



ANNUAL REPORT 2001

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The new VDN is responsible for strategic management of the business units.

Dr. Knop, what is the “new” VDN AG?

Dr. Wolfgang Knop: The “new” VDN AG is a strategic holding company that manages a network of enterprises. VDN AG has originated from the merger of Vereinigte Deutsche Nickel-Werke AG and DOAG Holding AG with Langbein-Pfanhauser Werke AG. The network is subdivided into four business units operating in a variety of attractive markets. Within the holding company we are in charge of strategic management of the business units while bundling capital market expertise for the whole Group.

What are the Group’s objectives?

Dr. Knop: Our overriding goal is to achieve permanently high returns, with each business unit striving for an ROCE of 15 percent. By setting this uniform target we are seeking to constantly enhance and prioritize shareholder value.

Does this approach include bundling the capital market expertise of all the original companies now within the holding company?

Günter Franke: Yes, exactly. That was also the central idea behind the merger. Through the holding company we consolidate the shareholder value of all business units. We now possess a much higher free float of some 40 percent and within the holding company we concentrate all the expertise related to the capital market. This includes, for instance, the creation of an Investor Relations Manager position. To sum up, we regard communication with the capital market as an absolute must.

Dr. Knop, when are we likely to find VDN AG in a stock market index?

Dr. Knop: We intend to achieve admission to the MDAX through a gradual approach. Of course we realize that this goal cannot be achieved overnight. We are therefore striving for admission to the quality SMAX segment for the time being, which is due to happen at the start of next year at the latest. We are taking the necessary steps at present such as converting our accounts to IAS. We would then like to join the select SDAX index as quickly as possible. We regard VDN's inclusion in the MDAX as a long-term goal.

What are the holding company's tasks in detail?

Franke: To us, strategic management means above all developing with those responsible detailed objectives for the business units and taking charge of procuring financial resources within the Group. The actual sharing out of financial resources is based on the potential of the business units and the extent to which targets have already been achieved. The holding company itself is tasked with strategic controlling and the development of managerial staff. We also attach great importance to close relations with the financial community.

What are the benefits of opting for the holding company structure?

Dr. Knop: The basis for today's organization are four healthy, thriving but relatively small enterprises with the corresponding sales, earnings, and market values. At present, we are a Group with total sales in 2001 of more than €800 million and an EBIT margin of 10.8 percent. We now see the opportunity to enhance shareholder value substantially because this new size has made us appealing to completely different investor groups. In order to support this process, we plan to step up our communication with the capital market increasingly.

Communicating with the capital market has utmost priority.

Inclusion in the SDAX is our medium-term goal.



Günter Franke

The holding company is creating incremental value for the Group as a whole.

Franke: With today's structure we can also procure outside capital more easily and on better terms. Because both Dr. Knop and I know the business units very well we will also manage the use of funds with an expert eye on the potentials and business plans of the units. That is what we understand by strategic management and the real benefit of a holding company. Most importantly, with this strategic leadership and our capital market standing we are adding genuine value to and for each and every unit and thus for the whole Group.

And what are advantages for the investor from this concept?

The investor gains access to highly attractive markets.

Dr. Knop: We are granting the investor access to several highly interesting segments for which the capital market offers virtually no stand-alone investment alternatives. The combination of optimized opportunities within the Group and harmonization of varying segments thanks to the uniform ROCE target opens up attractive potentials for the investor.

Let us turn to the Group's operating units. What is the market positioning of the four business units?

Dr. Knop: All of the business units are operating successfully and occupy leading positions in their markets, even commanding market supremacy in some cases. It is important for us that the company management teams run the units' operations independently so that the holding company can concentrate on strategic management.

How do the business units benefit from the holding company structure?

Franke: Through us the business units get access to the capital market, receiving equity and outside capital on attractive terms. Through the provision of capital at this level we ensure that the units gain a competitive advantage over their rivals.

Dr. Wolfgang Knop



How about performance in 2001?

Franke: In terms of quality, the merger to form the new VDN AG has given the Group as such an even more efficient structure. During the past year, all four business units performed encouragingly, the diversified portfolio also ensuring that cyclical trends are leveled out. Fiscal 2001 was very rewarding in quantitative terms, too, with Group sales totaling some €800 million and an EBT of around €29 million.

The Group made good progress in 2001

What about the future?

Dr. Knop: We are very optimistic about the future. The merger has sown the seeds for further corporate growth although this was only the start. We will continue during the current fiscal year with our long-term strategy of managing the business units enterprisingly with a uniform ROCE target for the business units of 15 percent. The aim is for operational successes to be reflected in shareholder value, meaning the stock price, in the medium term.

We have set an ROCE target for the business units of 15 percent.

As a strategic management holding company VDN AG manages a network of companies that are organized in the following four business units: Nonferrous Metal Technology, Payment Systems, Home Decoration, and Fastening Systems. Whereas the business units themselves operate independently, VDN as a lean holding company concentrates on strategic management tasks through which it creates incremental value for the Group as a whole.

The objectives

VDN AG's overriding corporate goal is to generate a permanently high return, to which all business units contribute equally. The holding company therefore sets a uniform return-on-capital target of 15 percent to be achieved by each business unit in the medium term. Furthermore, the diversified portfolio of holdings with business units operating in a variety of sectors ensures that cyclical fluctuations in individual markets offset each other, enabling VDN to provide constant earnings growth.

Uniform target for return on capital employed of 15 percent

Based on this earnings potential the Group's shareholder value is set to rise continually. VDN is thus pursuing a clear shareholder value approach as also reflected in the envisaged dividend policy.



This is likewise the prime objective of VDN's capital market activities. Stepped-up communication with the financial community is aimed at increased stock market trading and a continuing and long-term rise in the stock price, the foundations for which have been laid through the merger to form VDN AG, the resulting consolidation of shareholder value and the augmented free float to some 40 percent.

The holding company has set itself the goal of tapping new investor groups at both national and international level. At the start of next year, VDN will be seeking admission to the SMAX stock market segment, to be followed by membership of the SDAX index. In the long term, VDN is pursuing the goal of entering the MDAX and thus of joining the ranks of Germany's 100 top listed companies.

The strategy

VDN AG sees itself as a strategic management holding company whose corporate policy is geared to acquiring interests always for the long term and managing them strategically and enterprisingly with emphasis on specific sectors or markets. VDN AG's four business units operate successfully in widely differing markets with groupwide uniformity achieved through an ROCE target of 15 percent for each unit.

The holding company also manages the allocation and use of financial resources within the Group based on the desired return on capital employed, key criteria being the inherent potentials of the individual business units and the plans drawn up by them.

In addition, VDN makes decisions on investment and divestment for the whole portfolio based firstly on whether the existing business units can achieve the return goals in the medium to long term. Secondly, the holding company observes and analyzes attractive national and international markets and potential investees operating within them.

This corporate strategy is supported by intensive communication with the capital market aimed at boosting stock market trading and market capitalization. The stock's appeal is set to rise thanks to greater coverage by analysts and VDN's increased presence in the media. Inclusion in the relevant stock market segments is also expected to sharpen VDN AG's profile within the financial community.

Long-term enhancement of shareholder value

Financial resources are allocated according to the business units' development potential

Communication with the capital market forms an integral part of the holding company's strategy

VDN AG can thus reach new investor groups because institutional investors are especially influenced by the SDAX and MDAX indexes. The holding company is setting a clear example of closer and more transparent communication with the financial markets through the build-up of internal and external investor relations resources.

The tasks

The tasks of the holding company are clearly demarcated from those of the business units. Whereas the units look after day-to-day operations independently the holding company focuses on the strategic management of the whole Group, thus avoiding the overlapping of responsibilities and diverging approaches.

VDN formulates the targets and is involved in defining the strategic goals of the business units. As part of strategic controlling the holding company continually examines the degree of implementation of the agreed objectives. By overseeing and controlling its subsidiaries and investees, VDN AG is constantly in touch with the situation of its business units and can if necessary make policy-setting decisions.

The tapping of new investor groups is high up on the agenda

The procurement of equity and outside capital by the holding company enjoys high priority. VDN assists the units in raising outside capital, thus giving them additional scope for investment in their operations. By concentrating this task on the holding company, synergies are realized from which the whole Group benefits because much better terms can be obtained for the raising of outside capital than would have been possible for the individual business units. Likewise, the raising of equity capital is facilitated by the size of the Group as a whole and the resulting increased attention of the capital market.

Moreover, the holding company is responsible for cash management, creating clear additional benefits for the whole Group through the optimization of short-term cash surpluses and requirements.

VDN's core tasks include the intensive fostering of relations with the capital market. In particular, this means regular reporting on the whole Group and supplying transparent information about the individual business units. The holding company also plans to step up its contacts with financial journalists and analysts, as well as to actively target both national and international investors, the aim being to attract new investor groups to VDN AG.



The structure

Shored by a very lean structure, the holding company concentrates on its own specific tasks. This organizational structure is made possible by the clear division of responsibilities between the holding company and the business units. Whereas the business units devote themselves completely to their operations the holding company focuses exclusively on executing strategic tasks and capital market activities efficiently and on managing the whole Group. On this basis VDN AG creates its own incremental value as the holding company while incurring only marginal overheads. Both the business units and the stockholders benefit from this arrangement.

*Creating incremental
value with a lean structure*

Investor relations in 2001

During the past year, VDN AG began to expand its investor relations activities with a view to actively shaping its dialog with the financial community. Preparatory measures were taken for the creation of an Investor Relations position. This function and public relations work in the business units were combined so as to project a coherent image to the outside world.

VDN clearly positioned

One of the first measures involved carving out a clear corporate profile in relation to the financial community and then sharpening that profile. With regard to the merger of the former companies into the “new” VDN AG, the previous positioning was analyzed first of all. From this starting point, the investment case was worked out clearly and comprehensibly while the external image was tailored to the new VDN AG.

This also includes VDN AG’s new website created in April 2002 where interested stockholders and investors can obtain extensive information about the holding company, which is conveniently supplemented by a separate Investor Relations section.

Strong expansion of IR activities

Goals

The measures taken in 2001 will be consistently pursued during the current year. In March 2002, the Investor Relations manager took up his post, providing, in particular, a constant point of contact for financial analysts, journalists, and stockholders. The chief aim of IR activities is to ensure fair assessment of VDN stock by the capital market. An additional purpose is to raise coverage by financial analysts for which all the relevant information—including about the individual business units and their markets—is to be made regularly available. The presence in the media is also to be increased, background interviews with journalists being used especially to intensively communicate the goals and tasks of the “new” VDN AG.

All activities are directed at boosting both stock market trading and market capitalization and thus at promoting the stock’s appeal.

At the start of next year at the latest, VDN AG will apply for admission to the German stock market’s quality SMAX segment mainly comprising mid-sized companies which voluntarily undertake to comply with especially high transparency and liquidity standards. VDN AG regards these standards as appropriate in seeking to achieve a high level of visibility in relation to the financial community.



Following admission to SMAX, speedy inclusion will be sought in the SDAX, the select index of this segment. VDN AG's long-term goal is to be included in Germany's second-largest stock exchange index, the MDAX.

Admission to SMAX to follow speedily

Against this background, the primary basis of accounting is presently being changed to IAS so that the financial statements of the current fiscal year can be submitted in line with the applicable rules of these indexes.

Day-to-day investor relations activities

In fiscal 2002, VDN AG will meet its reporting requirements openly and in detail. This includes the submission of annual financial statements, the drawing up of quarterly reports for the first time, a press briefing on corporate performance timed to coincide with their release, and the annual stockholders' meeting. Furthermore, the Company will present its strategy at analysts' events. Intensive press relations, background interviews and regular newsletters on the part of the Company are intended to attract increased attention from private stockholders while, in accordance with the principles of fair disclosure, ensuring equal treatment of private and institutional investors.

Financial diary

May 27, 2002	Annual accounts press conference in Düsseldorf
May 29, 2002	Financial forum in Frankfurt
August 15, 2002	Annual stockholders' meeting in Dortmund

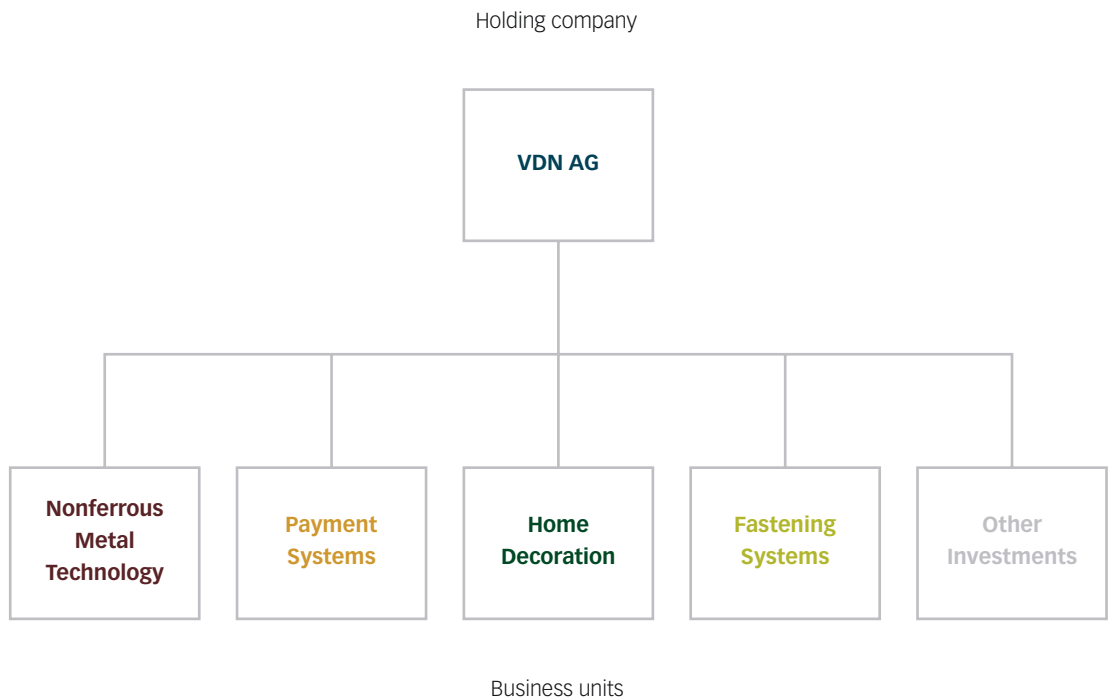
The business units

Different business units operate successfully under the umbrella of the VDN AG holding company. This corporate network comprises the following:

- **Nonferrous Metal Technology,**
- **Payment Systems,**
- **Home Decoration, and**
- **Fastening Systems.**

There is also the Other Investments business unit, not however a permanent fixture of the network, for the holding company is planning measures up to and including divestments.

The responsibilities and tasks of the individual business units are clearly demarcated from those of the holding company, each business unit focusing on its core operating capabilities. The heads of the business units are as closely familiar with their products as with the markets in which they operate. Consequently, it is their task to formulate the operating goals and lay down the strategy in which they receive the required support of the holding company.



Responsibility for operations management rests with the heads of the business units, who therefore draw up plans and budgets, consequently bearing responsibility for profits. Close liaison between the holding company and its business units is always ensured nonetheless so that the Group parent can influence any policy decisions required given full knowledge of the facts and circumstances.

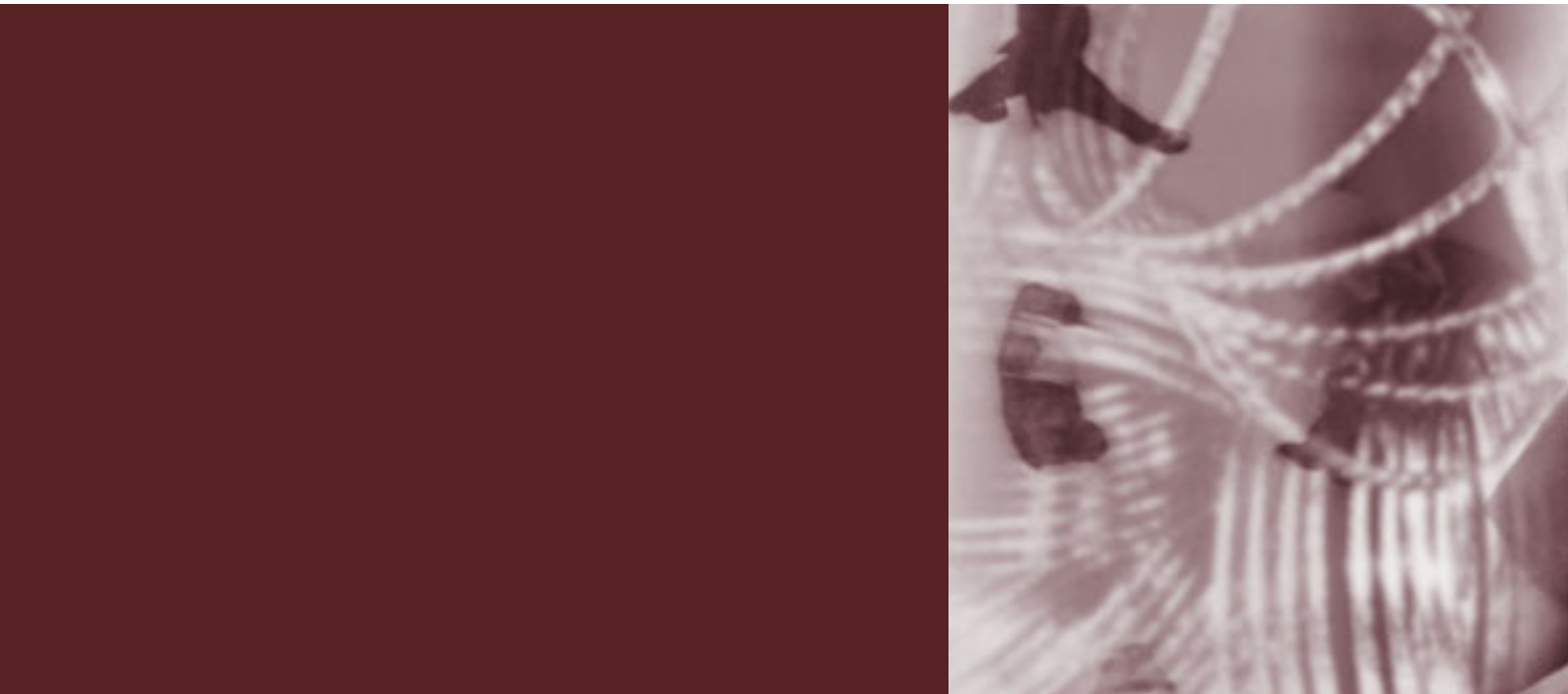
The heads of the business units ensure that the targets set by the holding company can be achieved through implementation of their strategy. Against the background of their proven market knowledge they make all decisions related to operations. This applies to production processes, sales markets, and personnel decisions, as well as research and development. In each case it must be ensured that the business unit can make its required contribution to total earnings.

The business units center on their core operating capabilities





NONFERROUS METAL TECHNOLOGY



The Nonferrous Metal Technology business unit is chiefly engaged in the manufacture of semis from nickel and nickel alloys and in precious metals activities.

These semis are primarily strip, rod, and wire products. In addition, precious metals are recovered and further processed through thermal and wet-chemical recycling. Finally, special parts and components, such as anodes for television set manufacture, are produced from these semis.

In 2001, Nonferrous Metal Technology contributed some 32 percent of the Group's total sales.

The market

The units operate in a market whose structure is very varied regionally. In Europe, especially the market for nickel and nickel alloy products is dictated by the subsidiaries of a few major groups whereas highly heterogeneous structures are to be found outside of Europe. Within the market as a whole the entry barriers for new competitors are comparatively high.

In its core market of Western Europe the business unit generates more than half of all its sales, with the strong US market contributing some 20 percent of the total. The third key market is Asia, accounting for about 10 percent of the unit's sales.

The chief markets are in Europe and the USA



The positioning

Nonferrous Metal Technology enjoys the advantage that as a supplier not tied to a particular group, it can address customers rarely accessible to group-member rivals. The unit holds a market-leading position with some of its main products and is seeking to extend this supremacy to others.

The customers

With its diversified product portfolio the business unit supplies widely varying customer groups. The electrical and electronics sector is a key customer, followed by the optics industry, which for instance purchases wire semis for spectacles. The automotive and automotive components sectors also represent an important clientele, for which, for example, wire for spark plugs is produced and supplied. Consumer electronics constitutes another significant segment for such items as pins and anodes that are essential in the manufacture of TV sets.

The chief customers of precious metals recycling and processing are within the photographic, electronics, and ore-processing industries.

The strategy

The business unit plans to focus in future on its core capabilities in semis business and on precious metals recycling and further processing. The creation of decentralized units for R&D, production and sales is designed to meet the respective customer requirements in the best possible way. Joint application development with the customer will also be promoted against this background. Semis will be produced at the highest possible level of finishing, thus expanding the value chain while providing the customer with products that allow speedy further processing. In order to support its strategy the business unit is consistently pressing on with the outsourcing of all non-core activities.

The goals

It is the business unit's clear intention to build on the position already achieved in the marketplace and thus to expand its production capacities for semis. At the same time, NF Metal Technology is pursuing the goal of enhanced value added while stepping up customer relations. In this context, efforts are being made to increase development input and broaden the product range so that customers receive exactly the products they require for their manufacturing processes.

*Core expertise in semis
business with high value
added*

NF Metal Technology business unit in figures	in € million
Sales	233.9
Germany in %	51.8
abroad in %	48.2
EBITDA	27.1
EBIT	21.1
EBT	3.0
Capital expenditure (excluding financial assets)	11.0
Year-end headcount	519



PAYMENT SYSTEMS



This business unit covers the whole payment systems spectrum while focusing on the development and production of coin blanks (*aka* rounds) for which it holds world market supremacy. Noncash payment systems are also regarded as a promising future segment.

World market supremacy for coin blank production

State-of-the-art technology and equipment are used to manufacture coin blanks and strip. Cash services also include coin invalidation which played an exceedingly important role most recently during the euro's launch. Invalidation devices were developed which, rather than being stationary, can be used directly on the customer's premises. This transportable equipment is very efficient because the invalidated coins are recycled as far as possible and later reused as input stock. With this inhouse developed, proprietary technique the business unit guarantees the highest possible level of recycling while cutting the cost of materials.

Payment Systems is the largest supplier of euro rounds Europe-wide, market share well exceeding 50 percent in some Euroland countries. Overall, virtually one in every two euro coins is produced by this business unit.

Noncash payment systems as a promising future market

Consulting activities are devoted to marketing and advice related to the introduction of new coinage. For instance, countries established only in recent years—such as the CIS nations—need to recover appreciable lost ground when they introduce their own coins, coin production in many cases having to be organized from

scratch within the respective country. Thanks to its long-standing experience the business unit can offer a comprehensive range of advisory services.

The unit's operations are rounded off by the noncash product group currently being established, which includes the design and development of smart cards, as well as e-cash and micropayments. The objective is to develop the expertise and customer confidence in this segment into an asset.

During the past fiscal year, the Payment Systems business unit contributed some 30 percent of Group sales.

The market

The BU operates in a relatively comfortable competitive climate in which the deterrents to market entry are comparatively daunting. Additional rivals are not expected to join the market because this entails extensive and very specific groundwork.



The positioning

Payment Systems holds the position of undisputed world market leader for the manufacture of coin blanks mainly based on its outstanding ability to produce all the standard coin alloys and coin designs worldwide. This means the unit can respond promptly to any change in national coinage, thus ensuring a very broad range of customers.

Payment Systems' chief customers include—depending on the country-specific organization of monetization—mints and finance ministries.

The strategy

The BU's prime mission is to fully exploit all the potential arising from the introduction of the euro. This includes orders following on from those to supply the population with euro coins initially as well as the invalidation and recycling of old coins and marketing of the resulting recycled material. Moreover, the coins already in circulation will have to be replaced regularly. In the medium term, this business will be supplemented by the European Union's forthcoming eastward enlargement.

At the same time, the unit is accelerating its expansion in world markets. For instance, joint ventures are being set up and extended in South America and Asia to be supplemented by the conclusion of partnerships and acquisitions.

On the production side, the unit is steadily developing its technological supremacy, thus safeguarding its competitive lead.

Based on its recognized coin expertise Payment Systems will focus its future activities increasingly on the growth market of noncash payment media, enabling it to cover the whole payment systems segment.

The goals

The aim—to be achieved globally—is to maintain the business unit's technological supremacy in its present clear form while expanding this leading position to all the areas of the payment systems segment.

Further exploiting all the potential from the euro

Building on technological supremacy

Payment Systems business unit in figures	in € million
Sales	213.3
Germany in %	46.7
abroad in %	53.3
EBITDA	35.3
EBIT	29.3
EBT	24.4
Capital expenditure (excluding financial assets)	1.6
Year-end headcount	759



HOME DECORATION



The market for home décor is the sphere of activity of this business unit which develops, produces, and sells home decorating products in Europe and the USA. In order to market them Home Decoration creates comprehensive concepts directed toward the end user.

Home Decoration's product groups include self-adhesive bordering and decorative film/foil, tablecloths and place mats, fabrics, and curtains, as well as paper, vinyl and foam wall coverings with all combinations available in these types.

In 2001, the business unit contributed some 25 percent of sales to the Group's.

The market

The sales markets of relevance to the unit are characterized by a strong process of consolidation in the retail trade accompanied by an equally evident drive for internationalization. As a consequence, some twenty retail groups account for around half of total sales. A highly heterogeneous structure is to be found on the manufacturing side, with most producers concentrating on their national market and serving an export market in addition. The barriers to entering the home decorating market are high.

The positioning

As an internationally operating home décor manufacturing and marketing group, Home Decoration holds a unique position, successfully concentrating on modern sales outlets and therefore distributing its products primarily through home improvement centers and DIY stores.

Unique position as manufacturer and marketer of home décor products



Home Decoration's key markets are Germany, where a market share of 14 percent is achieved, France (29 percent), the UK (15 percent), as well as the Netherlands and Belgium (50 percent). If the more modern sales outlets alone are considered, much higher market shares are attained. The unit uses the traditional wholesale and retail trade as an additional distribution channel, the predominance of the individual channels varying from one country to another.

The strategy

Analogously to the retail trade, Home Decoration displays a very high degree of internationalization. In product development, the unit is consistently guided by prevailing market requirements, supplementing its products with an integrated marketing concept, which the retail trade can implement without additional intermediate steps.

Thanks to its high degree of internationalization the unit can streamline the structures of its product development, procurement and logistics through concentration, not only achieving economies of scale in production but also extending such economies to all levels.

The goals

With its strategy of integrating all existing units, Home Decoration is pursuing the goal of further consolidating its unique position in the home décor market. The BU plans to steadily add value and further expand its share in key markets.

High degree of internationalization creates synergistic potential

Home Decoration business unit in figures	in € million
Sales	182.0
Germany in %	14.0
abroad in %	86.0
EBITDA	49.1
EBIT	39.3
EBT	30.3
Capital expenditure (excluding financial assets)	9.0
Year-end headcount	1,779



FASTENING SYSTEMS



This business unit produces and markets fastening systems used in the woodworking industry. Operating worldwide, the unit offers its customers alongside products an all-round service.

Extensive array of nail and stapling products

The product range chiefly comprises nails and industrial staples as well as the pneumatic application tools. These products are supplemented by various accessories such as plastic and metal fittings, hot-sealing adhesives, and adhesive guns, thus further enhancing customer benefit.

In fiscal 2001, Fastening Systems contributed some 14 percent of total Group sales.

The market

The unit operates in a market that is very fragmented regionally with disparate structures. On the customer side, this market is characterized by a high degree of brand loyalty, with the business unit endeavoring to foster this affinity. In addition, great importance is attached to impeccable customer service which extends far beyond the on-schedule delivery of products.

In order to ensure that all the equipment supplied operates reliably given continuous daily use, it is checked thoroughly beforehand in several series of tests. Customer service guarantees that any required repairs are carried out speedily using original spare parts.



The pronounced service philosophy is also reflected in R&D efforts. Apart from refining the equipment, innovative system solutions are intended to enhance customer benefit continually.

The positioning

The unit's key market in Europe, where Fastening Systems is the market leader for stapling systems.

In Europe, the BU maintains a comprehensive network of branches through which the vast majority of its products are marketed. Industrial customers obtain extensive sales force support and advice on applications, including guidance on cost reduction.

The unit's main customers are the furniture and packaging industries, with fastening systems also used in prefabricated house building.

The unit reaches its trades and crafts customers through wholesale channels.

Another sales channel is the Internet, a tool which is to be expanded in future to include the option of inquiring about availability.

Well-developed service philosophy ensures customer loyalty

The strategy

The business unit consistently pursues its strategy of further expanding and marketing the comprehensive service network. Alongside this, stringent cost management is being implemented, as demonstrated, for example, by the use of a uniform IT system for decentralized warehousing Europe-wide. Production is carried out at several plants with the pay advantages of manufacture abroad being exploited where possible.

The goals

Fastening Systems has defined continued expansion in international markets, such as the USA, as its prime objective, which will mainly involve the formation of subsidiaries or further acquisitions to be supplemented if necessary by joint venture deals.

Further expansion as goal

Fastening Systems business unit in figures	in € million
Sales	103.5
Germany in %	14.1
abroad in %	85.9
EBITDA	8.5
EBIT	6.3
EBT	3.5
Capital expenditure (excluding financial assets)	2.1
Year-end headcount	672