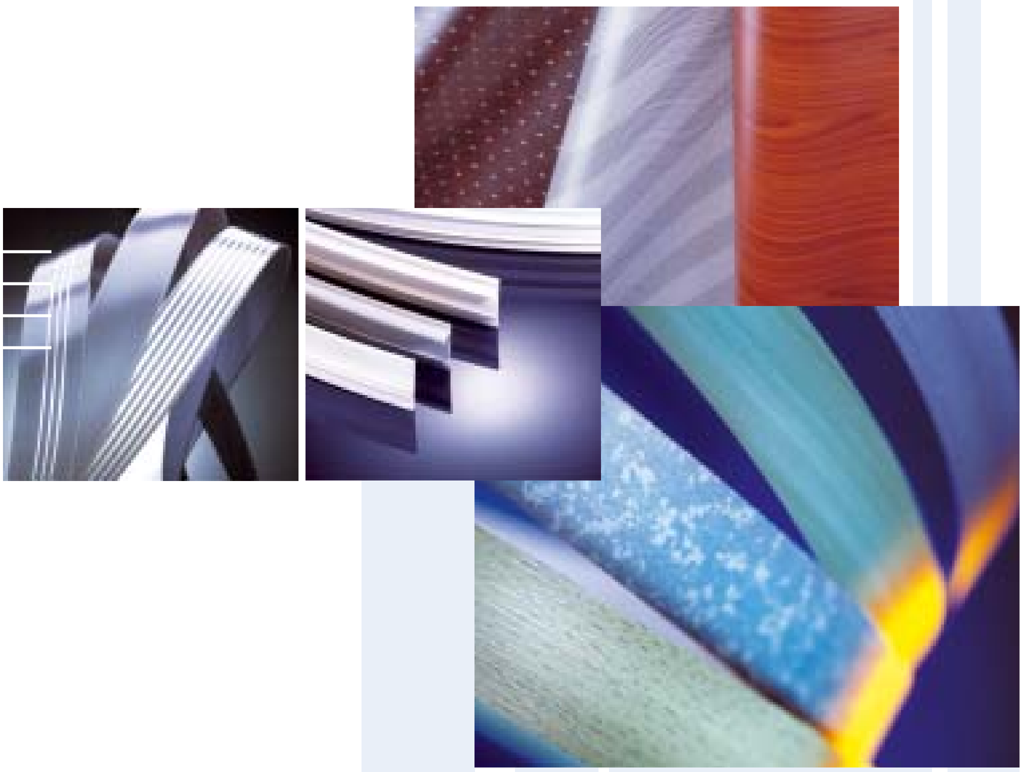
ANNUAL REPORT 2002

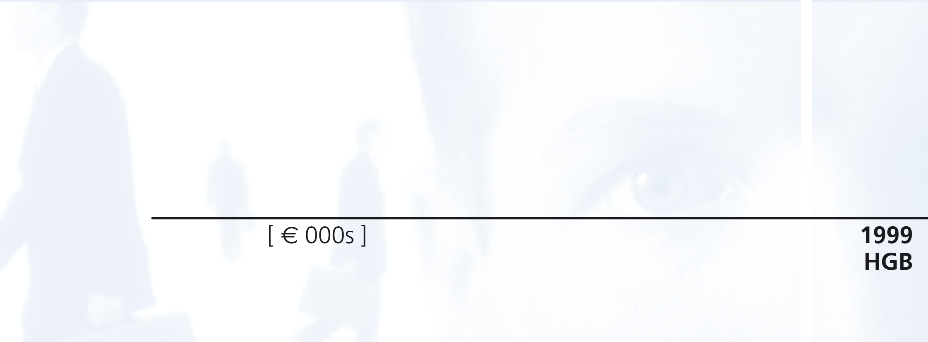
SURTECO

AKTIENGESELLSCHAFT



SPECIALISTS
FOR
SURFACE
TECHNOLOGIES

AT A GLANCE



[€ 000s]	1999 HGB	2000 HGB	2001* IFRS	2002 IFRS
Sales revenues	170,519	193,375	270,551	**367,642**
Foreign sales in %	60	64	61	**60**
EBITDA	36,793	44,010	45,666	**69,761**
EBIT	27,627	32,351	30,459	**42,736**
EBT	25,668	27,575	26,325	**30,015**
Extraordinary expenses	2,370	0	0	**0**
Net income	16,362	18,172	14,046	**17,586**
Minority interest	-2,119	-52	-955	**30**
Consolidated net income	14,243	18,120	13,091	**17,616**
Amortization and depreciation	-9,167	-11,659	-15,207	**-27,025**
Financial result	-1,959	-4,776	-4,134	**-12,721**
Additions to fixed assets	36,156	76,597	44,146	**78,983**
Cash Earnings (DVFA/SG)	26,538	30,157	30,373	**45,898**
Average number of employees for the year	871	940	2,159	**2,053**
Number of employees at 31 December	883	964	2,113	**2,033**
PROFITABILITY INDICATORS IN %				
Sales return	13.7	14.3	9.7	**8.2**
Return on equity	41.1	38.9	14.5	**18.1**
Return on investment	19.3	16.5	9.2	**11.0**

* Consolidation of Döllken from August 2001
Restated in accordance with IFRS

ANNUAL REPORT 2002

SURTECO AKTIENGESELLSCHAFT

STRATEGIC BUSINESS UNIT	PAPER	PLASTICS
	BAUSCH·GMBH	DÖLLKEN KUNSTSTOFFVERARBEITUNG
	ARMABORD	Praktikus
	BAUSCH·DEKOR	DÖLLKEN WERKZEUGBAU
	Linnemann MÖBELOBERFLÄCHEN	DÖLLKEN WEIMAR
	Kröning GmbH & Co.	DÖLLKEN WOODTAPE
		DÖLLKEN-A.S.L. EDGINGS AND PROFILES
		DÖLLKEN EDGINGS AND PROFILES
		vinylit®

PICTURES ON THE TITLE PAGE

and in the Management Report




The SURTECO Group is divided into two Strategic Business Units (SBU): Paper and Plastics. The SBU Paper supplies edging strips, surface foils and a large number of innovative products based on high-quality specialist papers for technical applications. They are refined by printing, impregnating, lacquering and other production stages. Alongside the leading sales product thermoplastic edgings, the product range of SBU Plastics includes a wide range of plastic products for the manufacture of furniture, for example roller shutter systems, technical extrusions for industrial applications, and profiles (e.g. plinth strips) and accessories for interior design and professional floor-laying.
The design and development departments of the company are work-ing continuously on refining and optimizing the products for quality, processing attributes and visual appeal. The pictures show a variety of new developments and improvements in detail that have been introduced during the year under review. They provide impressive testimony to the competence and innovative strength of SURTECO AG.

CONTENTS

2002

SECURITIES IDENTIFICATION NUMBER
517690

TICKER SYMBOL
SUR

ISIN
DE0005176903

GROUP STRUCTURE

SURTECO AKTIENGESELLSCHAFT

SBU PAPER

- 100 % **BAUSCH GMBH**
  - Armabord Ltd.
- 100 % **ROBERT LINNEMANN GMBH + CO.**
  - Kröning GmbH & Co.
  - Linnemann Australia
  - Linnemann Great Britain
  - Linnemann Singapore
  - Linnemann USA
- 100 % **BAUSCH DEKOR GMBH**

SBU PLASTICS

- 100 % **W. DÖLLKEN & CO. GMBH**
  - Döllken-Kunststoffverarbeitung GmbH
    - Vinylit Fassaden GmbH
    - Doellken A.S.L. Pty. Ltd.
    - Doellken PTE Ltd.
    - PT Doellken Bintan
  - Döllken-Weimar GmbH
  - Döllken & Praktikus GmbH
  - Döllken-Werkzeugbau GmbH
  - Doellken-Woodtape Inc.
  - Doellken-Woodtape Ltd.

LETTER TO SHAREHOLDERS

Friedhelm Päfgen

Chairman

Bernd Dehmel

Strategic Business Unit Paper

Dr. Herbert Müller

Strategic Business Unit Plastics

DEAR SHAREHOLDERS, MEMBERS OF STAFF AND FRIENDS OF OUR COMPANY,

Our sector is currently in the longest economic crisis of the post-war period. Trends indicating weakness were already beginning to emerge at the end of 2000 and these strengthened massively in 2001, continuing sustained until today. At the beginning of 2002, Germany was additionally beset by general restraint in consumer spending in conjunction with the introduction of the euro.

SURTECO AG recognizes the situation as an opportunity. The Group companies belonging to the two Strategic Business Units (SBU) Paper and Plastics were subject to strict cost-reduction and efficiency-enhancement programmes during the course of the year under review. Submarkets were realigned and optimized – always with a view to increasing customer benefit at the same time. New competitive and innovative products were successfully launched on the market. Unprofitable products or products which did not fit into the portfolio were restructured or removed from the product range. This was the only way of countering the general trend during the year under review and increasing sales and income.

In the summer of 2002, we had planned to strengthen our capital base by a capital increase in a ratio 4:1. SURTECO's successful business model had been given a positive reception by institutional investors in Germany and abroad. However, in mid-September 2002, against the background of the continuously deteriorating situation on international capital markets, it could no longer be assumed that the capital increase could be successfully implemented, and the Board of Management and Supervisory Board decided to abandon the planned measure.

In order to be able to continue our long-term growth strategy nevertheless, we have decided to use profit retention to increase the equity capital of the company over the foreseeable future by an amount that is roughly equivalent to the proceeds of the planned capital increase. We will therefore be recommending to the Shareholders' Meeting on 10 July 2003 a dividend amounting to € 0.65 per share (2001: € 1.10) for fiscal year 2002 . We are not expecting any plaudits for this measure. However, we hope that you will understand the situation and we trust that you will be able to offer your support, because we remain steadfast in our certainty that we are acting in the best interests of the company.

I should like to conclude by thanking all members of staff in Germany and abroad for the significant contribution they have made towards ensuring the success of SURTECO AG by their active commitment and dedication.

Yours sincerely,

F. Päfgen

Friedhelm Päfgen
Chairman of the Board of Management

EXECUTIVE OFFICERS OF SURTECO AG

SUPERVISORY BOARD

Johan Viktor Bausch	Engineer Munich	Honorary Chairman
Dr. Dr. Thomas Bausch	Businessman Berlin	Chairman until 28/10/2002
Dr.-Ing. Jürgen Großmann	Engineer Hamburg	Member since 29/10/2002 Chairman since 09/12/2002
Christa Linnemann	Businesswoman Gütersloh	Vice-Chairwoman
Jens Schürfeld	Businessman Hamburg	Deputy Chairman
Harald Eschenlohr	Lawyer Munich	
Wolfgang Gorißen	Engineer Münster	Employee Representative
Inge Kloepfer-Lange	Journalist Berlin	
Richard Liepert	Chairman of the Works Council Wertingen	Employee Representative
Bernhard Schlautmann	Businessman Gütersloh	
Udo Semrau	Chairman of the Works Council Gladbeck	Employee Representative

BOARD OF MANAGEMENT

Friedhelm Päfgen
Businessman
Buttenwiesen-Pfaffenhofen

Chairman

Bernd Dehmel
Businessman
Marienfeld

SBU Paper

Dr. Herbert Müller
Engineer
Heiligenhaus

SBU Plastics

EXECUTIVE MANAGEMENT OF GROUP COMPANIES

BAUSCH DEKOR GMBH · Buttenwiesen-Pfaffenhofen

Wolfgang Buchhart

BAUSCH GMBH · Buttenwiesen-Pfaffenhofen

Josef Bayer
Karin Harfich
Dieter Heckes
Dr. Stephan Schunck

W. DÖLLKEN & CO. GMBH · Gladbeck

Norbert Krupp
Dr. Herbert Müller

ROBERT LINNEMANN GMBH + CO. · Sassenberg

Klaus Peper
Dr. Gereon Schäfer
Bernd Schwienheer
Jochen Stobwasser

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board discharged its duties in accordance with its responsibilities under the law and the Company's statutes during fiscal year 2002. It obtained regular and comprehensive reports on the performance, position and development of SURTECO AG. The Board of Management kept the Supervisory Board informed on the development of the Company, business policies and strategic planning, as well as the current business situation, the economic position and profitability of the Company through additional regular and detailed reports both verbally and in writing.

Supervisory Board Meetings

The Supervisory Board convened for six meetings during the course of the year under review. The Supervisory Board held extensive discussions on the content of the reports by the Board of Management and in-depth discussions took place with the Board of Management on the perspectives of the company for development. If decisions were required by the Supervisory Board on individual items of business and measures, resolutions were adopted by the Supervisory Board at the meetings. The Supervisory Board and the Board of Management have directed all measures towards the goal of continuing to increase the productivity and profitability of the Company.

Financial Statements

The Annual Financial Statements, the Management Report and the proposal for appropriation of net profit have been scrutinized in detail by the Supervisory Board. Auditors and tax consultants Dr. Röver & Partner KG, Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, audited the Annual Financial Statements and the Management Report, and provided both with an unqualified auditor's opinion. The auditors also assessed the existing risk management system at SURTECO AG pursuant to the law on control and transparency in corporate affairs (KonTraG) and established that the Board of Management had appropriately carried out the measures incumbent on it in the form of a suitable information and monitoring system.
The Supervisory Board concurred with the result of this audit at the joint meeting of the Supervisory Board and the Board of Management held on 29 April 2003. The auditors were present at the meeting for this agenda item.
The Supervisory Board concurred with the reports by the auditors. The result of our own audit concurred entirely with the findings of the auditors. The Supervisory Board has approved the Annual Financial Statements for fiscal 2002 prepared by the Board of Management, which are therefore adopted. We agree with the proposal by the Board of Management for the appropriation of net profit that recommends payment of a dividend of € 0.65 for each no-par-value share.

Composition of the Board of Management

At his own request, Dr. Thomas Bausch resigned his post on the Supervisory Board with effect from 28 October 2002, when his term of office expired. Dr. Bausch has held positions of responsibility at the company for more than 30 years. In July 1999, he became Chairman of the Supervisory Board of the newly founded company Bausch + Linnemann AG, created as a result of a merger and renamed SURTECO AG in August 2001. The Supervisory Board would like to take this opportunity to express its thanks to Dr. Bausch for all the services he has carried out for the Company.
Dr.-Ing. Jürgen Großmann, Hamburg, was appointed a Member of the Supervisory Board of SURTECO AG by resolution of the Registration Court Augsburg, with effect from 29 October 2002. On 9 December 2002, Dr. Großmann became Chairman of the Supervisory Board.

The Supervisory Board extends its thanks to the Board of Management, the executive managers, members of the Works Council and all staff members for the contribution they have made to the successful development of the Company during the course of the past year.

Buttenwiesen-Pfaffenhofen,
April 2003
Supervisory Board

Dr.-Ing. Jürgen Großmann
Chairman

MANAGEMENT REPORT 2002

SURTECO Group and SURTECO AG

Fascination colour – this is the motto inspiring the idea of a plastic edge with an iris effect. The fascinating aspect of this innovation is that the edge changes colour, producing many different colour effects as the angle of the incident light changes. The precise sequence of colours can be defined in advance if required. Effects like this are already familiar with the paints and lacquers used in the automobile industry. The irising edge makes every front panel or worktop a real eye-catcher, particularly used in contrast with unicolours or wooden and metallic finishes.

The overall economic situation in the sectors that the SURTECO Group supplies with products continued to be extremely problematic during the year under review. The situation in the German market has become even more problematic. Short-time working, factory closures and insolvencies have dominated the scene as a result of the recession and restrained consumption. SURTECO AG therefore undertook selective expansion of its presence in foreign markets. Existing production in Indonesia is currently being expanded, a new facility in Sydney/Australia will come onstream in summer 2003, and a new production plant is scheduled to start up in Taicang/China in mid-2004.
In December 2002, the Board of Management and Supervisory Board adopted an extensive restructuring programme for the Strategic Business Unit (SBU) Paper, which includes the Bausch + Linnemann Group. This programme is focused on optimizing production and restructuring administration and sales.
The capital increase planned in summer 2002 would have pushed up the free float from the current level of nearly 8 % to 27 %. However, unfavourable conditions in the international capital markets meant that the measure had to be abandoned on 18 September 2002.
Since January 2003, SURTECO AG has been admitted to the Prime Standard of the Frankfurt Stock Exchange. This entailed adoption of international accounting standards and we are complying with the requirement by converting to IFRS – International Financial Reporting Standards (formerly known as IAS – International Accounting Standards). The quarterly reports for 2002 were already based on these standards.

SURTECO
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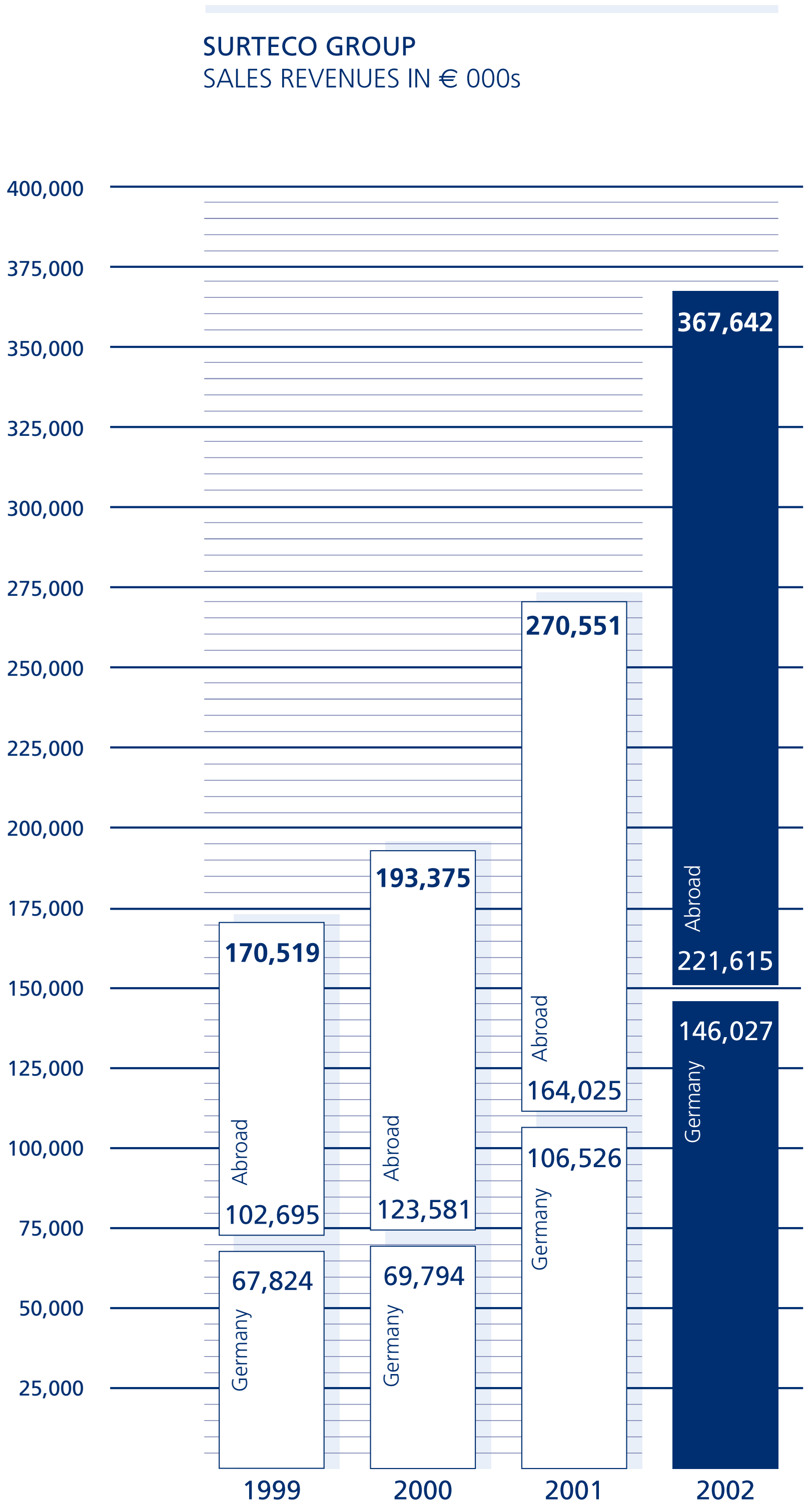


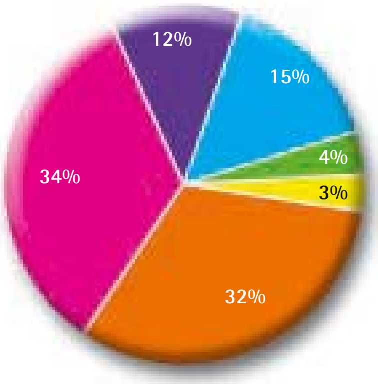
SALES AND MARKETS

In the course of fiscal year 2002, the SURTECO Group achieved sales amounting to € 367.6. This corresponds to an increase of 36 %. A majority holding was acquired in the Döllken Group in 2001, which was first-time consolidated in 2001 only for the period between August and December. A "virtual" comparison with the previous year reveals that consolidated sales for 2002 would have declined by 2 %.

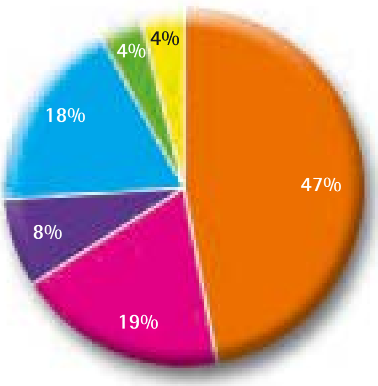
SBU Paper

Business performance at the SBU Paper for 2002 basically proceeded in line with the previous year. Domestic sales at € 57.4 % were 6 % below the value for 2001. The situation in sales markets continued to be dominated by the weak economy and a corresponding slackness in utilization of production capacities. The number of factory closures and insolvencies in the German furniture industry again increased by comparison with the previous year.
Domestic consumption of furniture increased faster than domestic production during recent years. The difference was principally taken up by European competitors. In line with this development, the SBU Paper increased its sales in other EU countries by 6 % to € 59.5 million and by 3 % to € 21.5 million in other European countries. As in the previous year, 78% of sales by the SBU Paper were generated in Europe.
The sophisticated surface and edging products developed by companies in the Bausch and Linnemann Group are becoming in-

PERCENTAGE
SALES DISTRIBUTION



SBU Paper



SBU Plastics

- Germany
- EU (without Germany)
- Rest of Europe
- America
- Asia
- Other

creasingly popular in the North American market. A large number of new customers were garnered and existing business relationships were expanded. American business generated by the SBU Paper as a proportion of total sales went up from 13 % to 15 %.
Stimuli from Asian markets continued to be reserved over the short term. The only positive performance still is in China. However, over the medium term Asia and in particular the Chinese market have enormous growth potential and the SBU Paper is laying the foundations with the construction of a production facility in Taicang.
The foreign market increased by 3 % in 2002. The proportion of foreign sales went up by 2 percentage points to 68 %. This growth provided compensation for the slowdown in Germany. Overall, sales remained stable at € 178.2 million (2001: € 177.2 million).

SBU Plastics

The SBU Plastics includes the companies of the Döllken Group and sales here came out 4 % lower than in the year 2001. The main reason for this trend is also rooted in the problems of the German market. The kitchen and office furnishing industry is the most important sales market for Döllken-Kunststoffverarbeitung GmbH and it was battling with a dramatic downturn. The construction industry was in a parlous state and sales fell at Döllken-Weimar GmbH as suppliers of accessories for professional floor-laying, Vinylit Fassaden GmbH as specialists for facade renovations, and Döllken & Prak-

Research and development is carrying out trailblazing work on paper-based surface foils with the "optical pore”. It is astonishingly close to replicating the optical and haptic effect of natural surfaces. A new manufacturing procedure developed in-house allows variable levels of gloss to mingle. They are precisely based on natural templates. The levels can be defined and give the viewer the impression of an authentic, living surface.

tikus GmbH as suppliers of specialist product ranges for DIY markets. Overall, the SBU Plastics had to absorb sales losses of 10 % in Germany.
An increase in foreign sales of 2 % was unable to make up the shortfall. During the course of 2002, a trend also emerged in the plastic products segment whereby sales were transferred to other European countries, resulting in an increase there of 3 % in the volume of business.

Sales performance in America – particularly during the second half of the year – failed to live up to expectations. By comparison with fiscal year 2001, sales declined by 6 %. This appeared to be caused by the poor economic sentiment and a distinct lack of inclination by consumers to make purchases.
By contrast, sales performance on the Asian continent proceeded favourably. Especially Japan, Singapore and Korea all posted growth in sales. Sales of € 15.5 million represented a growth of more than 26 % in 2002.
Large parts of foreign market sales were impacted negatively by unfavourable exchange-rate development. A decline in sales for the SBU Plastics amounting to € 7.9 million included approximately € 1.7 million as a result of the exchange rate with the US, Australian and Singapore dollar. The decline in operating sales was thus only 3 %.

2002 saw the SURTECO Group generating sales of € 146.0 million in Germany and € 221.6 million abroad. The proportion of foreign sales totalled 60 % (2001: 61 %). A number of factors were responsible for this figure, by comparison with 2001, with the comparison being based on the partially consolidated sales of the previous year. It is necessary to look at a virtual comparison of sales for 2001 in order to identify actual performance. This analysis indicates that the proportion of foreign sales for 2001 would have been 58 %. The increase from 58 % to 60 % corresponds to actual conditions in the marketplace.
The reason this increase was not bigger was that the two Strategic Business Units were proceeding from different initial starting positions. While the SBU Paper has now achieved a proportion of 68 % in foreign sales, the corresponding proportion for the SBU Plastics is only slightly above 50 %. The enhanced influence of the SBU Plastics has impacted as a lower proportion of consolidated foreign sales in the course of first-time consolidation in fiscal year 2002.

PROCUREMENT

The companies making up the SBU Paper primarily purchase specialist technical papers, impregnating resins and lacquers. Paper prices remained stable for the most part during 2002. Although capacities were not fully utilized for many lines, paper manufacturers reacted by shutting down machines in order to keep up price levels. Market share expanded in pre-impregnated foils and this was the only segment where production plants were fully utilized. However, there were no bottlenecks and all chemical products could be procured without problems during the period under review. Prices for lacquers and printing inks continued to remain stable. However, some qualities of impregnating resin experienced significant price increases.
The SBU Plastics implemented a considerable number of different measures and achieved savings totalling € 1.2 million. More favourable cost prices became established particularly in the case of ABS, after PVC the second most important raw material for the SBU Plastics.
The material cost ratio for 2002 fell significantly with the assistance of selective group-wide purchasing management. At 40.7 % it was 2.9 percentage points below the value for the previous year.

RESEARCH AND DEVELOPMENT

SBU Paper

Research and development at SBU Paper focused on antibacterial surfaces, coating materials for OSB panels and the "optical pore" for the creation of even more realistic and natural-looking surface variations.

The SBU Paper is playing a pioneering role with coating materials that provide sustained and reliable prevention of the growth of odour-producing and damaging bacteria. This innovation promotes living quality and hygiene in domestic settings. Edging strips and flat foils are provided with protection that prevents the growth of undesired bacteria. Market research has proved that consumers are willing to pay substantially more money for products with antibacterial protection, so that there ought to be a lucrative market in products of this nature.

OSB panels (Oriented Strand Board) offer substantial advantages over conventional chipboard: they are resistant to bending and retain their shape, while also offering extremely good value for money. They can be processed with as much versatility as plywood or solid wood, with an equivalent load-bearing capacity. They are ideal for use in construction and setting up trade-fair stands. However, the visual appearance of OSB panels is a disadvantage. The rough surface makes it very difficult to apply coatings to these panels. An application for a patent has been registered for an innovative system developed by the research and development department. This system is able to manufacture paper-based foils to create a smooth and uniform surface. The visual appearance of the foils is enhanced by a sophisticated design that offers customers the entire range of decorative prints.

Mechanical and chemical pores have been used for many years to enhance high-quality printed coating materials. They permit extremely realistic replication of effects occurring in nature. An additional natural feature is provided by different degrees of glossiness alternating within a structure, which enliven the overall impression. Conventional methods cannot create this effect. A procedure has now been developed under the designation of "optical pore". A juxtaposition of different lacquers combines with special printing processes to achieve the desired effect.

SBU Plastics

Ongoing projects to enhance income across the companies of the SBU Plastics include work being carried out by the research and development departments to optimize permanently the manufacturing procedures utilized.

As in previous years, the focus of development in plastic edgings lay on improving the printed surfaces. A utility model and European patents protect the 3D edge product variant, which has been particularly successful in the market place. Variable visual appearance is an exceptional attraction of this edge. It presents a changing profile as light conditions change and lends furnishings a new vigour and vitality. The range of degrees of glossiness was also

High-quality roller shutter systems made of plastic are supplied for up-to-date furniture designs. They are suitable for horizontal and vertical applications and supplied to all major manufacturers of office furnishings. The aluminium look is in tune with the latest trends. It is available in a gloss and matt version to reflect the impression of genuine aluminium. The attributes of plastic as a material really come into their own when they are used in roller shutter systems, because it is a very light material and has significantly better sliding characteristics.

PERSONNEL STRUCTURE

Location	Employees 31/12/2001	Employees 31/12/2002	Deviation in %
Germany	1,673	1,597	-5
Canada	108	121	+12
USA	144	117	-19
Great Britain	101	101	-
Australia	54	64	+19
Indonesia	23	23	-
Singapore	10	10	-
	2,113	**2,033**	**-4**

expanded in parallel. Customers have the option of complementing the printed surface of their choice with effects ranging from extreme matt to high gloss.
Döllken has developed a new manufacturing procedure for creating thin thermoplastic edgings in order to meet the requirements of the market. This process now has production capability. New areas of application for plastic edgings can be tapped with this segment.
As partner of trade wholesalers for floor coverings, Döllken-Weimar GmbH has specialized in an ongoing process of development for innovative strips and profiles geared to new floor-laying situations. New core plinth strips have been included in the product range for laminate and parquet flooring. They ensure an integral connection between floor and wall. A new, cost-effective parquet foam strip is being promoted specifically in the East European market.
Vinylit Fassaden GmbH is part of the SBU Plastics. The company has built up a reputation with façade systems for specialist façade companies and roofers and it has now brought the development of Vinyflex to a successful conclusion. Vinyflex is particularly suitable for high-quality new buildings and refurbishments.

PEOPLE

The SURTECO Group employed a staff totalling 2,033 on 31/12/2002 (2001: 2,113). The reduction of 4 % harmonized the headcount with the current capacity requirements. The number of employees in the SBU Paper was 877 (2001: 888) and in SBU Plastics 1,151 (2001: 1,220), with the holding company continuing to employ a staff of 5.
Personnel expenses in the Group amounted to € 96.9 million for 2002 (2001: € 70.5 million). The proportion of personnel costs to total output was 26.2 % (2001: 26.5 %).
Personnel statistics at the Group remained virtually unchanged by comparison with the previous year. The average age profile of employees across the Group remained at 38 years. The average length of service remained 10 years. The level of illness at 4.3 % was gratifyingly low during the year under review. Staff turnover of around 4 % continued to reflect ongoing low levels of fluctuation and confirmed the success of our long-term policy of promoting employee loyalty in the company by providing basic and advanced training and opening up career perspectives.
The SURTECO companies have offered their German employees supplementary retirement provision since 2002. Employees can choose between two versions. The "pension scheme" model guarantees a continuing pension during retirement, while the "support scheme" provides a lump-sum payment and can be supplemented by incapacity provision. Provision in both cases comprises a "pension-for-salary" arrangement, with the employee taking deferred compensation with a tax credit, and the employer providing a subsidy. SURTECO AG and all the domestic subsidiaries have founded the "SURTECO-Unterstützungskasse e.V." for the "support scheme" model. Company retirement provision has received an extremely positive reception from staff members.

EARNINGS SITUATION OF THE SURTECO GROUP

[€ 000s]	2001	2002
Sales revenues	**270,551**	**367,642**
Change in inventories	-4,595	661
Production of own fixed assets capitalized	626	1,184
Total	**266,582**	**369,487**
Cost of purchased materials	-116,335	-150,417
Gross profit	**150,247**	**219,070**
Other operating expenses	2,913	5,407
Personnel expenses	-70,520	-96,862
Depreciation and amortization	-15,207	-27,025
Other operating expenses	-36,974	-57,854
Operating expenses	**-119,788**	**176,334**
Operating income	**30,459**	**42,736**
Interest income	-7,449	-12,759
Income from investments and participations	3,315	38
Comprehensive income before income tax	**26,325**	**30,015**
Income taxes	-12,279	-12,429
Net income	**14,046**	**17,586**
Minority interest	-955	30
Consolidated net income	**13,091**	**17,616**

PROFITABILITY INDICATORS FOR THE SURTECO GROUP IN %

	2001	2002
Sales return (before income tax)	9.7	**8.2**
Return on equity (after income tax)	14.5	**18.1**
Return on investment (before income tax)	9.2	**11.0**

The newly commissioned paint-drying facility based on electron-beam hardening is being deployed for a homogeneous full-surface coating of pre-impregnated papers with pigmented lacquers. By contrast with the usual transparent lacquers used elsewhere, they retain their precise colour and are deposited on the substrate in the EBH system. This process uses high-density lacquers with good coverage properties, largely excluding penetration of the colour of the underlying material. This technology allows coatings to be deposited on thin, lightweight papers at favourable prices.

ACQUISITIONS AND SHAREHOLDINGS

We completed the following projects in the course of 2002:

- SURTECO AG concluded a profit-transfer agreement with W. Döllken & Co. GmbH with effect from 1 January 2002.
  W. Döllken & Co. GmbH also concluded profit-transfer agreements with the following subsidiaries with effect from 1 January 2002:
  - Döllken-Kunststoffverarbeitung GmbH
  - Döllken-Werkzeugbau GmbH
  - Döllken-Weimar Profile für den Fachmann GmbH
  - Vinylit Fassaden GmbH

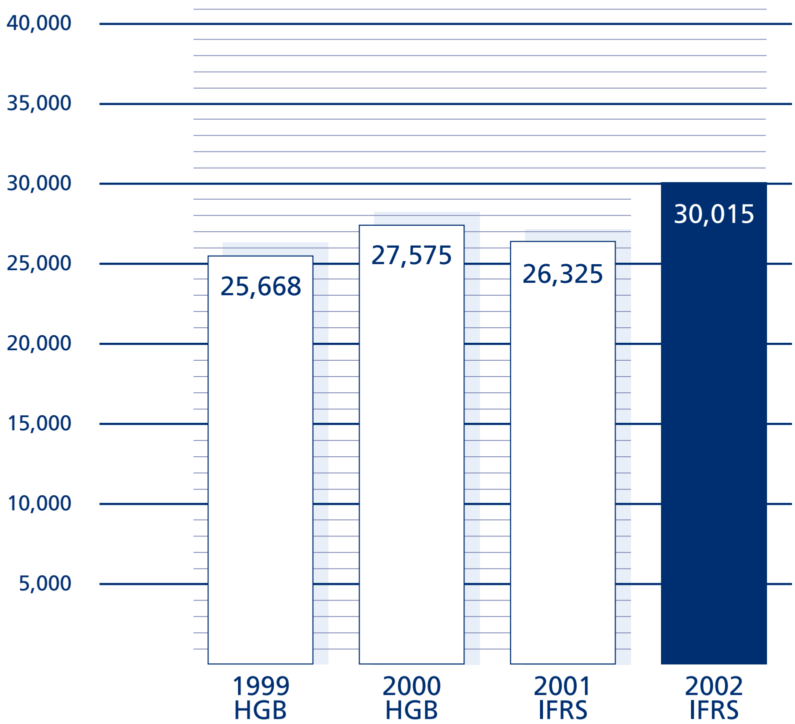
- In January 2002, SURTECO purchased the remaining 24.84 % of the shares in W. Döllken & Co. GmbH.

- In February 2002, W. Döllken & Co. GmbH purchased a further 4.72 % of the shares in Döllken & Praktikus GmbH from 3i Deutschland Gesellschaft für Industriebeteiligungen mbH.

- In June 2002, Bausch GmbH sold the remaining 25.33 % of the shares in Bausch Technik GmbH to the management of that company. Bausch GmbH no longer has a stake in Bausch Technik GmbH

- In July and August 2002, W. Döllken & Co. GmbH increased the shareholding in Döllken & Praktikus GmbH to 99.32 % by the acquisition of additional shares and within the scope of a capital increase for cash.

SURTECO GROUP
EBT IN € 000s



Additional developments in 2003:

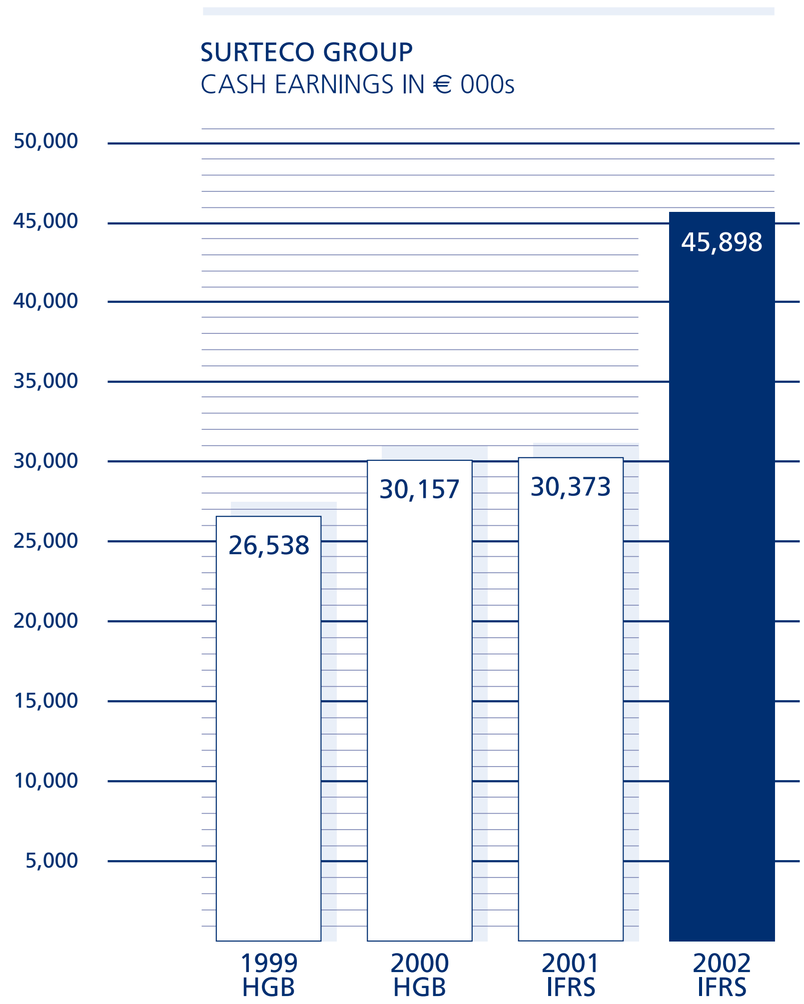
- In February 2003, Döllken-Kunststoffverarbeitung GmbH disposed of 2.5 % of the shares in Doellken A.S.L. Pty. Ltd. to our sales partner Consolidated Veneers Pty. Ltd.

IMPORTANT PROJECTS DURING THE YEAR UNDER REVIEW

Production in China

During the course of 2002, the company laid the groundwork for setting up a dedicated production facility for SBU Paper in China. Taicang near the trading centre of Shanghai was selected as the site, because there is already a highly developed infrastructure with a pool of qualified craftsmen. The central location positions the facility close to the main customers in the furniture industry.

Presence in China is of strategic significance for SURTECO. The furnishing industry there will undergo dynamic growth during the years to come. All forecasts indicate that annual growth will be around 10 %. It can also be assumed that the Chinese furniture industry is likely to focus on export markets in the USA and Europe. The industry will therefore be dependent on using high-quality coating materials. Products of this nature are as yet hardly being pro-



duced in China. However, it is to be anticipated that domestic edging and foil manufacturers will also be in a position to deliver acceptable levels of quality within the foreseeable future.
Commissioning the production facility has been scheduled for mid-2004. Unicolour and printed edging strips and surface foils will be manufactured and finished on the basis of technical raw papers.

FUTURE PROJECT ZEUS

The Board of Management and Supervisory Board of SURTECO AG adopted a resolution in 2002 to carry out wide-ranging restructuring in the SBU Paper. Research and development at the Bausch Group and Linnemann Group had already been merged in 2001. Production, administration and sales were now due to be combined as well.
The two groups will have merged all their activities by the end of 2004 and will then present a unified profile to the marketplace. All the measures carried out in the course of restructuring have been bundled under the internal project name ZEUS, and they will yield additional annual income potential totalling € 10 million from 2005.

The new 3D Cool Line Series shows plastic edges with modern, fresh design creations. The new metallic finishes give a very superior impression in the versions aluminium, stainless steel, brass and copper. The material can be left matt to match the existing finish of the substrate or polished to achieve a high gloss, depending on the requirements of the customer. The product line harmonizes perfectly with the aluminium and stainless steel trims frequently used in modern built-in kitchens, while also being increasingly used in other areas of furnishing as a stylish element.

RESULT FOR THE SURTECO GROUP

A comparison of earnings for fiscal year 2002 with the previous year is influenced by the fact that the Döllken Group was only consolidated in the financial statements of the SURTECO Group for 2001 from August. Earnings are therefore only comparable to a limited extent.
Earnings before interest (financial result), income tax, and depreciation and amortization (EBITDA) were € 69.8 million at the SURTECO Group in 2002. This outstripped the previous year by 53 %. The depreciation rate of 7.3 % (2001: 5.7 %) is determined by amortization of goodwill arising from the Döllken acquisition. EBIT was € 42.7 million, following on from

€ 30.5 million in 2001 (+ 40 %). Net interest again went up with the result that earnings before taxes (EBT) could only be increased by 14 % to € 30.0 million.
Consolidated net income at € 17.6 million was 34 % above the comparable value for 2001. Cash earnings (DVFA/SG) went up even more sharply primarily because of higher levels of depreciation, amounting to € 45.9 million (2001: € 30.4 million, + 51 %).

RESULT FOR SURTECO AG

The holding company finished fiscal year 2002 with a result from ordinary activities (HGB) of € 42.8 million (2001: € 15.5 million). Net income (HGB) amounted to € 30.3 million, by comparison with € 11.6 million in 2001.

RISK MANAGEMENT

As a group operating globally, we are subject to an array of business risks that are directly associated with our enterprise. The risk management system at SURTECO AG is based on the goal of achieving a sustained increase in corporate value. We deliberately enter into risks through our business activities if the associated opportunities offer the prospect of a sustained increase in corporate value. Risk management is therefore an integral part of our business processes.
The Board of Management is responsible for the policy relating to risk and for the internal management and control system. The management of individual companies implements the principles of risk management, and is responsible within this framework for risks that it enters into in the course of its business activities.
We deploy a differentiated management and control system for quantifying, monitoring and managing risks. This specifically incorporates a uniform strategic and planning process, and consolidated reporting.
The financial structure and earnings of our business can be compromised by the risks outlined below. Additional risks that we are not at present in a position to identify or that we currently believe to be very low, could also exert a negative effect on our business.
The main risks for SURTECO AG are as follows:

Business risks

As suppliers, the companies in SURTECO AG are directly dependent on the order books of their customers. Particularly in Germany, the furniture market has been beset by extremely difficult conditions during recent years. Sales concepts are constantly being reviewed, updated and improved to maintain and expand our market position and competitive strengths. Expansion in foreign markets plays a key role here. Setting up production in China is one example of this.

Supplier Risks

Raw materials for manufacture of a broad range of products must satisfy a variety of technical criteria in order to permit production of high-quality products that meet the requirements for their application. Precise specifications are defined in close cooperation with suppliers. Comprehensive incoming goods inspections are then based on these specifications.
Unscheduled price increases as a result of capacity bottlenecks or currency effects can also impact negatively on our results. We confront risks of this nature by intensive market observation, close cooperation with suppliers and long-term price agreements.

BALANCE SHEET STRUCTURE OF THE SURTECO GROUP (IFRS)

[€ 000s]	31/12/2001	31/12/2002
ASSETS		
Current assets	148,394	117,937
Percentage of current assets in the balance sheet total (%)	39.9	30.2
Non current assets	218,452	266,353
Percentage of non current assets in the balance sheet total (%)	58.7	68.2
Deferred tax assets	5,389	6,220
Percentage of deferred tax assets in the balance sheet total (%)	1.4	1.6
Balance sheet total	**372,235**	**390,510**
LIABILITIES		
Total short-term liabilities and provisions	108,976	107,436
Percent of short-term liabilities and provisions in the balance sheet total (%)	29.3	27.5
Non current liabilities	118,765	162,962
Percentage of non current liabilities in the balance sheet total (%)	31.9	41.7
Deferred tax liability	16,306	16,198
Percentage of deferred tax liability in the balance sheet total (%)	4.4	4.1
Minority interest	26,325	-132
Percentage of minority interest in the balance sheet total (%)	7.1	
Equity capital	101,863	104,046
Percentage of equity capital in the balance sheet total (%)	27.3	26.7
Balance sheet total	**372,235**	**390,510**

FINANCIAL INDICATORS FOR THE SURTECO GROUP (IFRS)

	2001	2002
Ratio of liquid assets to current liabilities (%)	11.1	2.8
Ratio of current assets to current liabilities (%)	84.9	61.9
Current ratio (%)	124.0	103.1
Liquidity ratio (%)	3.6	0.8
Cash earnings (DVFA/SG) in € 000s	30,373	45,898
Ratio of cash earnings (DVFA/SG) to aggregate operating performance (%)	11.4	12.4
Cash earnings (DVFA/SG) per share in €	2.78	4.34

Coating OSB panels (Oriented Strand Board) presents manufacturers with a substantial challenge. The wooden material offers considerable advantages for processing, most closely comparable with traditional plywood. However, the large size of the chippings using in manufacture produces a very raw surface lacking homogeneity. The new coating material based on paper has solved the problem. It is impossible to distinguish the quality of the surface from that of chipboard with a conventional coating.

Operating Risks

Coating products on wooden materials only have a small share in the financial value of the end product (for example a wardrobe). However, their qualitative and visual characteristics are critical for the overall impression. Unexpected qualitative problems could therefore lead to compromising and impairing the entire item of furniture and this could precipitate substantial additional costs. We have established a comprehensive quality management system in order to deal with risks of this nature. In addition, our production procedures are continually being refined and improved, with staff members receiving appropriate training and further training.

Personnel risks

The success of the company is closely associated with provision of qualified staff at all levels. Technical and management staff undergo continuous career training with the aim of ensuring that the relevant functions and countries have the necessary level of qualification.

Financial risks

Changes in interest rates and liquidity can have direct effects on the consolidated financial statements. The financial and currency risks are managed centrally by the Group holding company in Germany. This risk is carefully monitored in order to safeguard responsiveness to changing market conditions. Once a relevant risk has been identified, appropriately structured financing products or derivatives are deployed.

Currency risks

Because production and sales are partly processed in other currencies, SURTECO is subject to economic risks such as unexpected changes in exchange rates. Options and forward contracts are concluded in order to reduce susceptibility to risk in specific areas.

Business goals, risks and risk-limiting measures are subjected to regular monitoring and the Board of Management and Supervisory Board are informed about key risks at an early stage.
An examination of the current risk situation has indicated that there are no risks that could endanger the continued existence of the company and that future risks likely to endanger existence cannot currently be identified.

SHARES OF SURTECO AG

In November 2002, the Stock Exchange Council of the Frankfurt Stock Exchange resolved to restructure the stock market segments. Alongside the General Standard with the statutory minimum requirements of the Official Market and the Regulated Market, the new segment Prime Standard came into being with uniform registration requirements. SURTECO AG has been a member of SMAX since 1999 and key elements of the SMAX were included in the regulatory framework of the Prime Standard. In January 2003, participation of SURTECO AG in SMAX was discontinued and replaced by registration with the Prime Standard. Key obligations consequent on participation in the Prime Standard are quarterly reporting, application of international accounting standards (SURTECO AG: IFRS), publication of a corporate calendar (see page 66), an analysts' conference, preparation of ad hoc releases and ongoing reporting also in English.
The shares of SURTECO AG (securities code WKN 517690) are quoted on the stock exchanges of Frankfurt and Munich for official trading. The share is also included in OTC trading on the stock markets in Berlin/Bremen, Düsseldorf and Stuttgart.

SURTECO SHARES

[Stock exchange quotations in €]	2001	2002
Number of shares	10,575,522	10,575,522
Year-end price	16.90	13.00
Price per share (high)	28.00	17.00
Price per share (low)	15.00	13.00

SHAREHOLDER INDICATORS FOR THE SURTECO GROUP

[€ 000s]	2001	2002
Sales	270,551	367,642
EBITDA	45,666	69,761
EBIT	30,459	42,736
EBT	26,325	30,015
Consolidated net income	13,091	17,616
Cash earnings (DVFA/SG)	30,373	45,898

INDICATORS OF THE SURTECO GROUP PER SHARE

[€]	2001	2002
Earnings (DVFA/SG)	1.28	1.71
Cash earnings (DVFA/SG)	2.78	4.34
Dividend	1.10	0.65 (Proposal by Board of Management)

The spectrum achieved with special lacquer coating of plastic edges ranges from extreme matt to high gloss. Wood such as maple, cherry, alder, beech and pear are currently extremely popular. Precise reproduction of these woods ensures characteristics that are extremely natural, and a matt, sanded appearance gives them typical haptic properties that are identical to wood. These characteristics are not just visual, they also exert a tactile effect. High-gloss designs are at the other end of the gloss scale. These are mainly used in kitchen settings to create a perfect symbiotic effect with high-gloss front panels.

Electron beam hardening technology facilitates a further enhancement of the existing high quality of finishes for surface foils based on paper. The lacquering procedure used is marketed under the brand name Igratronic. It permits a wide range of designs and textures that gives users both a tactile and sensual experience. The procedure also offers the possibility of creating extremely smooth, restful and homogeneous finishes. The extremely critical appearance of high-gloss designs presents a particular challenge for production.

On 20 August 2002, the Board of Management, with the consent of the Supervisory Board, resolved to increase the capital stock of the company from € 10,575,522 for a cash contribution with subscription rights in the ratio 4:1 by up to € 2,643,880 to up to € 13,219,402 by the issue of up to 2,643,880 new shares. However, on 18 September 2002 against the background of the continuously deteriorating situation on international capital markets, it could no longer be assumed that it would be possible to implement the capital increase successfully, and the Board of Management and Supervisory Board resolved to abandon the planned measure.

The market listings for shares in SURTECO AG were dominated by the general economic situation during the year under review. Sales were very low, partly because of the low level of free float. Between January and August 2002, the average monthly price fluctuated between 16 and 17 euros. During the last quarter, the share fell to values of 14 to 15 euros. Prices quoted at year-end had again lost ground, and the year finished with a low of € 13.00 on 30 December 2002.

The Board of Management of SURTECO AG will propose to the Annual General Meeting on 10 July 2003 that a dividend of € 0.65 (2001: € 1.10) be paid on each share for fiscal 2002. The total payout amounts to € 6,874,089.30 for 10,575,522 no-par-value shares.

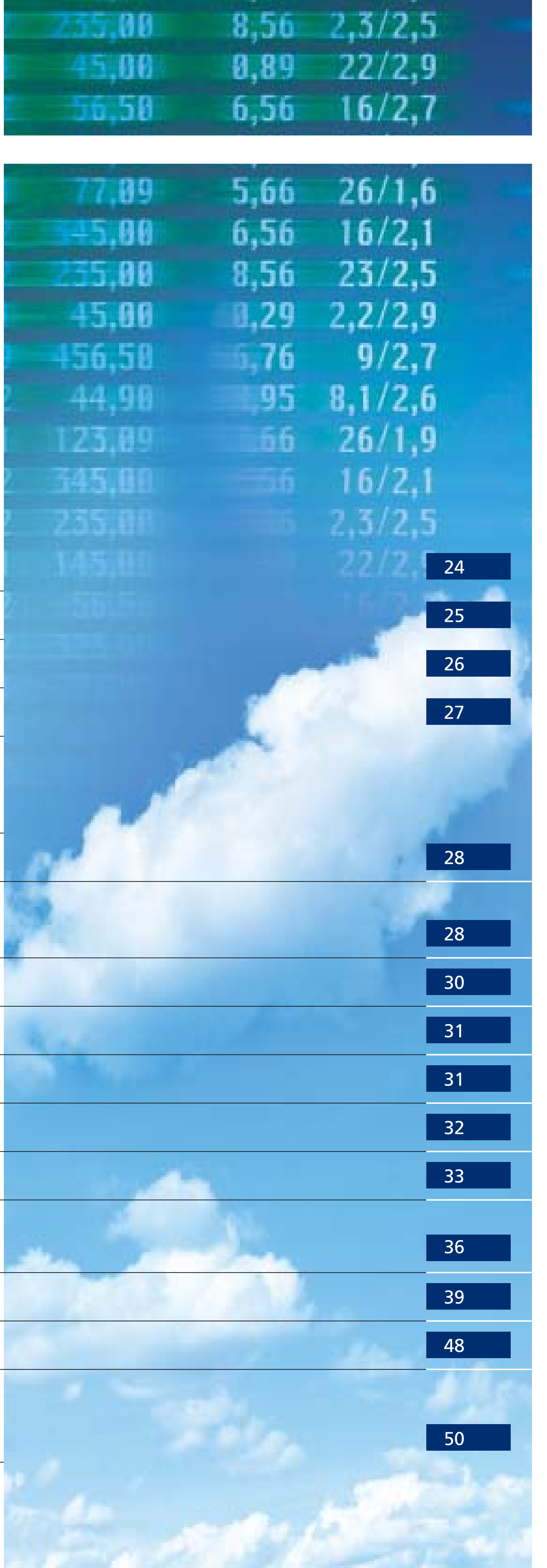
OUTLOOK 2003

We are assuming that the current fiscal year will be a year of challenges. The business environment continues to be dominated by a variety of political imponderables. A range of different scenarios is conceivable for the Iraq conflict and its consequences over the medium and long term. This uncertainty continues to exert an impact on the conditions determining the macroeconomic framework. We are therefore anticipating a continuation of subdued investment in furniture and other similar types of consumer goods by private households.

Against this background, we expect what looks like being a downward trend in sales for fiscal year 2003.

We are continuing to work at optimizing our cost structures. The broadly-based ZEUS restructuring programme is being consistently implemented in the SBU Paper. The SBU Plastics will have concluded the realignment of North American activities and streamlining the range for the DIY market by year-end.

CONSOLIDATED FINANCIAL STATEMENTS 2002



CONSOLIDATED INCOME STATEMENT
SURTECO GROUP (IFRS)

for the year ended 31 December 2002

	Note	2002 € 000s	2001 € 000s
Sales revenues	(1)	**367,642**	**270,551**
Changes in inventories		661	-4,595
Production of own fixed assets capitalized	(2)	1,184	626
Total output		**369,487**	**266,582**
Cost of purchased materials	(3)	-150,417	-116,335
Personnel expenses	(4)	-96,862	-70,520
Other operating expenses	(5)	-57,854	-36,974
Other operating income		5,407	2,913
Earnings before Interest (Financial Result), Income Tax and Depreciation and Amortization (EBITDA)		**69,761**	**45,666**
Depreciation and amortization	(14,15)	-18,452	-12,896
Amortization (and impairment) of goodwill	(14)	-8,573	-2,311
Earnings before Interest (Financial Result) and Income Tax (EBIT)		**42,736**	**30,459**
Financial result	(6)	-12,721	-4,134
Earnings before Income Tax (EBT)		**30,015**	**26,325**
Income tax	(7)	-12,429	-12,279
Net income		**17,586**	**14,046**
Minority interest		30	-955
Consolidated net income		**17,616**	**13,091**

CONSOLIDATED BALANCE SHEET
SURTECO GROUP (IFRS)

at 31 December 2002

	Note	2002 € 000s	2001 € 000s
ASSETS			
Cash and cash equivalents	(10)	3,187	13,231
Trade accounts receivable	(12)	47,376	48,583
Inventories	(11)	47,149	46,811
Other current assets	(13)	20,225	39,769
Current assets		**117,937**	**148,394**
Plant, property and equipment, net	(15)	156,305	166,159
Intangible assets	(16)	1,566	2,038
Goodwill	(17)	106,589	48,441
Investments	(18)	481	520
Other non-current assets		1,412	1,294
Non-current assets		**266,353**	**218,452**
Deferred tax asset	(7)	**6,220**	**5,389**
		390,510	**372,235**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current financial liabilities	(19)	59,272	64,340
Trade accounts payable	(22)	13,280	16,741
Tax liabilities	(22)	14,455	7,425
Short-term accrued expenses	(20)	2,121	2,241
Other current liabilities	(21,22)	18,308	18,229
Total short-term liabilites and provisions		**107,436**	**108,976**
Non-current financial liabilities	(22)	151,540	107,010
Pensions and similar obligations	(23)	10,318	9,527
Other non-current liabilities	(22)	1,104	2,228
Non-current liabilities		**162,962**	**118,765**
Deferred tax liability	(7)	**16,198**	**16,306**
Minority interests		**-132**	**26,325**
Capital stock		10,576	10,576
Reserves		75,854	78,196
Net profit	(24)	17,616	13,091
Equity capital		**104,046**	**101,863**
		390,510	**372,235**

CONSOLIDATED CASH FLOW STATEMENT
SURTECO GROUP (IFRS)

for the year ended 31 December 2002

	31/12/01 € 000s	31/12/02 € 000s
Earnings before minority interest and after income tax	**14,046**	**17,586**
Adjustments for:		
- Depreciation on property, plant and equipment	12,895	17,482
- Amortization on intangible assets	609	970
- Amortization (and impairment) of goodwill	2,311	8,573
- Interest income	-297	-349
- Interest expense	7,397	13,109
- Income/losses on fixed assets	-36	342
- Change in deferred tax assets and liabilities	-473	-940
- Other expenses / income with no effect on liquidity	0	-62
International financing	**36,452**	**56,711**
Increase/decrease in		
- Trade accounts receivable	2,424	1,207
- Other receivables	-1,785	19,709
- Inventories	7,183	-338
- Accrued expenses	-206	743
- Trade accounts payable	-2,083	-3,057
- Other liabilities	4,380	316
Currency differences	-959	-1,580
Change in working capital	**8,954**	**17,000**
Cash flows from operating activities	**45,406**	**73,711**
Interest received	297	349
Interest paid	0	-1,832
Adjustments for tax paid	0	328
CASH FLOWS FROM CURRENT BUSINESS OPERATIONS	**45,703**	**72,556**
Cash outflow for the acquisition of group companies	-6,901	-93,251
Cash outflow for the acquisition of participations	-197	0
Cash inflow from the disposal of participations	0	39
Cash outflow for investment in property, plant and equipment	-12,871	-11,213
Cash outflow for investment in intangible assets	-473	-431
Cash inflow from asset disposals	1,847	440
CASH FLOWS FROM INVESTMENT ACTIVITIES	**-18,595**	**-104,416**

...

	31/12/01 € 000s	31/12/02 € 000s
Acquisition of own shares	18	0
Disposal of own shares	27	0
Profit distribution	-7,633	-11,633
Long-term debt	19,628	66,925
Repayment of long-term debt	-28,548	-22,625
Loan interest paid	-7,745	-10,851
CASH FLOWS FROM FINANCING ACTIVITIES	**-24,253**	**21,816**
Change in the group of consolidated companies	**6,358**	**0**
CHANGE IN CASH AND CASH EQUIVALENTS	**9,213**	**-10,044**
Cash and cash equivalents		
1 January	4,018	13,231
31 December	**13,231**	**3,187**

SCHEDULE OF FIXED ASSETS
SURTECO GROUP (IFRS)

[€ 000s]	Capital stock	Capital reserves	Revenue reserves	Consolida-ted net retained profits	Total
31 December 2001	**10,576**	**35,490**	**42,706**	**13,091**	**101,863**
Dividend payment	0	0	0	-11,633	-11,633
Financial instruments	0	0	30	0	30
Consolidated net income	0	0	0	17,616	17,616
Currency changes	0	0	-4,200	0	-4,200
Change due to capital consolidation	0	370	0	0	370
Transfer to revenue reserves	0	0	1,458	-1,458	0
31 December 2002	**10,576**	**35,860**	**39,994**	**17,616**	**104,046**

SURTECO AG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the Year Ended 31 December 2002

I. ACCOUNTING PRINCIPLES

SURTECO AG has prepared its consolidated financial statements for the year ended 2002 in accordance with international accounting standards – the International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS) – of the International Accounting Standards Board (IASB), taking into account the interpretations of the Standing Interpretations Committee (SIC). All the International Financial Reporting Standards mandatory for application in fiscal year 2002 have been taken into account. The figures for the previous year have been restated in accordance with the same accounting principles.

The consolidated financial statements have been drawn up in euros (€). Unless otherwise indicated, all amounts have been given in thousand euros (€ 000s).

The IFRS has no pre-defined classification structure for individual items in the income statement and the balance sheet. The income statement and the balance sheet have been drawn up on the basis of the classification policies defined in Clause § 63 of the recommendations in stock exchange rules and regulations for the Frankfurt Stock Exchange dated 1 January 2003. The income statement has been drawn up in accordance with the cost of production method.

The consolidated financial statements have been drawn up in accordance with the European Union Directive on Consolidated Accounting Principles (Directive 83/349/EEC). Since the requirements of Clause § 292a of the German Commercial Code (Handelsgesetzbuch, HGB) have been complied with, the consolidated financial statements drawn up in accordance with IFRS discharge the obligation to draw up consolidated financial statements in accordance with the German Commercial Code (HGB). The assessment of these requirements is based on the German Accounting Standard No. 1 (DRS 1) published by the German Accounting Standards Committee (Deutsche Rechnungslegungs Standards Committee DRSC e.V.). All information and explanations required in accordance with the German Commercial Code (HGB) or Stock Corporation Act (Aktiengesetz, AktG) that are outside the scope of the IASB regulations have been included in order to achieve equivalence with consolidated financial statements prepared according to the German Commercial Code.

Some items in the consolidated income statement and the consolidated balance sheet for the Group were combined and stated separately in the Notes to the Consolidated Financial Statements. This is intended to improve clarity of presentation.

The balance sheet date of SURTECO AG and the consolidated subsidiaries is 31 December 2002.

II. TRANSFER TO ACCOUNTING PRINCIPLES IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

To date, the consolidated financial statements of SURTECO AG have been prepared on the basis of consolidated financial statements pursuant to German commercial law. The accounting, valuation and consolidation methods used up to now have been changed in part by first-time application of the IFRS. The relevant deviations of IFRS from the German Commercial Code (HGB) are explained below pursuant to Clause § 292a (2), No. 4b German Commercial Code (HGB):

Changed accounting, valuation and consolidation methods which correspond to German law:

- Depreciation of movable property, plant and equipment is effected by the straight-line method instead of by the diminishing-balance method over the useful life. Depreciation is not therefore based on fiscal principles as in German commercial law. Half-yearly depreciation and fiscally motivated special write-downs are not recognized.
- By comparison with application of the fiscal leasing exemptions, the IFRS regulations (IAS 17) more frequently result in lease items being capitalized by the lessee rather than with the lessor. Under IFRS regulations, whereby all major risks and benefits in connection with

an asset are transferred to the Group, the designated asset is recognized less accumulated depreciations and an appropriate liability amounting to the market value of the asset or the lower cash value of the minimum leasing payments (finance lease).

- Valuation of inventories, which are always carried out at the full cost principle based on production, is affected by the depreciations on property, plant and equipment changed in accordance with IFRS.

- Calculation of reserves for phased retirement and long service in accordance with IFRS are based on an estimate of future developments.

- Some items that are reported as reserves in accordance with the German Commercial Code are posted as liabilities in IFRS financial statements. Provisions for operating expenses are not permissible.

Changed accounting, valuation and consolidation methods which deviate from German law:

- Intangible assets manufactured in the company are capitalized if a future benefit can be derived.

- Fiscally motivated special items with equity portion are not to be reported in IFRS financial statements.

- Pension accruals are calculated in accordance with IAS 19, taking into account future salary and pension increases, and current fluctuation rates based on the project unit-credit method. The accruals are calculated in accordance with German law on the basis of the fiscal notional interest rate pursuant to Clause § 6 a of the German Income Tax Act (EstG).

- Reserves may not be formed for failure to carry out maintenance.

- Medium and long-term reserves are recognized at their cash value.

- Assets and obligations arising from future income tax and expenses must be calculated by the liability method reflecting the balance sheet in accordance with IAS 12 using the tax rates relevant to future payouts. This also includes recognition of deferred tax assets and liabilities that arise by offsetting tax losses carried forward with profit expectations in the future, to the extent that their realization is guaranteed with sufficient security.

- Derivative financial instruments are reported at current value, even if this exceeds acquisition costs. The opportunities and risks arising from the valuation of financial instruments, which are used to hedge future cash flows, are accrued as a separate reserve in equity capital without affecting earnings. Earnings from settlement of these contracts are recognized in the income statement when they fall due. By contrast, the opportunities and risks arising from valuation of derivative financial instruments used to hedge balance-sheet items are reported in the income statement immediately.

- Foreign currency assets and liabilities are calculated at the average price on the balance-sheet date instead of in accordance with the inequality principle. Any gains or losses arising are recorded in the income statement.

- Minority interests in the equity capital of subsidiaries are carried outside equity capital as a separate item.

Harmonization of accounting and valuation with IFRS regulations as at 1 January 2001 was carried out in accordance with SIC 8 by making transfers to or from revenue reserves without affecting earnings, as though IFRS regulations had always been used for drawing up the financial statements.

The transfer to IFRS brought about changes in equity capital at 1 January 2002 by comparison with the regulations pursuant to German commercial regulations:

	€ 000s	€ 000s
Equity capital in accordance with HGB at 31/12/2001		**107,642**
Capitalization of software written in house		620
Changed useful lives and depreciation methods for fixed assets and for intangible assets		39,445
Reclassification of operate leases in finance lease		
- Carrying property as assets	28,020	
- Release of tenant loans and deferred items	-1,544	
- Carrying financial debts as liabilities	-28,320	-1,844
Change in manufacturing costs for inventories		-442
Deferred taxes (netted)		-12,209
Elimination of special tax items		929
First-time consolidation Döllken Group		-6,017
Valuation of pensions and similar obligations		-1,168
Market valuation financial instruments		-270
Changed reporting of other accruals		323
Other changes		63
Difference net profit HGB / IAS 2001		-1,290
Minority interests recorded outside equity capital		-23,919
Equity capital in accordance with IAS at 01/01/2002		**101,863**

III. SHAREHOLDERS AND CONSOLIDATED GROUP

SURTECO AG and all the German and foreign subsidiary companies in which SURTECO AG is directly or indirectly able to exercise a dominant influence over their finance and business policy in such a manner that the companies of the Group derive a benefit from the activity of this company are included in the consolidated financial statements. Consolidation begins at the point in time from which the control exists and ends when it is no longer possible to exercise such control.

The number of subsidiaries developed during the year under review as follows:

	Germany	Abroad	Total
Subsidiary companies at 31/12/2001	**16**	**8**	**24**
First-time consolidated in 2002	0	0	0
Withdrawn in 2002 as a result of restructuring measures in the consolidated Group	-1	0	-1
Withdrawn from the consolidated Group in 2002	0	0	0
Subsidiary companies at 31/12/2002	**15**	**8**	**23**

Influences arising from the change in the consolidated Group are explained under the relevant headings in the Notes to the Consolidated Financial Statements if they are of major significance.

The subsidiaries Praktikus Sp.z.o.o., Kattowitz, Poland and Praktikus CZ Spol.sr.o., Kolin, Czech Republic were not consolidated on the grounds that the influence of their aggregate value on the net worth, financial position and results of the Group was not material.

Information on direct and indirect holdings in the subsidiaries of SURTECO AG is provided in Supplementary Information to the Notes on the Consolidated Financial Statements. The list of shareholdings is filed at the Commercial Register of the Local Court (Amtsgericht) Augsburg (HR B 2012).

Exemption from Disclosure in accordance with Clause § 264 (3) German Commercial Code (HGB)
The following companies in Germany have fulfilled the required conditions in accordance with Clause § 264 (3) German Commercial Code (HGB) or Clause § 264b German Commercial Code (HGB) and are therefore exempt from preparation of a management report and from disclosure of their financial statements and management report:

- Bausch GmbH, Buttenwiesen-Pfaffenhofen
- Bausch Dekor GmbH, Buttenwiesen-Pfaffenhofen
- W. Döllken & Co. GmbH, Gladbeck
- Döllken-Kunststoffverarbeitung GmbH, Gladbeck
- Döllken-Weimar GmbH, Nohra
- Vinylit Fassaden GmbH, Kassel
- Döllken-Werkzeugbau GmbH, Gladbeck
- Robert Linnemann GmbH + Co., Sassenberg
- Kröning GmbH & Co., Hüllhorst

IV. CHANGES TO THE CONSOLIDATED GROUP

The acquired majority holding in the Döllken Group, Gladbeck was consolidated for the first time in the consolidated financial statements in 2001. Business transacted by the Döllken Group with effect from 1 August 2001 was included in the financial statements of the SURTECO Group for the period ending 31 December 2001, so that it is only possible to make limited comparisons with the previous year.

V. CONSOLIDATION PRINCIPLES

The financial statements of the domestic and foreign subsidiaries included in the consolidation have been prepared on the basis of the **accounting and valuation principles uniformly applicable** to the SURTECO Group in accordance with IAS 27 (Consolidated Financial Statements and Accounting for Investments in Subsidiaries).

Capital consolidation has been carried out in accordance with IAS 22 (Business Combinations).

Capital consolidation has been carried out within the sub-group financial statements for Bausch, Linnemann and Döllken by netting the acquisition costs, including incidental acquisition costs, with the proportionate book value of the equity capital of the subsidiary investments at the time of first-time consolidation in the consolidated financial statements or – if the shareholding was purchased later – at the time of acquisition.

The two sub-groups Bausch and Linnemann were merged to form SURTECO AG on the basis of the Pooling-of-Interests Method. The heading "Investments in affiliated enterprises" of SURTECO AG was netted with the subscribed capital of the sub-groups Bausch and Linnemann. The resulting asset differences were charged against the capital reserves of SURTECO AG, or differences arising from the acquisition of minority interests in Bausch GmbH were charged against the revenue reserves of SURTECO AG on first-time consolidation without affecting earnings in the course of 2000.

Capital consolidation of the Döllken subgroup was effected in accordance with the revaluation method by netting the acquisition cost, including ancillary acquisition costs, with the proportionate equity capital of the sub-group Döllken at the date on which the company first became a subsidiary.

Any capitalized differences arising from first-time consolidation are entered under assets as goodwill arising from capital consolidation, provided they cannot be attributed to undisclosed reserves. Differences are then amortized as goodwill over 15 years. The residual values of differences that were netted with consolidated reserves in previous years have been entered under intangible assets and amortized over their remaining useful life with effect from fiscal year 2001.

Receivables and liabilities and income and expenses are netted between the Group companies.

Internal sales and income and intercompany profits arising from supplies by consolidated companies have been eliminated. Deferred taxes arising from consolidation transactions recognized in the income statement have been accrued.

VI. CURRENCY TRANSLATION

In the individual financial statements of the Group companies, business transactions in foreign currency are valued at the price prevailing at the point in time when they were first booked, if they are hedging forward transactions they have been recorded at the hedge price. Exchange-rate losses occurring up to the balance sheet date and arising from the valuation of assets and liabilities have been taken into account. Gains and losses arising from changes in exchange rates have been reported in the income statement.

Foreign subsidiaries included in the consolidated financial statements draw up their individual financial statements in the relevant local currency. These financial statements are translated into euros in accordance with IAS 21, based on the concept of the functional currency. Because all consolidated companies transact their business autonomously from a financial, commercial and organizational perspective, the relevant national currency is the functional currency. Assets and liabilities are therefore translated at the rate prevailing on the balance sheet date, whereas equity capital is translated at historic rates. Expenses and income are translated at the average rate for the year. Differences arising from translation of the financial statements of foreign subsidiaries are reported without affecting income and recognized under equity capital.

Translation was based on the following currency exchange rates:

	Balance sheet date		**Average rate**	
	31/12/2001	31/12/2002	31/12/2001	31/12/2002
US dollar	1.1334	0.9545	1.1164	1.0617
Sterling	1.6418	1.5373	1.6080	1.5910
Singapore dollar	0.6120	0.5496	0.6231	0.5923
Australian dollar	0.5764	0.5403	0.5776	0.5767
Canadian dollar	0.7092	0.6055	0.7212	0.6761

VII. ACCOUNTING AND VALUATION POLICIES

Uniform accounting and valuation methods

The annual financial statements of all the companies included in the consolidated financial statements were uniformly prepared in accordance with the statutory regulations on the basis of the classification, accounting and valuation polices applied by SURTECO AG.

Consistency of accounting and valuation methods

The accounting and valuation methods have always been complied with.

Estimates and judgements

Preparation of the consolidated financial statements under IFRS regulations requires assumptions to be made in reporting certain items and these exert an effect on recognition in the consolidated balance sheet or income statement, and on the information provided about contingent assets and liabilities.

Income and expense realization

Sales revenues arising from the sale of products have been recorded with transfer of ownership or risk at the customer, if a price has been agreed and it is reasonable to assume that payment will be made. Sales revenues are recognized less discount, price reductions, customer bonuses and rebates.

Income tax

Income taxes have been calculated in accordance with the national tax regulations applicable in the countries where the company is active. The company calculates deferred taxes for all temporary differences between the book values and the tax values stated for assets and liabilities, and for tax losses carried forward.

Cash and cash equivalents have been recorded at face value. This includes cash and short-term liquid assets with due dates of less than three months.

Receivables have been recorded at face value. Recognizable risks and the general credit risk have been calculated on the basis of individual risk estimates and on the basis of empirical values by taking account of corresponding value adjustments.

Raw materials, consumables and supplies, and goods held for resale have been recognized at cost prices on the basis of the lower of cost or market principle. Carrying values have been calculated by the weighted-average method. Downward valuation adjustments have been undertaken to reflect obsolescence and technically restricted application. Lower values prevailing on the balance sheet date due to reduced proceeds from disposal have also been taken into account.

Finished products and work in progress have been recognized at production cost. These costs include costs directly attributable to the manufacturing process and a reasonable proportion of production-related overheads. These include production-related depreciation, proportionate administrative expenses, and proportionate social security costs. Inventory risks arising from storage period or reduced usability have been taken into account by reasonable write-downs. Lower values prevailing on the balance sheet date due to reduced proceeds from disposal have also been taken into account.

Other current assets have been recognized at acquisition cost.

Development costs for assets (software) produced within the company have been capitalized under income at acquisition or production cost, if the manufacture is likely to bring commercial benefit to the SURTECO Group.

Property, plant and equipment have been recognized at acquisition or production cost, less scheduled depreciation and, if necessary, extraordinary depreciation. The production costs of self-constructed plant include direct costs and a reasonable proportion of overhead. Finance costs have not been capitalized under income as an element of acquisition or production costs.

Repair and maintenance costs have been recorded as expenses at the point in time at which they occurred. Major upgrades and improvements were capitalized as assets.

Scheduled depreciation of assets has been carried out exclusively by the straight-line method. Depreciation is based on the following commercial service lives applied across the Group:

	Years
Intangible assets	3 - 5
Buildings	40
Improvements and fittings	10
Technical plant and machines	5 - 10
Factory and office equipment	5 - 10

Unscheduled depreciation on property, plant and equipment has been carried out in accordance with IAS 36, if the net disposal price or utility value of the relevant asset has fallen below the book value. If the reasons for which unscheduled depreciation was carried in previous years are no longer applicable, corresponding write-ups have been carried out.

The production costs of **self-constructed plant** included direct costs and an appropriate proportion of the overheads and depreciations. A fixed value has been calculated to cover spare parts for machinery.

Commercial ownership in **lease items** should be assigned to the lessee in accordance with IAS 17, if the lessee carries all major opportunities and risks associated with the item (finance leasing). If commercial ownership should be assigned to the enterprises of the SURTECO Group, the lease item is capitalized as an asset in the amount of the fair value or the lower cash value of the leasing rate at the point in time at which the contract was concluded. Depreciation is effected according to schedule over their useful life or over the term of the lease, if this is shorter – corresponding to comparable items of property, plant and equipment acquired. The resulting payment obligations arising from future leasing rates have been capitalized under liabilities.

State grants and subsidies have been accrued as liabilities and released over the useful life of the underlying assets.

Intangible fixed assets, essentially software, acquired for a consideration have been capitalized as assets at acquisition cost and amortized over their useful life using the straight-line method. **Even intangible assets created within the company** have been capitalized as assets, provided the criteria for recognition of IAS 38 are fulfilled. Production costs essentially comprise all directly attributable costs.

Financial assets are recorded at acquisition cost, including incidental acquisition costs. Investments in unconsolidated enterprises and participations have been recognized at acquisition cost in the consolidated financial statements.

Goodwill we acquired in individual financial statements and goodwill arising from the consolidation of subsidiary companies is subject to scheduled amortization over fifteen years.

Deferred taxes are formed for all temporary differences between the valuations of the tax balance sheet and the consolidated balance sheet (temporary concept). Deferred tax assets also comprise tax relief claims arising from the anticipated utilization of existing losses carried forward in subsequent years and where there is sufficient likelihood that they will be realized. Accruals have been reported in the amount of the likely tax charge or credit for the subsequent fiscal years on the basis of the applicable tax rate at the time of realization. Fiscal consequences of profit distributions have been reported at the time of the resolution on the appropriation of profit. If income for subsidiaries is exempt from tax as a result of special local tax regulations, and the fiscal effects are not foreseeable if temporary tax exemption ceases, no deferred taxes were recognized. Revaluations are carried out if deferred tax assets are unlikely to be realized. Deferred tax assets are netted with deferred tax liabilities if the tax creditor and matched maturities are identical.

Current liabilities and financial liabilities have been recorded with the repayment or performance amount. Long-term liabilities and financial liabilities have been recorded in the balance sheet on a new cost basis. Differences between historical cost and the repayment amount have been recorded in accordance with the effective interest method. Liabilities arising from finance leasing contracts have been recorded at the cash value of the leasing rates.

Pension accruals and similar obligations comprise obligations arising from regulations relating to company retirement provision, phased retirement and long-service awards. Pension accruals are valued using the projected unit credit method in accordance with IAS 19. This method recognizes the pensions and projected unit credits acquired on the balance sheet. It also takes account of the increases in pensions and salaries anticipated in the future with prudent estimation of the relevant parameters. The calculation has been carried out using actuarial methods taking into account biometric accounting principles. Actuarial gains and losses are recognized as income with immediate effect. These obligations only exist in Germany and they have been valued with an interest rate for accounting purposes of 6 percent, a wage and salary trend of 2.5 percent and for regulations relating to company retirement provision further with a pension trend of 1.5 percent. Other payments (long-service awards and phased retirement) have also been calculated using the same method. The pension institutions were closed in the past and new employees joining the company receive no payments for company retirement provision.

Reserves have been formed in accordance with IAS 37, if a current obligation arises from a past event in respect of a third party, which is likely in the future to lead to an outflow of resources and it can be reliably estimated. Reserves for warranty claims are formed on the basis of previous or estimated future claims. Other reserves have also been recorded in accordance with IAS 37 for all recognizable risks and uncertain obligations in the amount of their probable occurrence and not recognized with rights of recourse.

Drawing up the consolidated financial statements in accordance with IFRS requires assumptions to be made and estimates to be used, which exert an effect on the amount and recognition of assets and liabilities, income and expenses, and contingent liabilities reported in the financial statements. The assumptions and estimates essentially relate to uniform definition across the Group of useful lives, reporting and valuation of reserves, and the likelihood that tax benefits will be realized in the future. The actual values may deviate in individual cases from the assumptions and estimates arrived at. Any changes are recognized as income at the point in time when more information is available.

VIII. NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Sales revenues

Sales revenues for the Group are segmented as follows:

Business (product)	**2001** € 000s	**2002** € 000s
Edging systems		
- based on paper	84,519	86,909
- based on plastic	52,179	113,352
Foils	79,151	77,976
Technical profiles (extruded sections)	9,354	19,367
DIY business	17,123	30,158
Façade systems	3,426	6,585
Printing	5,980	7,251
Other	18,819	26,044
	270,551	**367,642**
Geographial (regions)		
Germany	106,526	146,027
Abroad	164,025	221,615
	270,551	**367,642**

(2) Other own work capitalized

Other own work capitalized principally relates to internal Group amounts within the SBU Plastics.

(3) Cost of purchased materials

Composition of the cost of purchased materials in the Group:

	2001 € 000s	**2002** € 000s
Cost of raw materials and supplies, and purchased merchandise	110,434	142,025
Cost of purchased services	5,901	8,392
	116,335	**150,417**

(4) Personnel expenses

	2001 € 000s	**2002** € 000s
Wages and salaries	60,718	83,063
Social security and other pension costs	9,802	13,798
of which for retirement provision	*420*	*970*
	70,520	**96,861**

The following table shows the employee structure:

	2001		2002	
	Industrial	Salaried	Industrial	Salaried
Administration / Materials management	124	320	127	295
Sales	6	276	4	266
Research and development, quality assurance	44	48	45	47
Production	1,146	107	1,076	109
Engineering	64	24	59	25
	1,384	**775**	**1,311**	**742**

(5) Other operating expenses

Other operating expenses include operating, sales and administrative expenses. Currency differences amounting to € 000s 165 (2001: € 000s 407) have been reported as income. Research and development expenses (personnel and material expenses) amounted to € 000s 4,313.

(6) Financial result

	2001 € 000s	2002 € 000s
Interest and similar income	297	349
Interest and similar expenses	-7,746	-13,109
Interest income	**-7,449**	**-12,760**
Income from participations	3,368	38
Income from associated enterprises	49	0
Amortization of investments	-102	0
Income from investments and participations	**3,315**	**38**
Financial result	**-4,134**	**-12,722**

(7) Income tax

Actual and deferred domestic taxes have been valued on the basis of a tax rate of 39.0%. This includes corporate income tax of 25%, solidarity surcharge of 5.5% and the average local business tax rate of 380% in the Group. The applicable local income tax rates for foreign companies vary between 25% and 39%.

Deferred tax assets and liabilities have been capitalized uniformly on the basis of a 5-year projection of earnings before income tax at the level of the individual companies. Uncertainties relating to different projected premises and framework conditions have been taken into account.

The deferred tax assets and liabilities reported in the financial statements listed below are attributable to differences in recognition and valuation of individual items on the balance sheet:

	Deferred tax assets		Deferred tax liabilites	
	2001 € 000s	**2002** € 000s	**2001** € 000s	**2002** € 000s
Inventories	0	185	391	40
Property, plant and equipment, net	6	5	26,210	25,917
Intangible assets	333	400	234	243
Receivables and other assets	650	713	86	104
Special tax items	0	0	350	445
Financial liabilities	11,938	10,944	0	0
Pension accruals	966	1,190	0	0
Other liabilitities	242	576	121	48
Tax losses carried forward	2,340	2,806	0	0
	16,475	**16,819**	**27,392**	**26,797**
Netting	-11,086	-10,599	-11,086	-10,599
	5,389	**6,220**	**16,306**	**16,198**

The transition from the expected to actual tax expenditure is as follows:

	2001 € 000s	**2002** € 000s
Earnings before income tax	**26,325**	**30,015**
Expected income tax expense (39 %)	10,267	11,706
Transition:		
Tax quota for		
- Amortization of goodwill	812	2,691
- Expenses not deductible from tax	97	273
- Tax-free income	-77	-380
Taxes not relating to the reporting period	610	-978
Other tax effects	570	-883
Income tax	**12,279**	**12,429**

(8) Transfers to revenue reserves

	2001 € 000s	**2002** € 000s
to the reserve for own shares	0	0
to other revenue reserves	207	15,100
	207	**15,100**

This relates to transfers to revenue reserves at SURTECO AG.

(9) Net income per share (earnings per share)

	2001	2002
Number of shares issued	10,575,522	10,575,522
Consolidated net income attributable to the shareholders of SURTECO AG (€)	13,090,954	17,615,949
Net income per share (€)	1.24	1.67

IX. NOTES TO THE CONSOLIDATED BALANCE SHEET

(10) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances.

(11) Inventories

Consolidated inventories of the Group are comprised as follows:

[€ 000s]	2001	2002
Raw materials and supplies	14,499	17,923
Work in progress	9,868	6,147
Finished products and goods	22,444	23,079
	46,811	**47,149**

(12) Trade accounts receivable

All trade accounts receivable have a residual term of less than one year. Provisions for specific debts and general bad debt charges were recorded to take account of the general interest, processing and credit risk.

(13) Other current assets

[€ 000s]	2001	2002
Receivables from enterprises in which participations are held	**22,906**	**1,231**
Prepaid income tax	**7,206**	**7,720**
Other		
Land in current assets	3,196	3,444
Prepaid tax (sales / wage tax)	415	646
Accounts receivable	3,530	4,682
Prepaid expenses	719	703
Discount	158	90
Other	1,639	1,709
	9,657	**11,274**
	39,769	**20,225**

(14) Fixed assets

[€ 000s]	Tangible assets	Intangible assets	Goodwill	Financial assets	Total
Acquisition costs					
01/01/2002	281,615	5,387	72,475	530	360,007
Currency differences	-4,007	-22	-2,469	0	-6,498
Additions	11,214	432	67,337	0	78,983
Disposals	-6,511	-221	0	-39	-6,771
Transfers	-89	89	0	0	0
31/12/2002	**282,222**	**5,665**	**137,343**	**491**	**425,721**
Depreciation and amortization					
01/01/2002	115,456	3,349	24,034	10	142,849
Currency differences	-2,075	-6	-1,853	0	-3,934
Additions	17,482	970	8,573	0	27,025
Disposals	-4,946	-214	0	0	-5,160
Transfers	0	0	0	0	0
31/12/2002	**125,917**	**4,099**	**30,754**	**10**	**160,780**
Book value at 31/12/2002	**156,305**	**1,566**	**106,589**	**481**	**264,941**
Book value at 31/12/2001	**166,159**	**2,038**	**48,441**	**520**	**217,158**

(15) Property, plant and equipment, net

Property, plant and equipment is comprised as follows:

[€ 000s]	Land and buildings	Leased land and buildings (finance leasing)	Technical equipment and machines	Other equipment, factory and office equipment	Payments on account and assets under construction	Total
Acquisition costs						
01/01/2002	77,899	29,251	124,651	44,724	5,090	281,615
Currency differences	-604	0	-3,162	-226	-15	-4,007
Additions	582	12	4,615	4,950	1,055	11,214
Disposals	-1,534	0	-1,710	-3,311	44	-6,511
Transfers	0	0	4,579	376	-5,044	-89
31/12/2002	**76,343**	**29,263**	**128,973**	**46,513**	**1,130**	**282,222**
Depreciation and amortization						
01/01/2002	18,380	1,230	65,250	30,596	0	115,456
Currency differences	-267	0	-1,672	-136	0	-2,075
Additions	2,363	740	8,978	5,401	0	17,482
Disposals	-1,213	0	-887	-2,846	0	-4,946
Transfers	0	0	0	0	0	0
31/12/2002	**19,263**	**1,970**	**71,669**	**33,015**	**0**	**125,917**
Book value at 31/12/2002	**57,080**	**27,293**	**57,304**	**13,498**	**1,130**	**156,305**
Book value at 31/12/2001	**59,519**	**28,021**	**59,401**	**14,128**	**5,090**	**166,159**

Finance leasing contracts are generally concluded over a basic leasing period of between 15 and 25 years and after the expiry of the basic leasing period provide for a purchase option or the option of extending the contract at least once for a period of 5 years. Apart from finance leasing contracts, the SURTECO Group has also concluded rental and leasing contracts that qualify as operating leasing contracts on the basis of their commercial content, whereby the lease item should be reported by the lessor.

(16) Intangible assets

Intangible assets comprise primarily IT software.

	Concessions, patents, licenses and similar rights and values € 000s
Acquisition costs	
01/01/2002	5,387
Currency differences	-22
Additions	432
Disposals	-221
Transfers	89
31/12/2002	**5,665**
Depreciation and amortization	
01/01/2002	3,349
Currency differences	-6
Additions	970
Disposals	-214
31/12/2002	**4,099**
Book value at 31/12/2002	**1,566**
Book value at 31/12/2001	**2,038**

(17) Goodwill

Goodwill is comprised of the following amounts from the takeover of asset deals and from capital consolidation (€ 000s 87,509).

Goodwill has developed as follows:

	€ 000s
01/01	48,441
Currency adjustments	-616
Additions	67,337
Disposals	0
Amortization	-8,573
31/12	**106,589**

(18) Financial assets

	Participations € 000s
Acquisitions costs	
01/01/2002	530
Additions	0
Disposals	-39
31/12/2002	**491**
Depreciation and amortization	
01/01/2002	10
Additions	0
Disposals	0
31/12/2002	**10**
Book value at 31/12/2002	**481**
Book value at 31/12/2001	**520**

Shares in affiliated enterprises in the consolidated financial statements relate to unconsolidated subsidiaries. The disposal under interests in associated companies relates to Bausch Technik GmbH.

(19) Current financial liabilities

Current financial liabilities include short-term credit lines that have been drawn down, short-term proportion of loan liabilities, and finance and leasing liabilities.

(20) Short-term accrued expenses

Short-term accrued expenses include reserves for warranties (€ 000s 1,364), impending losses and costs of litigation (€ 000s 272) and expenses for financial instruments (€ 000s 300).

(21) Other current liabilities

	2001 € 000s	2002 € 000s
Liabilities to employees	7,647	8,617
Social security contributions	1,347	1,749
Social insurance against occupational accidents	556	489
Bonuses and promotion costs	1,551	1,695
Residual purchase price participation	0	1,508
Supervisory Board remuneration	508	310
Tax liabilities	1,986	1,105
Other	4,634	2,835
	18,229	**18,308**

(22) Liabilities

[€ 000s]	TOTAL	RESIDUAL TERM up to 1 year	1-5 years	more than 5 years
Debts	183,359	58,339	71,072	53,948
Liabilities from finance leases	27,453	933	4,543	21,977
Trade accounts payable	13,685	13,280	405	0
Tax liabilities	14,454	13,246	1,208	0
Other liabilities *of which from taxes € 000s 1,105* *of which social security € 000s 1,749*	19,008	18,309	314	385
	257,959	**104,107**	**77,542**	**76,310**

(23) Pensions and similar obligations

Agreements for company pension provision were concluded for staff of the SURTECO Group, which were financed exclusively within the scope of defined benefit plans through pension accruals.

The following items have been included in pension accruals and similar obligations:

[€ 000s]	01/01	Con-sumption	Release	Addition	31/12
Pension obligations	7,169	-314	0	246	7,101
Phased retirement	1,870	-344	0	1,195	2,721
Reserves for long-service awards	488	-134	-2	144	496
	9,527	**-792**	**-2**	**1,585**	**10,318**

(24) Shareholders' equity

The **subscribed capital (capital stock)** of SURTECO AG is € 10,575,522.00. It is divided into 10,575,522 no-par-value bearer shares (ordinary shares) of € 1.00 each, corresponding to a proportion of the capital stock.

The Board of Management is authorized by the resolutions of the Annual General Meetings on 7 and 24 September 1999 and following the capital increase for a non-cash consideration on 28 October 1999 and 14 August 2001, and with the consent of the Supervisory Board, to increase the capital stock of the Company once or in several stages in the period to 7 September 2004 overall up to € 224,478.00 **(authorized capital I)** by the issue of new no-par-value bearer shares of € 1.00 each, corresponding to a proportion of the capital stock, for cash or a non-cash consideration.

Shareholders are granted a pre-emptive right in the case of a capital increase for cash, but the Board of Management is entitled to exclude fractions from shareholders' statutory pre-emptive right. The Board of Management is entitled to exclude the pre-emptive right of shareholders in the case of a capital increase for a non-cash consideration. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The Board of Management is authorized by the resolution of the Annual General Meeting on 20 June 2000, with the consent of the Supervisory Board, to increase the capital stock of the Company once or in several stages in the period to 20 June 2005, by a total of up to € 1,000,000.00 **(authorized capital II)** by the issue of new no-par-value bearer shares of € 1.00 each, corresponding to a proportion of the capital stock, for cash or a non-cash consideration.

Shareholders are granted a pre-emptive right in the case of a capital increase for cash, but the Board of Management is entitled to exclude fractions from shareholders' statutory pre-emptive right. The Board of Management is entitled to exclude the pre-emptive right of shareholders in the case of a capital increase for a non-cash consideration. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The same resolution authorized the Board of Management, with the consent of the Supervisory Board, to increase the capital stock of the Company once, or in several stages in the period to 20 June 2005, up to a total of € 500,000.00 **(authorized capital III)** by the issue of new no-par-value bearer shares of € 1.00 each, corresponding to a proportion of the capital stock for cash. The Board of Management is entitled, with the consent of the Supervisory Board, to exclude the pre-emptive right of shareholders' up to a proportionate amount of the capital stock of € 500,000.00, in order to issue the new shares at an issue price that is not materially below the quoted market value. If the Board of Management does not make use of this authorization to exclude pre-emptive rights, the shareholders' pre-emptive right can only be excluded in order to utilize fractions. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The Board of Management is authorized by the resolution of the Annual General Meeting on 30 August 2001, with the consent of the Supervisory Board, to increase the capital stock of the Company once or in several stages in the period to 30 August 2006, by a total of up to € 3,000,000.00 **(authorized capital IV)** by the issue of new no-par-value bearer shares of € 1.00 each, corresponding to a proportion of the capital stock, for cash or a non-cash consideration. Shareholders are granted a pre-emptive right in the case of a capital increase for cash, but the Board of Management is entitled to exclude fractions from shareholders' statutory pre-emptive right. The Board of Management is entitled to exclude the pre-emptive right of shareholders in the case of a capital increase for a non-cash consideration. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The same resolution authorized the Board of Management, with the consent of the Supervisory Board, to increase the capital stock of the Company once, or in several stages in the period to 30 August 2006, up to a total of € 270,000.00 **(authorized capital V)** by the issue of new no-par-value bearer shares of € 1.00 each, corresponding to a proportion of the capital stock for cash or for a non-cash consideration. The Board of Management is authorized to exclude the statutory pre-emptive right of shareholders in the case of a capital increase for cash relating to a surplus allocation option granted to an issuing bank. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

Capital reserve

The capital reserve of SURTECO AG includes the amounts by which the capital investment values of investments in affiliated enterprises paid within the scope of capital increases against non-cash considerations exceed the amounts of capital stock allocated to the SURTECO shares released for this purpose. The amount of € 000s 16,159 was transferred in the year under review for the capital increase against non-cash considerations.

Netting differences capitalized as assets arising from capital consolidation on account of the pooling of interests method were netted in the consolidated financial statements of SURTECO AG against the capital reserve during the year of first-time consolidation.

Dividend proposal of SURTECO AG

The dividend payout of SURTECO AG is based on net profit reported in the financial statements of SURTECO AG drawn up in accordance with commercial law in conformity with Clause § 58 (2) of the Stock Corporation Act (Aktiengesetz, AktG) The financial statements drawn up in accordance with commercial law have recorded a net profit of € 000s 15,271. The Board of Management and Supervisory Board of SURTECO AG propose to the Annual General Meeting a dividend payout of € 0.65 per share, amounting to a total of € 000s 6,874, and the transfer to revenue reserves of € 000S 8,300. The Board of Management further recommends carrying forward the residual amount of € 000s 97 as profit carried forward.

(25) Liabilities

	2001 € 0000s	**2002** € 0000s
Arising from the issue and transfer of bills of exchange	447	0
Arising from joint and several liability for liabilities of Bausch GmbH integrated in 2000 (formerly Bausch AG)	4,081	0
	4,528	**0**

(26) Other financial obligations

	2001 € 0000s	**2002** € 0000s
Rental and operate leasing contracts	917	864
Purchase price obligation under a call contract	87,000	0
	87,917	**864**

Obligations arising from rental, hire and leasing contracts relate exclusively to rental contracts whereby the companies of the SURTECO Group are not the commercial owners of the leased assets in accordance with IFRS.

Obligations arising from finance and leasing contracts fall due during the subsequent periods as follows:

	up to 1 year € 000s	1 to 5 years € 000s	more than 5 years € 000s
Leasing payments due in the future	2,845	14,205	25,477
Unaccrued interest	-1,913	-9,658	-3,504
Cash value	**932**	**4,547**	**21,973**

(27) Financial instruments

Financial instruments are commercial transactions based on a contract that include a claim for cash. In accordance with IAS 32, such instruments include primary financial instruments, such as e.g. trade accounts receivable or appropriate liabilities or financial assets and liabilities. They also include derivative financial instruments, which are used to hedge interest-rate or currency risks.

Primary financial instruments

Primary financial instruments can be seen in the balance sheet. Financial instruments recognized under assets – taking into account any revaluations – have been recorded at acquisition cost. Financial instruments recognized under liabilities have been recorded at face value or at the higher repayment amount. The creditworthiness or default risk arises from the risk that a business partner is unable to honour his obligations. Since no netting arrangements have been concluded with our customers, the amounts reported in the balance sheet represent the maximum default risk. Currency risks exist where assets or liabilities are held in currencies other than the local currency of the company. In the first instance, hedging is provided by positions that are intrinsically closed. To this end, the SURTECO Group always makes arrangements for one foreign currency asset to be balanced by one or more liabilities in the same currency that are equivalent in time and amount. Derivative instruments are only used to hedge additional currency risks extending beyond these limits.

Derivative financial instruments

The SURTECO Group may be affected by risks arising from changes in interest rates and exchange rates within the scope of its business activities. Derivative financial instruments are only used for hedging purposes and for reducing these risks. Financial instruments are not held for trading purposes. The use of derivative financial instruments is regulated by guidelines. Risk estimates and checks are carried out on an ongoing basis.

The SURTECO Group is subject to a credit risk, which arises from non-performance of contractual agreements by counterparties. Derivatives are only concluded with internationally recognized financial institutions in order to reduce this credit risk. In addition, all transactions are monitored by the central finance department at SURTECO AG. Only limited use was made of derivative financial instruments on the balance sheet date.

The Board of Management does not anticipate that commitments in transactions of this nature will exert any negative effects on the financial situation.

(28) Notes to the cash flow statement

The cash flow statement shows the changes in the financial resources of the SURTECO Group during the year under review. A distinction is drawn between cash flows arising from operating activities and those arising from investment and financing activities in accordance with IAS 7. Changes to individual items can be derived from the consolidated balance sheet and the consolidated income statement. Cash flows include cheques, cash in hand and bank balances which fall due within a period of up to three months.

(29) Segment reporting

Segment reporting has been carried out in accordance with the management approach (IAS 14) to the internal structure of the company. This involves the internal organizational structure of the company being split into the two Strategic Business Units (SBU) Paper and Plastics. Each company within the Group is assigned to the appropriate segment in accordance with the list giving an overview of shareholder structure. The business relationships between the companies in the segments are based on prices, which are also agreed with third parties. Administrative services are allocated on the basis of cost. Intragroup items are eliminated in the transition.

by Strategic Business Units [€ 000s]	**SBU PAPER**	**SBU PLASTICS**	**SURTECO AG**	**CONSOLI-DATION**	**SURTECO GROUP**
Income Statement					
Sales revenues	178,967	190,921	0	-2,246	367,642
- with outside third parties	178,209	189,433	0	0	367,642
- with other segments	758	1,488	0	-2,246	0
Depreciation and amortization	8,715	12,984	104	5,221	27,024
Segment earnings before income from participations, interest and taxes	29,017	23,158	-4,149	-5,290	42,736
Income from other participations and investments	38	0	55,193	-55,193	38
Balance Sheet					
Assets	160,885	205,473	331,260	-307,109	390,509
Liabilities	102,858	98,326	198,705	-113,426	286,463
Net assets	58,027	107,147	132,555	-193,683	104,046
Investments in tangible assets	5,694	5,742	209	0	11,645
Personnel	874	1,174	5	0	2,053

by regional markets [€ 000s]	**Sales revenues with third parties (by registerd office of the companies)**	**Segment assets**	**Segment liabilities**	**Investments in property, plant and equipment**
Germany	278,079	763,513	446,773	9,271
European Union	17,977	29,504	2,873	352
Asia/Australia	25,643	20,863	11,615	800
America	48,189	30,100	7,788	1,013
Transition account	-2,246	-453,470	-182,453	0
SURTECO GROUP	**367,642**	**390,510**	**286,596**	**11,436**

X. EXECUTIVE OFFICERS OF THE COMPANY

Board of Management

Name	Memberships in other companies
Friedhelm Päfgen Businessman Buttenwiesen-Pfaffenhofen Chairman	Deputy Chairman of the Supervisory Board of Schleipen & Erkens AG, Jülich Member of the Supervisory Board of Döllken-Kunststoffverarbeitung GmbH, Gladbeck
Bernd Dehmel Businessman Marienfeld SBU Paper	Deputy Chairman of the Supervisory Board of Döllken-Kunststoffverarbeitung GmbH, Gladbeck
Dr. Herbert Müller Engineer Heiligenhaus SBU Plastics	Chairman of the Supervisory Board of Döllken-Kunststoffverarbeitung GmbH, Gladbeck

Supervisory Board

Name	Memberships in other companies
Shareholder representatives	
Dr. Dr. Thomas Bausch Businessman Berlin Chairman until 28/10/2002	Member of the Supervisory Board of Zentrum für Wirtschaftsethik GmbH, Constance
Dr.-Ing. Jürgen Großmann Engineer Hamburg Member since 29/10/2002 Chairman since 09/12/2002	Member of the Supervisory Board of Wilhelm Karmann GmbH, Osnabrück; Member of the Supervisory Board of Klöckner & Co. AG, Duisburg; Member of the Supervisory Board of ASL Aircraft Services Lemwerder GmbH, Lemwerder; Member of the Supervisory Board of Deutsche Post AG, Bonn; Member of the Supervisory Board of a.i.s. AG, Mülheim an der Ruhr; Member of the Advisory Board of Dresdner Bank, Advisory Board North, Hamburg; Chairman of the Advisory Board of Gesellschaft für Stromwirtschaft m.b.H., Mülheim; Member of the Advisory Board of Ardex GmbH, Witten; Member of the RWE Scientific Advisory Board, Essen; Member of the Advisory Board of RAG Trading International, Essen
Christa Linnemann Businesswoman Gütersloh Vice-chairwoman	
Jens Schürfeld Businessman Hamburg Deputy Chairman	Chairman of the Supervisory Board of Schleipen & Erkens AG, Jülich; Member of the Hamburg Advisory Board of Deutsche Bank AG, Frankfurt am Main; Member of the Board of Trustees of Hamburger Sparkasse, Hamburg; Chairman of the Advisory Board of Drewsen-Schürfeld GmbH, Lachendorf/Celle

Harald Eschenlohr Lawyer München	Chairman of the Advisory Board of Loden-Frey Verkaufshaus GmbH & Co. KG; Chairman of the Advisory Board of Tretter-Schuhe GmbH & Co. KG; Deputy Chairman of the Supervisory Board of Derag Deutsche Realbesitz AG; Member of the Advisory Board of Bärlocher GmbH; Member of the Supervisory Board of Germania Vermögensanlagen AG; Chairman of the Supervisory Board of FGS Feinpappenwerk Gebr. Schuster GmbH & Co. KG; Chairman of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG; Chairman of the Advisory Board of Käserei Champignon Hofmeister GmbH & Co. KG
Inge Kloepfer-Lange Journalist Berlin	Member of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG
Bernhard Schlautmann Businessman Gütersloh	
Employee Representatives Wolfgang Goribßen Engineer Münster	
Richard Liepert Chairman of the Works Council Wertingen	
Udo Semrau Chairman of the Works Council Gladbeck	
Honorary Chairman Johan Viktor Bausch Engineer München	

Remuneration for the executive officers and former executive officers

Total emoluments for the Supervisory Board for fiscal year 2002 amounted to € 000s 310. Total emoluments for Members of the Board of Management were € 000s 3,614.

Share ownership of the Board of Management and Supervisory Board of SURTECO AG

57,845 shares in the Company were owned by members of the Board of Management on the balance sheet date. 2,045,520 shares in the Company were owned by members of the Supervisory Board.

Buttenwiesen-Pfaffenhofen, 26 March 2003
Board of Management

Friedhelm Päfgen   Bernd Dehmel   Dr. Herbert Müller

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

We have audited the Consolidated Financial Statements, comprising the balance sheet, the income statement, and the statements of changes in the shareholders' equity and cash flows, as well as the Notes to the Consolidated Financial Statements prepared by SURTECO Aktiengesellschaft for the business year from 1 January to 31 December 2002. The preparation and content of the Consolidated Financial Statements are the responsibility of the Board of Management of the Company. Our responsibility is to express an opinion on whether these Consolidated Financial Statements are in accordance with the International Financial Reporting Standards (IFRS) based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Independent Auditors). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the Consolidated Financial Statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and the evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the Consolidated Financial Statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the Consolidated Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with the International Financial Reporting Standards (IFRS). Our opinion, which also extends to the Management Report and the Group Management Report prepared by the Company's management for the business year from 1 January 2002 to 31 December 2002, has not led to any reservations. In our opinion, on the whole, the Management Report and the Group Management Report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the Consolidated Financial Statements, the Management Report and the Group Management Report for the business year from 1 January 2002 to 31 December 2002, satisfy the conditions required for the Company's exemption from its duty to prepare Consolidated Financial Statements and the Group Management Report in accordance with German law.

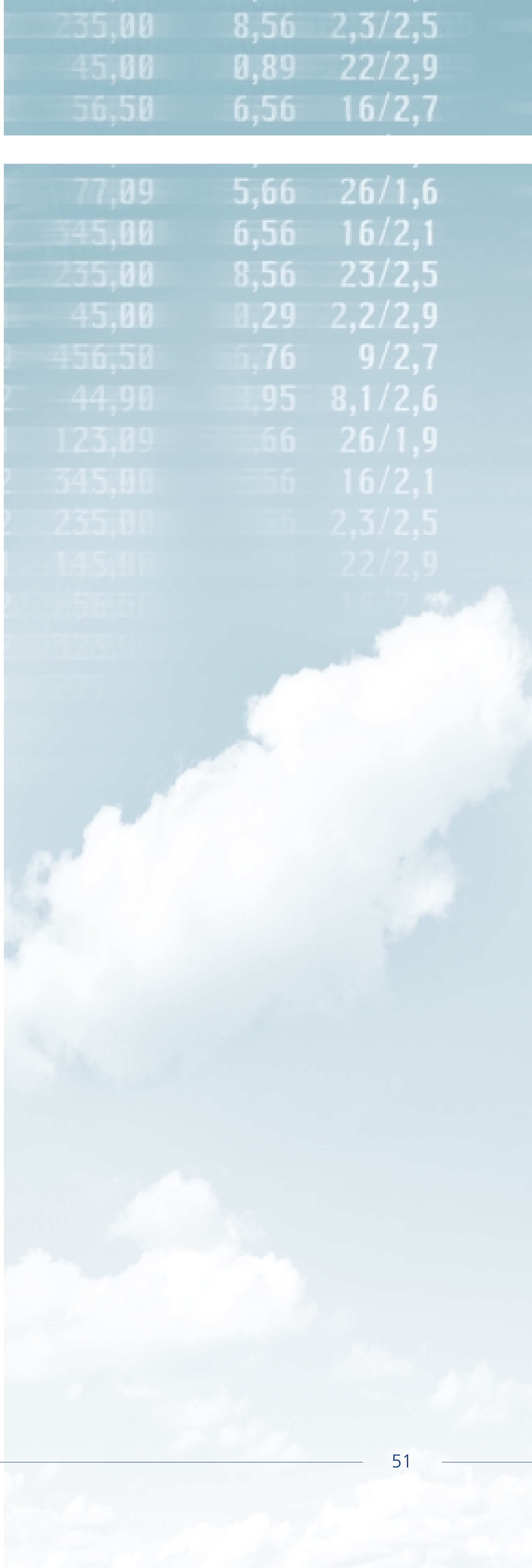
Berlin, 28 March 2003

Dr. Röver & Partner KG
Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft

Berndt Wittjen, Independent Auditor
Helmut Schuhmann, Independent Auditor

SURTECO AG

ANNUAL FINANCIAL STATEMENTS 2002



BALANCE SHEET
SURTECO AG (HGB*)
at 31 December 2002

	Note	2002 € 000s	2001 € 000s
ASSETS			
Intangible assets	(1)	113	20
Tangible assets		193	177
Investments	(2)	266,496	173,615
Fixed assets		**266,802**	**173,812**
Receivables and other assets			
- Receivables from affiliated enterprises	(3)	63,806	30,661
- Other assets		305	1,436
Cash in hand, bank balances and cheques		3	1
Current assets		**64,114**	**32,098**
Prepaid expenses	(4)	**93**	**3**
		331,009	**205,913**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital (conditionally authorized capital € 000s 600)		10,576	10,576
Additional paid-in capital		79,864	79,864
Revenue reserves		26,809	11,709
Net profit		15,271	11,656
Equity capital	(5)	**132,520**	**113,805**
Pension reserves		83	62
Tax accruals	(6)	4,894	673
Other accruals	(7)	4,218	3,488
Accrued expenses		**9,195**	**4,223**
Liabilities to banks		128,856	16,426
Trade accounts payable		246	288
Liabilities from acceptance of drawn bills of exchange and issue of own bills of exchange		10,500	0
Payables to related parties		48,111	71,095
Other liabilities		1,581	76
Liabilities	(8)	**189,294**	**87,885**
		331,009	**205,913**

*German Commercial Code *(Handelsgesetzbuch)*

INCOME STATEMENT
SURTECO AG (HGB)

for the year ended 31 December 2002

	Note	2002 € 000s	2001 € 000s
Income from profit transfer agreements (of which income from tax allocations transferred from subsidiaries € 000s 10.119; 2001: € 000s 1.470)	(10)	30,690	6,637
Income from other participations	(10)	24,503	15,871
Other operating income	(11)	2,457	1,957
Personnel expenses	(12)	-4,001	-4,000
Amortization and depreciation on intangible assets and fixed assets		-103	-80
Other operating exenses	(13)	-2,668	-2,711
Other interest and similar income	(14)	2,464	75
Interest and similar expenses	(14)	-10,528	-2,234
Results from ordinary activities		**42,814**	**15,515**
Income tax		-12,464	-3,921
Other taxes		-1	-1
Net income		**30,349**	**11,593**
Profit carried forward from previous year		22	14
Withdrawals from other revenue reserves		0	49
Transfers to revenue reserves		-15,100	0
Net profit	(16)	**15,271**	**11,656**

SURTECO AG
NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2002

I. GENERAL INFORMATION

The Annual Financial Statements and the Management Report of SURTECO AG for the year ended 31 December 2202 have been published in the Official Gazette of the Federal Republic of Germany (Bundesanzeiger) and filed at the Commercial Register of the Local Court (Amtsgericht) Augsburg. The Management Report of SURTECO AG has been combined with the Consolidated Management Report and has been published in the SURTECO Annual Report 2002.
The Annual Financial Statements of SURTECO AG for the year ended 31 December 2002 have been drawn up in accordance with the regulations in the third volume of the German Commercial Code (HGB) for large joint-stock companies and the Stock Corporation Act (AktG).

As in the previous year, the income statement has been drawn up in accordance with the cost of production method.

The consolidated financial statements have been drawn up in euros (€). Unless otherwise indicated, all amounts have been given in thousand euros (€ 000s).

In conformity with Clause 265 (7) no. 2 of the German Commercial Code (HGB), some items in the balance sheet and the income statement were combined and stated separately in the Notes to the Annual Financial Statements. This is intended to improve clarity of presentation.

The balance sheet date for SURTECO AG is 31 December 2002.

II. ACCOUNTING AND VALUATION PRINCIPLES

Intangible fixed assets acquired for a consideration have been capitalized as assets at acquisition cost, and amortized over their projected useful life using the straight-line method.

Property, plant and equipment have been recorded in accordance with acquisition or production costs less scheduled depreciation.

Scheduled depreciation is effected partly by the straight-line method and partly by the diminishing-balance method on the basis of the ordinary service life applicable to the sector permissible under fiscal regulations. The scope of diminishing-balance depreciation is used extensively. The full depreciation rate for the year is charged on movable economic assets acquired in the first half of the fiscal year and half the rate is applied to additions purchased during the second half of the year in accordance with the fiscal simplification rule. Depreciation is changed from the diminishing balance method to the straight-line method if the latter results in higher depreciation rates.

Minor value assets have been written down at the full annual rate during the year of acquisition in accordance with Clause § 6 (2) of the German Income Tax Act (EStG). They are recorded in the schedule of fixed-asset movements as additions and disposals.

Financial assets have been recorded at acquisition cost, including incidental acquisition costs.

Receivables and other assets have been reported at face value.

Prepaid expenses and deferred liabilities have been recorded in accordance with cost allocation over a given period.

Pension reserves have been calculated on the basis of actuarial principles and using the part-value procedure in conformity with Clause § 6a of the German Income Tax Act (EStG) on the basis of a notional interest rate of 6 % and taking into account the 1998 guideline tables drawn up by Prof. Klaus Heubeck.

Tax accruals and other **accruals** take into account all recognizable risks and uncertain obligations evident on the balance sheet date. They were recorded in each case as the amount required in accordance with prudent commercial judgement.
Liabilities have been valued at the repayment amount.

III. CURRENCY TRANSLATION

Foreign-currency receivables have been recorded at the rates prevailing on transaction dates (rate for the currency on the invoice date) or the lower rate on the balance sheet date. Foreign currency liabilities have been valued at the rates prevailing on transaction dates or at the higher rate on the current balance sheet date or an earlier date.

IV. NOTES TO THE BALANCE SHEET

The composition and development of individual headings under fixed assets during the year under review are comprised as follows:

[€ 000s]	**Intangible assets** Industrial property rights and similar rights	**Property, plant and equipment** Other equipment, factory and office equipment	**Financial assets** Shares in affiliated enterprises	**Total**
Acquisition costs				
01/01/02	38	318	173,615	173,971
Additions	120	93	93,251	93,464
Disposals	0	-5	-370	-375
31/12/02	**158**	**406**	**266,496**	**267,060**
Depreciation and amortization				
01/01/02	19	141	0	160
Additions	26	77	0	103
Disposals	0	-5	0	-5
31/12/02	**45**	**213**	**0**	**258**
Net book value at 31/12/2002	**113**	**193**	**266,496**	**266,802**
Net book value at 31/12/2001	**19**	**177**	**173,615**	**173,811**

(1) Intangible assets

Intangible assets comprise primarily IT software.

(2) Financial assets

Financial assets comprise interests in subsidiaries.

Information on direct and indirect subsidiaries and participations of SURTECO AG is provided in a supplementary section to the Notes on the Annual Financial Statements. The list of shareholders is filed at the Commercial Register of the Local Court (Amtsgericht) Augsburg HRB 2012.

(3) Receivables and other assets

All receivables and other assets have a term to maturity of less than one year.

(4) Prepaid expenses and deferred liabilities

Prepaid expenses and deferred liabilities include discounts amounting to € 000s 90.

(5) Subscribed capital

The subscribed capital (capital stock) of SURTECO AG is € 10,575,522.00. It is divided into 10,575,522 no-par-value bearer shares (ordinary shares) of € 1.00 each, corresponding to a proportion of the capital stock.

The Board of Management is authorized by the resolutions of the Annual General Meetings on 7 and 24 September 1999 and following the capital increase for a non-cash consideration on 28 October 1999 and 14 August 2001, and with the consent of the Supervisory Board, to increase the capital stock of the Company once or in several stages in the period to 7 September 2004 overall up to € 224,478.00 (authorized capital I) by the issue of new no-par-value bearer shares of € 1.00 each, corresponding to a proportion of the capital stock, for cash or a non-cash consideration.

Shareholders are granted a pre-emptive right in the case of a capital increase for cash, but the Board of Management is entitled to exclude fractions from shareholders' statutory pre-emptive right. The Board of Management is entitled to exclude the pre-emptive right of shareholders in the case of a capital increase for a non-cash consideration. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The Board of Management is authorized by the resolution of the Annual General Meeting on 20 June 2000, with the consent of the Supervisory Board, to increase the capital stock of the Company once or in several stages in the period to 20 June 2005, by a total of up to € 1,000,000.00 (authorized capital II) by the issue of new no-par-value bearer shares of € 1.00 each, corresponding to a proportion of the capital stock, for cash or a non-cash consideration.

Shareholders are granted a pre-emptive right in the case of a capital increase for cash, but the Board of Management is entitled to exclude fractions from shareholders' statutory pre-emptive right. The Board of Management is entitled to exclude the pre-emptive right of shareholders in the case of a capital increase for a non-cash consideration. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The same resolution authorized the Board of Management, with the consent of the Supervisory Board, to increase the capital stock of the Company once, or in several stages in the period to 20 June 2005, up to a total of € 500,000.00 (authorized capital III) by the issue of new no-par-value bearer shares of € 1.00 each, corresponding to a proportion of the capital stock for cash. The Board of Management is entitled, with the consent of the Supervisory Board, to exclude the pre-emptive right of shareholders' up to a proportionate amount of the capital stock of € 500,000.00, in order to issue the new shares at an issue price that is not materially below the quoted market value. If the Board of Management does not make use of this authorization to exclude pre-emptive rights, the shareholders' pre-emptive right can only be excluded in order to utilize fractions. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The Board of Management is authorized by the resolution of the Annual General Meeting on 30 August 2001, with the consent of the Supervisory Board, to increase the capital stock of the Company once or in several stages in the period to 30 August 2006, by a total of up to € 3,000,000.00 (authorized capital IV) by the issue of new no-par-value bearer shares of € 1.00 each, corresponding to a proportion of the capital stock, for cash or a non-cash consideration. Shareholders are granted a pre-emptive right in the case of a capital increase for cash, but the Board of Management is entitled to exclude fractions from shareholders' statutory pre-emptive right. The Board of Management is entitled to exclude the pre-emptive right of shareholders in the case of a capital increase for a non-cash consideration. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The same resolution authorized the Board of Management, with the consent of the Supervisory Board, to increase the capital stock of the Company once, or in several stages in the period to 30 August 2006, up to a total of € 270,000.00 (authorized capital V) by the issue of new no-par-value bearer shares of € 1.00

each, corresponding to a proportion of the capital stock for cash or for a non-cash consideration. The Board of Management is authorized to exclude the statutory pre-emptive right of shareholders in the case of a capital increase for cash relating to a surplus allocation option granted to an issuing bank. The Board of Management decides on the additional content of share rights and the conditions of issue, with the consent of the Supervisory Board.

The capital reserve includes the amounts by which the capital investment values of investments in affiliated enterprises paid within the scope of capital increases against non-cash considerations exceed the amounts of capital stock allocated to SURTECO shares.

Composition of revenue reserves:

[€ 000s]	2001	2002
01/01	11,709	11,709
Addition	0	15,100
31/12	**11,709**	**26,809**

The net profit includes the profit carried forward from 2001 amounting to € 000s 23.

(6) Tax accruals

Tax accruals include payments in arrears for local business tax and corporate income tax in respect of the group of affiliated enterprises.

(7) Other accruals

Other accruals essentially include accrued expenses for personnel obligations, remuneration for Members of the Supervisory Board and invoices payable.

(8) Liabilities

[€ 000s]	TOTAL	TERM TO MATURITY up to 1 year	1-5 years	more than 5 years
Liabilities to banks	128,855	34,639	47,787	46,429
Trade accounts payable	246	246	0	0
Payables to related parties	48,112	48,112	0	0
Liabilities from acceptance of drawn bills of exchange	10,500	10,500	0	0
Other liabilities *of which from taxes a 000s 32 (2001: € 000s 27) of which social security € 000s 7 (2001: € 000s 6)*	1,581	1,581	0	0
	189,294	**95,078**	**47,787**	**46,429**

(9) Liabilities

[€ 000s]	2001	2002
Liability as a guarantor for a bank loan taken out by an affiliated enterprise	24,450	16,360
Arising from joint and several liability for liabilities of Bausch GmbH integrated in 2000 (formerly Bausch AG)	9,578	8,270
	34,028	**24,630**

(10) Income from profit transfer agreements, income from other participations

Income from profit transfer agreements and income from participations includes the net income transferred to SURTECO AG by subsidiaries or payouts prior to profit transfer agreements.
Profit transfer agreements concluded with subsidiary companies entail tax allocations charged to subsidiaries being reported under this heading.

(11) Other operating expenses

Other operating expenses principally include income arising from the allocation of personnel costs to subsidiaries.

(12) Personnel expenses

[€ 000s]	2001	2002
Wages and salaries	3,908	3,892
Social security and other pension costs *of which for old age pensions: € 000s 24*	92	109
	4,000	**4,001**

The average number of staff employed by SURTECO AG was 5 (2001: 5).
If the Board of Management and employees of the parent company were carrying out work for the subsidiaries, the personnel expenses to be borne by the subsidiaries pursuant to existing agreements in the previous year were reported directly under the subsidiary companies.

(13) Other operating expenses

Other operating expenses principally include administrative expenses.

(14) Interest income

[€ 000s]	2001	2002
Other interest and similar income *of which to affiliated enterprises: € 000s 2,461*	75	2,463
Interest and similar expenses *of which to affiliated enterprises: € 000s 4,081*	-2,234	-10,528
	-2,159	**-8,065**

(15) Taxes

[€ 000s]	2001	2002
Income tax	3,921	12,464
Other taxes	1	1
	3,922	**12,465**

Income tax includes income tax expenses for affiliated companies with profit transfer agreements.

(16) Appropriation of profit

The Board of Management will propose to the Annual General Meeting that the net profit be appropriated as follows:

- Payment of a dividend amounting to € 6,874.089.30. This amounts to a dividend payout of € 0.65 on each no-par-value share for the 10,575,522 shares issued, corresponding to a participation in the capital stock of € 1,00
- Transfer of € 8,300,000.00 to revenue reserves
- Carrying forward € 97,284.92 to the new account

VI. EXECUTIVE OFFICERS OF THE COMPANY

Board of Management

Name	Memberships in other companies
Friedhelm Päfgen Businessman Buttenwiesen-Pfaffenhofen Chairman	Deputy Chairman of the Supervisory Board of Schleipen & Erkens AG, Jülich Member of the Supervisory Board of Döllken-Kunststoffverarbeitung GmbH, Gladbeck
Bernd Dehmel Businessman Marienfeld SBU Paper	Deputy Chairman of the Supervisory Board of Döllken-Kunststoffverarbeitung GmbH, Gladbeck
Dr. Herbert Müller Engineer Heiligenhaus SBU Plastics	Chairman of the Supervisory Board of Döllken-Kunststoffverarbeitung GmbH, Gladbeck

Supervisory Board

Name	Memberships in other companies
Shareholder representatives	
Dr. Dr. Thomas Bausch Businessman Berlin Chairman until 28/10/2002	Member of the Supervisory Board of Zentrum für Wirtschaftsethik GmbH, Constance
Dr.-Ing. Jürgen Großmann Engineer Hamburg Member since 29/10/2002 Chairman since 09/12/2002	Member of the Supervisory Board of Wilhelm Karmann GmbH, Osnabrück; Member of the Supervisory Board of Klöckner & Co. AG, Duisburg; Member of the Supervisory Board of ASL Aircraft Services Lemwerder GmbH, Lemwerder; Member of the Supervisory Board of Deutsche Post AG, Bonn; Member of the Supervisory Board of a.i.s. AG, Mülheim an der Ruhr; Member of the Advisory Board of Dresdner Bank, Advisory Board North, Hamburg; Chairman of the Advisory Board of Gesellschaft für Stromwirtschaft m.b.H., Mülheim; Member of the Advisory Board of Ardex GmbH, Witten; Member of the RWE Scientific Advisory Board, Essen; Member of the Advisory Board of RAG Trading International, Essen
Christa Linnemann Businesswoman Gütersloh Vice-chairwoman	
Jens Schürfeld Businessman Hamburg Deputy Chairman	Chairman of the Supervisory Board of Schleipen & Erkens AG, Jülich; Member of the Hamburg Advisory Board of Deutsche Bank AG, Frankfurt am Main; Member of the Board of Trustees of Hamburger Sparkasse, Hamburg; Chairman of the Advisory Board of Drewsen-Schürfeld GmbH, Lachendorf/Celle

Harald Eschenlohr Lawyer München	Chairman of the Advisory Board of Loden-Frey Verkaufshaus GmbH & Co. KG; Chairman of the Advisory Board of Tretter-Schuhe GmbH & Co. KG; Deputy Chairman of the Supervisory Board of Derag Deutsche Realbesitz AG; Member of the Advisory Board of Bärlocher GmbH; Member of the Supervisory Board of Germania Vermögensanlagen AG; Chairman of the Supervisory Board of FGS Feinpappenwerk Gebr. Schuster GmbH & Co. KG; Chairman of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG; Chairman of the Advisory Board of Käserei Champignon Hofmeister GmbH & Co. KG
Inge Kloepfer-Lange Journalist Berlin	Member of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG
Bernhard Schlautmann Businessman Gütersloh	
Employee Representatives	
Wolfgang Gorißen Engineer Münster	
Richard Liepert Chairman of the Works Council Wertingen	
Udo Semrau Chairman of the Works Council Gladbeck	
Honorary Chairman	
Johan Viktor Bausch Engineer München	

Remuneration for the executive officers and former executive officers

Total emoluments for the Supervisory Board for fiscal year 2002 amounted to € 000s 310. Total emoluments for Members of the Board of Management were € 000s 3,614.

Share ownership of the Board of Management and Supervisory Board of SURTECO AG

57,845 shares in the Company were owned by members of the Board of Management on the balance sheet date. 2,045,520 shares in the Company were owned by members of the Supervisory Board.

VII. DECLARATION ON CORPORATE GOVERNANCE CODEX PURSUANT to Clause § 161 Sentence 1 Stock Corporation Act (AktG) in conjunction with Clause § 15 Introductory Act to the Stock Corporation Act (EGAktG)

The Board of Management and Supervisory Board have submitted a Declaration of Compliance on the Corporate Governance Codex pursuant to Clause § 161 Sentence 1 Stock Corporation Act in conjunction with Clause § 15 Introductory Act to the Stock Corporation Act (EGAktG) and made it available to the shareholders. This provides for compliance with all the substantive recommendations of the "Government Commission on the German Corporate Governance Codex".

VIII. **DISCLOSURE PURSUANT** to Clause § 25 of the Securities Trading Act (WpHG) / Clause § 160 (1) no. 8 of the Stock Corporation Act (AktG)

The following shareholders of our company informed us of the holdings of voting rights set out below pursuant to Clause § 21 of the Securities Trading Act (WpHG):

Shareholder	Holdings of voting rights Total in %	Add (%)	
Christa Linnemann, Gütersloh	75.6653	§ 22 (2) WpHG[1]	67.2572
Claus Linnemann, Gütersloh	76.5428	§ 22 (2) WpHG[1]	64.1860
Bernhard Schlautmann, Gütersloh	75.4252	§ 22 (2) WpHG[1]	68.1177
Elke Schlautmann, Hamburg	74.2394	§ 22 (2) WpHG[1]	72.2480
Katrin Schlautmann, Gütersloh	74.2394	§ 22 (2) WpHG[1]	72.2480
Christian Schlautmann, Gütersloh	74.2394	§ 22 (2) WpHG[1]	72.2480
Klöpferholz GmbH, Garching	73.7969	§ 22 (2) WpHG[1]	52.9312
Klöpfer & Königer GmbH & Co. KG, Garching	73.7969	§ 22 (1) No. 1 WpHG[1]	20.8657
		§ 22 (1) No. 1 with § 22 (2) WpHG	52.9312
Gustav und Catharina Schürfeld, foundation, Lachendorf	74.4834	§ 22 (2) WpHG[1]	72.1421
G.Schürfeld + Co. (GmbH & Co.), Hamburg	80.6865	§ 22 (2) WpHG[1]	68.9483
PKG Schürfeld GmbH	80.6865	§ 22 (2) WpHG[2]	68.9483
Jens Schürfeld, Hamburg	84.2720	§ 22 (1) No. 1 WpHG[1]	11.7382
		§ 22 (1) No. 1 with § 22 (2) WpHG	68.9483
Johan Viktor Bausch, München	73.8181	§ 22 (2) WpHG[1]	69.3983
		§ 22 (1) No. 4 WpHG	0.1580
Ricarda Bausch, Glashütten	73.8283	§ 22 (2) WpHG[1]	73.4110
		§ 22 (1) No. 6 WpHG	0.0213
Oliver Bausch, Osnabrück	73.8290	§ 22 (2) WpHG[1]	73.3773
Th. Bausch GmbH & Co. Vermögensanlage KG, Berlin	73.7969	§ 22 (2) WpHG[1]	65.5132
Dr. Dr. Thomas Bausch, Berlin	74.2715	§ 22 (1) No. 1 WpHG[1]	8.2837
		§ 22 (1) No. 1 with § 22 (2) WpHG	65.5132
Coralie Anna Bausch, Berlin	73.8111	§ 22 (2) WpHG[1]	73.6550
Camilla Bausch, Berlin	73.8330	§ 22 (2) WpHG[1]	73.6550
Constanze Bausch, Berlin	73.8181	§ 22 (2) WpHG[1]	73.6550
Marion Ramcke, Hannover	73.8725	§ 22 (2) WpHG[1]	70.7774
Hans Christian Ahrenkiel, Hürtgenwald	73.8612	§ 22 (2) WpHG[1]	73.5699
Björn Ahrenkiel, Hürtgenwald	73.7973	§ 22 (2) WpHG[1]	71.0048

1) based on portfolio analysis as at 1/4/2002 on account of notification requirement pursuant to Clause § 41 (2) sentence 1 Securities Trading Act (WpHG)
2) Notification pursuant to requirements set out in Clause § 21 (1) Securities Trading Act (WpHG), voting rights exceeded the 75% threshold on 23/12/2002

Buttenwiesen-Pfaffenhofen, 25 March 2003

Board of Management
Friedhelm Päfgen   Bernd Dehmel   Dr. Herbert Müller

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

We have audited the Annual Financial Statements including the accounting records of SURTECO Aktiengesellschaft, and the Management Report and Group Management Report drawn up by SURTECO Aktiengesellschaft for the fiscal year from 1 January to 31 December 2001. The legal representatives of the Company are responsible for the preparation of these documents in accordance with German commercial law and the supplementary provisions in the Company's statutes. It is our responsibility to form an independent opinion, based on the audit carried out by us, on the Annual Financial Statements, including the accounting records, and the Management Report and the Group Management Report.

We conducted our audit of the Annual Financial Statements in accordance with Clause § 317 of the German Commercial Code (HGB) and with the generally accepted German auditing standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Independent Auditors, IDW). Those standards require that we plan and perform our audit so as to obtain all the information and explanations necessary in order to provide us with sufficient evidence to give reasonable assurance that any misstatements and irregularities materially affecting the presentation of the net worth, financial position and the results presented in the Annual Financial Statements in accordance with generally accepted accounting principles and in the Management Report and Group Management Report are identified.

Knowledge of the business activities and the economic and legal environment of the Company and expectations of possible errors are taken into account in the determination of audit procedures. This audit includes an examination, on a test basis, of the effectiveness of the internal control system for rendering accounts and the evidence supporting the disclosures in the accounting records, the Annual Financial Statements, and the Management Report and Group Management Report.

The audit includes an assessment of whether the accounting policies are appropriate to the Annual Financial Statements. The audit also includes an assessment of the significant estimates and judgements made by the Board of Management of the Company in respect of the Annual Financial Statements. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Annual Financial Statements, and in the Management Report and the Group Management report.

We believe that the audit we have conducted provides an adequate basis for the formation of our opinion.

We are satisfied that our audit has revealed no grounds for objection.

In our opinion, the Annual Financial Statements present a true and fair view of the net worth, financial position and results of the Company, in compliance with German principles of proper accounting. The Management Report and the Group Management Report give a true and fair view of the state of affairs of the Company and the Group and suitably present the risks of future development.

Berlin, 27 March 2003

Dr. Röver & Partner KG
Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft

Berndt Wittjen, Independent Auditor
Helmut Schuhmann, Independent Auditor

SHAREHOLDERS

Company registration no.	Segment/Name of company	Country	Consolidated	Percentage of shares held by SURTECO AG	Participation in no.
	PARENT COMPANY				
100	**SURTECO AG, Buttenwiesen-Pfaffenhofen**	Germany			
	Affiliated enterprises				
	STRATEGIC BUSINESS UNIT (SBU) PAPER				
	Bausch Group				
200	Bausch GmbH, Buttenwiesen-Pfaffenhofen	Germany	*	100.00	100
210	Bausch (U.K.) Limited, Burnley	Great Britain	*	100.00	200
211	Armabord Limited, Burnley	Great Britain	*	100.00	210
300	Bausch Dekor GmbH, Buttenwiesen-Pfaffenhofen	Germany	*	100.00	100
	Linnemann Group				
400	Robert Linnemann GmbH + Co., Sassenberg	Germany	*	100.00	100
410	Kröning GmbH & Co., Hüllhorst	Germany	*	100.00	400
420	Kröning Verwaltungsgesellschaft mbH, Hüllhorst	Germany	*	100.00	400
430	Robert Linnemann-International GmbH, Sassenberg	Germany	*	100.00	400
440	Linnemann Consult GmbH, Sassenberg	Germany	*	100.00	400
441	Linnemann USA, Inc., Greensboro	USA	*	100.00	440
499	Linnemann Beteiligungsges. mbH, Sassenberg	Germany	*	100.00	100
	STRATEGIC BUSINESS UNIT (SBU) PLASTICS				
	Döllken Group				
500	W. Döllken & Co. GmbH, Gladbeck	Germany	*	100.00	100
510	Döllken-Kunststoffverarbeitung GmbH, Gladbeck	Germany	*	100.00	500
512	Vinylit Fassaden GmbH, Kassel	Germany	*	100.00	510
513	Doellken A.S.L. Pty. Ltd., Sydney	Australia	*	100.00	510
514	Doellken Pte. Ltd., Singapur	Singapore	*	100.00	510
515	PT Doellken Bintan Edgings & Profiles, Bintan	Indonesia	*	100.00	510
520	Döllken-Weimar Profile für den Fachmann GmbH, Nohra	Germany	*	100.00	500
530	Döllken & Praktikus GmbH, Gladbeck	Germany	*	99.32	500
531	Praktikus Sp.z.o.o., Kattowitz	Poland		99.32	530
532	Praktikus CZ Spol.sr.o., Kolin	Czech Republic		99.32	530
540	Döllken-Werkzeugbau GmbH, Gladbeck	Germany	*	100.00	500
550	Doellken-Woodtape Inc., Everett / Washington	USA	*	100.00	500
560	Doellken-Woodtape Ltd., Mississauga	Canada	*	100.00	500
599	W. Döllken-Verwaltungs- und Beteiligungs-GmbH, Essen	Germany	*	100.00	500

The company makes use of the voting rights pursuant to Clauses § 286 (3) no. 2 and § 313 (3) of the German Commercial Code (HGB) for reporting shareholders' equity and earnings of the participations in the previous fiscal year, because the data could lead to a significant disadvantage in view of the competitive situation of the company.

GLOSSARY

Cash Earnings (DVFA)	Net income + amortization and depreciation + long-term provisions + extra-ordinary expenses
Cash Earnings per share (DVFA)	Cash earnings on the basis of the German Association for Financial Analysis and Consulting (DVFA) less profit attributable to minority interest/ number of shares
Cash flow	Balance affecting payments comprising cash inflow and cash outflow.
Consolidated group	Designation for the companies included within the scope of the consolidated financial statements
Consolidation	Consolidated financial statements that are drawn up as though all Group companies were divisions of a corporate unit and not independent. This entails elimination of relationships between Group companies that are evident in the figures.
Corporate Governance	Corporate Governance describes responsible management and control geared towards sustained creation of value. This includes the entire system of internal and external control and monitoring mechanisms within a company. The issues addressed under the heading Corporate Governance range from the structure of the ownership and capital relationships, the rights and obligations of the shareholders, the composition of the personnel, appointments to and effectiveness of the committees for managing and controlling the company including issues of co-determination for the employees, accounting principles and transparency, through to acquisition by corporate takeovers.
Current ratio	(Cash and cash equivalents + short-term receivables + inventories)/(short-term debt + projected dividend payout + minority interest in earnings)
DVFA/SG EPS (earnings per share, net income per share)	Net income less profit attributable to minority interest/number of shares
DVFA/SG	German Association for Financial Analysis and Consulting/Schmalenbach Gesellschaft
EBIT	Earnings before Interest (Financial Result) and Income Tax
EBITDA	Earnings before Interest (Financial Result), Income Tax and Depreciation and Amortization
EBT	Earnings before Income Tax
Fluctuation	Departures of employees from the company when there is an exchange of jobs between companies within the Group.
HGB	Abbreviation for *Handelsgesetzbuch* or German Commercial Code
IAS	International Accounting Standards (replaced by IFRS)
IFRS	International Financial Reporting Standards
Liquidity ratio	Liquid funds/balance sheet total
Material expense ratio	Cost of materials purchased/total output

Official trading	More than 90 % of total stock market turnover is concentrated in this market. The executive management is accountable to this market in conjunction with official brokers or the brokers' association. Obtaining an official listing for a security is subject to compliance with strict regulatory requirements. The prices in this market segment are fixed by brokers under public law and the prices are official.
Over the Counter Trading	Trading in securities that are not listed on the official stock exchange or included in the regulated market. There is no right to execution for buy and sell orders relating to OTC securities.
Personnel expense ratio	Personnel expenses/total output
Prime Standard	New share segment on the Frankfurt Stock Exchange (alongside the General Standard) with uniform registration obligations. Participation in the Prime Standard entails compliance with higher international requirements for transparency than required for the General Standard. Quarterly reporting, application of international accounting standards, publication of a corporate calendar, an annual analysts' conference, publication of ad hoc releases and ongoing reporting in English are the key obligations consequent on admission to the Prime Standard.
Ratio of liquid assets to current liabilities	Cash and cash equivalents/(short-term debt + projected dividend payout + minority interest in earnings)
Ratio of current assets to current liabilities	(Cash and cash equivalents + short-term receivables)/(short-term debt + projected dividend payout + minority interest in earnings)
Return on equity	Net income/equity capital after appropriation of profit
Return on investment	Net income before income taxes and interest expenses/balance sheet total
Risk management	Systematic approach to identifying and evaluating potential risks, selecting and implementing measures to deal with risks.
Sales return	Net income from income tax/sales revenues
SBU	Strategic Business Unit
Transparency and Publicity Act (Transparenz- und Publizitätsgesetz, TransPuG)	The Transparency and Publicity Act (TransPuG) represents another stage in the process of achieving a modern system of corporate management and control that is consistent with international standards. It is also modifies corporate accounting law to comply with international accounting standards. The Act was ratified by the Bundestag (German parliament) on 21 June 2002 and key elements came into force on 26 July 2002. Amendments to Clauses § 25 sentence 1, 125 and § 126 of the Stock Corporation Act (AktG) (permissibility of access for shareholders' counterproposals) are applicable with effect from 1 January 2003. The new provisions relate to the method of operation of the Board of Management and Supervisory Board, more publicity on the Internet, introduction of "approval" of the consolidated financial statements by the executive officers of the company, amendments to the regulations on group accounting principles (e.g. cash flow statement, segment reporting and schedule of equity capital as autonomous parts of the consolidated financial statements of parent companies oriented to the capital markets) and reporting by the auditor.

FINANCIAL CALENDAR

2003

30 May	Publication of three-month report January - March 2003
10 July	Annual General Meeting Gasteig, Carl-Orff-Saal, Munich
11 July	Dividend payout
29 August	Publication of six-month report January - June 2003
28 November	Publication of nine-month report January - September 2003

2004

30 April	Publication of annual report 2003
28 May	Publication of three-month report January - March 2004
17 June	Annual General Meeting Gasteig, Carl-Orff-Saal, Munich
18 June	Dividend payout
31. August	Publication of six-month report January - June 2004
30 November	Publication of nine-month report January - September 2004

PUBLICATION DETAILS

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SURTECO Aktiengesellschaft

Johan-Viktor-Bausch-Straße 2
86647 Buttenwiesen-Pfaffenhofen
Germany
Phone: +49 8274/9988-0
Fax: +49 8274/9988-505

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TEN YEAR OVERVIEW

	BAUSCH AG					
	HGB 1993	**HGB 1994**	**HGB 1995**	**HGB 1996**	**HGB 1997**	**HGB 1998**
Sales revenues € 000s	44,410	45,715	47,828	62,781	72,480	79,907
Ratio of exports to total sales %	48	48	52	64	69	68
EBITDA € 000s	5,778	7,778	8,294	9,995	15,058	16,786
Depreciation and amortization € 000s	-2,894	-1,840	-1,815	-2,341	-2,608	-2,695
EBIT € 000s	2,884	5,938	6,479	7,654	12,450	14,091
Financial result € 000s	-232	-156	67	-810	-645	-133
EBT € 000s	2,652	5,782	6,546	6,844	11,805	13,958
Net income € 000s	1,026	2,925	3,240	3,623	6,349	7,476
Cash Earnings (DVFA/SG) € 000s	4,394	4,774	4,542	6,024	8,957	10,209
Balance sheet total € 000s	25,830	26,509	33,935	39,003	50,131	52,526
Equity capital € 000s	17,605	19,507	21,520	12,667	28,872	33,565
Equity capital in % of balance sheet total	68	74	63	33	58	64
Average number of staff employed for the year	346	346	348	445	433	448
Number of staff employed at 31/12	341	348	351	441	436	453
Capital stock €	5,112,919	5,112,919	5,112,919	10,225,838	12,271,005	12,271,005
Number of shares*	2,000,000	2,000,000	2,000,000	4,000,000	4,800,000	4,800,000
DVFA/SG EPS €*	0.45	0.74	0.77	0.92	1.32	1.55
Dividend per share €*	0.26	0.31	0.36	0.41	0.51	0.61
Dividend payout € 000s	1,023	1,227	1,432	1,636	2,454	2,945
PROFITABILITY INDICATORS						
Sales return %	4.4	10.6	11.5	9.6	14.2	15.6
Return on equity %	11.0	24.8	25.6	47.6	35.6	37.1
Return on investment %	8.6	19.1	16.6	17.8	22.2	24.8

* restated to 2.56 € = 5.00 DM share for purposes of comparison to 1995

BAUSCH + LINNEMANN AG		SURTECO AG	
HGB 1999	HGB 2000	IFRS 2001	IFRS 2002
170,519	193,375	270,551	**367,642**
60	64	61	**60**
36,793	44,010	45,666	**69,761**
-9,166	-11,659	-15,207	**-27,025**
27,627	32,351	30,459	**42,736**
-1,959	-4,776	-4,134	**-12,721**
25,668	27,575	26,325	**30,015**
16,362	18,172	14,046	**17,586**
26,538	30,157	30,373	**45,898**
133,271	198,400	372,235	**390,510**
47,411	54,438	101,863	**104,046**
36	27	27	**27**
871	940	2,159	**2,053**
883	964	2,113	**2,033**
8,293,325	8,293,325	10,575,522	**10,575,522**
8,293,325	8,293,325	10,575,522	**10,575,522**
1.70	2.02	1.28	**1.71**
0.66	0.92	1.10	**0.65**
5,512	7,633	11,633	**6,874**
13.7	14.3	9.7	**8.2**
41.1	38.9	14.5	**18.1**
19.3	16.5	9.2	**11.0**

Contact

INVESTOR RELATIONS AND PRESS CENTRE

Günter Schneller
Phone: +49 8274/9988-508
Fax: +49 8274/9988-515
E-mail: g.schneller@surteco.com
Internet: www.surteco.com

SURTECO AKTIENGESELLSCHAFT

Johan-Viktor-Bausch-Straße 2
86647 Buttenwiesen-Pfaffenhofen