand, postal bank balances, cash in other banking accounts		9,338,154.55	2,214.1
		54,573,273.73	56,333.9
C. Prepayments and accrued income	3	266,718.85	193.8
		107,280,781.23	111,613.4



Liabilities	Notes	Dec. 31, 2002	Dec. 31, 2001
		€	€ (in thousands)
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		99,006.60	362.2
Other revenue reserves		26,200,000.00	25,450.0
		26,894,763.90	26,408.0
IV. Net profit for the year		1,147,693.12	2,393.3
		67,030,229.40	67,789.1
B. Special item with an equity portion	5	3,511,406.88	4,026.4
C. Accrued liabilities	6		
Provisions for pensions and similar obligations		11,904,912.00	11,587.9
Provisions for taxation		38,100.00	196.4
Other provisions		8,665,692.00	8,419.8
		20,608,704.00	20,204.1
D. Liabilities	7		
Due to banks		4,279,768.70	4,279.8
Advances from customers		575,844.83	158.3
Accounts payable		5,732,616.21	9,349.8
Other liabilities		5,542,211.21	5,805.9
		16,130,440.95	19,593.8
		107,280,781.23	111,613.4

Fixed asset development

€	A. Gross values				
	Jan. 01, 2002 Acquisition cost/ cost of production	Additions	Disposals	Book transfers	Dec. 31, 2002 Acquisition cost/ cost of production
I. Intangible assets					
Concessions, industrial property rights and similar rights and values, as well as licenses hereto	559,202.36	475,651.12	132,059.10	0.00	902,794.38
	559,202.36	475,651.12	132,059.10	0.00	902,794.38
II. Tangible assets					
Land and leasehold rights and buildings, including buildings on third-party land	45,227,702.85	263,263.85	0.00	15,037.08	45,506,003.78
Plant and machinery	70,521,291.60	3,531,719.23	659,666.54	506,024.70	73,899,368.99
Other fixtures and fittings, tools and machinery	54,901,433.26	3,714,427.94	1,508,133.35	659,407.01	57,767,134.86
Payments on account and tangible assets in course of construction	1,254,067.06	2,029,533.85	0.00	- 1,180,468.79	2,103,132.12
	171,904,494.77	9,538,944.87	2,167,799.89	0.00	179,275,639.75
III. Financial assets					
Shares in affiliated companies	1,278,229.70	0.00	1,278,229.70	0.00	0,00
Other loans	158,398.20	0.00	21,032.42	0.00	137,365.78
	1,436,627.90	0.00	1,299,262.12	0.00	137,365.78
Total fixed assets	173,900,325.03	10,014,595.99	3,599,121.11	0.00	180,315,799.91



B. Valuation adjustment					C. Net values (A-B)	
Jan. 01, 2002 Accumulated depreciation	Additions	Disposals	Write-ups	Accumulated depreciation as at Dec. 31, 2002	Net book value, year under review, as at Dec. 31, 2002	Net book value, previous year, as at Dec. 31, 2001
408,577.57	226,526.12	131,956.10	0.00	503,147.59	399,646.79	150,624.79
408,577.57	226,526.12	131,956.10	0.00	503,147.59	399,646.79	150,624.79
22,511,232.48	1,271,452.85	0.00	0.00	23,782,685.33	21,723,318.45	22,716,470.37
51,069,067.60	5,293,589.60	540,292.21	0.00	55,822,364.99	18,077,004.00	19,452,224.00
44,825,714.75	4,395,365.95	1,454,267.35	0.00	47,766,813.35	10,000,321.51	10,075,718.51
0.00	0.00	0.00	0.00	0.00	2,103,132.12	1,254,067.06
118,406,014.83	10,960,408.40	1,994,559.56	0.00	127,371,863.67	51,903,776.08	53,498,479.94
0.00	0.00	0.00	0.00	0.00	0.00	1,278,229.70
0.00	0.00	0.00	0.00	0.00	137,365.78	158,398.20
0.00	0.00	0.00	0.00	0.00	137,365.78	1,436,627.90
118,814,592.40	11,186,934.52	2,126,515.66	0.00	127,875,011.26	52,440,788.65	55,085,732.63



Profit and loss account - financial year 2002

	Notes	2002	2001
		€	€ (in thousands)
Sales revenue	8	162,722,671.39	181,496.3
In/decrease in finished goods inventories and work in process		- 770,275.00	- 15.7
Capitalised cost of self-constructed assets		414,936.87	725.3
Other operating income	9	3,153,362.33	2,589.1
Cost of material	10		
a) Cost of raw materials, consumables and supplies, and of purchased materials		- 73,479,822.66	- 83,751.1
b) Cost of purchased services		- 1,430,460.65	- 1,272.9
		- 74,910,283.31	85,024.0
Personnel expenses	11		
a) Wages and salaries		- 47,330,146.63	- 50,873.6
b) Social security and other pension costs, thereof in respect of old-age pensions		- 11,564,066.78	- 12,202.3
		- 58,894,213.41	- 63,075.9
Depreciation of intangible fixed assets and tangible assets	12	- 11,186,934.52	- 10,231.2
Other operating expenses	13	- 18,399,771.74	- 22,938.1
Investment income	14	0.00	149.4
Income from other investments and long-term loans	15	4,709.52	3.7
Other interest and similar income	15	182,351.99	637.4
Amortisation of investments classified as current assets	15	- 120,073.17	- 242.3
Interest and similar expenses	15	- 186,631.87	- 195.8
Results from ordinary activities		2,009,849.08	3,878.2
Extraordinary income		1,022,583.77	2,555.5
Extraordinary expense		- 1,669,845.56	- 2,555.5
Extraordinary result	16	- 647,261.79	0.0
Result before taxes		1,362,587.29	3,878.2
Taxes on income	17	336,233.92	- 1,396.9
Other taxes	18	- 125,708.81	- 129.5
Annual net profit		1,573,112.40	2,351.8
Previous year's appropriated retained earnings brought forward		61,323.08	13.5
Withdrawal from own share reserve		263,257.64	424.7
Transfer to other revenue reserves		- 750,000.00	- 396.7
Net profit for the year		1,147,693.12	2,393.3

Notes

Preliminary remarks

Westag & Getalit AG's annual accounts were prepared in accordance with HGB (Commercial Code) and AktG (Stock Corporation Law) 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 conversion

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 2002 annual account's presentation and structure complies with the 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 will be supplied in the Notes. According to the provisions under Section 58 AktG, in the context of the 2002 annual accounts, a part of the net profit for the year was, again, transferred to other revenue reserves.

Information regarding valuation methods

The valuation methods did not change fundamentally from those used in 2001. 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

Intangible assets acquired against payment were valued at acquisition cost and written down according to the straight-line method. In this context, the useful life generally amounted to 3 years and in one minor individual case to 20 years.

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. In the case of movable assets involving additions during the first six months of the year, the full annual rate was allocated, while half the annual rate was allocated in the case of all other additions.

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. 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, 2002.

Prepayments and accrued income

This item includes, among others, a disagio.

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 2002 has been recorded in the respective notes to the balance sheet.

2. Current 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 € 20 thousand (previous year: € 4 thousand).

2.1. Accounts receivable and other assets

During the financial year 1999, with the general shareholder meeting's authorisation, the company acquired own shares (preference shares). Details are as follows:

2.2. Own shares

Number/acquisition	111,992
Number as of December 31, 2002	30,002
Share in capital stock	0.52 %
Acquisition date	Dec 99
Acquisition price (average)	€ 13.21 per unit
Price on December 31, 2002	€ 3.30 per unit

3. Prepayments and accrued income This annual account item includes a € 144 thousand disagio (previous year: € thousand 161).

4. Equity capital Due to the general shareholder meeting resolutions of August 24, 1999, the company's capital stock amounts to € 14,643,200.00 and consists of:

4.1.
Subscribed capital

Bearer shares

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		
286,000	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 annual net profit. If the distributable annual net profit is not sufficient to pay out a dividend of € 0.12 per preference share, the deficit must be paid, without interest, out of the annual net profit 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.

On August 24, 1999, the general shareholder meeting authorised the management board to increase the capital stock, with the supervisory board's approval, once or several times, by way of issuing new bearer shares and/or nonvoting preference shares by up to € 5,840,000.00 (approved capital I) in return for cash deposits. The shareholders are generally entitled to the usual subscription right. However, the management board has been authorised to exclude, with the supervisory board's approval, peak amounts from the shareholders' subscription rights. The board has furthermore been authorised to exclude the shareholders' subscription right up to a nominal value of € 300,000 in order to issue employee shares and to exclude the subscription right of holders of one type of shares to subscribe to shares of the other types while simultaneously issuing ordinary and preference shares and preserving the existing shareholder relationships within both share types. In addition, further approved capital (capital II) exists which amounts to up to € 1,460,000.00. The management board has been authorised to increase, by August 23, 2004 and with the supervisory board's approval, the capital

stock to said amount by way of issuing, once or several times, new nonvoting ordinary and/or preference shares in return for cash or non-cash capital contributions. The board is furthermore entitled to exclude, with the supervisory board's approval, the shareholders' subscription right

a) insofar as the new shares' issue amount is not substantially lower than the market price,
 b) in order to acquire companies or participations if this is in the company's interest,

c) insofar as this is required in order to offer ordinary shareholders exclusively new ordinary shares and preference shareholders exclusively nonvoting preference shares in equal proportions.

This authorisation also includes the entitlement to issue preference shares which, with respect to a distribution of profit or of company assets, are equal in rank with the existing nonvoting preference shares.

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

4.2.

Revenue reserves

As at January 01, 2002	25,450,000.00
Allocation in accordance with Sect. 58 (2) AktG during the year under review	750,000.00
As at December 31, 2002	26,200,000.00

5.

Special item with an equity portion

Liabilities (€ in thousands)		
	2002	2001
Special item with an equity portion		
Fixed asset value adjustment in acc. with Section 6b EStG	153	160
Fixed asset value adjustment in acc. with Section 34 EStR	3	5
Fixed asset value adjustment in acc. with Section 35 EStR	3,355	3,861
Total	3,511	4,026



Due to a change in these provisions/valuation adjustments, the company's net profit for the year increased by approx. € 515 thou-

sand (previous year: € 126 thousand). The respective income tax burden amounts to approx. 45 %.

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 thousands)		
	2002	2001
Liabilities due in less than 5 years		
Due to banks	1,872	2,407
Liabilities due between 1 and 5 years		
Due to banks	2,140	1,873
up to 1 year		
Due to banks	268	–
Advances from customers	576	158
Accounts payable	5,732	9,350
Other liabilities	5,542	5,806
	12,118	15,314
Total liabilities	16,130	19,594

€ in thousands		
	2002	2001
Following amounts are included in the other liabilities		
Taxes	1,799	1,725
Social security liabilities	1,455	1,813

Notes to the profit and loss account

8.	€ in thousands		
Sales revenue		2002	2001
	Breakdown according to regions, € in thou.		
	Domestic	138,698	155,576
	Abroad	24,025	25,920
	Total	162,723	181,496

9. Other operating income
- The income generated by the retransfer of the special item with an equity portion is composed as follows:

	€ in thousands		
		2002	2001
	Fixed asset value adjustment		
	in accordance with Section 34 EStR	1	2
	in accordance with Section 6b EStG	8	16
	in accordance with Section 35 EStR	506	86
	Current asset value adjustment		
	in accordance with Section 52 Par. 16 EstG	0	22
	Total	515	126

10.	€ in thousands		
Cost of material		2002	2001
	Cost of material		
	Cost of raw materials, consumables and supplies, and of purchased materials	73,480	83,751
	Cost of purchased services	1,430	1,273
	Total	74,910	85,024

11. Personnel expenses/staff
- The company's personnel expenses include pension costs amounting to thousand € 1,450 thousand (previous year: € 1,671 thousand).

	Number of staff (annual average)		
		2002	2001
	Number of staff (excl. trainees)		
	Employees	337	347
	Industrial employees	976	1,036
	Total	1,313	1,383



12. Depreciation The depreciation item does not include any non-scheduled depreciation.
13. Other operating expenses The other operating expenses do not include any data that are subject to the duty to report.
14. Investment result During the previous year, the investment result included income from affiliated companies amounting to € 149 thousand.
15. Interest result The profit and loss account's »other interest and similar income« item includes interest income from affiliated companies amounting to € 0 thousand (previous year: € 25 thousand).
16. Extraordinary result The extraordinary income includes the accounting profit generated by the sale of the Sperrholz Koch GmbH subsidiary.
The financial year's extraordinary expenses consist of expenses which arose in connection with the staff cuts implemented in the course of restructuring measures. The previous year's extraordinary result proportion refers exclusively to the handling of the tank damage.
17. Taxes on income Taxes on income can be broken down as follows:

€ in thousands	
Results from ordinary activities	417
Extraordinary result	- 753
Taxes on income	- 336

€ in thousands		
	2002	2001
18. Other taxes	126	129
Other taxes	126	129

19.	€ in thousands	
Other information	2002	2001
19.1.	Contingencies	
Contingencies	Bill commitments	189 306

19.2
Other financial obligations

The other financial obligations amount to a total of € 991 thousand (previous year: € 4,125 thousand).

19.3.	Management board	Supervisory board
Executive bodies	Pedro Holzinger Managing Director Director Central Division Rheda-Wiedenbrück Dierk Knechtel Director Doors/Frames Division Rheda-Wiedenbrück Dr. Michael Paulitsch Director Plywood/Shuttering Division Warendorf Thorsten A. Spengler Director Central Division (successor) Detmold Edmund Volmer Director Laminates/Elements Division Wadersloh	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

19.4.		
Supervisory board and management board remuneration	2002	2001
	€	€
Total supervisory board remuneration	52,500.00	52,500.00
Total management board remuneration	939,588.05	813,440.73
Total remuneration received by former management board members and their surviving dependents	114,681.55	110,900.93
Pension reserves for former management board members and their surviving dependents	810,368.00	789,343.00



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

Proposal regarding the appropriation of the annual net profit The 2002 annual net profit amounts to € 1,147,693.12 and is composed as follows:

	€
Net profit for the year 2002	1,573,112.40
Previous year's appropriated retained earnings brought forward	61,323.08
Withdrawal from own share reserve	263,257.64
Transfer to other revenue reserves in acc. with Section 58 (2) AktG	- 750,000.00
Net profit for the year	1,147,693.12

We submit to the general shareholder meeting the following proposal regarding the appropriation of the annual net profit:

	€
Distribution of a dividend of € 0.12 per preference share	343,200.00
Residual profit to be brought forward to new account	804,493.12
Net profit for the year	1,147,693.12

The above amounts will be updated on the day of the general shareholders meeting in line with the numbers of own shares.

Each type of share consists of 2,860,000 no par shares minus 30,002 preference shares which are held as own shares.

Rheda-Wiedenbrück, March 04, 2003

Westag & Getalit Aktiengesellschaft
Management Board

Holzinger Knechtel Dr. Paulitsch Spengler Volmer

Segmental reporting

€ in thousands	Plywood/Shuttering		Doors/Frames		Laminates/Elements	
	2002	2001	2002	2001	2002	2001
Sales revenue						
Domestic	18,924	21,927	66,438	80,646	49,987	52,674
Abroad	6,398	7,773	5,303	6,297	12,324	11,850
	25,322	29,700	71,741	86,943	62,311	64,524
Sales revenue share	15.6 %	16.4 %	44.1 %	47.9 %	38.3 %	35.5 %
...thereof with other business lines	0	0	0	0	11,670	13,906
Segmental result						
Result before taxes on income	- 1,354	- 1,097	317	3,444	1,251	1,253
...therein included:						
Depreciation	938	896	3,714	3,993	3,378	3,728
Interest income	28	104	80	306	70	226
Interest expense	- 29	- 32	- 82	- 94	- 72	- 70
Interest result	- 1	72	- 2	212	- 2	156
Segmental assets						
Investment in long-term assets	54	1,327	5,867	3,854	1,773	2,886
segmental assets (net)	8,722	15,115	31,203	32,008	31,184	32,404

Net segmental asset items are composed as follows:

€ in thousands	2002	2001
Long-term assets		
Tangible assets and intangible current assets	52,303	53,649
Short-term assets		
Inventories	29,036	33,684
Accounts receivable	14,996	18,494
Accounts payable	- 5,733	- 9,350
	90,602	96,477



Central division			Total
2002	2001	2002	2001
3,349	329	138,698	155,576
0	0	24,025	25,920
3,349	329	162,723	181,496
2.0 %	0.2 %	100.00	100.0 %
0	0	11,670	13,906
0	0	214	3,600
3,157	1,614	11,187	10,231
4	1	182	637
- 4	0	- 187	- 196
0	1	- 5	441
2,320	11,380	10,014	19,447
19,493	16,950	90,602	96,477

Since 1979, Westag & Getalit AG's organisational structure has been divided into three divisions, each comprising its own production and distribution structure:

Plywood/Shuttering
Doors/Frames
Laminates/Elements

Central responsibilities, such as purchasing, human resources, technical management, data processing and general administration are fulfilled by the central division. The turnover proportion arising in connection with the co-generation plant is added to the central division. The central division is also responsible for the other assets and debts reported in the balance sheet and allocates these to the individual divisions as required.

2002 application of funds statement

2002 application of funds statement	2002	2001
	€ in thousands	€ in thousands
Annual net profit	1,573	2,352
Depreciation of intangible assets and tangible assets	11,187	10,231
Extraordinary income	(1,023)	0
In/decrease in long-term provisions	317	845
In/decrease in special item with an equity portion	(515)	(126)
Cash flow in acc. with DVFA/SG (sub total)	11,539	13,302
Earnings contributions as a result of fixed asset disposals	(167)	(177)
In/decrease in inventories	4,647	(2,035)
In/decrease in accounts receivable and other assets	3,974	395
In/decrease in prepayments and accrued income	(73)	(105)
In/decrease in other provisions	88	(1,057)
In/decrease in deferred income	0	(6)
In/decrease in short-term liabilities	(3,463)	(1,543)
Cash flow generated from current business activities	16,545	8,774
Payments for investments made in intangible assets and tangible assets	(10,015)	(19,447)
Deposits arising from the disposal of intangible assets and tangible assets	341	2
Deposits arising from the disposal of intangible assets and tangible assets	2,301	0
In/decrease in loans	21	(119)
Cash flow generated from investment activities	(7,352)	(19,338)
In/decrease in due to banks	0	1,560
In/decrease in investments	263	5,862
Dividend payments	(2,332)	(4,813)
Cash flow from financing activities	(2,069)	2,609
In/decrease in financial resources affecting payments		
(Total cash flow)	7,124	(7,955)
Financial resources as at January 01	2,214	10,169
Financial resources as at December 31	9,338	2,214



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, 2002. 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 judgments 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, March 5, 2003

Peters & Partner GmbH
Audit Company
Tax Consultancy

Matthias Heinz
Auditor

Elke Reil
Auditor

Management Report

Despite a 10.3 % reduction in turnover, stringent cost management enabled the company to achieve a positive result before taxes on income.

Business development in 2002

The level of completed newly constructed housing is a good indicator of the general situation in the construction industry. This figure has been declining for seven years. In 1995, at its peak, it amounted to close to 603,000 dwellings; in 2002, it amounted to 288,000 (forecast issued by the »Zentralverband Deutsche Bauwirtschaft« [Central German Construction Industry Association]). During this seven-year period, the figure fell by more than half its original value. Nationwide, incoming orders in the building construction field, which are characteristic for Westag & Getalit AG's business, declined by 12.0 % compared to the previous year. In the housing construction sector, this figure

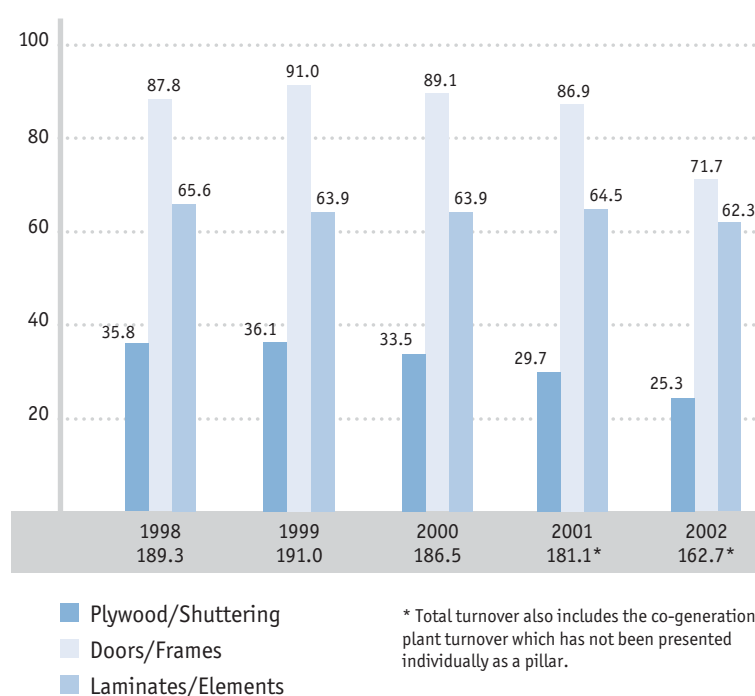
(12.2 %) was even less encouraging.

Against the background of this unfavourable industry environment, Westag & Getalit AG's turnover (€ 162.7 million) was 10.3 % lower than in the previous year (€ 181.5 million). While domestic sales (€ 138.7 million) declined by 10.8 %, our export quota rose from 14.3 % to 14.8 %.

The first six months' decline in turnover amounted to 13.0 %; however, this figure improved to 7.5 % in the second six months of the year.

Within Westag itself, however, the picture is ambivalent. Both the Plywood/Shuttering and the Doors/Frames divisions, which are strongly construction industry-related, were affected by the industry slowdown. During extended periods throughout the year, both divisions operated short-time working hours. Even our third division, Laminates/Eements, did not remain entirely unaffected by the industry situation, albeit much less so than

Turnover development of different business lines
€ million





the former two (3.4 % decline in turnover). The unfavourable general situation, fluctuations in capacity utilisation and the trend towards smaller lot sizes in conjunction with progressively shorter delivery times (which had already been reported last year) led to further cost increases.

Plywood/Shuttering

The year 2002 saw, on the one hand, a substantial decline in turnover and, on the other, stringent cost management intended to promote a sustainable improvement of the divisional result in the medium term. At € 25.3 million, the divisional turnover was 14.7 % lower than in the previous year. The export quota fell insignificantly and now amounts to 25.3 % (previous year: 26.2 %).

Due to the introduction of SAP, product level calculations are now more exact, enabling us to carry out detailed examinations of product contribution margins. Consequently, in 2002, we discontinued those products that neither involved a competitive cost structure nor achieved a price that enabled us to cover our costs. We introduced the essential rule that products should not be sold at any price. This led to an improvement of the contribution margin compared to the previous year. In 2002, the division again improved its turnover from products that are not construction industry-related.

Doors/Frames

In 2001, we still managed to counteract the slump in the industry. However, in 2002, we suffered a 17.5 % decline in turnover down to € 71.7 million. This decline was predominantly caused by the sharp downturn in the object business (most notably due to declining orders placed by public authorities,

banks and insurance companies, and even industry). Within the various target groups and product segments, low demand exerted strong pressure on some of the selling prices. To make matters worse, companies that are suffering in this general situation consider selling above the price as their main strategy. With the development of our RK-P three-sided round-edged door, an absolute novelty on the market, we managed to achieve unique positioning qualities. Complementing our product range with the newly introduced WESTALACK white varnish door enabled us to open up a market segment that was previously unoccupied by Westag & Getalit AG. However, the associated increase in turnover was not sufficient to offset the unfavourable market conditions.

Further focal points in the distribution field were the establishment of a range of warehouse doors that can be delivered within five working days and the strengthening of our distribution activities in the DIY sector. The merger of our DIY distribution with the Laminates/Elements division, which has been successfully focussing on this customer group for many years, bodes well for additional sales in the future.

Due to the absence of the previous year's large-scale one-off project business, our export sales revenue declined from € 6.3 million to € 5.3 million.

Our export quota rose from 7.2 % in the previous year to 7.4 %.

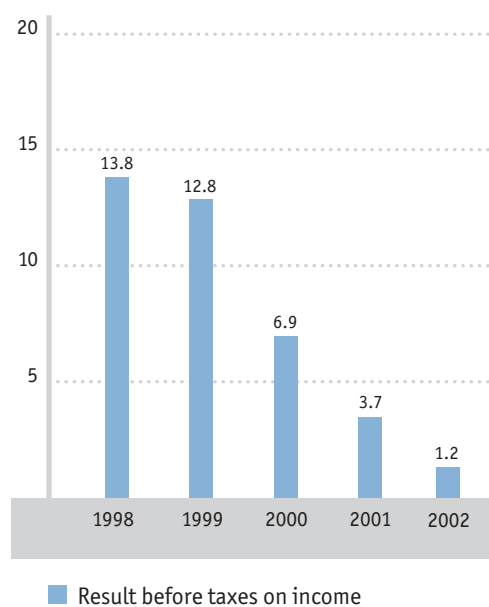
Laminates/Elements

The Laminates/Elements division achieved a € 62.3 million turnover and thus suffered the least decline in divisional turnover (-3.4 %). The fact that this division is less dependent on the construction industry had a positive effect on its development. Successful business with our new GetaCore and GetaStone solid surfaces materials contributed to the sales revenue throughout an entire year for the first time. As during previous years, promising product innovations are being developed in order to underpin Westag & Getalit AG's performance advantage. Although lot sizes are becoming progressively smaller, we managed to guarantee our delivery quota of over 99 %, a feat which, again, led to substantial competitive advantages. The export quota increased again (from 18.4 % in the previous year to 19.8 %).

Export

Due to the slump in the EU building industry and the absence of large-scale objects, the export revenue declined from € 25.9 million to € 24.0 million. However, this decline was less distinct than the decline in the domestic market, allowing the export quota to increase from 14.3 % to 14.8 %. We are not entirely satisfied with the current export level and expect substantial increases in the future. During the year under review, the export rate increased, most notably, in Great Britain, the Russian Federation and Italy, while a substantial decline occurred in the Benelux countries and Turkey.

Result before taxes on income € million



Results

Although turnover declined by 10.3 % to € 162.7 million in 2002, the company did not incur a loss. The result before taxes on income amounted to € 1.2 million (compared to € 3.7 million in the previous year). The result includes extraordinary non-taxable proceeds amounting to € 1.0 million arising from the sale of the Sperrholz Koch GmbH subsidiary. The co-generation plant, which was put into operation during the previous year, contributed towards the result for the first time.

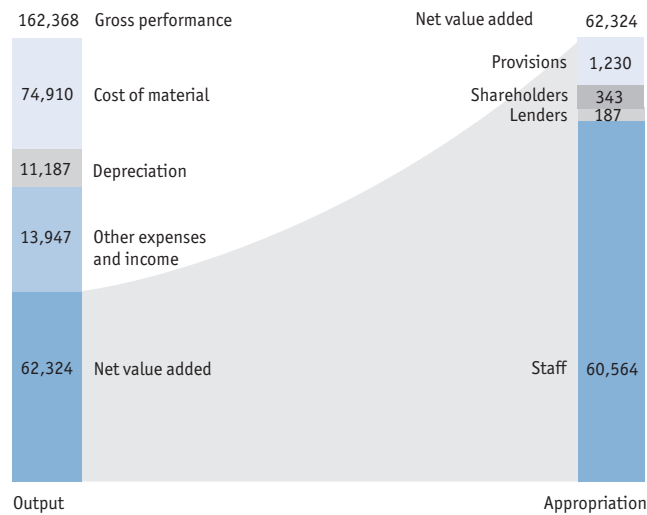
Any evaluation of our key result figures should take into consideration the fact that an extraordinary expense, amounting to € 1.7 million, was incurred in connection with restructuring costs.

Tight cost management focusing on personnel expenses and other operating expenses was the only suitable measure to counteract the sharp decline in turnover. Personnel expenses were reduced using a number of measures, the most important among them



Value added

€ in thousands



being a significant reduction in our staff levels. With respect to other operating expenses, savings focussed on third-party repairs/third-party wages, consultancy costs, carriage outward, external advertising expenses and rents. The net profit for the year amounted to € 1.6 million (previous year: € 2.4 million) and, extraordinary income being non-taxable, exceeded the result before taxes on income due to a tax refund. The DFVA/SG (German Financial Analysis and Investment Consultancy Association) result per share was € 0.11 (previous year: € 0.37).

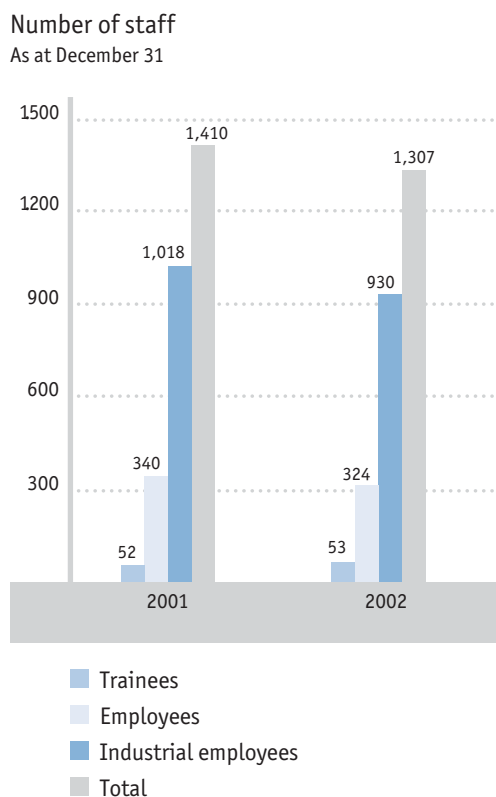
Value added

During the year under review, Westag & Getalit AG's net value added amounted to € 62.3 million (previous year € 67.1 million). This figure corresponds to 38.4 % of the gross performance, compared to 36.8 % in 2001. The percentage increase over the previous year is due to the fact that restructuring measures in the purchased goods and services area reduce costs quicker than adjustments in the human resources area. However, this rise also shows that we are increasingly

providing services in-house which, in the past, were procured externally due to capacity reasons, insofar as this leads to cost advantages. The almost negligible value added proportion attributable to lenders (€ 0.2 million during the year under review) is a sign of our company's strong balance sheet structure.

Staff

At 1.307 members of staff, we had 103 employees less at the end of the year than in the previous year. Personnel expenses were reduced by € 4.2 million compared to 2001; however, our personnel expense quota continued rising for the fourth successive year (2002: 36.2 %, previous year: 34.6 %). Social security and pension costs alone accounted for a 0.4 % increase. However, with respect to personnel expenses, it should be kept in mind that, due to an expansion in self-produced services, we achieved both a substantial reduction in the costs associated with external wage earners and third-party repairs and savings through short time working measures.



One of the greatest challenges of the year 2002 was to keep the right balance between productivity and costs despite small lot sizes and short delivery times.

With respect to staff reduction measures, we were able to negotiate mutually acceptable termination agreements. Since staff cuts have a delayed effect, we did not fully benefit from the expected savings during the year 2002.

However, the personnel expenses quota continually declined throughout the year. Besides staff cuts, we achieved further cost savings by further reducing residual vacation claims and overtime and by introducing an setoff procedure with respect to negotiated wage and salary increases.

The most important aspect of our staff restructuring programme was the improvement of competence and qualification levels. Westag & Getalit AG depend on a highly qualified and highly motivated staff to meet their customers' requirements.

Consequently, despite our savings efforts, we made substantial investments in staff training. During the year under review, 198 members of staff took part in training measures.

Furthermore, we consider it our duty to meet our social responsibilities and offer appropriate training opportunities to young people - Westag & Getalit AG's future. At the end of the year under review, at 53, the number of trainees remained on a high level. During the year under review, 13 trainees successfully completed their professional training with us.

Balance sheet structure

Westag & Getalit AG have a strong balance sheet structure - our equity capital proportion substantially exceeds the German average. The shortening of the balance sheet total and a reduction in liabilities during the year under review led to a further increase in the equity capital share. It currently amounts to 62.5 % before dividend distribution. The substantial increase in free liquid funds, currently amounting to 9.0 % (compared to 2.5 % in the previous year) is a positive development. This increase is due, in particular, to a reduction in inventories and accounts receivable.

Fixed assets (48.9 % of the balance sheet total) were affected by the previous years' strong investment activities; this refers to, most notably, the completion of the co-generation plant in 2001.

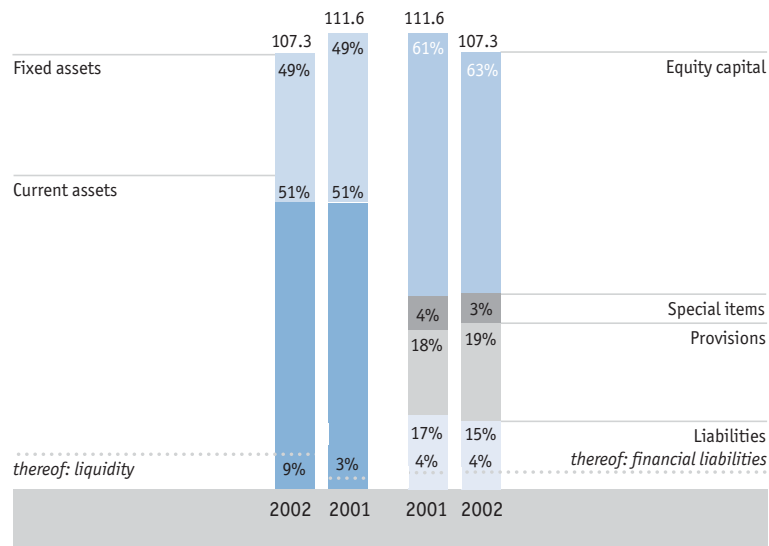
Investments

Due to insufficient utilisation of capacities, we reduced our original investment plan (€ 13.6 million) during the year 2002. The actual investment total amounted to € 10.0 million compared to € 19.4 million during the previous year which, however, included a



Balance sheet structure

€ million



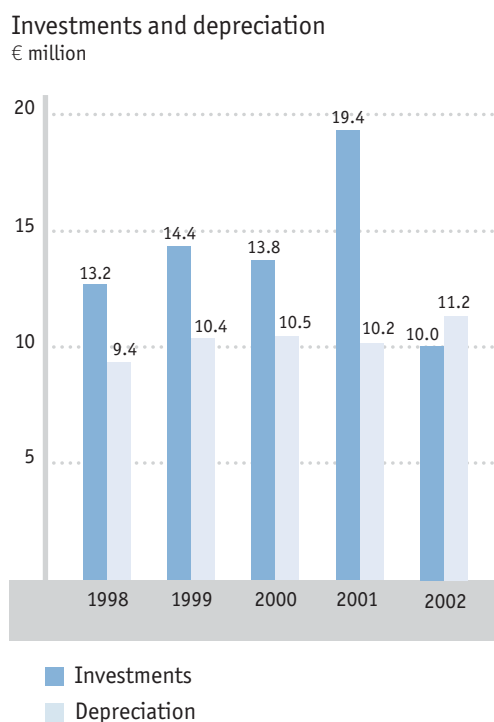
€ 10.8 million investment volume for the construction of our new co-generation plant. If the investment total is adjusted by this amount, the 2002 figure is only slightly higher than the previous year's figure. Our investments focused on those areas that are either required in the production of new innovative products, facilitate the improvement of logistics or lead to production rationalisation. We would like to point out that, despite a lower investment proportion than during the previous year, neither Westag & Getalit AG's performance nor their innovativeness were affected. On the contrary: we are using our financial strength in order to extend the advantage which we have gained in many areas.

Aside from a capacity increase in the solid surface materials field, the following individual investments should be especially pointed out: the new varnish plant for white varnish doors, a modern door cover plate warehouse, high-performance mechanic door lock and hinge machining as well as fully automated frame packaging.

Research and development

The development of new products and product variations as well as the development of our existing product range are essential for the company in order to maintain and extend competitiveness. During the year under review, we developed variations of our solid materials, traded under the GetaCore and GetaStone brand names, which passed the B1 examination (flame resistance). Consequently, these boards can now be used in public buildings with respect to which the authorities only allow flame resistant materials. Both our boards for interior design and work tops with digital print decors met with a promising response. Recent substantial progress in digital printing technology allows us to use customer-supplied photographs to create large-scale motives for interior conversion materials.

Involving lower unit numbers, this technology offers substantially wider design possibilities and cost advantages compared to the cylinder-based gravure method. Within our Doors/Frames division, new developments focussed both on the completion of



the door sector's first three-sided round-edged door laminated with a tightly fitting one-piece foil and the introduction / establishment of a complete white varnish product range which trades under the WESTALACK brand name.

In addition, we would like to point out our energy saving door. Since February 2002, the Energy Savings Decree (ENEV) requires an energy requirement proof both with respect to new buildings and the modernisation of old buildings. The energy saving door developed by Westag & Getalit AG is used as a connecting door between heated and non-heated rooms, e.g. in cellars or attics. If this type of door is used, the respective rooms do not have to be taken into consideration in the annual energy requirement calculation. Consequently, several centimetres of shell insulation material can be saved which leads to substantial cost savings for the building contractor.

During the year under review, activities in the Plywood/Shuttering division concentrated on the development of a floor covering for work-

places and thrust ramps in the automotive industry.

In addition, we developed a floorboard variation for telescopic ramps. This development further reduces our dependency on the construction industry.

Relationship to affiliated companies

According to information supplied by Syntalit AG in April 2002, Syntalit still holds the majority of our company's ordinary shares (73.8 %). In order to clarify our relationship with affiliated companies, we would like to point out that we did not conduct any legal transactions with Syntalit AG. The respective report in accordance with Section 312 AktG (Stock Corporation Law) concludes with the following declaration: »Transactions which are subject to the duty to report did not take place.«

Risk management

Westag & Getalit AG consider risk management to be an essential component of successful business management. We understand risk management to include the co-ordination of a large number of measures that we use to initially identify and subsequently remove or limit the effects of risks that all companies face in dynamically changing markets.

The main risk we have been facing for several years now is the slump in the construction and building supply industry. The »construction industry crisis« directly translates into a progressively worsening decline in demand, which we are not in a position to fully offset. Accounting for the risk of a further decline in demand on all entrepreneurial levels is one of our highest priorities. The adjustments we have carried out with respect to staff capacities and the cost structure in the goods and



services fields have been mentioned before. In parallel, we are implementing a large number of measures in order to achieve a better turnover development than the market as a whole while maintaining mutually acceptable price levels. Besides product innovation, this includes our extensive range of services which provides us with clear competitive advantages.

We are reacting to the growing number of insolvencies, which happen even among our customers, by operating a consistent accounts receivable management system. Appropriate loan insurance of the larger proportion of our accounts receivable plays an important role in this context. In addition, we shall, in the future, use the customer ratings prepared by our credit insurer, enabling us to react earlier than previously to critical developments.

A risk that we cannot easily quantify is the extension of guarantee periods in accordance with the Law of Obligations Reform Act. As a consequence of this law, a two-year guarantee period applies to the Plywood/Shuttering and the Laminates/Elements divisions and a five-year period to the Doors/Frames division. In the past, this period amounted to six months for all divisions. We account for this risk by increasing the respective provisions in the 2002 annual accounts.

Corporate governance

Transparent corporate management that aims for a sustainable increase in goodwill is the main factor affecting trust in Westag & Getalit AG's corporate policy. Good corporate governance forms the basis for our decision and control processes.

This also applies, most notably, to co-operation with our shareholders.

The bases of Westag & Getalit AG's corporate management and control are German law, our

articles of association and the Corporate Governance Codex applied according to our own company-specific interpretation. We took the coming into effect of the German Corporate Governance Codex as an opportunity to re-examine our supervisory board's, management board's and general shareholder meeting's internal rules and procedures as well as all transparency, accountancy and auditing-related aspects. Changes resulted only in a few cases.

During the last few months, the management board and the supervisory board examined the Corporate Governance Codex in detail. We arrived at the conclusion that Westag & Getalit AG incorporated most of these regulations many years ago. The supervisory board and the management board made a declaration concerning the German Corporate Governance Codex which shareholders can find on the internet under:

www.westag-getalit.de/corporate-governance.

Management report, prospects

Westag & Getalit AG will continue to operate their tight cost management with the aim of emerging from the current economic crisis in a strengthened position.

2003 economic situation

We assume that the current financial year will again be a challenging one. Political insecurity continues to affect the economic environment. This applies, most notably, to our main sales markets, Germany and the EU. In Germany, insecurity has almost paralysed large sectors of the economy; we hope that the necessary reforms will be carried through in the near future, leading to stable framework conditions that foster consumer and investor confidence.

Prospects for Westag & Getalit AG

The above-mentioned reforms, which are to lead to an economic revival, are currently not in view. Consequently, we expect the current restrained buying behaviour to continue and have prepared a prudent plan for the year 2003. Fundamentally, we shall continue to follow our consistent cost savings course. As a consequence of the substantial increase in premiums, e.g. in the loan, fire and interruption-of-business-following-fire insurance fields, we will, this year, be obliged to bear a part of the cost of the macroeconomic development.

With respect to sales, we will attempt to further expand our existing competence by adding new product ranges and establishing exemplary logistics, in particular in our newly formed DIY distribution division. Separation of DIY distribution will also enable us to serve the other customer groups even better than

before with specialised distribution and specific service packages.

Due to our solid financial strength, we will be in a position to further improve and adapt our product and service range to our customers' requirements. Westag & Getalit AG will not attempt to gain market share via a price war.

Investments

During the financial year 2003, planned investments amount to € 7.4 million. Again, our investment focus will not be on capacity enlargement but on measures to increase efficiency and quality.

Income

The previous year's negative turnover trend was largely arrested, enabling us to report an almost stagnating turnover at the start of the year. Due to the above-mentioned framework conditions, we do not currently expect a rise in income. A renewed loss cannot be excluded. Should the general economic activity develop positively, Westag & Getalit AG expects to benefit more than most companies in the industry due to our substantially improved cost structure.