





Strategy and alignment

Fiscal 2001 was marked above all by the merger of Vereinigte Deutsche Nickel-Werke AG and DOAG Holding AG into Langbein-Pfanhauser Werke AG and the renaming to VDN Vereinigte Deutsche Nickel-Werke AG.

The planned integration of Hindrichs-Auffermann AG into VDN AG has not yet been consummated owing to a lawsuit initiated by a few stockholders in 2001. We are optimistic, however, that we will be able to realize our vision fairly soon in the interests of both the Group and our stockholders.

The merger has created a new Group architecture, thus laying the foundations for an invitingly attractive investment.

- The stockholders have a stake in a newly formed Group with a much broader business base; they are set to benefit from the encouraging progress shown by the four business units

- Nonferrous Metal Technology (Deutsche Nickel AG),
- Payment Systems (EuroCoin AG),
- Home Decoration (Hindrichs-Auffermann AG),
- Fastening Systems (Joh. Friedrich Behrens AG).

- VDN AG sees itself as a strategic management holding company which concentrates exclusively on specific core tasks, thus promoting the development and control of the Group as such.

- The new VDN AG will constantly review its portfolio against its self-set ambitious returns. A sustained ROCE of 15 percent for each business unit is our goal in the medium term.

- Intensive investor relations and a common corporate identity are intended to help steadily enhance shareholder value.

- The convergence of the four units under one roof and consequential increase in the number of shares strengthen the appeal of the new VDN AG's stock to investor groups which hitherto showed little interest in the stock of the predecessor companies owing to the narrowness of the market. In addition, we are enabling investment in sectors which may well prove successful but are barely represented in the capital market.

The main activities of the year included

- the takeover of the Alkor/Venilia Group in the Home Decoration business unit,
- the continuing delivery of initial supplies of euro blanks.

Further details are provided in the sections on the individual business units.

Nonferrous Metal Technology business unit

This business unit chiefly develops and produces semis made of nickel and nickel alloys while also being engaged in precious metals recycling and the manufacture

of precious-metal salts. It holds a market-leading position for some of its main products.

The following companies are subsumed under this unit:

Company	Business purpose
Deutsche Nickel AG	Melting and rounds
Auerhammer Metallwerk GmbH	Flats and parts manufacture
Saxonia Edelmetalle GmbH	Precious metals
DN Press Tec GmbH	Parts manufacture
Deutsche Nickel America, Inc.	Sales in USA

Highlights of fiscal 2001

- Parts manufacture is spun off to Deutsche Nickel-Press Tec GmbH. In addition, manufacture was expanded and rationalization measures were taken.
- Administrative processes are restructured in line with the changed conditions.
- In the manufacture of semis the business unit is specializing in selected product groups for defined customer clusters (spark plugs, lighting, optics, and electronics)
- Criterion Metals, Inc. operates as the US marketing organization for nickel products and is renamed Deutsche Nickel America, Inc.
- The common marketing platform of the Deutsche Nickel Technology Group is tailored to the new structures.

The BU successfully completed the drive to focus on specialty nickel semis and precious metals recycling started in early 2000. Only the legal division of Saxonia Edelmetalle GmbH is now required for a uniform legal and management structure to be fully achieved. This is being implemented on the basis of the annual financial statements as of December 31, 2001.

In particular, the following measures were taken:

- Transfer of Coins & Medals to EuroCoin AG
- Transfer of Parts to Deutsche Nickel-Press Tec GmbH
- Relocation of metal strip manufacture to Auerhammer Metallwerk GmbH and use of Deutsche Nickel AG's metal strip manufacturing capacities by Payment Systems
- Withdrawal from trading in copper and brass strip and in wire rope at Deutsche Nickel America, Inc. (formerly Criterion Metals, Inc.)
- Physical separation (premises) of the precious-metal activities from the coin operations at Saxonia Edelmetalle GmbH

This was preceded by an assessment of existing market positions and achievable goals in the context of a corporate appraisal of the available resources. Against this background, the organizational framework was scrutinized. As a result, Nonferrous Metal Technology now defines itself as a semis specialist seeking to add high value and concentrating on melting for wire, rod, and strip products and on working rods and wire into specialties.

This product range is supplemented by the processing of flat products, such as thermobimetallic and metallic strip and soft-magnetic materials including various types of metallic foil, and precious metals recycling.

The companies operate in their own right but under a shared logo. Sales efforts are organized locally and grouped according to products. In the key market of the USA, Deutsche Nickel America, Inc. operates as an independent legal entity.

Research and development/capital expenditure

In fiscal 2001, joint application development with customers was greatly expanded for nickel semis (wire, rod and strip), the aim being to optimize existing production processes and to step up technical customer support so as to enhance customer loyalty. For instance, initial samples and new materials are to be closely coordinated with the users. Such close cooperation with the customer will enable even greater efficiency in future with the roll-out of semis for new segments and areas of application.

The business unit successfully continued its extensive quality offensive aimed at optimizing the surface quality of glass sealing and expansion materials, achieving a clear competitive advantage. Materials usage by the melting and wire rod rolling operations was also greatly improved thanks to changes in production engineering mainly due to the—initially on a trial basis—outsourcing of wire rod rolling and the related single-source concentration of all the process stages between the melting bay and wire mill.

The business unit's increased activities in the rod market will be supported by the planned expansion of the materials range to include highly corrosion-resistant materials.

The company has been approved by the Lloyds Register in accordance with ISO 9002 and holds CAA and TÜV approvals.

The developments related to materials were supported by appropriate capital expenditures for increasing fine and specialty wire capacities. For example, a 20fold drawing machine with integrated degreasing and various coiling units as well as a 12fold one for the automotive component maker segment were commissioned in 2001.

Workforce

Extensive structural changes carried out during the fiscal year helped create a more efficient and less labor-intensive organization, especially in administration and services, in order to further improve competitiveness.

In 2001, this BU employed 774 persons on average (down from 961), with personnel expenses amounting to €28.2 million (down from €29.1 million).

The unit consistently pursued its H.R. development activities in 2001, with skills-upgrading measures geared to individually determined needs. Training courses in the blue-collar skills aimed at further strengthening quality awareness and process optimization were a particular focus.

Apprenticeship training remained at a high level. At year-end, this business unit employed 48 vocational trainees. The high importance assigned to such training was also demonstrated in 2001 in the good examination results of our apprentices, above the average recorded by the Chamber of Commerce & Industry.

Sales

In 2001, the Nonferrous Metal Technology business unit generated total sales of €233.9 million (down from €267.8 million), with a regional breakdown as follows:

Region	in € million
Germany	100.1
Other Europe	46.9
USA	42.7
Other countries	23.1
Payment Systems	21.1
	233.9

This sales decline was due to both metal prices and declining tonnages because the concentration on selected specialty products was accompanied by a reduction in low-margin mass market products.

Payment Systems business unit

Payment Systems originates and produces coin blanks while offering services relating to every aspect of cash (consulting and recycling). Thanks to its technology leadership the business unit is able produce all the standard coin alloys and coin shapes worldwide, holding global market supremacy for the production of coin blanks. High importance is to be attached to the con-

cept of noncash payment systems in the medium term through an additional product group.

With the separation of Coins & Medals from Deutsche Nickel AG and its transfer to EuroCoin AG the foundations were laid in fiscal 2000 for the autonomous advancement of the Payment Systems unit.

This business unit consists of the following companies:

Company	Business purpose
EuroCoin AG	Coin strip and coin rounds
Saxonia Edelmetalle GmbH	Electroplated and precious-metal rounds, electroplating
DeNiSys GmbH	Information technology
CeCo S.A. (Joint Venture)	Coin rounds and electroplated rods
EuroCoin Recycling GmbH (joint venture)	Recycling of old coins

Highlights of fiscal 2001

- There was a full workload for all the business unit's own production capacities at all its plants (Schwerte, Madrid, and Halsbrücke).
- The business unit mastered all production processes for the manufacture of euro coin alloys and other new coin materials.
- The international network was expanded through the acquisition of a stake in Verres S.p.A. in Italy and the establishment of the Nordic Coin OY joint venture with the Finnish Mint.
- EuroCoin Recycling GmbH started invalidating old coins on a significant scale, buying back metal from the coin market

Payment Systems performed successfully in fiscal 2001. Following the invitations to bid related to the euro's launch the unit had a tall order backlog, therefore concentrating its activities on fulfilling all existing orders in terms of both quality and quantity. The need to guarantee the introduction of the euro as of January 1, 2002, meant complete utilization of all existing production capacities.

The measures carried out earlier aimed at qualitative process optimization in combination with the use of strip casting technology made it possible to significantly improve the material consumption rate and throughput times. Consequently, inventories shrank and financial resources were released.

With its subsidiaries Payment Systems is the only company able to produce all the round alloys in demand worldwide, covering the whole technological process from alloy manufacture to the final product, including the use of multilayer materials and production of electroplated surfaces. Expertise in the manufacture of precious-metal rounds completes the picture. In addition, this business unit offers a comprehensive range of services relating to every aspect of the blank.

The product range was completed in fiscal 2001 by invalidation systems for old coins. These systems formed the basis for the resource-saving repurchase of invalidated coins which can be used as input stock for new coins.

Capital expenditure

Payment Systems' capital spending in fiscal 2001 was relatively low compared with previous years, focusing chiefly on the successful conclusion of the investment measures initiated in the preceding year. This included the installation of four strip casters for coin materials, the conversion of the four-high rolling mills, the optimization of minting technology, the expansion of NF metal rounds production, and the commissioning of the plastics electroplating unit for high-quality surface treatments aimed at the plumbing and automotive industries.

During fiscal 2001, the existing units for the mechanical sorting of rounds were equipped with much improved optoelectronics and evaluation electronics. The shears in coin strip production have also now been optimized.

Furthermore, preparations were made for producing alloys other than those required for euro coins on the strip casters and for preparing the copperplating unit for other surfaces. These steps are the basis for further advancing international expansion into such regions as South America and for tapping its huge market potential.

Workforce

Precise order processing, flexible working hours tailored to market needs and constant service availability are achievements with which the business unit builds up and safeguards its customer relations. The expansion of current competitive advantages was accelerated in 2001 through extensive structural changes. Strategic personnel adjustment measures are also at the heart of further planning. HR development was consistently pursued, with special focus on programs to strengthen quality awareness and process optimization.

In fiscal 2001, Payment Systems employed 429 persons on average (up from 377). Personnel expenses were inflated by considerable overtime to ensure on-schedule euro production and added up to €22.5 million (up from €19.2 million).

The Continuous Improvement Process (CIP) supported by the employees showed a significant rationalization potential for a large number of detailed process steps which would barely have been detected without the dedicated and responsible actions of our staff. The globalization of business development, which is high on the agenda especially at Payment Systems, is being taken into account at an early stage through suitable measures—such as recruiting multilingual staff and training employees with regard to the varying requirements in different regions of the world.

Sales

Payment Systems generated total sales of €213.3 million (down from €272.8 million) with a regional breakdown as follows:

Region	in € million
Germany	92.4
Other Europe	111.6
Other countries	2.1
Nonferrous Metal Technology	7.2
	213.3

Home Decoration business unit

In fiscal 2001, the Home Decoration business unit managed to bring its vision of a Europe-wide operating and core-market-oriented manufacturing group to a conclusion, thus achieving its goal of covering the product range through its own production capacity and of creating sales organization geared to this core market.

The establishment of the Home Decoration business unit came about as follows:

1997/1998

- Takeover of Tapetenfabrik Coswig GmbH, Coswig, Germany
- Takeover of Novo Behang B.V., Haaksbergen, Netherlands
- Takeover of Wallco International B.V., Haaksbergen, Netherlands

December 1998

- Takeover of the Abélia Group, Abbeville, France

January 1999

- Establishment of the Wohndekor Coswig GmbH joint venture based in Coswig, Germany

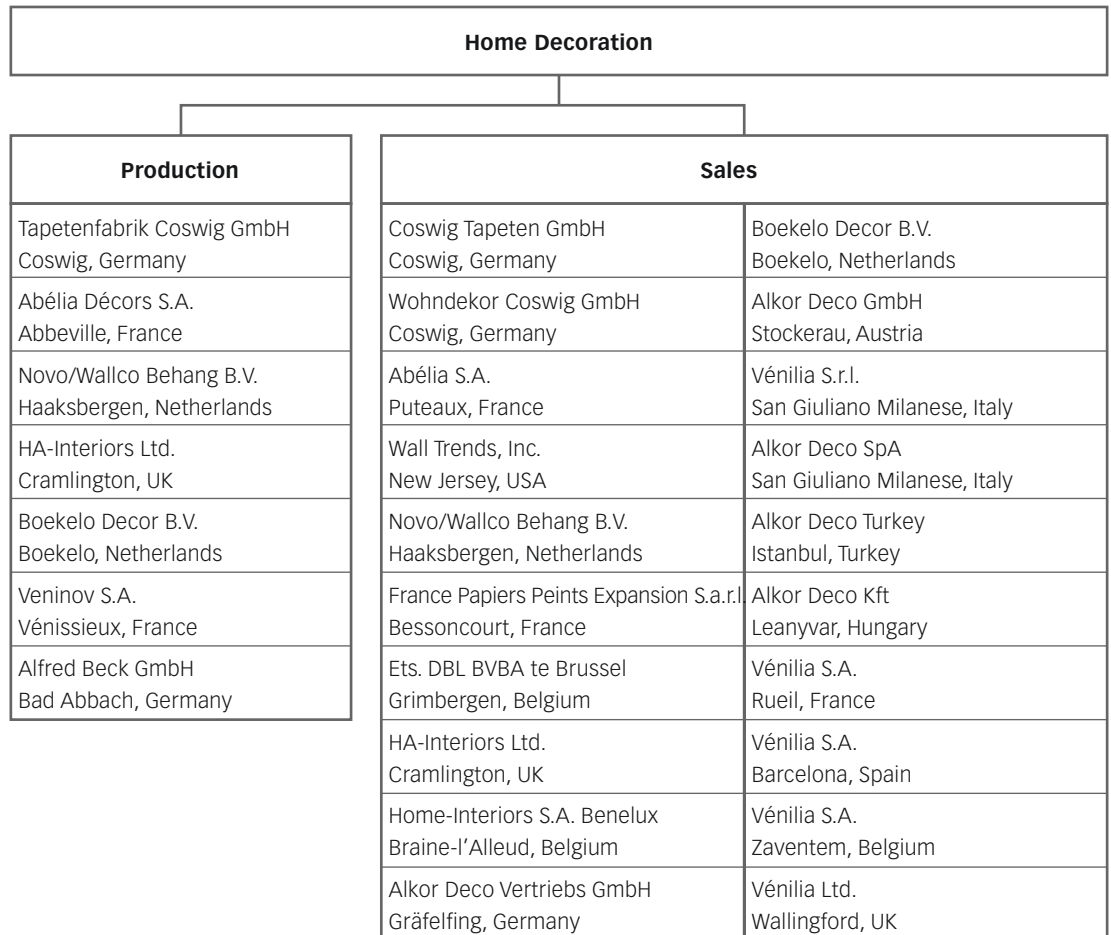
November 2000

- Takeover of the Forbo Group (now HA-Interiors) with companies in the UK, France, and the USA

December 2001

- Takeover of the internationally operating Alkor/Venilia Group

In its fourth year following market entry the Home Decoration business unit comprises the following companies:



Within four years, Home Decoration has matured into a market-leading and internationally operating manufacturing and sales group in Europe to supply all the major trading companies Europe-wide. The inhouse manufactured product portfolio covers the whole spectrum of wallpapers, self-adhesive bordering and other decorative elements and self-adhesive film/foil as well as tablecloths and place mats.

This business unit achieved a further important milestone with the takeover of the Alkor/Venilia Group at the end of 2001. Generating sales of some €120 million in 2001, this is the European market leader for self-adhesive decorative products, tablecloths and table sets. Given its presence in Europe, Alkor/Venilia fits almost seamlessly into the strategy, organization and product portfolio of the Home Decoration business unit.

Based on production specialization and the existing product portfolio Home Decoration will keep pursuing its chosen course, thus further expanding its market supremacy. The unit will continue to operate throughout Europe, offer a comprehensive range of products including marketing concepts backed by efficient logistics.

Development of the sector

At the manufacturing and trading level the process of consolidation is continuing. In this respect, Home Decoration regards itself as being ideally poised with a physical production and sales presence in all core markets like no other company in the sector at present. The relevant rivals on the other hand operate from their home markets exclusively, directing their focus expressly at an export market which usually constitutes Eastern Europe.

With its range of products and integrated marketing resources the business unit commands a unique position in the marketplace in relation to the competition.

Total sales held steady but a continued recessionary trend was discernible in the German market, which declined by 4.4 percent in terms of sales compared with 2000. Home Decoration managed to preserve its market share nonetheless, performing encouragingly in Eastern Europe and Britain. Moreover, the strong market position was further expanded in the Benelux countries and France and maintained in the USA.

Prices in raw materials markets were at a high level in 2001, thus eroding gross profit generally, especially in wallpaper manufacturing.

Workforce

Precise order processing, flexible working hours tailored to market needs and constant service availability lay the foundations for the business unit's long-term customer relations.

As of December 31, 2001, the Home Decoration business unit, including the Alkor/Venilia Group, employed 1,779 persons (up from 721). Personnel expenses rose from the prior-year €32.5 million to €49.9 million owing to the 12-month consolidation of the companies acquired in November 2000. The payroll ratio in terms of the business unit's consolidated total operating performance came to 28.2 percent (down from 29.2 percent).

Sales

In fiscal 2001, the Home Decoration business unit generated sales revenues of €408.1 million (up from €150.1 million).

Consolidated sales, especially owing to the not yet full inclusion of the Alkor/Venilia Group, added up to €182.0 million (up from €110.2 million). The regional sales breakdown was as follows:

Region	in € million
Germany	25.4
Other Europe	131.7
Other countries	24.9
	182.0

Fastening Systems business unit

Market conditions

As a classical industrial supplier, the Fastening Systems business unit works for the woodworking industry, providing its customers with an all-round line-up. The products offered comprise nails and staples as well as the related pneumatic tools for woodworking.

Within the European timber industry, no sector has been able to buck the general downward trend. Production output has declined and many companies have gone over to short-time working, cut their workforces, or closed down altogether.

In our view, the Western European market volume for fasteners has contracted overall. Only special developments within individual subsegments and new applications have helped shipments to increase in some sectors. From the industry association figures available for Germany it can be concluded that the market volume has decreased by more than 15 percent.

In Eastern Europe, on the other hand, markets grew again in 2001, albeit at a slower rate than in preceding years. The economy in the Czech Republic and in the countries of the former USSR continued to strengthen in the sectors of importance to Fastening Systems, an encouraging trend in which the unit's subsidiaries and investees participated actively and successfully.

With group sales outperforming the market as a whole the business unit greatly expanded its market share in Europe according to its own calculations. Turnover and sales of standard products were appreciably boosted—even though this could not completely offset the overall trend. At the same time, the range of new products lifted market share in certain niche segments.

The competition, which in Europe especially is dominated by major US groups, did not change in 2001. External market conditions meant that cutthroat competition persisted. With product differentiation in technical terms now virtually impossible both price and customer service were the crucial selling points.

The market is very fragmented regionally giving the major suppliers of branded goods only limited market muscle. According to our own estimates, the business unit is the European market leader for stapling systems and with nail systems it managed to join the top-ranking companies during 2001.

System philosophy and customer service

Fastening Systems stands out from its rivals thanks to excellent customer service and innovative nail and stapling systems embracing new fields of application. Customer service cutbacks would lead to an unnecessary deterioration in customer relations for which reduced costs would not compensate. The service philosophy is therefore one of the business unit's key assets.

Shipments and orders

Fastening Systems' typical business has a short order-to-shipment cycle. Direct customers in domestic business receive the standard products ordered within 48 hours. Delivery periods, albeit short, exist only for exports and sales to dealers. With fasteners/systems for the European market the average order-to-shipment time has fallen to about two days whereas for pneumatic tools it is still about a week. In view of the fierce competition, the aim was to supply the relevant quantities, including products not in frequent demand, speedily from warehouses Europe-wide. In order to meet these market requirements stocks of popular products were kept in ample supply.

Fastening Systems' customer base is very diversified. In an effort to exploit the market fully the BU uses two distribution channels: industrial customers receive direct sales force support whereas trades and other businesses are served by a network of wholesalers. In countries where total sales are still too small, the business unit's local organization also performs the wholesaler function to make effective use of both distribution channels.

Exports to the United States showed a rather steep up-trend in 2001, our own local distributor there again recording significant sales gains. Overseas exports to other countries were at a level similar to the preceding year.

Research and development

The chief aim of R&D activities is to continually improve the products and the way they are used, so as to confirm with the latest ergonomic and engineering developments. The latest findings in materials research and production engineering also flow into R&D efforts.

The range of pneumatic appliances is being further improved centrally at BeA Geräte GmbH with special emphasis on staple and pin units, its engineers using state-of-the-art resources to develop new series of equipment.

At Fastening Systems, production systems are also being designed for the manufacture of fasteners, for which BeA Deutschland Befestigungstechnik GmbH and Phoenix Fasteners Ltd. based in Scotland are chiefly responsible. Adaptations and modifications are also being developed at BeA companies in Britain and Spain. These companies fund most of the capital outlays required internally.

Capital expenditure

During fiscal 2001, the business unit's capital spending focused on its production companies, especially in Spain, the UK, and Germany. Capital outlays in the UK production companies were used to expand capacity and streamline costs whereas at the Ahrensburg plant the capital spending program launched in 1999 was concluded. This involved renewing production engineering for wire-welded nails and adding a fully automatic packaging process. To further improve product quality some conversion work will now be carried out on the machines, several of which have already been replaced.

Expenditures for equipment manufacture concentrated on a number of areas, most notably quality improvements to technical equipment, automation of previously manual assembly processes and replacement of outdated production machinery. Tooling for new equipment series also attracted capital spending.

Workforce

As of December 31, 2001, Fastening Systems employed 672 persons (down from 690). Personnel expenses inched up from the year-earlier €23.8 million to €24.4 million, representing a rise of 2.5 percent which was mainly due to the general pay trend. Owing to the slight drop in sales, the payroll ratio rose from 22.4 percent in 2000 to 23.0 percent in 2001.

Sales

In 2001, Fastening Systems' sales amounted to €103.5 million (down from €106.4 million), a fall of 2.7 percent. Substantial sales growth was registered only in Eastern Europe, while business volume declined in virtually all the countries of Western Europe owing to the difficult economic conditions.

The regional sales breakdown was as follows:

Region	in € million
Germany	14.6
Other Europe	74.7
USA	12.7
Other countries	1.5
	103.5

Other Investments

Apart from the four business units, Other Investments still held were included in the consolidated financial statements of VDN AG, these consisting of the following companies:

RI Holding GmbH

Holding company with an interest in RI Wohnungsbau Schröder GmbH (building and engineering activities).

Langbein-Pfanhauser Werke GmbH

Holding company with an interest in LPW Blasberg Anlagen GmbH, the sale of which is intended.

VDN Gastronomieservice GmbH

Holding company with an interest in Burmeister & Thelen GmbH, which is up for divestment.

DOAG USA, Inc.

Holding company with the minority interest in Peerless Metal Powders & Abrasives.

Together these Other Investments incurred a loss from ordinary operations of €2.0 million, mainly due to the building and engineering operations in the wake of the still weak construction market.

The required restructuring measures at Building and Engineering coupled with provisions for the giftware trading unit which is to be sold, eroded the Group's EBT by €11.1 million in extraordinary expense.

Performance by Peerless Metal Powders & Abrasives (the minority interest of DOAG USA, Inc.) was again unsatisfactory in 2001 even though the development of new products for the blast-cleaning of surfaces proved successful during the past fiscal year. Based on a detailed medium-term business plan it is assumed that owing to these new products this company, following targeted capital outlays to be made during 2002, can achieve both a positive result and positive cash flow starting from 2003.

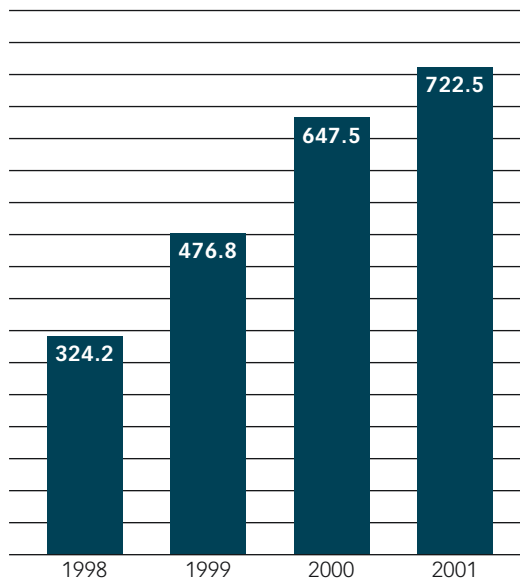
Group performance

The performance of the Group as a whole is based on that of the business units.

In fiscal 2001, Group sales totaled €722.5 million, rising by €75.0 million or 11.6 percent compared with the previous year especially thanks to Home Decoration's sales growth and the expansion of the consolidated group to include the new Fastening Systems business unit.

Since the Alkor/Venilia Group was not acquired until December 2001, its sales are not yet incorporated in the total sales, which including Alkor/Venilia would have come to €842.4 million.

Sales trend in € million



The remaining operating income amounted to €42.8 million (up from €36.1 million). Apart from the usual other income—such as rental income, income from the release of accruals, exchange rate gains, and investment grants and allowances—this includes the gain from the disposal of Cova Products Ltd., UK, and Cova Products, Inc., USA, (€25.4 million).

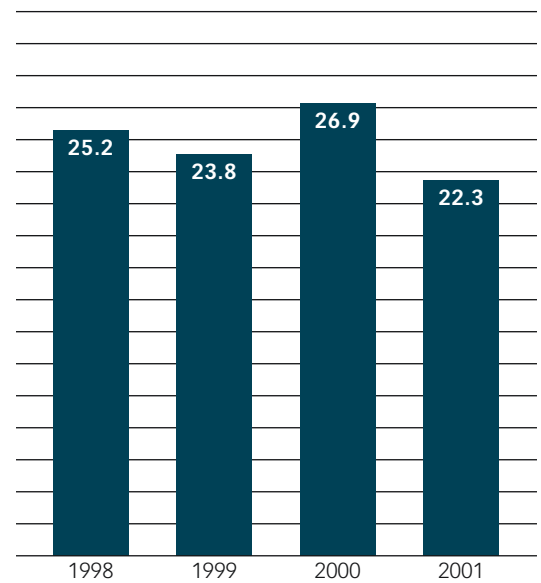
Group personnel expenses added up to €129.5 million, an increase versus 2000 of €35.1 million. The new Fastening Systems business unit accounted for €24.0 million of this rise and the first-time 12-month integration of the Home Decoration companies acquired in November 2000 for the remaining €11.1 million. The payroll ratio climbed to 19.3 percent (up from 14.2 percent).

Other operating expenses advanced to €96.6 million (up from €73.5 million), mainly due to the changed consolidation group, especially the addition of the new Fastening Systems business unit, which contributed €18.3 million. Increased amortization/depreciation, up from €18.8 million in 2000 to €24.3 million in 2001, is also ascribable to the changed consolidation group.

Net after financial expenses, the Group's result from ordinary operations came to €50.0 million, a rise of €4.7 million or 10.4 percent versus 2000.

Group net income added up to €22.3 million, which was €4.6 million below the prior-year level especially owing to discontinued business operations (copper and brass trading, giftware), preparations for disposal (giftware) and restructuring expenses (at Building and Engineering and Home Decoration), which caused extraordinary expenses totaling €21.3 million.

Group net income in € million



The Group's balance sheet structure

In comparison to December 31, 2000, total assets rose by another €95.0 million, largely due to the extended consolidation group (at about €75 million) and to the surge of cash (to around €40 million) by balance sheet date.

Despite the higher total assets, the equity ratio within the Group climbed to 22.8 percent (up from 22.0). Eliminating the cutoff-related disclosure of cash, this ratio would have risen to 24.2 percent. Equity altogether mounted by 19.3 percent from €136.8 million at year-end 2000 to €163.2 million as of December 31, 2001.

ASSETS (€ '000)	12/31/2001	12/31/2000	Change
Fixed assets	168,036	142,037	+18.30%
Inventories	283,524	300,600	-5.68%
Receivables and sundry assets	209,100	164,054	+27.46%
Cash	40,168	5,156	+679.05%
Other assets	14,647	9,443	+55.11%
	715,475	621,290	+15.16%
EQUITY & LIABILITIES (€ '000)			
Equity	163,174	136,956	+19.14%
Accruals	86,675	61,318	+41.35%
Liabilities	464,890	422,802	+9.95%
Other	736	214	+243.93%
	715,475	621,290	+15.16%

Business trend at VDN
Vereinigte Deutsche Nickel-Werke AG

VDN AG's business is primarily governed by the investment income it earns and thus mostly dependent on the economic performance of its subsidiaries and investees.

In 2001, income from investments and P&L transfer agreements totaled €59.5 million, including prior-year earnings of €29.0 million collected tax-free in 2001 under the amended German tax legislation but reallocated to the distributing subsidiary as grant to strengthen its equity.

RI Holding GmbH (building and engineering) as well as VDN-Gastronomieservice GmbH again required shareholder grants-in-aid to cover the losses they incurred. Moreover, the shareholder loans granted to RI Holding GmbH and DOAG USA, Inc. were discounted due to their de facto long-term nature and disclosed within fixed assets at their present values. In connection with these shareholdings, a total €18.9 million was charged to other operating expenses. The other operating income of €6.8 million exceeded the prior year's by €3.9 million, basically on account of separately billed services on behalf of subsidiaries. Moreover, this caption includes income of €2.1 million from intragroup organizational restructuring that contrasts with a corresponding other operating expense.

(in € million)	2001	2000
Income from investments	49.2	16.6
Other operating income	4.7	3.0
Total income	53.9	19.6
Net interest expense	(4.4)	(1.7)
Other expenses	(7.2)	(3.8)
Total expenses	(11.6)	(5.5)
Expenses related to financial assets	(19.2)	(13.8)
Earnings before taxes (EBT)	23.1	0.3
Taxes	(0.5)	(0.1)
Net income	22.6	0.2

Total assets of VDN Vereinigte Deutsche Nickel-Werke AG as of December 31, 2001, hiked up by €70.1 million to €157.6 million, substantially owing to the merger of Vereinigte Deutsche Nickel-Werke AG and DOAG Holding AG into VDN AG (formerly LPW AG). The Company's equity totals €81.5 million and thus outshines the previous year's by €47.1 million. Consequently, the equity ratio jumped from 39.3 percent at 12/31/2000 to 51.7 percent as of December 31, 2001.

	12/31/2001		12/31/2000	
	in € million	%	in € million	%
Assets				
Fixed assets	141.5	89.8	39.9	45.7
Current assets	16.0	10.1	47.5	54.3
Cash	0.1	0.1	0.0	0.0
	157.6	100.0	87.4	100.0
Equity & liabilities				
Equity	81.5	51.7	34.4	39.4
Accruals	12.8	8.1	4.8	5.5
Bank debts	35.0	22.2	23.9	27.3
Other liabilities	28.3	18.0	24.3	27.8
	157.6	100.0	87.4	100.0

Proposed profit appropriation

The Executive and Supervisory Boards propose that the net earnings reported for 2001 at €26,585,329 be appropriated to distribute a cash dividend of €0.75 per no-par share of the total stock of €26,794,084, equivalent to a total dividend distribution of €7,729,062, and that the balance of €18,856,267 be carried over.

Dependency report on affiliations

VDN Vereinigte Deutsche Nickel-Werke AG is a dependent company under the terms of Art. 17 German Stock Corporation Act ("AktG"). Therefore, the Executive Board has prepared a report on affiliations pursuant to Art. 312 AktG, which covers the legal transactions mentioned therein and actions taken during fiscal 2001.

The report closes with the following representation:

"For each legal transaction mentioned in the dependency report, our company received an equitable consideration. This assessment is based on circumstances which were known at the time such reportable business was transacted. No further disclosable actions were taken or omitted."

This report by the Executive Board was examined by our statutory auditors, who issued their unqualified opinion thereon in accordance with Art. 313 AktG.

Risk management

VDN Vereinigte Deutsche Nickel-Werke AG is a company whose subsidiaries are confronted with a large number of risks which have a direct impact on its entrepreneurial activities. The business and regional breakdown of these companies enables good risk-spreading above all owing to operations in a variety of markets while offering extensive opportunities.

It is therefore our subsidiaries' aim to exploit these opportunities to the full and to run the risks associated with business operations only in order to create the relevant added value.

The risk principles are drawn up by the Executive Board and implemented by management within the organizational and responsibility structure.

The operating and business units are also responsible for risk management within their regional or worldwide responsibility. In addition, the staff and corporate departments of these units support risk management as part of their duties within VDN by exercising their obligations to issue guidelines and carry out coordinating and monitoring activities.

In order to measure, monitor and manage risks we use a large number of management and control systems which are constantly being updated. These include a VDN-wide strategy, planning and budgeting process which deals with the operational risks resulting from changes in the business environment.

The risks identified as well as the risk control measures laid down within the strategy, planning and budgeting process are continually reviewed.

During the past fiscal year, we made extensive efforts in each subgroup to inform our employees of the importance of risk management.

There are currently no going-concern risks, such as technological advances, total collapse of markets, etc., which might jeopardize the Company's continued existence. Efforts are made to anticipate existing risks related to the development of various markets—the current state of the building and construction trade, for instance—through the closest possible examination of the macroeconomic situation so that an early response can be made. Exchange and metal price risks are minimized through use of appropriate hedging tools. The microeconomic risks to the Group as a whole from individual markets are kept to a minimum through a balanced overall portfolio and the accompanying participation in wide-ranging markets.

There are no other discernible risks which might have a significant impact on the net assets, financial position, or results of operations.

Prospects for fiscal 2002

The major structural changes carried out in 2001 have laid the foundations for a clear and transparent Group architecture. During 2002, we plan to work consistently on continually improving our business units' operations. At Other Investments, decisions on the further course of action will have to be made. In this regard, 2002 will be characterized by the following factors:

- Improvements to cost structures within the Home Decoration business unit
- Continuous improvements to the economic situation at Nonferrous Metal Technology
- Stable further development of Fastening Systems
- The first year in the Payment Systems business unit following the introduction of the single European currency
- Decisions related to Other Investments

The acquisition of the Alkor/Venilia Group in December 2001 marked the strategic completion of Home Decoration. This business unit now has a comprehensive sales network throughout Europe as well as six modern production plants for the inhouse manufacture of an extensive range of home decorating products which it markets itself. In 2002, our chief focus will be on measures suitable for achieving the goal behind the acquisition, of creating an ideally positioned unit. In detail, this includes measures such as

- production plant specialization,
- streamlining sales structures,
- improving infrastructure costs.

The cost-efficient manufacture of our products is facilitated by increased production volume. At present, the same products are being made at different production plants in some cases so that the resulting higher costs need to be eliminated and converted into economies of scale. In this respect, production machinery is to be shifted so that production plants specialize in particular products.

Owing to the takeover of former competitors some countries have several sales units. This is especially true of France, the Benelux countries, and the UK. By carefully converging the various sales units we plan to make savings without adversely affecting current market penetration.

The acquisition of formerly independent units offers us scope for optimizing the Group's general infrastructure costs and consequently overheads. We intend to define and implement the required measures while accepting that countereffects may surface initially. In order to bring about as speedy an integration as possible while complying with Group standards and risk management considerations, additional costs will arise in the short term. In effect, the successful outcome of the restructuring programs as such will largely hinge on the mode of implementation.

All costs related to these forward-looking measures will not erode Home Decoration's future profit because the relevant provisions were made back at the time of the Alkor/Venilia Group's acquisition.

Home Decoration has performed satisfactorily during the early months of 2002. Against the background of the macroeconomic trend, consumer product shipments were sluggish. The annual sales volume of some €300 million achieved by the business unit is, however, sufficient for responding appropriately during weak economic periods. All in all, we expect Home Decoration to put in a creditable performance.

Nonferrous Metal Technology is set to benefit in 2002 from the focusing measures introduced in 2001. The clear emphasis on semis and stepped-up communication with customers met with an encouraging response at the start of the current fiscal year despite the difficult market conditions in this segment, too. The realignment of the sales organization and increased support from applications engineering have already borne fruit with the conclusion of long-term contracts. The reorientation away from mass to specialty products will result in improved profit contributions in the current fiscal year. The cost structures will be adjusted, improving profitability through further refinements to the infrastructure (to be reflected in net income), as well as streamlining of the production process, where we expect advances especially at the wire rod rolling mill. Initial trials with a cooperating company have shown promising signs.

The Nonferrous Metal Technology business unit will also reap the economic benefits of its sales unit in the USA (Deutsche Nickel America, Inc.) returning to the role of a pure specialist in nickel semis produced in Germany, aided by the steady progress of the precious metals recycling business. Business trends especially in the USA and Europe will of course affect this business unit's performance as will a final decision on how to produce the rolled wire. Against the background of the general economic climate, it is difficult to make reliable forecasts for our products. Assuming a trend that is not drastically downward, we expect Nonferrous Metal Technology to post an improved profit in 2002 compared with fiscal 2001.

Fastening Systems will develop steadily in 2002 with plans for continued sales expansion in Europe. Outside of Europe we will keep pursuing our proven strategy of purposefully expanding together with local partners our presence and share in the respective markets. Owing to highly automated production and well-targeted manufacture in Eastern European countries we have achieved favorable standards for manufacturing costs, meaning that substantial improvements are not being sought in this area for 2002.

As regards performance in the period ahead, we see good scope for maintaining Fastening Systems' profitability at the same level as 2001 despite dependence on steel prices, whose movements are difficult to predict owing to the levies charged by the USA. Our optimism is based mainly on our favorable cost situation and well-directed marketing activities which have greatly improved the unit's market position and impacted encouragingly on sales.

Following the successful introduction of the single European currency as of January 1, 2002, the Payment Systems business unit finds itself in a position where euro manufacture is not—as generally expected—just meeting initial requirements but also follow-up orders have been secured for additional supplies. Moreover, initial large-scale activities outside of Euroland have proved successful thanks to the efforts made during the euro production period to improve international competitiveness through quality drives and cost-cutting measures.

Payment Systems' performance in 2002 will be determined by the competitive situation in the world market, where the business unit faces competition fueled by underutilized capacity. This is expected to lead to price concessions which can be compensated only partially by higher quality. In spite of this, Payment Systems was registering favorable capacity utilization at the end of the first quarter of 2002 with further international projects set to provide the business unit with additional workload. Overall, we predict a slightly weaker performance than in the "euro boom years" of 2000 and 2001.

At Other Investments the ongoing negotiations on the sale of the shares in LPW Blasberg Anlagen GmbH are to be concluded in 2002. Trading in giftware, carried out through Burmeister & Thelen GmbH, is to be discontinued. The income burden to be expected from these measures based on today's information has already been provided for in the annual accounts 2001.

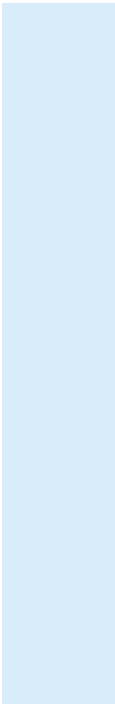
The continued weak state of the building and construction trade is hampering the recovery of RI Holding GmbH, which is engaged in building and engineering activities and belongs in Other Investments. Cost structures must be further optimized and the financing of various building projects safeguarded. RI Holding GmbH's performance will depend substantially on construction activity in western Germany because there are no discernible signs in eastern Germany of a change in the general conditions during 2002. It is our objective to stop the loss situation in 2002 following the pressures of previous years especially through the cost optimization measures initiated in the past and through reduced inventories.

During 2002, the minority interest in Peerless Metal Powders, Inc., which also comes under Other Investments, will be put in a position through targeted and clear investment to introduce on the market newly developed products in sufficient quantities so that this company can generate a positive cash flow starting from 2003.

The Executive Board takes the view that Payments Systems will register a slight decline in 2002 which will be more than offset by improvements at Nonferrous Metal Technology and Home Decoration and the steady progress of Fastening Systems.

All in all, assuming that the economic situation does not deteriorate further, the VDN AG Group faces favorable prospects for 2002.

At the holding company level we will take suitable measures to promote this trend and enhance shareholder value while giving high priority to capital market expertise in the interests of strategic management. The procurement of equity and outside capital followed by its allocation as well as stepped-up communication with the capital market are important points in our strategy which is supplemented by strategic controlling. The aim is simple—to achieve a permanently high return in all business units.



Consolidated balance sheet as of December 31, 2001

ASSETS (in €)	Note no.	12/31/2001	12/31/2000
Fixed assets	1		
Intangible assets	2		
Concessions, franchises, industrial-property and similar rights and assets, as well as licenses thereto		12,165,947	5,393,107
Goodwill		21,729,455	8,572,320
Prepayments on intangibles		85,663	0
		33,981,065	13,965,427
Tangible assets	3		
Land, equivalent titles, and buildings (including on leased land)		36,730,416	36,570,152
Production plant and machinery		59,228,167	64,071,520
Other plant, factory and office equipment		15,117,917	10,675,774
Prepayments on tangibles, construction in progress		2,484,818	6,842,108
		113,561,318	118,159,554
Financial assets	4		
Shares in nonconsolidated Group companies		50,000	62,889
Shares in associated affiliates		7,326,976	345,122
Investments		7,590,716	8,268,101
Other long-term securities		3,041,572	0
Long-term loans		2,484,304	1,236,304
		20,493,568	9,912,416
		168,035,951	142,037,397
Current assets			
Inventories	5		
Raw materials and supplies		58,358,584	45,889,980
Work in process		78,287,710	109,269,211
Finished products and merchandise		96,261,205	84,016,505
Land, buildings and construction in process		48,395,415	58,283,184
Prepayments made		2,648,626	5,019,352
		283,951,540	302,478,232
less prepayments received on orders		(427,491)	(1,878,999)
		283,524,049	300,599,233
Receivables and sundry assets	6		
Trade receivables		135,517,757	105,183,477
Due from nonconsolidated Group companies		82,410	511
Receivable under investor/investee relations		30,061,548	8,539,597
Sundry assets		43,438,383	50,330,550
		209,100,098	164,054,135
Short-term securities		2,293,969	1,983,813
Cash on hand and in bank		40,168,063	5,155,867
		535,086,179	471,793,048
Deferred charges and prepaid expenses	7	9,796,347	4,390,975
Net deferred tax assets		2,556,459	3,067,751
		715,474,936	621,289,171

EQUITY & LIABILITIES (in €)	Note no.	12/31/2001	12/31/2000
Total equity	8		
Capital stock	9	26,794,084	15,338,756
Additional paid-in capital		14,265,617	0
Reserves retained from earnings and Group earnings			
Profit carryover		35,557,424	27,309,122
Net income		22,264,801	26,851,004
less minority interests in P/L, netted		(16,314,768)	(16,039,738)
		41,507,457	38,120,388
Minority interests in equity		47,669,888	62,914,466
Reserves from capital consolidation	10	32,937,167	20,582,566
		163,174,213	136,956,176
Untaxed/special reserves	11	407,685	42,437
Accruals	12		
Accruals for pensions and similar obligations		23,910,511	14,639,820
Tax accruals		9,425,355	16,830,195
Other accruals		53,339,010	29,847,175
		86,674,876	61,317,190
Liabilities	13		
Bonds		120,000,000	120,000,000
Due to banks		235,648,407	177,167,955
Trade payables		60,143,966	63,271,348
Notes payable		8,355,398	12,419,280
Due to nonconsolidated Group companies		1,145,255	2,590,205
Payable under investor/investee relations		2,823,067	369,664
Sundry liabilities		36,773,988	46,983,122
		464,890,081	422,801,574
Deferred income		328,081	171,794
		715,474,936	621,289,171

Consolidated fixed-asset analysis for fiscal 2001

in €	At cost						Balance at 12/31/2001
	Balance at 1/1/2001	Consolidation group changes	Translation differences	Additions	Disposals	Book transfers	
Intangible assets							
Concessions, franchises, industrial-property and similar rights and assets, as well as licenses thereto	8,907,217	9,448,906	69,959	2,080,434	1,285,385	0	19,221,131
Goodwill	8,953,743	14,966,698	0	0	1,809,563	0	22,110,878
Prepayments on intangibles	0	2,968	0	129,544	0	0	132,512
	17,860,960	24,418,572	69,959	2,209,978	3,094,948	0	41,464,521
Tangible assets							
Land, equivalent titles, and buildings (including on leased land)	66,636,671	7,773,334	324,623	2,904,295	9,848,039	3,308	67,794,192
Production plant and machinery	233,612,328	38,671,798	1,854,805	12,945,374	75,873,526	591,930	211,802,709
Other plant, factory and office equipment	69,159,385	23,073,640	194,106	3,342,238	7,265,913	592,000	89,095,456
Prepayments on tangibles, construction in progress	6,842,108	1,070,354	4,960	3,267,950	7,360,104	(1,187,238)	2,638,030
	376,250,492	70,589,126	2,378,494	22,459,857	100,347,582	0	371,330,387
Financial assets							
Shares in nonconsolidated Group companies	62,889	0	0	0	12,889	0	50,000
Shares in associated affiliates	345,122	5,209,000	17,000	1,755,854	0	0	7,326,976
Investments	8,268,101	0	0	3,181,315	3,858,700	0	7,590,716
Other long-term securities	0	196,594	0	2,844,978	0	0	3,041,572
Long-term loans	1,244,996	835,780	0	412,220	0	0	2,492,996
	9,921,108	6,241,374	17,000	8,194,367	3,871,589	0	20,502,260
Total fixed assets	404,032,560	101,249,072	2,465,453	32,864,202	107,314,119	0	430,831,715

Accumulated amortization/depreciation/write-down						Net book values		
Balance at 1/1/2001	Consolidation group changes	Translation differences	Additions	Disposals	Book transfers	Balance at 12/31/2001	Balance at 12/31/2001	Balance at 12/31/2000
3,514,109	2,478,454	21,890	1,774,734	734,003	0	7,055,184	12,165,947	5,393,108
381,424	0	0	0	0	0	381,424	21,729,455	8,572,320
0	0	0	46,849	0	0	46,849	85,663	0
3,895,533	2,478,454	21,890	1,821,583	734,003	0	7,483,457	33,981,064	13,965,427
30,066,519	6,566,747	118,590	2,087,816	7,775,897	0	31,063,775	36,730,417	36,570,152
169,540,809	26,979,842	1,378,827	15,858,955	61,190,936	7,046	152,574,543	59,228,167	64,071,520
58,483,611	17,511,947	163,419	4,423,128	6,633,893	29,327	73,977,539	15,117,917	10,675,774
0	78,756	0	110,829		(36,373)	153,212	2,484,818	6,842,108
258,090,938	51,137,292	1,660,836	22,480,728	75,600,726	0	257,769,068	113,561,319	118,159,554
0	0	0	0	0	0	0	50,000	62,889
0	0	0	0	0	0	0	7,326,976	345,122
0	0	0	0	0	0	0	7,590,716	8,268,101
0	0	0	0	0	0	0	3,041,572	0
8,692	0	0	0	0	0	8,692	2,484,304	1,236,304
8,692	0	0	0	0	0	8,692	20,493,568	9,912,416
261,995,163	53,615,746	1,682,726	24,302,311	76,334,729	0	263,578,491	168,035,951	142,037,397

Consolidated income statement for fiscal 2001

(in €)	Note no.	2001	2000
Net sales	14	722,473,480	647,501,061
Change in inventories of finished products, WIP and land, buildings and construction in process		(52,504,266)	19,240,425
Other work and material capitalized		12,645	122,710
Other operating income	15	42,845,132	36,089,537
Cost of materials	16		
Cost of raw materials, supplies, and merchandise purchased		(343,775,026)	(388,661,080)
Cost of services purchased		(46,890,486)	(45,775,451)
Cost of land and building construction		(6,891,835)	(15,794,829)
		(397,557,347)	(450,231,360)
Personnel expenses	17		
Wages and salaries		(103,867,317)	(74,409,330)
Social security taxes, pension expense and related employee benefits		(25,653,103)	(20,005,317)
thereof pension expense: €3,953,256 (up from €3,294,254)			
		(129,520,420)	(94,414,647)
Amortization of intangible and depreciation of tangible assets	18	(24,302,311)	(18,776,172)
Other operating expenses	19	(96,560,406)	(73,543,202)
Income from investments in nonconsolidated Group companies	20	8,524,000	0
Income from investments in associated affiliates		1,755,946	345,122
Income from other investments		0	2,557
Income from other long-term securities/loans		46,397	0
Other interest and similar income		1,059,095	965,830
Write-down of financial assets and of short-term securities		(203,377)	0
Interest and similar expense	23	(26,027,535)	(21,987,085)
Result from ordinary operations		50,041,033	45,314,776
Extraordinary expenses/result	24	(21,268,983)	(13,316,597)
Income taxes		(5,206,732)	(3,980,918)
Other taxes		(1,300,517)	(1,166,257)
Net income		22,264,801	26,851,004
thereof minority interests in profit: €16,314,768 (up from €16,039,738)			

Balance sheet as of December 31, 2001

ASSETS (in €)	Note no.	12/31/2001	12/31/2000
Fixed assets	1		
Intangible assets	2		
Software		4,479	1
Tangible assets	3		
Land, equivalent titles, and buildings (including on leased land)		1,469,568	1,505,634
Production plant and machinery		1	1
Other plant, business and office equipment		173,717	171,376
		1,643,286	1,677,011
Financial assets	4		
Shares in Group companies		114,710,881	38,231,081
Loans to Group companies		24,236,247	0
Other long-term loans		934,123	0
		139,881,251	38,231,081
		141,529,016	39,908,093
Current assets			
Receivables and sundry assets	6		
Due from Group companies		3,086,260	21,621,068
Sundry assets		12,930,023	25,838,958
		16,016,283	47,460,026
Cash on hand and in bank		107,027	2,921
		16,123,310	47,462,947
Deferred charges and prepaid expenses	7	15,695	7,056
		157,668,021	87,378,096

EQUITY & LIABILITIES (in €)	Note no.	12/31/2001	12/31/2000
Stockholders' equity	8		
Capital stock	9	26,794,084	15,338,756
Additional paid-in capital		25,149,548	9,054,606
Reserves retained from earnings			
Legal reserve		617,946	617,946
Other		2,313,596	2,313,596
Net earnings		26,585,329	7,022,881
		81,460,503	34,347,785
Accruals	12		
Pension accruals		4,086,974	3,588,650
Tax accruals		117,469	762,952
Other accruals		8,666,619	447,418
		12,871,062	4,799,020
Liabilities	13		
Due to banks		35,004,797	23,888,705
Due to Group companies		27,488,341	24,076,086
Sundry liabilities		843,318	266,500
		63,336,456	48,231,291
		157,668,021	87,378,096

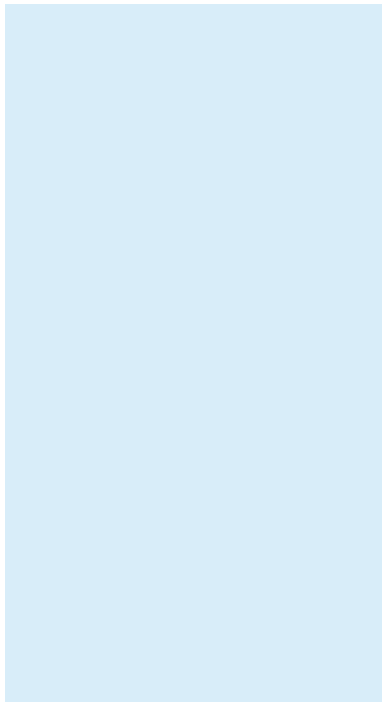
Fixed-asset analysis for fiscal 2001

in €	At cost				Balance at 12/31/2001
	Balance at 1/1/2001	Additions from merger	Additions	Disposals	
Intangible assets					
Software	14,443	12,049	4,607	0	31,099
Tangible assets					
Land, equivalent titles, and buildings (including on leased land)	1,785,749	0	0	0	1,785,749
Production plant and machinery	1	0	0	0	1
Other plant, business and office equipment	487,607	78,119	51,186	3,479	613,433
	2,273,357	78,119	51,186	3,479	2,399,183
Financial assets					
Shares in Group companies	48,456,919	48,571,578	37,000,000	3,674,521	130,353,976
Loans to Group companies	0	1,811,629	33,701,725	0	35,513,354
Other long-term loans	0	412,940	521,183	0	934,123
	48,456,919	50,796,148	71,222,908	3,674,521	166,801,453
Total fixed assets	50,744,718	50,886,316	71,278,700	3,678,000	169,231,735

Accumulated amortization/depreciation/write-down					Net book values		
Balance at 1/1/2001	Additions from merger	Additions	Disposals	Book transfers	Balance at 12/31/2001	Balance at 12/31/2001	Balance at 12/31/2000
14,442	12,049	129	0	0	26,620	4,479	1
280,114	0	36,066	0	0	316,181	1,469,568	1,505,634
0	0	0	0	0	0	1	1
316,231	51,315	75,648	3,478	0	439,716	173,717	171,376
596,345	51,315	111,714	3,478	0	755,897	1,643,286	1,677,011
10,225,838	5,443,656	324,938	351,337	0	15,643,095	114,710,881	38,231,081
0	1,380,488	9,896,619	0	0	11,277,107	24,236,247	0
0	0	0	0	0	0	934,123	0
10,225,838	6,824,144	10,221,557	351,337	0	26,920,202	139,881,251	38,231,081
10,836,625	6,887,508	10,333,401	354,815	0	27,702,718	141,529,016	39,908,093

Income statement for fiscal 2001

(in €)	Note no.	2001	2000
Other operating income	15	6,785,124	2,890,401
Personnel expenses	17		
Wages and salaries		(1,239,799)	(1,139,812)
Social security taxes, pension expense and related employee benefits		(370,978)	(562,232)
thereof pension expense: €278,762 (down from €470,389)			
		(1,610,777)	(1,702,045)
Amortization of intangible and depreciation of tangible assets	18	(111,843)	(90,597)
Other operating expenses	19	(16,423,703)	(5,613,326)
Income from investments	20	4,669,839	16,609,000
thereof from Group companies: €4,669,839 (down from €16,609,000)			
Income from P&L transfer agreements	21	44,517,767	0
Other interest and similar income		656,017	146,458
thereof from Group companies: €652,277 (up from €130,790)			
Write-down of financial assets	22	(10,221,557)	(10,225,838)
Interest and similar expense		(5,104,080)	(1,841,355)
thereof to Group companies: €3,050,422 (up from €470,310)			
Result from ordinary operations (EBT)		23,156,787	172,697
Income taxes		(761,764)	(117,470)
less apportioned to controlled subsidiaries		284,802	117,470
		(476,962)	0
Other taxes		(49,626)	(34,628)
Net income		22,630,199	138,069
Profit carryover		3,955,130	6,884,812
Net earnings		26,585,329	7,022,881



**VDN Vereinigte Deutsche Nickel-Werke AG
and its Group**

The consolidated and separate financial statements for fiscal 2001 are here commented on together and, unless stated to the contrary, the notes apply to both sets of financial statements.

By agreement dated August 8, 2001, Vereinigte Deutsche Nickel-Werke AG and DOAG Holding AG each transferred to VDN Vereinigte Nickel-Werke AG (formerly Langbein-Pfanhauser Werke AG) its assets and liabilities in their entirety in exchange for shares in Langbein-Pfanhauser Werke AG by way of merger through absorption pursuant to Art. 2(1) in conjunction with Arts. 60 et seq. German Transformation & Reorganization Act ("UmwG"). Therefore, comparability of the year under review with fiscal 2000 is biased.

Consolidation group

In addition to VDN Vereinigte Deutsche Nickel-Werke AG, the consolidated financial statements include all companies in which we hold a controlling voting interest or over which we exercise uniform control. Not included are merely Group companies of subordinate economic significance, as well as subsidiaries destined for sale. The group of consolidated companies was extended by the acquisition of a majority stake in the Alkor/Venilia Group and reduced by the disposal of the shares in Cova Products Ltd. and Cova Products, Inc. Moreover, after DOAG Holding AG had merged into Langbein-Pfanhauser Werke AG, Fastening Systems had to be newly included in the consolidation group. The extent (if any) to which such changes impacted on the Group's economic situation is detailed below.

The full listing of VDN Vereinigte Deutsche Nickel-Werke AG's and its Group's shareholdings will be filed with the Commercial Register of the Local Court of Düsseldorf under number HRB 37790.

Consolidation principles

Balance sheet date for the consolidated financial statements is December 31, 2001, which is also the closing date for the financial statements of all consolidated companies.

The classification, accounting and valuation principles of the German Commercial Code ("HGB") and the German Stock Corporation Act ("AktG") were duly complied with when preparing the consolidated accounts and the subsidiaries' separate financial statements.

For capital consolidation, the intragroup shareholdings were offset against the prorated equity of the subsidiaries. For such purpose, the equity was stated at the amount which corresponded to the book value of such assets, liabilities and accruals/deferrals as had to be included in consolidation after adjustment to groupwide uniform accounting methods.

The net equity under cost of consolidated subsidiaries resulting from such offset is shown on the assets side as goodwill and systematically offset against the additional paid-in capital. Any net equity over cost remaining after the aforesaid offset is shown on the liabilities side as reserve from capital consolidation.

The effective date chosen for capital consolidation of such companies as were consolidated subsidiaries at December 31, 1987, in accordance with the transitional provisions of Art. 27(2) Commercial Code Implementing Act ("EGHGB") was December 31, 1986, or December 31, 1987.

For the remaining subsidiaries, the effective date for initial consolidation under the terms of Art. 301(2) HGB was the date at which such companies had become subsidiaries or required initial consolidation.

The shares in associated affiliates were included at equity as of balance sheet date.

Intercompany profits/losses, intragroup transfers (internal sales), expenses, losses, gains and income, as well as receivables and payables among consolidated companies are eliminated.

Deferred taxes are shown for consolidation transactions recognized in net income if based on temporary differences. Wherever deferred tax liabilities were thus created, these were offset against deferred tax assets since certain losses incurred within the Group will result in future tax savings.

For the translation of non-€ financial statements of foreign subsidiaries into euro, the mean current (closing) rate was used for balance sheet captions, while the annual average rate was adopted to translate income statement lines.

The differences from parity changes underlying equity translation were offset against earned capital and not recognized in net income. The differences caused by the translation of income statements versus the financial-accounting results were posted as exchange gains or losses under other operating income or other operating expenses, as appropriate.

Accounting and valuation principles

The consolidated financial statements principally include all assets, untaxed/special reserves, debts, prepaid expenses, deferred charges and deferred income, as well as the income and expense items which are shown in the separate financial statements and recognized in accordance with groupwide uniform valuation principles.

Intangible and tangible assets are valued at cost, less amortization or depreciation (as applicable) and less write-down under ACR (accelerated cost recovery) options or related charges for tax purposes. Within financial assets, the shares in (nonconsolidated) Group companies and the investments are stated at acquisition cost to the Group, charging write-down for impairment where applicable. If required, the other long-term loans were discounted and shown at their present values.

Inventories were stated at the lower of Group (production or acquisition) cost or market. Work in process was valued in accordance with the LIFO method.

Risks inherent in inventories from slow-moving or obsolescent items or from impaired utility were adequately and sufficiently allowed for. Sufficient specific bad-debt allowances provide for identifiable risks in receivables while a general allowance for doubtful accounts takes account of the general collection risk.

Besides direct charges, production cost also includes the overhead expenses optionally capitalizable under tax regulations.

Pension accruals provide for pension plan obligations at the amount of the actuarial present value of such pension liabilities.

Accruals provide for all liabilities whose amount is uncertain, as well as for identifiable risks.

Foreign-currency receivables and payables shown in the separate financial statements were recorded at the historical rate as of the date of their creation. Losses from parity changes were duly recognized.

Notes to the balance sheets

(1) Fixed assets

For breakdown and details of the fixed assets of VDN Vereinigte Deutsche Nickel-Werke AG and the Group, see the fixed-asset analyses after the balance sheets.

(2) Intangible assets

The Group's intangible assets of €33.9 million (up from €13.9 million) include €21.7 million (up from €8.6 million) goodwill after amortization or, as applicable, after the disposals which were offset against reserves but not recognized in net income. The rise is primarily attributable to the extended group of consolidated companies in the wake of the merger with DOAG Holding AG, the increase in the other intangibles being the result of the acquisition of the Alkor/Venilia Group.

(3) Tangible assets

The Group's tangible assets amounted to €113.6 million (down from €118.2 million), hence virtually unchanged since the disposal of Cova Products Ltd. and Cova Products, Inc. largely offset the additions from the acquisition of the Alkor/Venilia Group and from the Behrens Group (Fastening Systems).

Additions of €22.5 million contrast with depreciation of €22.5 million.

(4) Financial assets

At €20.5 million, the Group's financial assets were €10.5 million above the previous year's. The additions mainly refer to further investees in the wake of the takeover of the Fastening Systems business unit (Behrens Group) and are, moreover, ascribable to the higher investment book value of associated affiliates stated at equity.

At December 31, 2001, VDN Vereinigte Deutsche Nickel-Werke AG's fixed assets totaled €141.5 million (up from €39.9 million), the surge mainly reflecting the effects of the merger of DOAG Holding AG and Vereinigte Deutsche Nickel-Werke AG. Furthermore, Deutsche Nickel AG received a capital grant of €29.0 million lest the Deutsche Nickel subgroup's equity be adversely affected by the proposed distribution of prior-year earnings..

In the year under review, due to the losses accumulated by RI Holding GmbH, VDN Vereinigte Deutsche Nickel-Werke AG first made a non-repayable grant of €5.8 million to offset the deficit of RI Wohnungsbau Schröer GmbH. The remaining receivables portfolio, since not carrying any interest, was written down by €1.3 million to its lower current value as of December 31, 2001, in order to duly reflect the economic disadvantage of being a non-interest receivable. Since the Company does not anticipate these debts to be repaid short term, they were reclassified into loans to Group companies in fiscal 2001.

The loans to DOAG USA, Inc. of a net €1.4 million result from the merger with DOAG Holding AG, Düsseldorf. Due to the unsatisfactory results of operations of DOAG USA, Inc., the loans were in fiscal 2001 written down by €2.8 million to the lower current value as of December 31, 2001.

Moreover, VDN-Gastronomieservice GmbH sold in 2001 its horeca business to Deutsche Nickel-Press Tec GmbH. Due to the disposal of the company's business operations and for lack of future earnings, the investment book value was in 2001 written down to the value of the equity at December 31, 2001.

(5) Inventories

The consolidated balance sheet reflects a €17.1 million decrease in inventories to €283.5 million, which was chiefly due to Payment Systems and NF Metal Technology. The capital released by these business units exceeded the increase in inventories, the latter rising as the consolidation group was extended by adding the Alkor/Venilia Group within Home Decoration as well as the Fastening Systems BU.

(6) Receivables and sundry assets

Receivables and sundry assets hiked up by €45 million from €164.1 million to €209.1 million. €1.4 million of sundry assets has a remaining term of more than one year.

The balance sheet of VDN Vereinigte Deutsche Nickel-Werke AG discloses receivables and sundry assets at €19.9 million, which mainly originate from municipal trade taxes apportioned to subsidiaries, as well as from claims to tax refunds; none of the sundry assets fall due after one year.

(7) Prepaid expenses and deferred charges

For the Group, this caption includes €2.7 million of loan discount.

(8) Equity

VDN Vereinigte Deutsche Nickel-Werke AG's and the VDN Group's equity developed as follows:

VDN Vereinigte Deutsche Nickel-Werke AG

(€ '000)	12/31/2000	Dividend for 2000	DOAG/VDN merger	Net income 2001	Other	12/31/2001
Capital stock	15,339		11,194		261	26,794
Additional paid-in capital	9,055		16,356		(261)	25,150
Reserves retained from earnings						0
legal reserve	618					618
other	2,314					2,314
Profit carryover	6,885	(2,930)				3,955
Net income	138	(138)		22,630		22,630
Total	34,349	(3,068)	27,550	22,630	0	81,461

VDN Group

(€ '000)	12/31/2000	Dividend for 2000	DOAG/VDN merger	Net income 2001	Other	12/31/2001
Capital stock	15,339		11,194		261	26,794
Additional paid-in capital	0		16,356		(2,090)	14,266
Reserves retained from earnings and Group earnings	27,309	7,744			504	35,557
Net income	10,812	(10,812)		22,265	(16,315)	5,950
Minority interests	62,915	(8,634)	(21,717)		15,106	47,670
Reserve from capital consolidation	20,583		14,442		(2,088)	32,937
Total	136,958	(11,702)	20,275	22,265	(4,622)	163,174

(9) Capital stock

VDN Vereinigte Deutsche Nickel-Werke AG's capital stock of €26,794,084 is divided into 10,305,417 no-par bearer shares of common stock, one share entitling to one vote.

As resolved by the annual stockholders' meeting of June 29, 2001, authorized capital has been recorded in the Commercial Register. The Executive Board is authorized, subject to the Supervisory Board's prior approval and on or before June 25, 2006, to increase the capital stock by an aggregate total €7,800,000 by issuing once or several times new shares of stock in exchange for contributions in cash or in kind. However, the ceiling of a capital raise against contributions in kind is an aggregate €6,240,000.

Mr. Michael Schröer, Düsseldorf, holds more than 50 percent of our Company's stock.

From the net earnings of €7,022,881 for fiscal 2000, €3,067,751 was paid in cash dividends while the balance of €3,955,130 was carried over.

For the fiscal year 2001, net income came to €22,630,199, net earnings amounting to €26,585,329.

(10) Reserve from capital consolidation

The reserve from capital consolidation reflects the total net equity over cost of consolidated subsidiaries.

The change is attributable to the divestment of Cova Products, Inc., New Jersey, USA, and Cova Products Ltd., Cramlington, UK, as well as to the acquisition of the Alkor/Venilia Group.

(11) Untaxed/special reserves

The untaxed/special reserves shown in the consolidated balance sheet were created at a non-German subsidiary and taken over to the consolidated accounts pursuant to Art. 298 HGB.

(12) Accruals

The consolidated balance sheet includes accruals of €86.7 million (up from €61.3 million), the increase being largely due to the acquisition of the Alkor/Venilia Group and the concomitant provision for future restructuring programs. The accruals for pensions and similar obligations surged to €23.9 million, from €14.6 million, largely due to the takeover of the Alkor/Venilia Group and to the merger-related extension to the consolidation group. Tax accruals shrank from €16.8 million to €9.4 million. The Group's accruals for warranty obligations, accommodating settlements, trade creditor accounts not yet billed to subsidiaries, personnel expenses, and for other compensation came to €28.3 million (down from €29.9 million).

VDN Vereinigte Deutsche Nickel-Werke AG's accruals soared from €4.8 million to €12.9 million, of which €4.1 million covers accrued pension obligations. The hike is primarily ascribable to an accrual of €7.7 million for financial reorganization and risks; the accrual provides for the impending loss from restructuring Burmeister & Thelen GmbH, Willich. Furthermore, purchase invoices of a total €0.5 million were not yet received by balance sheet date and hence provided for.

(13) Liabilities

The Group's liabilities of €464.9 million (up from €422.8 million) break down as shown in the table below.

€2.6 million of the accounts due to banks is collateralized by land charges or equivalent encumbrances. Moreover, certain assets have been assigned as security. The sundry liabilities include €2.8 million for taxes and €5.6 million for social security.

The balance sheet of VDN Vereinigte Deutsche Nickel-Werke AG shows liabilities of a total €63.3 million.

The sundry liabilities include €0.4 million for taxes.

Liabilities (VDN Group)

in € million	Total		Due within 1 year		within 5 years		after 5 years	
	12/31/01	12/31/00	12/31/01	12/31/00	12/31/01	12/31/00	12/31/01	12/31/00
Bonds	120.0	120.0	0.0	0.0	120.0	0.0	0.0	120.0
Due to banks	235.7	177.2	182.4	137.0	46.5	24.0	6.8	16.2
Trade payables	60.1	63.3	60.1	63.3	0.0	0.0	0.0	0.0
Notes payable	8.4	12.5	6.6	12.5	0.6	0.0	1.2	0.0
Due to nonconsolidated Group companies	1.1	2.6	1.1	2.6	0.0	0.0		0.0
Payable under investor/investee relations	2.8	0.4	2.8	0.4	0.0	0.0	0.0	0.0
Sundry	36.8	46.9	33.1	40.0	3.3	5.0	0.4	1.9
	464.9	422.8	286.1	255.7	170.4	29.0	8.4	138.1

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Liabilities (VDN Vereinigte Deutsche Nickel-Werke AG)

in € million	Total		Due within 1 year		within 5 years		after 5 years	
	12/31/01	12/31/00	12/31/01	12/31/00	12/31/01	12/31/00	12/31/01	12/31/00
Due to banks	35.0	23.9	14.3	17.6	20.7	5.3	0.0	1.0
Trade payables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Due to Group companies	27.5	24.0	16.9	24.0	10.6	0.0	0.0	0.0
Sundry	0.8	0.3	0.8	0.3	0.0	0.0	0.0	0.0
	63.3	48.2	32.0	41.9	31.3	5.3	0.0	1.0

Notes to the income statements

(14) Net sales/total operating performance

Total net sales of the Group and its units break down as follows:

in € million	2001	2000
Former VDN AG		
Nonferrous Metal Technology	233.9	
Payment Systems	213.3	
subtotal	447.2	522.3
Hindrichs-Auffermann AG		
Home Decoration	182.0	110.2
subtotal	182.0	110.2
Joh. Friedrich Behrens AG		
Fastening Systems	103.5	0.0
subtotal	103.5	0.0
Other, incl. intercompany transfers	(10.2)	15.0
	722.5	647.5

Breakdown of 2001 sales by regions:

in € million	2001
Germany	250.5
Other Europe	365.0
USA	72.9
Other countries	34.1
	722.5

For the Group, net sales plus changes in inventories plus other work and materials capitalized result in a total operating performance of €670 million (up from €666 million), however excluding the total operating performance of €116.0 million achieved by the Alkor/Venilia Group, which was acquired on December 14, 2001.

(15) Other operating income

The Group's other operating income climbed €6.7 million to €42.8 million (up from €36.1 million), basically due to the gain from the disposal of the shares in the British Cova Products Ltd. and the US Cova Products, Inc.

VDN Vereinigte Deutsche Nickel-Werke AG's other operating income jumped up from €2.9 million to €6.8 million because of special services rendered on behalf of subsidiaries, as well as due to a gain from disposal realized in connection with the overall restructuring of the Group.

(16) Cost of materials

The cost of materials including the expenses for land and buildings in process sank from €450.2 million in 2000 to €397.5 million the year under review, mainly owing to decreased outsourcing by Payment Systems and Nonferrous Metal Technology.

(17) Personnel expenses

Personnel expenses rose from €94.4 million to €129.57 million, chiefly upon the first-time inclusion of Fastening Systems and the full consolidation of the Home Decoration companies acquired in 2000.

(18) Amortization and depreciation

At €24.3 million, depreciation exceeded the prior year's of €18.8 million. The increase is attributable at €2.2 million to the initial inclusion of Fastening Systems, the remaining rise to the first-time full consolidation of the Home Decoration companies acquired in November 2000 as well as to the new capital expenditure projects which were completed by 2000 (particularly within Payment Systems) and to which the full annual depreciation was for the first time charged in 2001.

(19) Other operating expenses

In the consolidated income statement, the other operating expenses are shown at €96.6 million (up from €73.5 million), this change, too, being caused by the extended consolidation group.

In VDN Vereinigte Deutsche Nickel-Werke AG's income statement, this caption soared from €5.6 million to €16.4 million, almost exclusively due to the write-down to the lower present value of receivables, as well as to the loss realized on a disposal in connection with an intragroup organizational restructuring process.

(20) Income from investments

The income from investments in nonconsolidated Group companies as shown in the consolidated income statement was earned as the prorated profit of Cova Products Ltd., U.K., to be transferred to VDN Vereinigte Deutsche Nickel-Werke AG under the agreement to sell this investment.

VDN Vereinigte Deutsche Nickel-Werke AG's income from investments sank to €4.7 million (from €16.6 million) since, according to the pertinent transfer agreement, the profit earned by Deutsche Nickel AG is disclosed as income from P&L transfer agreements.

(21) Income from P&L transfer agreements

In accordance with the P&L transfer agreement dated December 21, 2001, this caption solely comprises the profit of €44.5 million transferred by Deutsche Nickel AG. This sum includes prior-year profits of Deutsche Nickel AG subsidiaries but has been reinvested in this company as a grant to strengthen the Deutsche Nickel subgroup's equity base.

(22) Write-down of financial assets

See Note (4) for details and reasons.

(23) Net financial result

The net interest expense inched up from €21.0 million to €24.9 million.

(24) Extraordinary result

The Group's extraordinary expenses of €21.3 million were substantially caused by the write-down of inventories held by RI Wohnungsbau Schröer GmbH, the close-down of the US-based trading business unrelated to nickel products, anticipated expenses for the discontinuation of the giftware business, and by termination benefits paid.

(25) Cash flow statement

(in € '000)	2001	2000
Net income before extraordinary items	43,534	40,168
amortization/depreciation/write-down/(write-up) of fixed assets	24,302	18,776
increase/(decrease) in accruals	(15,906)	7,115
other noncash expenses/income, net	0	(21,554)
(gain)/loss from fixed-asset disposal	(26,370)	(3,212)
decrease/(increase) in inventories, trade receivables and other assets not allocable to investing or financing activities	86,422	(1,188)
increase/(decrease) in trade payables and in other liability items not allocable to investing or financing activities	(46,160)	12,700
cash inflow from/(outflow for) extraordinary items	(21,269)	(13,317)
Net cash provided by/(used in) operating activities	44,553	39,489
cash inflow from the disposal of tangible/intangible assets	7,061	17,631
cash outflow for additions to tangible/intangible assets	(24,670)	(33,750)
cash inflow from the disposal of financial assets	3,872	2,795
cash outflow for additions to financial assets	(8,194)	(3,082)
other changes in fixed assets	(2,797)	(1,730)
cash outflow for the acquisition of consolidated subsidiaries	(8,000)	(4,257)
cash inflow from the disposal of consolidated subsidiaries	30,300	
Net cash provided by/(used in) investing activities	(2,428)	(22,393)
other changes in equity	(4,004)	(21,748)
cash outflow to stockholders and for minority interests	(11,695)	(12,461)
cash inflow from/(outflow for) bonds issued/(redeemed)	0	0
cash inflow from/(outflow for) bank loans raised/(repaid)	0	14,647
Net cash provided by/(used in) financing activities	(15,699)	(19,563)
Cash-based changes in cash	26,426	(2,466)
net changes in cash due to changes in exchange rates, consolidation group and valuation	8,586	34
cash at beginning of period	5,156	7,588
Cash at end of period	40,168	5,156

(26) Segment reports**Payment Systems and Nonferrous Metal Technology business units****(in € '000)**

	2001			2000
	Payment Systems	Nonferrous Metal Technology	Total	
1. Net sales	213,288	233,941	387,877	522,301
2. Net inventory change, other work/material capitalized	(17,007)	(17,738)	(34,745)	9,143
3. Total operating performance	196,281	216,203	353,132	531,444
4. Cost of materials	(126,518)	(168,891)	(236,057)	(384,441)
5. Gross profit	69,763	47,312	117,075	147,004
6. Other income	3,018	20,397	12,732	22,381
7. Personnel expenses	(22,518)	(28,203)	(50,721)	(55,678)
8. Other operating expenses	(16,280)	(19,995)	(22,966)	(43,681)
9. Amortization/depreciation	(6,030)	(5,943)	(11,973)	(12,105)
10. Operating result	27,953	13,568	44,147	57,920
11. Net investment income	1,301	289	1,590	192
12. Net interest expense	(4,822)	(6,561)	(11,383)	(14,781)
13. Net financial result	(3,521)	(6,272)	(9,793)	(14,589)
14. Result from ordinary operations	24,432	7,296	34,354	43,331
15. Extraordinary result	0	(4,348)	(4,348)	(1,143)
16. Income taxes	(4,791)	(1,493)	(6,284)	(9,263)
17. Other taxes	(160)	(185)	(344)	(1,300)
18. Net income	19,481	1,270	23,378	31,626

	12/31/2001			12/31/2000	
	Payment Systems	Nonferrous Metal Technology	Total		Change
ASSETS					
Fixed assets	63,034	44,459	66,833	86,995	-23.2%
Inventories	33,322	97,718	131,040	196,652	-33.4%
Receivables, sundry assets	33,186	134,643	122,294	89,694	+36.3%
Cash	3,410	24,991	28,401	1,894	+1,399.5%
All other assets	856	2,304	3,160	3,307	-4.4%
	133,808	304,115	351,728	378,541	-7.1%

	12/31/2001			12/31/2000	
	Payment Systems	Nonferrous Metal Technology	Total		Change
EQUITY & LIABILITIES					
Equity	39,789	96,343	95,472	81,522	+17.1%
Accruals	2,583	17,366	19,949	28,935	-31.1%
Liabilities	91,436	190,406	236,307	268,084	-11.9%
	133,808	304,115	351,728	378,541	-7.1%

Segment report
Home Decoration business unit

(in € '000)	2001	2000
1. Net sales	182,011	110,173
2. Net inventory change, other work/material capitalized	(4,829)	1,056
3. Total operating performance	177,182	111,228
4. Cost of materials	(75,975)	(49,856)
5. Gross profit	101,207	61,373
6. Other income	37,163	18,265
7. Personnel expenses	(49,901)	(32,465)
8. Other operating expenses	(46,388)	(27,043)
9. Amortization/depreciation	(9,856)	(6,437)
10. Operating result	32,225	13,693
11. Net investment income	8,524	0
12. Net interest expense	(5,150)	(2,292)
13. Net financial result	(3,374)	(2,292)
14. Result from ordinary operations	35,599	11,402
15. Extraordinary result	(5,350)	(241)
16. Income taxes	1,809	(3,438)
17. Other taxes	(792)	(812)
18. Net income	31,266	6,911

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ASSETS	12/31/2001	12/31/2000	Change
Fixed assets	61,233	53,188	+15.1%
Inventories	63,711	47,500	+34.1%
Receivables, sundry assets	89,280	54,767	+63.0%
Cash	7,044	2,778	+153.6%
All other assets	6,276	1,586	+295.7%
	227,544	159,819	+42.4%

EQUITY & LIABILITIES	12/31/2001	12/31/2000	Change
Equity	73,819	53,256	+38.6%
Accruals	45,211	23,769	+90.2%
Liabilities	107,814	82,580	+30.6%
Other	700	214	+227.1%
	227,544	159,819	+42.4%

Segment report

Fastening Systems business unit

(in € '000)	2001
1. Net sales	103,451
2. Net inventory change, other work/material capitalized	696
3. Total operating performance	104,147
4. Cost of materials	(54,490)
5. Gross profit	49,657
6. Other income	771
7. Personnel expenses	(23,954)
8. Other operating expenses	(18,307)
9. Amortization/depreciation	(2,210)
10. Operating result	5,957
11. Net investment income	166
12. Net interest expense	(2,090)
13. Net financial result	(1,924)
14. Result from ordinary operations	4,033
15. Extraordinary result	(502)
16. Income taxes	(1,583)
17. Other taxes	(36)
18. Net income	1,912

ASSETS	12/31/2001
Fixed assets	12,282
Inventories	26,416
Receivables, sundry assets	24,565
Cash	4,262
All other assets	676
	68,201

EQUITY & LIABILITIES	12/31/2001
Equity	17,638
Accruals	5,860
Liabilities	44,703
	68,201

Segment report
Other Investments business unit

(in € '000)	2001	2000
1. Net sales	22,293	14,983
2. Net inventory change, other work/material capitalized	(10,315)	895
3. Total operating performance	11,978	15,878
4. Cost of materials	(7,501)	(15,795)
5. Gross profit	4,477	83
6. Other income	2,785	2,486
7. Personnel expenses	(3,333)	(3,682)
8. Other operating expenses	(5,329)	(4,060)
9. Amortization/depreciation	(214)	(134)
10. Operating result	(1,614)	(5,307)
11. Net investment income	0	0
12. Net interest expense	(375)	(2,249)
13. Net financial result	(375)	(2,249)
14. Result from ordinary operations	(1,989)	(7,556)
15. Extraordinary result	2,407	4,546
16. Income taxes	1,328	3,592
17. Other taxes	(78)	(70)
18. Net income	1,668	512

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ASSETS	12/31/2001	12/31/2000	Change
Fixed assets	8,045	6,559	+22.7%
Inventories	47,968	56,404	-15.0%
Receivables, sundry assets	26,193	16,056	+63.1%
Cash	354	357	-0.8%
All other assets	1,962	1,986	-1.2%
	84,522	81,362	+3.9%

EQUITY & LIABILITIES	12/31/2001	12/31/2000	Change
Equity	454	5,663	-92.0%
Accruals	2,901	3,614	-19.7%
Liabilities	81,167	72,085	+12.6%
	84,522	81,362	+3.9%

(27) Other disclosures

€176,000 was paid to former Executive Board members or their surviving dependants. As of December 31, 2001, a total €2,141,000 was provided for such accrued obligations. With reference to the remuneration of active Executive Board members, we claim the exempting rule of Art. 286(4) HGB.

Paid and accrued remuneration for Supervisory Board members of VDN Vereinigte Deutsche Nickel-Werke AG totaled €99,700 and, for the Group, €209,300.

On an annual average, the headcount of VDN Vereinigte Deutsche Nickel-Werke AG and the Group broke down as follows (excluding apprentices):

Headcount excl. apprentices in 2001	Total	Germany	Abroad
VDN Vereinigte Deutsche Nickel-Werke AG	10	10	0
Nonferrous Metal Technology	778	728	50
Payment Systems	429	429	0
Home Decoration	1,473	157	1,316
Fastening Systems	654	240	414
Other	72	72	0
	3,416	1,636	1,780

Other financial obligations not disclosed in the balance sheet and covering the next five years amounted at the close of fiscal 2001 to €46.3 million (Group) and €10.0 million (VDN Vereinigte Deutsche Nickel-Werke AG). As of balance sheet date, currency hedges against non-euro transaction risks, translated into €, came to some €31.4 million for the Group.

As of December 31, 2001, contingent liabilities existed under reportable letters of comfort issued to banks at €42.1 million, including €40.6 million in favor of Group companies. Additional contingent liabilities originate from suretyships and guaranties of a total €73.0 million, including €66.7 million in favor of Group companies.

Within the Group, further contingent liabilities subject to disclosure existed as of balance sheet date at €22.0 million, in addition to guaranty bonds issued by the Housing unit at €16.6 million in favor of property buyers, mainly to collateralize purchase price payments.

On condition and provided that the stockholders of VDN Vereinigte Deutsche Nickel-Werke AG (formerly Langbein-Pfanhauser Werke AG), Düsseldorf, and

(a) the stockholders of Deutsche Nickel AG, Schwerte, consent to the profit & loss transfer agreement executed on December 21, 2001, by and between VDN Vereinigte Deutsche Nickel-Werke AG and Deutsche Nickel AG, Schwerte,

as well as the stockholders of Deutsche Nickel AG, Schwerte, and

(b) the stockholders of EuroCoin AG, Schwerte, consent to the profit & loss transfer agreement executed on December 4, 2001, by and between Deutsche Nickel AG and EuroCoin AG, Schwerte,

(c) the shareholders of Auerhammer Metallwerk GmbH, Aue, consent to the profit & loss transfer agreement executed on December 4, 2001, by and between Deutsche Nickel AG and Auerhammer Metallwerk GmbH, Aue,

(d) the shareholders of Deutsche Nickel-Press Tec GmbH, Schwerte, consent to the profit & loss transfer agreement executed on December 4, 2001, by and between Deutsche Nickel AG and Deutsche Nickel-Press Tec GmbH, Schwerte,

as well as the stockholders of EuroCoin AG, Schwerte, and

(e) the shareholders of Saxonia Edelmetalle GmbH Recycling und Verarbeitung, Halsbrücke, consent to the profit & loss transfer agreement executed on December 11, 2001, by and between EuroCoin AG and Saxonia Edelmetalle GmbH Recycling und Verarbeitung, Halsbrücke,

(f) the shareholders of DeNiSys GmbH, Schwerte, consent to the profit & loss transfer agreement executed on December 11, 2001, by and between EuroCoin AG and DeNiSys GmbH, Schwerte,

and that said agreements are duly recorded at the respective Commercial Registers of Deutsche Nickel AG, EuroCoin AG, Deutsche Nickel-Press Tec GmbH, Auerhammer Metallwerk GmbH, Saxonia Edelmetalle GmbH Recycling und Verarbeitung, and DeNiSys GmbH, we issue the following unqualified opinion:

Auditor's opinion

We have audited the separate and consolidated financial statements (including the notes thereto and the records and books of account) and the combined management report of VDN Vereinigte Deutsche Nickel-Werke AG and its Group, for the fiscal year ended December 31, 2001. The accounting and the preparation of the separate annual financial statements and management report as well as of the consolidated financial statements and group management report in accordance with German Commercial Code regulations are the responsibility and assertions of the Company's legal representatives. Our responsibility is, based on our audit, to express an opinion on the separate and consolidated financial statements (including the notes thereto and the accounting) and the management report on the Company and its Group.

We have conducted our annual audit of the Company and the Group in accordance with the provisions of Art. 317 HGB and with due regard to standards on the audit of financial statements generally accepted in Germany as established by IDW, the Institute of Sworn Public Auditors in Germany. Those standards require that we plan and perform the audit to obtain reasonable assurance about the proper identification of any misstatement or fraud that has a material impact on the view of the net assets, financial position and results of operations as presented by the separate and consolidated financial statements with due regard to accounting principles generally accepted in Germany and by the management report on the Company and the Group.

Düsseldorf, April 26, 2002

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Lüddolph
Wirtschaftsprüfer

When planning the audit procedures, knowledge and understanding of the Company's business, its economic and legal environment as well as sources of potential errors are given due consideration. An audit includes examining, largely on a test basis, the accounting-related internal control system's effectiveness and the evidence supporting the amounts and disclosures in the accounting, separate and consolidated financial statements, and the management report on the Company and the Group. An audit also includes assessing the accounting principles used, and significant estimates made, by the Company's legal representatives, as well as evaluating the overall presentation of the separate and consolidated financial statements and the management report on the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any objections or exceptions.

It is our opinion that the separate and consolidated financial statements, with due regard to accounting principles generally accepted in Germany, present a true and fair view of the Company's and the Group's net assets, financial position and results of operations. The management report on the Company and the Group presents fairly, in all material respects, the Company's and its Group's position and the risks inherent in their future development.

Frank
Wirtschaftsprüfer

Reporting format

The Executive Board kept the Supervisory Board regularly informed about the position of the Company and its subsidiaries, as well as all major events and projects, the business trend and basic issues of corporate policy, both through written reports and personal discussions.

Major events and transactions affecting corporate policy were discussed at joint meetings with the Executive Board. The Supervisory Board was specifically kept abreast of the Group's market and sales situation against the background of the overall economic trend, as well as of the Company's and its subsidiaries' financial position and results of operations.

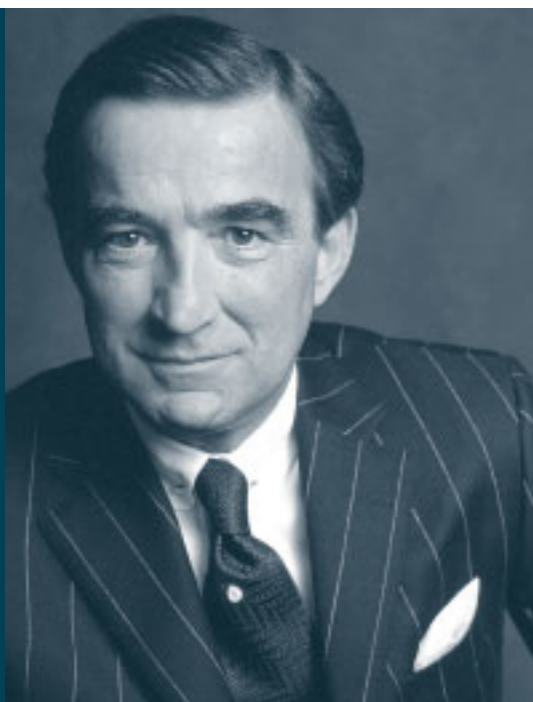
Owing to the extensive ongoing reporting, the members of the Supervisory Board saw no reason why the Executive Board should issue a report under the terms of Art. 90(3) AktG.

Supervisory Board meetings

In the past fiscal year, the Supervisory Board held two plenary meetings in each calendar semester, which were additionally attended by the Executive Board. The meeting that voted on the adoption of the 2000 annual accounts was, moreover, attended by the statutory auditors appointed for the Company and the Group.

Prior to the meeting approving and adopting the annual financial statements 2001, which was also attended by the statutory auditors, all members of the Supervisory Board were provided with the annual audit reports on the Company and the Group for fiscal 2001, as well as the dependency report.

At such Supervisory Board meetings, the Executive Board again detailed the various companies' business trends and, wherever required, elaborated on these developments. In addition, the Supervisory Board analyzed and approved the annual budget of the Group's companies (including their investment, human resources and financial planning).



Michael Schröer
Supervisory Board Chairman

Transactions requiring Board approval

Within the scope of its meetings in 2001, the Supervisory Board took approving note of various transactions requiring its approval, such as

- the merger of Vereinigte Deutsche Nickel-Werke AG into Langbein-Pfanhauser Werke AG;
- the merger of DOAG Holding AG into Langbein-Pfanhauser Werke AG;
- the merger of Hindrichs-Auffermann AG into Langbein-Pfanhauser Werke AG;
- the divestment of two Home Decoration companies, viz. Cova Products Ltd., Cramlington, UK, and Cova Products, Inc., NJ, USA;
- the takeover by Home Decoration of the Alkor/Venilia Group, which comprises 14 companies.

Annual financial statements

The annual financial statements of VDN Vereinigte Deutsche Nickel-Werke AG and its consolidated financial statements as of December 31, 2001, as well as the management report on the Company and the Group for fiscal 2001 have been audited by the statutory auditors, viz. ARTHUR ANDERSEN Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft mbH, Düsseldorf, who issued their unqualified opinion thereon.

After its own detailed examination and deliberations, also involving discussions with the statutory auditors, the Supervisory Board concurs with the audit results. The annual financial statements are thus adopted.

The Supervisory Board agrees to the profit appropriation as proposed by the Executive Board.

The statutory auditors also examined the Executive Board's dependency report on affiliations, on which they issued the following opinion:

"Based on our examination, which we performed with due professional care, and on our evaluation we certify that

(1) the facts stated in the report are valid;

(2) the consideration which the Company paid for the legal transactions referred to in the report was not unreasonably high."

After the Supervisory Board's own examination, it concurs with the audit conclusions. Having reviewed the results of its own final examination and after having interviewed the statutory auditors, there have been no objections to the Executive Board's report on the Company's affiliations.

Our thanks go to all the employees, management boards and the Executive Board whose efforts have made possible the success of our business during the past fiscal year.

Düsseldorf, May 2002
The Supervisory Board



Michael Schröer
Chairman

Supervisory Board

Supervisory Board members also hold additional offices in supervisory or equivalent boards of other companies:

Michael Schröer, Düsseldorf

(Chairman)

Occupation: businessman

- Deutsche Nickel AG, vice-chairman
- Hindrichs-Auffermann AG, chairman
- Joh. Friedrich Behrens AG, vice-chairman
- Compañía Europea de Cospes S.A. (CeCo)
- World Money Fair AG, chairman

Hans-Joachim Kerber, Schwerte

(Vice-Chairman)

Occupation: lawyer

Dr. Walter Kuna, Frankfurt

Occupation: general manager

- Engel & Völkers AG, chairman
- Zimmer & Rohde GmbH, advisory board chairman
- Sparta AG
- AGIV Real Estate AG

Dipl.-Kfm. Andreas de Maizière, Bad Homburg

Occupation: executive board member of

Commerzbank AG

- Borgers AG
- RAG Saarberg AG
- RWE Power AG
- ThyssenKrupp Stahl AG
- Commerzbank Investment Management GmbH
- Hypothekenbank in Essen AG
- BRE Bank S.A., vice-chairman
- Commerzbank (Budapest) RT, chairman
- Commerzbank (Eurasija) SAO, chairman

Rolf Schmerbeck, Schwerte*)

Occupation: works council chairman

- Deutsche Nickel AG
- EuroCoin AG
- Stadtwerke Schwerte GmbH
- Holding Schwerte GmbH

*elected by the employees

Executive Board

Dr. Wolfgang Knop, Willich-Neersen

Occupation: Executive Board spokesman of VDN
Vereinigte Deutsche Nickel-Werke AG

- Joh. Friedrich Behrens AG, chairman
- Deutsche Nickel AG, chairman
- EuroCoin AG, chairman
- Criterion Holdings, Inc.
- Compañía Europea de Cosepeles S.A. (CeCo)

Dipl.-Kfm. Günter Franke, Düsseldorf

Occupation: Executive Board member of VDN
Vereinigte Deutsche Nickel-Werke AG

Düsseldorf, March 2002

VDN Vereinigte Deutsche Nickel-Werke AG
The Executive Board



Dr. Wolfgang Knop



Günter Franke

VDN Vereinigte Deutsche Nickel-Werke AG
(formerly Langbein-Pfanhauser Werke AG), Düsseldorf

(1) Consolidated subsidiaries

Direct shareholdings	% held	Currency	Capital at par	
Deutsche Nickel Aktiengesellschaft, Schwerte	100	€	26,075,886	(3)
RI Holding GmbH, Schwerte	100	€	2,045,168	(3)
Hindrichs-Auffermann Aktiengesellschaft, Düsseldorf	50.01	€	7,273,715	(3)
Joh. Friedrich Behrens AG, Ahrensburg	65.16	€	7,168,000	(3)
DOAG USA Inc., Atlanta, USA	100	US\$	5,026,000	(3)
VDN Gastronomieservice GmbH, Willich	100	€	766,938	(3)
Langbein-Pfanhauser Werke GmbH, Neuss	100	€	25,565	(3)
Indisch-Afrikaansche Compagnie B. V., Amsterdam, Netherlands	99.96	€	45,605	(3)
Indirect shareholdings	% held	Currency	Capital at par	
BeA Deutschland Befestigungstechnik GmbH, Ahrensburg	100	€	2,812,105	(3)
BeA Geräte GmbH, Ahrensburg	100	€	2,045,168	(3)
BeA Business Solutions GmbH, Ahrensburg	100	€	51,129	(3)
Joh. Friedrich Behrens Ges. mbH, Vösendorf, Austria	100	€	72,673	(3)
BeA-HVV AG, Mönchaltorf, Switzerland	100	Sfr	250,000	(3)
BeA SNAPCO Ltd., Glasgow, UK	70	£	33,000	(3)
BeA Scot-Nail Ltd., Glasgow, UK	80	£	10,000	(3)
BeA France S. a. r. l., Torcy, France	100	€	457,347	(3)
Elji France S. a. r. l., Aze, France	100	€	8,000	(3)
BeA Italiana S. p. A., Seregno, Italy	100	€	516,457	(3)
BeA Norge AS, Oslo, Norway	100	Nkr	1,800,000	(3)
BizeA sp. z o. o., Piaseczno, Poland	51	Zl	1,000,000	(3)
BeA Fastening Systems Ltd., Beverly, UK	100	£	1,550,000	(3)
Phoenix Fasteners Ltd., Kirkaldy, UK	100	£	1,000	(3)
BeA Hispania S. A., Sta. Perpetua de Mogoda, Spain	100	€	732,033	(3)
BeA CS spol. s r. o., Prague, Czech Republic	100	Čk	13,000,000	(3)
Mezi S. A., Sta. Perpetua de Mogoda, Spain	100	€	210,283	(3)
BeA Slovensko spol. s r. o., Lipt. Mikuláš, Slovakia	50	Čk	3,954,000	(1)

Indirect shareholdings	% held	Currency	Capital at par	
BeA RUS, Moscow, Russian Federation	50	rubles	3,339,500	(1)
BeA Andina Ltda., Cali, Colombia	50	pesos	892,553,450	(1)
BeA BRASIL LTDA., Joinville, Brazil	50	Rs	470,000	(1)
EuroCoin AG, Schwerte	100	€	10,500,000	(3)
Saxonia EuroCoin GmbH, Halsbrücke	100	€	25,000	(3)
DeNiSys GmbH, Schwerte	100	€	100,000	(3)
EuroCoin Venture Capital GmbH, Schwerte	100	€	50,000	(3)
EuroCoin Recycling GmbH, Schwerte	50	€	25,565	(2)
EuroCoin Consulting GmbH, Vienna, Austria	50	€	35,000	(2)
Compañía Europea de Cospes, S. A., Madrid, Spain	50	€	6,150,000	(1)
World Money Fair AG, Basel, Switzerland	24	Sfr	300,000	(2)
Conial S. r. l., Rome, Italy	100	€	103,281	(3)
Asia Money Fair, Singapore	35	SG\$	200,000	(2)
Nordic Coin AB, Helsinki, Finland	50	€	1,000,000	(2)
Verres S. p. A., Verres, Italy	17.65	€	5,752,516	(2)
Auerhammer Metallwerk GmbH, Aue	100	€	5,112,919	(3)
Saxonia Edelmetalle GmbH Recycling und Verarbeitung, Halsbrücke	100	€	6,161,067	(3)
Criterion Holdings Inc., Smithfield, RI, USA	100	US\$	1,000,100	(3)
Deutsche Nickel America, Inc., Smithfield, RI, USA	100	US\$	1,000,000	(3)
Deutsche Nickel-Press Tec GmbH, Schwerte	100	€	1,278,500	(3)
Wilhelm Raven Euro-Metall GmbH, Dortmund	30	€	25,565	(2)
H.D.E. Wilhelm Raven GmbH, Dortmund	30	€	25,565	(2)
Tapetenfabrik Coswig GmbH, Coswig	100	€	25,565	(3)
Coswig Tapeten Vertriebs GmbH, Coswig	100	€	500,000	(3)
Wohndekor Coswig Verwaltungs GmbH, Coswig	100	€	25,565	(3)
Wohndekor Coswig GmbH & Co. KG, Coswig	50	€	1,022,584	(2)
Novo/Wallco Behang B.V., Haaksbergen, Netherlands	100	€	45,400	(3)
Ets. DBL BVBA te Brussel, Grimbergen, Belgium	60	€	49,579	(3)
France Papiers Peints Expansion S. a. r. l., Bessoncourt, France	99.9	€	0	(3)
Abélia Décors S. A., Abbeville, France	100	€	41,506,140	(3)
Abélia S. A., Puteaux, France	98.8	€	13,260,000	(3)
Wall Trends Inc., NJ, USA	100	US\$	100,000	(3)
HA-Interiors Ltd., Cramlington, UK	100	£	2,600,000	(3)
Home Interiors S. A., Braine-l'Alleud, Belgium	100	€	63,057	(3)
Home Interiors S. A., Marne-la-Vallée, France	100	€	1,524,490	(3)
Veninov S. A., Venissieux, France	100	€	22,394,625	(3)
Venilia S. A., Rueil, France	100	€	13,899,060	(3)
Venilia SRL, San Giuliano Milanese, Italy	100	€	1,800,000	(3)

Indirect shareholdings	% held	Currency	Capital at par	
Venilia & Cie. SNC, Zaventem, Belgium	100	€	347,000	(3)
Venilia S. A., Barcelona, Spain	100	€	2,177,070	(3)
Venilia Ltd., Wallingford, UK	100	£	2,550,100	(3)
Boekelo Decor B.V., Enschede, Netherlands	100	€	3,100,000	(3)
Alkor Deco Vertriebs GmbH, Gräfelfing	100	€	3,300,000	(3)
Alkor Deco SpA, San Giuliano Milanese, Italy	100	€	2,000,000	(3)
Alkor Deco GmbH, Stockerau, Austria	100	€	363,364	(3)
Alkor Deco Kft, Leanyvar, Hungary	100	€	80,613	(3)
Alkor Deco Turkey, Istanbul, Turkey	100	TL*	79,275	(3)
Alfred Beck Verwaltungs GmbH, Bad Abbach	100	€	26,000	(3)
Alfred Beck GmbH & Co. KG, Bad Abbach	100	€	110,000	(3)
Burmeister & Thelen GmbH, Willich	100	€	25,565	(2)
MC Nonfood Vertriebs- und Service GmbH, Willich	100	€	25,565	(2)
LPW-Blasberg Anlagen GmbH, Neuss	100	€	2,249,684	(2)
Blasberg Service GmbH, Neuss	100	€	25,565	(2)
RI Wohnungsbau Schröer GmbH, Schwerte	75	€	5,419,694	(3)
Rego Immobilien GmbH, Schwerte	100	€	25,565	(3)
RI Wohnpark Fley GmbH, Schwerte	100	€	51,129	(3)

* in million TL (1) associated affiliates
(2) investees, nonconsolidated companies
(3) consolidated companies

(2) Nonconsolidated subsidiaries

No disclosures are made for nine nonconsolidated subsidiaries as these are of minor significance to the view of the Group's net assets, financial position and results of operations.

(3) Other investees

Shares in 13 investees are held by the parent or a subsidiary. In line with the exempting provisions of Art. 311(2) HGB, such investees have not been accounted for according to the regulations governing the recognition of investments in associated affiliates (Arts. 311, 312 HGB), and no further disclosures are made since such investees are of minor significance to the view of the Group's net assets, financial position and results of operations.

