annual report 2003

MARBERT Holding AG

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MARBERT Group Key Figures

MARBERT GROUP KEY FIGURES IN EUR MILLION

	2003	2002	2001	2000	1999
Net sales	****151.7	***175.5	74.3	**62.5	*151.4
Operating income (EBIT)	-36.4	-39.6	1.6	13.3	0.1
Net loss/Net income	-22.3	-12.1	0.4	12.9	16.3
Gross cash flow	-22.4	4.8	2.9	14.9	23.7
Depreciation and amortization	35.8	38.8	2.4	2.6	6.3
thereof goodwill	3.9	30.8	0.5	0.4	3.2
thereof fixed assets/current assets	31.9	8.0	1.9	2.2	3.1
Balance sheet total	124.7	175.4	70.3	88.8	87.0
Stockholders' equity	-7.9	25.1	45.9	57.0	60.1
Number of employees	1,215	3,771	471	494	568
Earnings per stock/DVFA result	0.9	-1.9	-0.3	2.0	-0.7
Dividend	-	-	-	1.9	2.6

* 12 months REVLON and FRAGRANCE FACTORY, 3 months GRASSO Group
** not including GRASSO Group
*** 6 months Richard Schöps & Co. AG, 5 months JEAN PASCALE AG
**** not including JEAN PASCALE AG

Group Structure of MARBERT Holding AG

Balance Sheet MARBERT Holding AG

Assets

MARBERT HOLDING AG	12/31/2003	12/31/2002
	EUR	EUR
Intangible assets	351,662	378,660
Property, plant and equipment	6,837,080	7,012,203
Financial assets	23,632,157	3,351,331
Fixed assets	**30,820,899**	**10,742,194**
Other receivables		
and other assets	56,104,801	54,548,636
Receivables and other assets	**56,104,801**	**54,548,636**
Treasury stock	2,111,976	2,111,976
Securities	**2,111,976**	**2,111,976**
Cash in banks	61,918	443,004
Liquid assets	**61,918**	**443,004**
Current assets	**58,278,695**	**57,103,616**
Prepaid expenses and deferred charges	**156,892**	**168,049**
	89,256,486	**68,013,859**

Liabilities and stockholders' equity

	12/31/2003	12/31/2002
	EUR	EUR
Subscribed capital	16,233,517	16,233,517
Capital reserves	30,498,561	30,498,561
Retained income	2,727,367	2,727,367
Net loss	-30,962,349	-33,166,687
Stockholders' equity	**18,497,096**	**16,292,758**
Accrued pensions and similar allowances	1,268,329	1,470,080
Other accrued liabilities	2,367,516	181,325
Accrued liabilities	**3,655,845**	**1,651,405**
Liabilities due to banks	61,022,306	42,259,150
Trade accounts payable	103,904	310,546
Liabilities due to affiliated companies	4,481,912	7,500,000
Other liabilities	1,495,423	-
Liabilities	**67,103,545**	**50,069,696**
	89,256,486	**68,013,859**

Income Statements MARBERT Holding AG

MARBERT HOLDING AG		2003		2002
		EUR		EUR
Other operating income	+	52,763,109	+	10,415,580
Personnel expenses	-	448,371	-	609,766
Depreciation and amortization	-	29,728,522	-	17,002,804
Other operating expenses	-	3,179,890	-	797,790
Operating income	+	**19,406,326**	-	**7,994,780**
Income from investments	+	196,135	+	889,424
Other interest and similar income	+	1,512,437	+	1,663,095
Depreciation of financial assets and marketable securities	-	2,620,774	-	20,157,894
Losses absorbed from affiliates	-	12,908,249	-	6,225,795
Interest and similar expenses	-	3,360,254	-	1,379,719
Income before taxes and extraordinary items	+	**2,225,621**	-	**33,205,669**
Other taxes	-	21,283	-	20,162
Net income/loss	+	**2,204,338**	-	**33,225,831**
Loss carry forward from previous year	-	33,166,687	-	1,584,216
Transfer from reserves for treasury stock	-		+	1,643,360
Accumulated deficit	-	**30,962,349**	-	**33,166,687**

contents

Letter to the Stockholders

Dr. Piofrancesco Borghetti

Dr. Piofrancesco Borghetti
Chairman of the
Management Board

Laura Caravante-Beucke
Financial Manager

Dear stockholders,

the year 2003 was marked throughout Europe by a very weak economic development. The stagnation affecting overall economic production observed since the fall of 2002 lasted until summer. A slight stimulation occurred only in the course of the second half-year.

The reasons for the recovery's failure to materialize during the first half-year are in part developments unforeseen in most prognoses. One of them in particular is the continuing strong revaluation of the euro. From April 2002 through June 2003 alone, the external value of the euro increased by almost 20 percent.

2003 was another very disappointing year with regard to economic growth. This was due to a number of negative factors affecting the economy in the first half-year of 2003. Principally insecurity in connection with the war in Iraq and the repeated slump in prices at the stock exchanges must be taken into account as well.

In 2003 helplessness and tension characterized the interior political climate in Germany, too. Severe cuts in the social sector created a new consumer type seeking to purchase products that enrich his private life and his "self-constructed interior world", a consumer who just wants to treat him- or herself to something good. Emotional values become more and more important; the consumer, having recently appeared tired of consumption, increasingly invests in his or her domestic life. Authenticity and identity are much in demand. Consumers have become more cautious and tend to consider more carefully.

Certain aspects of these thoughts apply to our core business segments "cosmetics" and "textile", represented by attractive offers in the perfume segment, valuable care applications for home use, and trendy casual fashion at attractive prices.

The retail trade closed accounts for the year 2003 with a slight loss. The Christmas business fell short of the targeted EUR 8.2 billion by three to four percent.

Primarily the suppliers of cheap products profited from the weak economy. In no other European country price wars were fought as bitterly as in Germany. Germans prefer a good price while the British rather tend to appreciate service, and the Swiss and French favor quality. Far more than half of the European discount chains are based in Germany. Of course no name products comply with the cheap product consumer's wishes - and continue to improve their image as specialist journals constantly lead consumers to believe that cheap products' quality is comparable to brand products'.

The cosmetics segment achieved a growth in sales by 2.9 percent to EUR 74.0 million in 2003. A multitude of cost-cutting measures were realized resolutely; MARBERT Cosmetics GmbH established a severance scheme in August 2003 due to the general developments.

In the course of these measures MARBERT Holding AG concluded a licensing agreement with SELECTIVE BEAUTY S.A., an international sales company for cosmetics, on development, production, and sale of MARBERT products. The condition for negotiations was SELECTIVE BEAUTY S.A. taking over the 133 beauty consultants who had previously been on the payroll of MARBERT Cosmetics GmbH.

During this restructuring process MARBERT Holding AG contributed the trademark "MARBERT" to MARBERT Cosmetics GmbH at market value.

The interest in FRAGRANCE FACTORY Ltd., its business objective the sale of high quality cosmetics, acquired in 1998 was sold for EUR 24.0 million effective December 31, 2003. This profit is juxtaposed with the necessary valuation adjustment from the transaction involving KENVELO AG.

The textile retail trade looked back on a very bad year in 2003. Our business segment "textile", represented by Richard Schöps & Co. AG, suffered a decline in sales of 9.6 percent at the end of 2003. One of the reasons was a far too hot summer from the fashion industry's viewpoint. Richard Schöps & Co. AG maintains 120 branches in Austria.

Total group sales of EUR 151.7 million consist of EUR 74.0 million achieved in the cosmetics segment and EUR 77.7 million achieved in the textile business.

Our stock price followed the general stock exchange trend. The payment of a dividend is not intended.

The strategy of MARBERT Holding AG is based on the philosophy of diversification; however, cosmetics and textile will remain the core segments.

Cosmetics and textile will remain core segments

We regard the year 2004 with a certain degree of skepticism as the planned tax relief of citizens and companies coming to a total EUR 8 billion appears not likely to drastically stimulate an improvement of consumer behavior.

The so-called "middle class" is going to vanish, the gap between the rich and the poor gets wider and wider. However, consumers will still be longing for eternal youth and the matching outfits. Therefore we are of the opinion that we will be able to get through the current times of crisis with our core business segments. When the money gets tight, people tend to economize on their cars first, not on personal hygiene or outward appearance.

Clear result improvements expected for 2005 and 2006

We are expecting clear result improvements for the years 2005 and 2006. We hope the current reserve in consumer spending will turn into a desire to buy even in the course of this year.

I would like to express my thanks to my fellow Board member, the members of the Supervisory Board, and the employees of MARBERT Holding AG and the holdings.

My colleague on the Management Board and I will by using all our strength for the company's continuing advancement. We would be very pleased if you kept joining us on this way.

Düsseldorf, July 2004

Dr. Piofrancesco Borghetti
Chairman of the Management Board

Company Organs

SUPERVISORY BOARD

Dr. Giovanni Montorfano
Chairman
Management Consultant, Milan (Italy)

Further supervisory board memberships:
KENVELO AG, Norderstedt (Germany)
(until November 30, 2003)
Ahsi S.p.A., Milan (Italy)
Angelantoni Industrie S.p.A., Milan (Italy)
(until July 31, 2003)
Able S.p.A., Milan (Italy)
(since 2003)
Biorep S.p.A., Milan (Italy)
(since 2003)

Dr. Marco Cerrina-Feroni
Banker, Milan (Italy)
(until August 27, 2003)

Marco Airoldi
Engineer, Milan (Italy)
(until August 27, 2003)

Giorgio Laurenti
President of REVLON (France)
and Euro International,
St. Moritz (Switzerland)
(until August 27, 2003)

Fabio Santicioli
Banker, Milan (Italy)
(until August 27, 2003)

Dr. Demetri Mauro
Director of Finance, Novara (Italy)
(from August 27, 2003 to April 30, 2004)

Further supervisory board memberships:
Angel Ventures S.A., Milan (Italy)
Richard Schöps & Co. AG, Vienna (Austria)
Schöps Beteiligungs- und Dienstleistungs GmbH, Vienna (Austria)
Opera Partecipations S.C.A., Luxembourg (Luxembourg)
Eontech Vensutres S.A., Luxembourg (Luxembourg)

Dr. Roberto Spada
Accountant, Milan (Italy)
(since August 27, 2003)

Further supervisory board memberships:
Artesina S.r.l., Milan (Italy)
Bobotheater S.r.l., Florence (Italy)
Interinvest S.r.l., Milan (Italy)
Investim S.r.l., Milan (Italy)
Picchio S.r.l., Milan (Italy)
Playservice S.p.A., Assago, Milan (Italy)

MANAGEMENT BOARD

Dr. Piofrancesco Borghetti
Chairman
Conegliano (Italy)

Laura Caravante-Beucke
Finances
Düsseldorf (Germany)

Company and Group Management Report

OVERALL ECONOMIC DEVELOPMENT

At about EUR 8 billion, tax relief turned out to be just half the amount originally announced by the federal government. This year the second step of the tax reform is supposed to further relieve citizens and companies.

Bringing forward the tax reform is likely to increase the growth of the gross domestic product by 0.2 points at most. Certainly, the German economy is still nowhere near a boom.

Thanks only to the strong foreign demand the GDP gained 0.2 percent in the third quarter of 2003 compared to the previous quarter. This situation makes the German economy especially vulnerable to exterior disruptions. With the foreign economy turning down and the euro continuing its high-price flight, the upturn in Germany could be over before it has really started.

Additional entrepreneur frustration is created by the fact that companies will be only allowed to set off previous years' losses against 60 percent of their gains in the future. This means a lasting tax increase and a massive structural change to the worse for all companies.

SIGNIFICANT EVENTS IN THE FISCAL YEAR

The fiscal year 2003 of MARBERT Holding AG stands out due to a number of strategic decisions which before long will result in the company's improvement and financial relief.

In the cosmetics segment, the restructuring measures started at MARBERT Cosmetics GmbH have been continued.

On September 1, 2003, 20 months after the formation of MARBERT Cosmetics GmbH, the responsibility for the relaunch of the brand "MARBERT" and its sale was passed into the hands of experienced managers at SELECTIVE BEAUTY S.A. This top-flight team has given proof of its experience at global players such as LVMH, Yves Saint-Laurent, and L'Oreal. Their international experience and high degree of professionalism will contribute to initializing and realizing the brand's upswing. When it comes to the sale of luxury cosmetics and scents, SELECTIVE BEAUTY S.A. is the first choice worldwide. Within only two years, a presence in seven countries with 150 employees has been achieved, and total revenue of more than EUR 50 million has been realized. The SELECTIVE BEAUTY S.A. brand portfolio contains renowned brands like Chopard, Bvlgari, Elisabeth Arden, Jil Sander, and many others. SELECTIVE BEAUTY S.A. has been awarded an Oscar for the most successful and most dynamic business establishment. The SELECTIVE BEAUTY S.A. management intends expanding to six more countries in 2004.

In the brand "MARBERT" SELECTIVE BEAUTY S.A. recognizes a great name with enormous potential and corresponding competence in all cosmetics segments. A market research analysis targeting consumers came to the unquestionable conclusion that 16 million people are familiar with the brand "MARBERT" and that three million of these already buy MARBERT products.

Three million people buy MARBERT products

Both MARBERT Cosmetics GmbH and SELECTIVE BEAUTY S.A. are convinced that, based on the existing brand potential, the brand "MARBERT" will turn into a strong German brand again if accompanied by convincing competence, great confidence, the best quality, and well-directed marketing activities.

Owing to this structural change, some MARBERT employees were taken over by SELECTIVE BEAUTY S.A. However, the new constellation resulted in redundant departments established at MARBERT Cosmetics GmbH as well as at SELECTIVE BEAUTY S.A. being closed. For this reason MARBERT Cosmetics GmbH established a severance scheme, providing for the dismissal of 16 employees in the marketing, sales, and customer service departments.

MARBERT Cosmetics stockholders' equity raised by 19 million

In the year under report, MARBERT Holding AG raised the stockholders' equity of MARBERT Cosmetics GmbH by EUR 19.0 million to EUR 20.0 million. The raise was carried out by the contribution of the trademark "MARBERT" at market value.

In the first half of the year 2003, MARBERT Holding AG acquired a 50 percent interest in VAPRO International S.p.A. to the amount of EUR 2.4 million. The stockholders of VAPRO International S.p.A. decided on the transfer EUR 1.8 million to capital reserves effective December 31, 2003. MARBERT Holding AG has a share of EUR 0.9 million in these reserves. This amount was contributed by the conversion of a loan. The business objective of VAPRO International S.p.A. is the production and sale of mass market articles marketed primarily in the U.S.

At the end of 2003, MARBERT Holding AG sold its interest in FRAGRANCE FACTORY Ltd. for EUR 24 million. The proceeds from this sale are used to redeem liabilities due to banks.

Because of the disbanding of the MARBERT Cosmetics GmbH distribution network, a continuation of the REVLON line is no longer profitable. For this reason both parties have withdrawn from the valid contract between REVLON and MARBERT Cosmetics GmbH by mutual agreement.

The licensing agreement between MARBERT Cosmetics GmbH and DIESEL S.p.A. sealed in 1999 with a term of six years expires at the end of 2004. As production replacement for the DIESEL products, MARBERT Cosmetics GmbH is going to produce for other brands whose demand will entail strategic promise as well.

In June 2003 MARBERT Holding AG sold 51 percent of the interest in JEAN PASCALE AG held through EUROPEAN RETAIL S.A. to KENVELO AG, reducing the original interest of 97.16 percent to 46.16 percent. This was the consequence of the initiated restructuring measures not taking effect. Unfortunately the turnround of KENVELO AG was not successful by the end of the year.

Owing to this holding's exclusion from the consolidation as of January 1, 2003, a book loss of altogether EUR 6.4 million resulted from the disposal of the consolidated net assets. In addition, group claims of altogether EUR 28.9 million had to be subjected to valuation adjustment in their entirety because of the insolvency of JEAN PASCALE AG.

Growing importance of location due to EU-enlargement to the East

The group will maintain its orientation in the segments cosmetics and textile despite the negative development of the interest in KENVELO AG. Richard Schöps & Co. AG is going to profit from the EU enlargement. The location Austria will gain importance due to its strategic situation. By the transferring of the distribution license, the sale of the interest in FRAGRANCE FACTORY Ltd., and the planned sale of the trademark "MARBERT", the cosmetics segment will concentrate on the development and manufacture of selective as well as fast-moving and inexpensive products.

COURSE OF BUSINESS

In the year under report, the MARBERT Group achieved net sales of EUR 151.7 million and a group income before taxes of EUR -19.6 million. One of the reasons for this result is the global economy's unusually long-lasting weakness accompanied by a massive unsettling of the consumers. Burdening factors were also the effects of the war in Iraq and the lung disease SARS. Only in the second half-year a moderate recovery of the world economy began to show.

The net loss of EUR -22.3 million arises from the income before taxes and extraordinary items of EUR -41.2 million, extraordinary income of EUR 21.6 million, and tax expenses to an amount of EUR 2.7 million. This result contains extraordinary expenditure for restructuring measures in the cosmetics segment coming to a total EUR 10.4 million (group adjusted EUR 6.8 million), extraordinary group income of EUR 7.5 million from waivers of claims, valuation adjustments of loans granted to JEAN PASCALE AG to an amount of EUR 28.9 million, and EUR 6.5 million from the exclusion from consolidation, as well as extraordinary income from the sale of FRAGRANCE FACTORY Ltd. to an amount of EUR 21.6 million.

The group's cosmetics segment achieved a turnover of EUR 74.0 million and an operating income of EUR -4.1 million.

COSMETICS	2003	2002	Difference in
	EUR million	EUR million	%
Germany	14.5	22.5	-35.6
Switzerland	2.5	5.4	-53.7
Austria	1.6	2.9	-44.8
Netherlands	3.4	6.1	-44.3
SELECTIVE BEAUTY S.A.	2.6	-	100.0
Export countries	15.1	13.0	16.1
MARBERT SCANDINAVIA A/S	0.3	0.8	-62.5
FRAGRANCE FACTORY Ltd.	32.5	19.6	65.8
M.B. Cosmetics S. A	1.5	1.7	-11.8
TOTAL	74.0	72.0	2.9

Sales are divided into:

	2003	2002	Difference in
	EUR million	EUR million	%
MARBERT products	49.1	51.2	-4.1
REVLON products	4.7	7.4	-36.5
Others	20.2	13.4	50.8

Sales in the textile segment represented by the Austrian textile sales chain Richard Schöps & Co. AG with a branch network of 120 stores amounted to EUR 77.7 million, indicating a decline in sales of 9.6 percent from the previous year. The operating income after depreciation (EBIT) came to EUR -5.5 million. The decline in gross proceeds could not be compensated for by appropriate cost reduction targeting the administration and sales departments. Richard Schöps & Co. AG keeps counting on its sale strategy with trendy fashion of the highest quality.

In 2003 the following sales figures were realized in the textile segment:

	2003	2002	Difference in
	Mio. EUR	Mio. EUR	%
JEAN PASCALE AG	-	55.5**	-100.0
Richard Schöps & Co. AG	77.7	48.1 *	61.5

* Sales contribution of only 6 months estimated for the whole year: -9.6 %

** Sales of 5 months only

The decline in sales in Germany manifests itself in cosmetics on the one hand in the negative economic developments affecting other companies in the cosmetics industry with corresponding sales drops, on the other hand in the changed prices with regard to the sale to SELECTIVE BEAUTY S.A. from September 2003. The total profit of 2.9 percent was achieved through sales in England and through export.

In cosmetics, cost of materials could be further minimized in the year under report because options and alternatives were sought after and found. This purchase policy is being pushed ahead with in the current fiscal year, too. As a result of the restructuring measures expenditure on personnel as well as the other operating expenses were reduced further by 18.3 percent compared to the previous year. This equals a saving of EUR 5.8 million. These measures will be continued through 2004.

The economic slump naturally cast its shadows over the textile industry as well: Richard Schöps & Co. AG achieved sales of EUR 77.7 million in the year under report, indicating a sales decline of 9.6 percent.

The group's profit situation was influenced by the overall critical economic environment and additional valuation adjustments. Due to the adjustment of "relics" the group net loss amounted to EUR 22.3 million.

SEGMENTATION 2003 IN KEUR	Cosmetics		Textile		Holding company		Conversion		Group	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Sales proceeds cosmetics	74,058	71,963	-	-	-	-	-	-103	74,058	71,860
Sales proceeds textile	-	-	77,690	103,636	-	-	-	-	77,690	103,636
Sales proceeds total	74,058	71,963	77,690	103,636	-	-	-	-103	151,748	175,496
Increase/decrease in finished goods										
and work-in-process	-5,692	-1,347	-	-	-	-	-	-	-5,692	-1,347
Other operating income	907	615	1,707	15,770	52,762	10,416	-43,904	-15,812	11,472	10,989
Cost of materials	-29,223	-26,020	-42,035	-57,866	-	-	-131	103	-71,389	-83,783
Personnel expenses	-13,094	-17,920	-20,060	-24,771	-448	-610	-	-	-33,602	-43,301
Other operating expenses	-12,994	-14,004	-15,069	-29,258	-3,181	-798	-6,621	125	-37,865	-43,935
Advertising expenses	-12,814	-11,930	-2,430	-2,969	-	-	-	-	-15,244	-14,899
Operating income before depreciation/EBITDA	**1,148**	**1,357**	**-197**	**4,542**	**49,133**	**9,008**	**-50,656**	**-15,687**	**-572**	**-780**
Depreciation	-4,217	-1,373	-5,272	-6,025	-29,729	-17,003	3,374	-14,385	-35,844	-38,786
Operating income after depreciation/EBIT	**-3,069**	**-16**	**-5,469**	**-1,483**	**19,404**	**-7,995**	**-47,282**	**-30,072**	**-36,416**	**-39,566**
Income from financing and investments	-1,002	-337	-1,010	-1,619	-4,272	-18,985	1,532	13,273	-4,752	-7,668
Income before taxes/EBT	**-4,071**	**-353**	**-6,479**	**-3,102**	**15,132**	**-26,980**	**-45,750**	**-16,799**	**-41,168**	**-47,234**
Extraordinary income	-	-	-	33,882	-	-	21,562	3,392	21,562	37,274
Taxes	-2,622	-1,926	-1	-160	-21	-20	-	-	-2,644	-2,106
Net income/net loss	**-6,693**	**-2,279**	**-6,480**	**30,620**	**15,111**	**-27,000**	**-24,188**	**-13,407**	**-22,250**	**-12,066**
Stockholders' equity	**20,363**	**6,089**	**-5,821**	**50,275**	**18,497**	**16,292**	**-40,945**	**-47,510**	**-7,906**	**25,146**
Trade accounts payable	**10,666**	**5,703**	**9,483**	**17,152**	**104**	**311**	-	**-35**	**20,253**	**23,131**
Fixed assets	**20,847**	**5,064**	**37,073**	**108,101**	**30,822**	**10,742**	**-40,826**	**-47,261**	**47,916**	**76,646**
Inventories	**16,050**	**20,182**	**16,489**	**39,039**	-	-	-	**-250**	**32,539**	**58,971**
Trade accounts receivable	**6,430**	**12,313**	-	**524**	-	-	-	**-35**	**6,430**	**12,802**

SALES SHARES BY COUNTRIES 2003 (IN KEUR)

COSMETICS	MARBERT	REVLON	Others	Consolidation	Total	Percent
Germany	11,377	3,121	-	-	14,498	19.6
Switzerland	1,794	717	-	-	2,511	3.4
Austria	1,153	445	-	-	1,598	2.2
Netherlands	3,428	-	-	-	3,428	4,6
SELECTIVE BEAUTY S.A.	2,623	-	-	-	2,623	3.5
Others	20,962	452	-	-6,166	15,248	20.6
Subtotal	**41,337**	**4,735**		**-6,166**	**39,906**	**53.9**
Great Britain	12,256	-	20,211	-	32,467	43.8
Scandinavia	194	-	-	-	194	0.3
Spain	1,491	-	-	-	1,491	2.0
TOTAL	**55,278**	**4,735**	**20,211**	**-6,166**	**74,058**	**100.0**

TEXTILE	Schöps	Total	Percent
Austria	77,690	77,690	100.0
TOTAL	**77,690**	**77,690**	**100.0**

SEGMENTATION

The core business segments "cosmetics" and "textile" are clearly distinguished from each other in the charts depicted above. The transfer to the group essentially includes the elimination of the disclosure of hidden reserves from the contribution of the trademark "MARBERT" within the group and the depreciation of the goodwill "REVLON" (set off against group reserves as of the qualifying date of first consolidation), the conversion of the statement of the FRAGRANCE FACTORY Ltd. sale proceeds recording the expenses incurred by its exclusion from consolidation as extraordinary income, and the expenses incurred by the exclusion of JEAN PASCALE AG from consolidation.

ANNUAL RESULT

In 2003 the group achieved an EBITDA of altogether EUR -0.6 million. It is divided into EUR 1.1 million from cosmetics, EUR -0.2 million from textile, and EUR -1.5 million generated through holding activities after consolidation measures being taken.

The group income before taxes comes to EUR -19.6 million in the year under report. This result is based primarily on the restructuring measures in cosmetics and valuation adjustments in the textile segment. These measures were aggravated considerably by the generally precarious economic situation.

INVESTMENTS AND FINANCING

The investment volume came to EUR 8.5 million in the year under report 2003, after EUR 51.0 million in last year's period of comparison. EUR 1.7 million of these investments affect intangible and tangible assets, EUR 6.8 million affect financing. This essentially concerns the acquisition of a 50 percent interest in VAPRO International S.p.A. to the amount of EUR 3.3 million.

FINANCIAL SITUATION

Liquid assets came to EUR 1.6 million at the end of the year 2003. Liabilities due to banks to an amount of EUR 72.4 million include loans of EUR 5.0 million secured by land charges on industrial property.

Financial and liquidity management is decentralized and operated at the separate business segments required to secure liquidity for both operational business and investments.

The group's net financing balance (liabilities due to banks and other financial liabilities less liquid assets), at EUR 77.3 million as of balance sheet date, remains virtually unchanged compared to the previous year despite the exclusion of JEAN PASCALE AG and FRAGRANCE FACTORY Ltd. from the group due to the sale of a majority or all interest in these companies, respectively.

Of prime importance for this effect is especially the coverage of the requirements of liquidity out of the operational business as well as the financing of the special effects in the textile and cosmetics segments mentioned above. Particularly the necessary re-development measures and the financial support of JEAN PASCALE AG by MARBERT Holding AG resulted in the holding company's net financial liabilities growing from EUR 49.4 million to EUR 65.4 million as of balance sheet date.

The credit limits of altogether EUR 84.4 million (holding company: EUR 63.8 million) granted to the individual group companies and MARBERT Holding AG formally just on a short-term basis, according to the business policies of the lending banks, have been exhausted almost entirely. Only the Austrian Schöps Group has available credit limits of EUR 9.3 million at its disposal in order to secure permanent solvency together with the available liquid means.

The financial situation of both group and MARBERT Holding AG is strained. Together with the lending banks MARBERT Holding AG has worked out a restructuring concept providing for the MARBERT Group's continuing debt relief. This concept essentially calls for the sale of the interest in FRAGRANCE FACTORY Ltd. by the end of the year 2003, the sale of the trademark "MARBERT" planned for the year 2004, and the repayment of loans to the amount of the expected proceeds of altogether EUR 46.8 million. Negotiations with the lending banks have been concluded successfully in the meantime. The proceeds from the sale of the interest in FRAGRANCE FACTORY Ltd. to an amount of EUR 24.0 million are expected to be received until the end of July. The purchaser's bank granted appropriate credit limits to be used only for the financing of the purchase price. The proceeds will be used for the repayment of liabilities due to banks to the same amount. MARBERT has accepted a binding offer on the sale of the trademark "MARBERT". As the trademark's transferring consideration, the purchaser will take over valid credit limits claimed by MARBERT Holding AG to an amount of EUR 22.8 million effecting discharge of debt. The parties concerned have agreed in principle to this debt relief concept. The final carrying out of the transactions described requires the examination of the contracts and documents to be signed as to formal requirements expected to be concluded until the end of July 2004.

The remaining liabilities due to banks of EUR 26.8 million as of December 31, 2003 consist of loans taken out by MARBERT to an amount of EUR 15.4 million (thereof long-term EUR 5.0 million), by Richard Schöps & Co. AG to an amount of EUR 10.0 million, and by EUROPEAN RETAIL S.A. to an amount of EUR 1.4 million.

The loans taken out by MARBERT Holding AG concern three long-term redemption loans (EUR 5.0 million) expiring between 2007 and 2018 as well as a EUR 10.0 million credit limit granted until further notice according to bank information which will be repaid continuously out of the expected liquidity surplus. In consideration of this restructuring of financial liabilities permanent solvency is secured and sufficient financial means are provided for the coverage of the greatest necessary refinancing requirement for the time being. Loans taken out by Richard Schöps & Co. AG are used the operational financing.

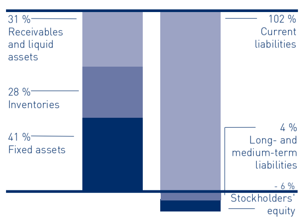
The group cash flow from the operational business comes to EUR -22.4 million. Further information can be gathered from the consolidated statements of cash flow.

ASSETS AND CAPITAL STRUCTURE

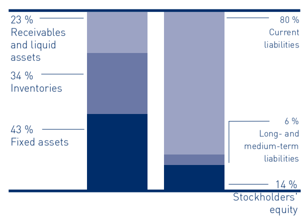
The group's assets situation is affected in particular by the disposal of assets within the framework of the sale of the interest in FRAGRANCE FACTORY Ltd. and JEAN PASCALE AG and their exclusion from consolidation. Because of the high group net loss a "loss not covered by stockholders' equity" of EUR 7.9 million as of balance sheet date is stated (MARBERT Holding AG EUR +18.5 million). Neither the mother company nor any other company included in the consolidated financial statements shows balance sheet over-indebtedness as of balance sheet date with the sole exception of EUROPEAN RETAIL S.A. (negative stockholders' equity kEUR 317). The effect on the group is due primarily to the losses in the textile segment (EUR 6.5 million) and the elimination of a group internal transaction (contribution of the trademark "MARBERT" at the market value of EUR 20.0 million).

Fixed assets came to EUR 47.9 million as of balance sheet date. Balance sheet net indebtedness (balance of liquid assets and interest-bearing liabilities) came to EUR 70.8 million. This equals 56.8 percent of the balance sheet total.

ASSETS AND CAPITAL STRUCTURE 2003



ASSETS AND CAPITAL STRUCTURE 2002



RESEARCH AND DEVELOPMENT AT MARBERT COSMETICS GMBH

MARBERT research and development continued to focus on an innovation in the skin care segment in 2003.

New face serum with anti-aging substance

The Profutura line was completed with the new face serum AgeDefine, to be introduced to the market in 2004. The face serum contains, among other ingredients, a new type of active agent extracted from the brown alga Laminaria Digitata, touted as "new age anti-aging substance". AgeDefine contains additional substances that moisturize and have anti-oxidative, anti-allergenic, and anti-inflammatory effects.

The efforts of the research and development department are usually not completed with the development and production of their formulas. On the contrary, products attain readiness to go into production only with the completion of a current assessment and development of the market.

The sun line already on the market was completed with the Sun Emulsion SPF 15 and the Carotene Intensive After Sun Cream. Both products will come onto the market in 2004.

In the color cosmetics segment, shades were offered that correspond with the latest colors in fashion.

In 2003 the demands and the background of the 7th Amendment to the Cosmetics Directive were discussed at MARBERT. In consequence, potential perfume oil suppliers were approached because of the 26 allergenic substances liable to declaration in accordance with the 7th Amendment. "Cut-offs" were asked of the perfume supplier in individual cases. As the demands brought about by the 7th Amendment are very extensive, this work will be continued through 2004.

PRODUCTION AND DEPOT

MARBERT Cosmetics GmbH produces all its products - with the exception of its special products such as nail polish, powder, and lipsticks - in its Düsseldorf, Germany production facility. In addition, products are manufactured for other suppliers in contract manufacture. The products' entire manufacturing process is supervised and recorded during all stages of production.

A service company stores and commissions raw materials and packaging material for MARBERT Cosmetics GmbH in the immediate vicinity of the Düsseldorf location.

By an optimization of production planning, an improved stock turnover was achieved, and the volume of stored material was reduced considerably. On demand, raw materials and packaging material are made available to production with reference to the specific order and just-in-time.

QUALITY MANAGEMENT AND ENVIRONMENTAL PROTECTION

Products with highest demand on quality

Constant and stringent quality management in accordance with the strictest statutory regulations and the disproportionately large MARBERT Group know-how provide MARBERT Cosmetics GmbH with the very best qualifications in order to produce MARBERT products with the highest demands on quality.

RISK REPORTING

In view of its national and international activities, MARBERT Holding AG is subjected to different risks. MARBERT Holding AG has a risk management system that fulfills the company's orientation. The risk management system is part of the entire planning, monitoring, and reporting process. It is based on the legal requirements stated by the German Act on Corporate Control and Transparency (KonTraG).

It is meant to secure that the company management recognizes substantial risks at an early stage and is able to start appropriate measures on time. The Chairman of the Supervisory Board stays in contact with the Management Board in order to discuss issues of risk management in addition to the company's strategy and business development on a regular basis. The lines of business cosmetics and textile are always influenced strongly by keen competition and consumer behavior. The consumers' behavior is paid attention to in good time by the constant adaptation of the production and sales concepts. However, sales risks with regard to changed consumer behavior, brand acceptance, or market trends can lead to declining sales.

Despite consistent investment analysis, the general risk remains that acquired interests will not fulfill the expectations placed in them.

The prevailing risks affecting financing and liquidity are reduced by the sale of FRAGRANCE FACTORY Ltd. and the trademark "MARBERT" in the fiscal years 2003 and 2004, respectively. The concept for financial restructuring successfully negotiated with the lending banks in the meantime will contribute to the reorganization of financing structures and the additional prolongation of necessary financing in order to be permanently prepared for the foreseeable requirements of the conduct of business.

Because of the valid licensing agreement between MARBERT and SELECTIVE BEAUTY S.A., all conceivable risks that could result in a threat to the sale of MARBERT products, e.g. marketing activities, quality assurance, and new product development, are monitored constantly.

No considerable differences from the plan have been observed during the first months of cooperation.

Risks in connection with the company's IT structure are reduced by the continuous improvement of precautionary measures already in place. Legal risks which could result in an existential threat to the company are unknown.

EMPLOYEES

At the end of the year, the group had a total 1,215 employees (2002: 3,771), 352 of which in the cosmetics and 863 in the textile segment. The group had a staff of 237 employees in Germany (339 in the previous year). The reduction of domestic jobs is the consequence of the continuation of restructuring MARBERT Cosmetics GmbH and the exclusion of KENVELO AG from consolidation by the sale of 51 percent of the interest in June 2003.

EMPLOYEES	12/31/2003	12/31/2002	12/31/2001	12/31/2000	12/31/1999
Salaried employees	150	233	238	248	275
Industrial employees	33	37	34	37	62
Trainees and others	17	19	20	25	30
Subtotal I	**200**	**289**	**292**	**310**	**367**
Temporary workers	37	50	60	75	88
(thereof 1 day a week)	(37)	(49)	(48)	(56)	(54)
Subtotal II	**237**	**339**	**352**	**385**	**455**
Switzerland	27	25	24	27	33
Austria	12	13	11	13	15
Netherlands	11	20	15	16	16
TOTAL MARBERT HOLDING AG/ MARBERT COSMETICS GmbH	**287**	**397**	**402**	**441**	**516**
MARBERT ITALIA S.p.A.	-	-	10	11	11
MARBERT SCANDINAVIA A/S	-	1	1	1	1
FRAGRANCE FACTORY Ltd.	49	43	43	41	40
M.B. Cosmetics S.A.	16	15	15	-	-
KENVELO AG (formerly JEAN PASCALE AG)	-	2.458	-	-	-
(thereof part-time employees)	-	(1,289)	-	-	-
Richard Schöps & Co. AG	863	857	-	-	-
TOTAL MARBERT GROUP	**1,215**	**3,771**	**471**	**494**	**568**

MARBERT Group Companies

MARBERT HOLDING AG

MARBERT Holding AG focuses on comprehensive functions such as strategic development and company management, controlling, financing, and administration.

The group divides its lines of business into the two segments cosmetics and textile.

The gastronomical business MACROSAUCE GmbH is currently being liquidated.

The profit situation of MARBERT Holding AG essentially depends on the operational subsidiaries' profit situation and development.

MARBERT Holding AG carried out a devaluation of claims on affiliated companies to an amount of EUR 29.5 million and absorbed an affiliate's losses to the amount of EUR 12.9 million in the year under report. This is juxtaposed by returns of EUR 52.7 million coming substantially from proceeds of the sale of the interest in FRAGRANCE FACTORY Ltd., the transfer of the brand "MARBERT" to MARBERT Cosmetics GmbH, and the main stockholder's waiver of a claim.

The income after taxes of MARBERT Holding AG comes to EUR 2.2 million.

BALANCE SHEET STRUCTURE

At EUR 89.3 million the balance sheet total exceeds the December 31, 2002 mark.

The following events had an influence on the balance sheet structure:

- Disclosure of hidden reserves at MARBERT Holding AG by the contribution of the trademark "MARBERT" to MARBERT Cosmetics GmbH at market value.
- Increase in value of the MARBERT Holding AG interest in MARBERT Cosmetics GmbH.
- Other claims to an amount of EUR 24.0 million by the sale of the interest in FRAGRANCE FACTORY Ltd.
- Devaluation of claims on affiliated companies to an amount of EUR 29.5 million.
- Increase of other liabilities essentially due to the refinancing of restructuring measures at JEAN PASCALE AG..

The balance sheet structure is as follows:

	ASSETS IN EUR		ASSETS IN EUR	
	12/31/2003		12/31/2002	
Fixed assets	30,820,899	34.5 %	10,742,194	15.8 %
Other assets	58,373,669	65.4 %	56,828,661	83.6 %
Financial assets	61,918	0.1 %	443,004	0.6 %
	89,256,486	100.0%	68,013,859	100,0%
	LIABILITIES IN EUR		LIABILITIES IN EUR	
	12/31/2003		12/31/2002	
Stockholders' equity	18,497,096	20.7 %	16,292,758	24.0 %
Medium- and long-term liabilities	5,890,810	6.6 %	6,500,293	9.5 %
Other liabilities	64,868,580	72.7 %	45,220,808	66.5 %
	89,256,486	100.0%	68,013,859	100.0%

MARBERT COSMETICS GMBH

The business objective of MARBERT Cosmetics GmbH is the production of cosmetics - exceptions are color cosmetics such as powder, lipsticks, and nail polish.

MARBERT Cosmetics GmbH produces all MARBERT products in Germany exclusively. In September 2003 MARBERT Cosmetics GmbH and MARBERT Holding AG assigned SELECTIVE BEAUTY S.A. the responsibility for the protection and relaunch of the brand as well as the sale of the MARBERT products.

SELECTIVE BEAUTY S.A. is responsible for Germany, Switzerland, Austria, and the Netherlands as well as global export which still promises positive stimulation. Because of this, there are no grounds for MARBERT Cosmetics GmbH to maintain its branches in Switzerland, Austria, and the Netherlands any longer. The conducting of the remaining business transactions was started in 2003 already. There are no foreseeable risks as the prevailing contracts were taken over by SELECTIVE BEAUTY S.A.

SELECTIVE BEAUTY S.A. has made the commitment to position the brand "MARBERT" more effectively in any cosmetics segment in the selective sections.

The brand "MARBERT" enjoys wide brand awareness: 16 million people know the brand; of these, 3 million use the products. The brand "MARBERT" is going to become a strong brand in the next years, carried by a convincing market position together with enormous competence, high confidence, the best quality, and well-directed market activities.

The past fiscal year closes for MARBERT Cosmetics GmbH with a net loss of altogether EUR -12.9 million (previous year: EUR -6.2 million). Included are special effects such as the depreciation of REVLON goodwill, goods devaluation, the severance scheme, and devaluation of claims against customers to an amount of approx. EUR 10.4 million.

As of December 31, 2003 MARBERT Holding AG contributed the self-created and non-balanced trademark "MARBERT" at its market value of EUR 20 million of which EUR 19.0 million were transferred to capital reserves. The proceeds from the disclosure of hidden reserves of EUR 20 million were eliminated in the consolidated financial statements.

The planned sale of the trademark "MARBERT" is the consequence of the exclusive right of distribution's transfer to SELECTIVE BEAUTY S.A. and the focus on the development and manufacture of cosmetics in the selective and the inexpensive and fast-moving segments. The expected proceeds of EUR 22.8 million will contribute to the repayment of liabilities due to banks and the financial restructuring of the MARBERT Group. A profit transfer agreement has been valid with MARBERT Holding AG since the formation of MARBERT Cosmetics GmbH.

The future strategic orientation of MARBERT Cosmetics GmbH will be based on two pillars: one rests on the expansion of the manufacture of "MARBERT" products in the selective sector, the other on the production of new and less expensive product lines.

FRAGRANCE FACTORY LTD.

MARBERT Holding AG sold its 51 percent interest in FRAGRANCE FACTORY Ltd. to Mariella S.r.l. as of December 31, 2003. The profit from this transaction amounted to EUR 23.7 million (group adjusted EUR 21.6 million). FRAGRANCE FACTORY Ltd. was excluded from consolidation effective December 31, 2003, still considered only in the consolidated income statements for the year 2003. The annual result 2003 of kEUR 6,072 was itemized in favor of third parties.

LANGTHORN TRADING LTD.

This holding continues to be busy in the cosmetics business. The economic climate in 2003 had its share in declining sales, continuing the development of the year 2002.

The turnover in the fiscal year was EUR 0.8 million, equaling losses of 33.8 percent.

The past fiscal year closed for LANGTHORN TRADING Ltd. with an operating result of EUR -0.1 million.

In 2003 the stockholders decided to raise the stockholders' equity by EUR 0.8 million. The MARBERT contribution was carried out by a conversion of claims to the amount of EUR 0.4 million.

M.B. COSMETICS S.A.

Together with the generally reserved domestic consumption and the economic developments, a very competitive market environment contributed to the continuation of this Spanish 80.77 percent holding's declining sales development in the past fiscal year. Stringent cost reduction led to the operating result settle on the previous year's level. M.B. Cosmetics S.A. achieved a turnover of EUR 1.5 million and an income before taxes of EUR 28,770 in the year under report.

MARBERT KOREA CO. LTD.

The global economy's dramatic situation did not spare the Asian market. Suffice to say that in the face of such worldwide economic developments market shares could not be enlarged.

Due to the dreadful economy the turnover amounted to EUR 0.6 million in the year under report. The operating result decreased to EUR -0.9 million owing to special effects.

MARBERT FAR EAST MARKETING PTE. LTD.

Unfortunately the formerly euphoric phase the 25 percent holding of MARBERT Holding AG enjoyed has subsided severely.

The planned further developments involving satisfying returns could not be realized due to the economic development in the Far East in the year under report 2003.

The company closed accounts of the year 2003 with a turnover of EUR 3.1 million and an income before taxes of EUR 0.4 million.

MARBERT SCANDINAVIA A/S

The 50 percent interest in MARBERT SCANDINAVIA A/S developed without significant differences from the previous year. Revenue and operating result remained on the prior year levels.

KENVELO AG (FORMERLY: JEAN PASCALE AG)

In June 2003 EUROPEAN RETAIL S.A. sold 51 percent of its interest in JEAN PASCALE AG to KENVELO AG, holding on to only 46.16 percent as of December 31, 2003. For this reason JEAN PASCALE AG was excluded from consolidation as of January 1, 2003, and all balance items were eliminated from consolidated statements. The remaining interest was included on the basis of equity accounting. In February 2004 KENVELO AG filed an insolvency petition. Due to this all group claims underwent a valuation adjustment in 2003.

RICHARD SCHÖPS & CO. AG

Almost 50 years after its formation, the Austrian textile sales chain Richard Schöps & Co. AG with its branch network of 120 stores suffered a decline in sales of 9.6 percent due to the economy. Sales declined in the year under report to EUR 77.7 million after EUR 85.9 million in the previous year.

The fiscal year 2003 did not live up to the expectations. A bad sale of the fall/winter collection 2003 proved very difficult because of the long-lasting unusual summer temperatures. At the same time, the drop in consumption affected the retail trade as negatively as it had the year before. In the end, reserved consumer behavior in Austria brought Richard Schöps & Co. AG a sales decline resulting in losses of EUR 3.6 million. Richard Schöps & Co. AG keeps counting on its product range strategy with very trendy fashion of high quality at attractive prices. Its numerous strengths such as strategic positioning, wide brand awareness, the expected positive stimuli from the EU enlargement to the East, and the value of individual top store locations together with the textile market's recovery expected for the medium term will contribute to consolidate this interest's value. Further positive stimuli are expected from synergy effects resulting from a partners' purchasing cooperation and the realization of cost reduction measures.

At the end of the year 2003, the staff was 863 employees.

VAPRO INTERNATIONAL S.P.A

MARBERT Holding AG acquired a 50 percent interest in VAPRO International S.p.A. for EUR 2.4 million in the first half-year of 2003.

In the year 2003 sales amounted to EUR 20.7 million, the operating result came to EUR -1.6 million.

The business objective of VAPRO International S.p.A. is the production of inexpensive products exclusively intended for the American market. The year under report was marked by strong exchange rate fluctuations with reference to the dollar. At the end of 2003 the stockholders decided to transfer EUR 1.8 million to capital reserves. The contribution of MARBERT Holding AG coming to EUR 0.9 million was made in kind.

THE MARBERT STOCK

The MARBERT stock (WKN 650300) is quoted in the "regular market" at the Frankfurt/Main, Düsseldorf, Hamburg, Berlin, Munich, and Stuttgart stock exchanges. The stock price started at EUR 3.35 on January 2, 2003 and ended at EUR 2.80 on December 30, 2003. The year's maximum price was EUR 5.24; the lowest price came to EUR 1.80.

MARBERT STOCK KEY DATA	2003	2002	2001
	EUR	EUR	EUR
Number of stocks/in million	6.35	6.35	6.35
Maximum price	5.24	14.80	16.20
Lowest price	1.80	3.50	8.70
End-of-year price	2.80	3.50	14.50
Market capitalization	17.8 Mio.	22.2 Mio.	92.1 Mio.
DVFA result per stock	0.87	-1.94	-0.34

INVESTOR RELATIONS

The investor relations team constantly and promptly informed analysts, institutional investors, and private stockholders about the company. On the internet site, www.marbert.de, all company-related information can be found, such as annual reports, ad hoc notifications, and press releases.

SIGNIFICANT EVENTS AFTER THE FISCAL YEAR

KENVELO AG filed an insolvency petition in February 2004. Interest and claims were subjected to valuation adjustment in the year under report already. A minority stockholders' challenging of the capital increase at JEAN PASCALE AG was sustained at the end of 2003. The court declared the capital increase invalid.

In the course of the group's financial restructuring, the proceeds from the sale of the interest in Fragrance Factory Ltd. (EUR 24.0 million) and the trademark "MARBERT" (EUR 22.8 million) were used for the redemption of current loans and the MARBERT Group's further debt relief.

With the transfer of distribution to SELECTIVE BEAUTY S.A. in September 2003 the branches in Switzerland, Austria and the Netherlands were closed. The conducting of all transactions involved will last into the year 2004.

OUTLOOK 2004

Prospects of the world economy's growth have improved just slowly since the middle of the year 2003. Essential stimulation comes from the North American economic region as well as the fast-developing nations. Especially the U.S. economy is likely to grow in the year 2004. Even the prospects for the national economies in Western Europe are generally reviewed more positively. However, growth is likely to be rather modest at first because of an only cautiously increasing demand in Germany. A more vital dynamics can only be expected to kick in from 2005 on.

In Japan medium-term expectations are also limited despite the surprisingly positive development of the past year.

After South America has overcome its economic crisis, and with Asia and Eastern Europe developing in a pleasant way, considerable positive stimulation is reckoned on in the fast-developing nations beginning in 2004 as well. The global economy is altogether expected to expand by a little more than three percent in 2004 and the following years.

Furthermore, the euro is generally expected to increase in value in relation to the most important currencies compared to the average exchange rates of the year 2003. The expected positive overall economic development for consumer goods in the textile and cosmetics industries has not arrived yet. A very reserved consumer behavior is perceptible in general. The group's development is moderate.

The holding portfolio has been adjusted in the cosmetics as well as in the textile business. Financial restructuring will be probably concluded by the end of July 2004 by the conclusion of the measures mentioned above and the examination of the corresponding contracts and documents as to formal requirements.

Liquidity at any time for the operational business and necessary investments has been secured by the prolongation and expansion of current financing for the time being. No additional facts or risks carrying existential threats and revealing considerable uncertainty with regard to the continuation of the group and MARBERT Holding AG are discernible. An improvement in the cosmetics segment can be expected from the restructuring of MARBERT Cosmetics GmbH, its focus on the development, production, and the partnership with SELECTIVE BEAUTY S.A. in marketing and sales. Taking advantage of the particular strengths of Richard Schöps & Co. AG, also in connection with partnerships with other textile companies, gives rise to hopes for a recovery of the textile segment as well. Because the expected general economic upturn has not occurred, though, we are not able at present to make a respectable statement about the sales and profit development. Significant performance improvements are expected for 2005 and 2006. We hope the prevailing reserved consumer behavior will turn into a desire to buy later this year already.

DEPENDENCY REPORT

In accordance with § 312 AktG, the management report of MARBERT Holding AG includes legal transactions of the fiscal year 2003 therein listed.

In conclusion, the Management Board declares:

"Our company and its affiliates received appropriate consideration for each legal transaction listed in the report on relationships with affiliated companies. This assessment is based on the circumstances known to us at the time legal transactions were executed and measures were taken. Measures subjected to mandatory reporting were neither taken nor omitted."

BREAKDOWN OF INTEREST

Company and headquarters	Interest in %	Currency	Stockholders' equity as of 12/31/2003	Net income/ net loss 2003
MARBERT COSMETICS GMBH, Düsseldorf [1]	100.0	EUR	20,000,000	-12,908,249
MASAYUME GMBH, Düsseldorf	100.0	EUR	31,987	1,313
FASHION HOLDING GMBH, Vienna (Austria)	100.0	EUR	-2,247	-22,030
JEAN PASCALE AG, Norderstedt (now KENVELO AG) [4]	46.2	EUR	9,541,072	-21,966,724
JEAN PASCALE WARENHANDELSGESELLSCHAFT MBH, Norderstedt [1] [4]	46.2	EUR	4,092,513	-4,903,374
JEAN PASCALE HOLLAND B.V., Rotterdam (Netherlands) [4]	46.2	EUR	-3,914,199	-2,316,530
VERWALTUNGSGESELLSCHAFT JEAN PASCALE SERVICE MBH, Norderstedt [4] (Germany)	46.2	EUR	196	9,227
JEAN PASCALE SERVICE GMBH & CO. KG, Norderstedt [3] [4]	46.2	EUR	255,646	-2,500,799
RICHARD SCHÖPS & CO. AG, Vienna (Austria)	93.8	EUR	3,470,058	-3,634,193
M.B. COSMETICS S.A., Barcelona (Spain)	80.8	EUR	336,660	28,770
MACROSAUCE GMBH, Düsseldorf [2]	75.0	EUR	-2,769,223	-293,221
EUROPEAN RETAIL S.A., Luxembourg (Luxembourg)	67.6	EUR	-317,297	-71,971
MARBERT SCANDINAVIA A/S, Ballerup (Denmark)	50.0	DKK	439,216	-136,209
LANGTHORN TRADING LTD., Tortola (British Virgin Islands)	50.0	SAR	3,611,615	-528,429
MARBERT KOREA CO. LTD., Seoul (South Korea)	25.0	WON	-965,300,330	-1,320,724,130
MARBERT FAR EAST MARKETING PTE LTD, Singapore (Singapore)	25.0	S$	946,618	788,580
VAPRO INTERNATIONAL S.P.A., Mozatte (Italy) (since January)	50.0	EUR	1,625,677	-1,634,809

[1] Profit transfer agreement [2] Preliminary unchecked figures as of 12/31/2003 [3] Before profit distribution to stockholders

[4] Last available annual accounts as of 12/31/2002 due to the insolvency proceedings, percentage statement with regard to interest as of 12/31/2003

Report of the Supervisory Board

The Supervisory Board of MARBERT Holding AG held four meetings in the fiscal year and informed itself of the economic situation, significant business events, and planning. Outside of these meetings, the Chairman of the Supervisory Board received oral and written reports on essential aspects by the Management Board as well.

Important subjects of Supervisory Board discussions were the 50 percent interest in VAPRO International S.p.A, in Mozzate, Italy, the transfer of the responsibility for the brand "MARBERT" and its distribution to SELECTIVE BEAUTY S.A., the sale of the interest in FRAGRANCE FACTORY Ltd., the contribution of the trademark "MARBERT" to MARBERT Cosmetics GmbH, and the increase of the interest, the strategic orientation, company financing measures, and the result development having progressed slower than planned.

The Supervisory Board approved all strategically taken measures. The Supervisory Board was regularly informed of all important business transactions and the development of the key financial figures.

The annual accounts prepared by the Management Board as well as the consolidated financial statements of MARBERT Holding AG including the combined company and group management report for the fiscal year 2003 have been audited by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, appointed auditors by stockholders' resolution. Both accounts received unrestricted audit certificates.

The dependency report prepared by the Management Board was approved without objections as well.

Annual accounts and consolidated financial statements including the combined management report and the dependency report as well as the audit reports were handed to the Supervisory Board members in time. In the June 29, 2004 Supervisory Board meeting attended by the auditor who reported on the essential results of his audit, these documents were discussed and examined in detail. Following exhaustive examination of these documents, the Supervisory Board had no objections and approved of the auditor's conclusion. The annual accounts prepared by the Management Board and the consolidated financial statements as well as the combined management report of MARBERT Holding AG as of December 31, 2003 were approved. The annual accounts of MARBERT Holding AG are hereby closed.

The Management Board's report on relationships with affiliated companies and the corresponding auditor's report were received by the Supervisory Board, as were the audit reports. The Supervisory Board has examined the Management Board's report and agrees to it. The auditor has examined the Management Board's report on relationships with affiliated companies and has issued the following unrestricted audit certificate:

"Following our duly examination and evaluation, we verify that

1. actual data in this report are correct.
2. the performance resulting from the legal transactions specified in the report was not inappropriately high."

Based on its examination, the Supervisory Board agrees to the auditor's opinion. As a result of its examination, the Supervisory Board has no objections against the Management Board's explanations stated at the end of the report on relationships with affiliated companies.

The Supervisory Board thanks the Management Board and all employees of the MARBERT Group for their achievements and the commitment they showed in the fiscal year 2003.

Düsseldorf, June 2004

Dr. Giovanni Montorfano
Chairman of the Supervisory Board

Consolidated Balance Sheet

Assets

MARBERT HOLDING AG	Notes	12/31/2003	12/31/2002
		kEUR	kEUR
Intangible assets		31.337	39.682
Property, plant and equipment		13,326	35,572
Investments in affiliated companies		26	26
Interest in associated companies		2,485	378
Other financial assets		742	988
Fixed assets	(1)	**47,916**	**76,646**
Inventories	(2)	**32,539**	**58,971**
Trade accounts receivable	(3)	6,430	12,802
Other receivables and other assets	(4)	25,921	7,535
Receivables and other assets		**32,351**	**20,337**
Treasury stock	(5)	2,112	2,112
Securities		**2,112**	**2,112**
Cash on hand, cash in banks		1,631	16,679
Liquid assets		**1,631**	**16,679**
Current assets		**68,633**	**98,099**
Prepaid expenses and deferred charges	(6)	**280**	**614**
Losses not covered by stockholders' equity	(7)	**7,906**	-
		124,735	175,359

Liabilities and stockholders' equity

MARBERT HOLDING AG	Notes	12/31/2003	12/31/2002
		kEUR	kEUR
Subscribed capital		16,234	16,234
Capital reserves		23,938	23,938
Retained income		2,720	2,720
Partners' share		6,281	5,309
Group net loss		-57,079	-23,055
Losses not covered by stockholders' equity		7,906	-
Stockholders' equity	(7)	-	**25,146**
Extraordinary item including allocation to reserves		-	**257**
Accrued pensions			
and similar allowances	(8)	4,013	4,597
Other accrued liabilities	(9)	13,448	18,892
Accrued liabilities		**17,461**	**23,489**
Liabilities due to banks		72,425	86,417
Advance payments received		6,494	-
Trade accounts payable		20,253	23,131
Liabilities due to affiliated companies		52	7,500
Liabilities due to companies in which			
the holding company has an interest		552	-
Other liabilities		6,028	8,700
Liabilities	(10)	**105,804**	**125,748**
Accrued and deferred income		**1,470**	**719**
		124,735	**175,359**

Consolidated Income Statements

MARBERT HOLDING AG	Notes	2003 kEUR	2002 kEUR
Sales	(11)	151,748	175,496
Decrease in finished goods and work-in-process			
Other operating income		-5,692	-1,347
Cost of materials	(12)	11,472	10,989
Personnel expenses	(13)	-71,389	-83,783
Depreciation and amortization	(14)	-33,602	-43,301
Other operating expenses	(15)	-35,844	-38,786
Operating income	(16)	-53,109	-58,834
Income from investments		-36,416	-39,566
Interest expenses/income (balance)	(17)	-1,392	-5,989
Income before taxes and extraordinary items	(18)	-3,360	-1,679
Extraordinary expenses/income		-41,168	-47,234
Income tax	(19)	21,562	37,274
Other taxes	(20)	-2,618	-2,018
Group net loss		-26	-88
Partners' share in income/loss		-22,250	-12,066
Group's share in net loss		-5,818	-8,237
Group loss carry forward		-28,068	-20,303
Transfer from reserves for treasury stock		-29,011	-4,395
Group accumulated deficit		-	1,643
		-57,079	-23,055

Consolidated Statements of Cash Flow

MARBERT HOLDING AG	2003 kEUR	2002 kEUR
Net loss before extraordinary items	-43,812	-49,340
Depreciation and amortization of property, plant and equipment	11,312	44,843
Increase in accruals	2,001	3,761
Other payment-ineffective expenses/income	-7,432	210
Income/loss from disposal of fixed assets	-	-8,027
Decrease in inventories, trade accounts receivable, and other assets not attributable to investment or financing activity	3,677	22,103
Decrease/Increase in trade accounts payable and other liabilities not attributable to investment or financing activity	11,826	-8,716
Cash flow from operating activities	-22,428	4,834
Proceeds from disposals of tangible fixed assets	89	-
Payments for investments in property, plant and equipment/intangible assets	-1,726	-2,205
Proceeds from disposals of financial fixed assets	246	13,673
Payments for investments in fixed financial assets	-16,241	-
Payments for investments in current financial assets	-	-44,942
Cash flow from investing activities	-17,632	-33,474
Payments to company owners and minority stockholders	-	-854
Proceeds from borrowing of loans	22,334	23,084
Proceeds from borrowing of loans within consolidation	7,300	10,892
Payments for redemption of loans	-5,562	-
Cash flow from financing activities	24,072	33,122
Payment-effective changes of the financial resources fund	-15,988	4,482
Changes of the financial resources fund due to exchange rates and valuation	940	-61
Financial resources fund at beginning of period	16,679	12,258
Financial resources fund at end of period	1,631	16,679

Notes to Consolidated Financial Statements as of December 31, 2003

MARBERT Holding AG prepares consolidated financial statements in accordance with §§ 290 to 315 HGB (German Commercial Code) and regulations of the German Corporations Act (AktG). The income statements are prepared according to the total costs method. To allow a better overview, individual items of the balance sheet and the income statements are joined together; these are itemized separately in the notes.

With regard to the previous year's amounts' comparability, the following changes in 2003 are to be considered substantial:

- Sale of 51 percent of the interest in JEAN PASCALE AG (new company name: KENVELO AG) by the holding EUROPEAN RETAIL S.A. and exclusion from consolidation effective January 1, 2003
- Acquisition of a 50 percent interest in VAPRO International S.p.A.
- Sale of the interest in FRAGRANCE FACTORY Ltd. and exclusion from consolidation effective December 31, 2003

CONSOLIDATION

Consolidated financial statements include MARBERT Holding AG and all subsidiaries where MARBERT Holding AG is directly or indirectly entitled to a majority of voting rights as of balance sheet date.

The company MASAYUME Cosmetics GmbH, Düsseldorf, Germany (100 percent holding) has not been included in the consolidated financial statements due to secondary importance. Non-consolidation does not substantially affect the group's financial, assets, and profit situation.

MACROSAUCE GmbH, Düsseldorf, Germany (75 percent holding) has not been included in the consolidated financial statements in accordance with § 296 I No.3 HGB because the interest in this subsidiary is being held exclusively for the purpose of resale.

Included in full consolidation are the following companies:

MARBERT SCANDINAVIA A/S, Ballerup/Denmark (50 percent interest)
M.B. Cosmetics S.A., Barcelona/Spain (80.77 percent interest)
FASHION Holding GmbH, Vienna/Austria (100 percent interest)
Richard Schöps & Co. AG, Vienna/Austria (93.75 percent interest)
EUROPEAN RETAIL S.A., Luxembourg/Luxembourg (67.63 percent interest)
FRAGRANCE FACTORY Ltd., London/Great Britain (51 percent interest) - exclusion from consolidation as of December 31, 2003

In addition, the associated companies

LANGTHORN TRADING Ltd., Tortola/British Virgin Islands (interest: 50 percent)
MARBERT KOREA Co. Ltd., Seoul/South Korea (interest: 25 percent)
MARBERT FAR EAST Marketing Pte. Ltd., Singapore/Singapore (interest: 25 percent)
VAPRO International S.p.A., Mozatte/Italy (interest: 50 percent)
KENVELO AG and subsidiary companies, Norderstedt/Germany (formerly: JEAN PASCALE AG) (interest: 46.16 percent)

are included in the consolidation based on equity accounting.

To achieve comparability of the assets, financial and profit situation required by § 249 II HGB, the following adjustments have been made:

The affiliated companies JEAN PASCALE AG and FRAGRANCE FACTORY Ltd. were excluded from consolidation as of January 1, 2003 and December 31, 2003, respectively. The holdings had the following effects on assets and liabilities as well as on profit and expenditure as of December 31, 2002:

	2002
	kEUR
Fixed assets	24,426
Current assets	43,733
Accrued pensions	-472
Other accrued liabilities	-7,557
Financing liabilities	-30,764
Other liabilities	-16,315
Net assets	**13,051**

	2002
	kEUR
Income	84,418
Expenditure	-74,652
Net income	**9,766**

CONSOLIDATION PRINCIPLES

The offset of stockholders' equity is carried out in accordance with § 301 I No.1 HGB (book value method). Accordingly, stockholders' equity is stated at the amount corresponding with the proportionate book value of the assets and liabilities to be included in the consolidated financial statements. Fixed date of initial consolidation is in principle the time of interest acquisition. The proportionate subsidiaries' stockholders' equity is set off against the corresponding interest book value concerning the parent company. Differences resulting from this offset are attributed to the subsidiaries' balance sheet items up to the amount of their current values. Remaining differences are in principle activated as goodwill and depreciated over 15 years. For the balancing of associated companies at stockholders' equity value (equity accounting), a corresponding procedure is applied. Differences resulting from this offset are not separately stated as goodwill, though.

Loans and other receivables, accrued liabilities and liabilities due to or from companies included in the consolidated financial statements are left out. Unrealized interim results from internal deliveries and performances are eliminated.

In the consolidated income statements, sales proceeds and other income from group internal deliveries and performances are set off against corresponding expenses.

Accrued taxes were set up for result-effective consolidation postings.

FOREIGN CURRENCY TRANSLATION

Foreign subsidiaries' annual accounts prepared in foreign currencies are translated into euro according to the period-end exchange rate procedure. Assets and liabilities are translated at period-end exchange rates, with the exception of stockholders' equity items translated at historical rates, and expenses and income are translated at weighted average exchange rates for the period. In balance sheet and income statements, net income is translated according to the period-end exchange rate procedure. Differences concerning the income statements are treated as result-effective, differences concerning the balance sheet are treated as result-ineffective.

Receivables and credit balances in foreign currencies as well as foreign currency holdings are in principle stated at purchase rates or rather at lower balance sheet date rates. Liabilities in foreign currencies are stated in principle at origin rates or rather at higher balance sheet date rates.

ACCOUNTING POLICIES AND VALUATION METHODS

Intangible assets and property, plant and equipment are balanced at respective acquisition or production costs amortized by regular depreciation. Extraordinary depreciation due to lasting decrease in value is carried out.

Investments are stated at purchase prices provided no extraordinary depreciation due to expected lasting decrease in value is necessary. Interest in associated companies is balanced at book value in accordance with § 312 1 I No. 1 HGB. The interest's value estimate is determined on the basis of value estimates at the time of acquisition and subjected to updates in the following years.

Inventories are balanced at group acquisition or production costs or, if necessary, at lower going prices. Group production costs include material and manufacture costs, special manufacture costs, proportional overhead, and proportional decline in value of fixed assets. All items subjected to risk are adequately provided for.

Trade accounts receivable are balanced at nominal value less proportional depreciation. Other receivables and assets are stated at purchase prices or lower value attributable as of balance sheet date.

Marketable securities are stated at purchase prices less extraordinary depreciation if necessary.

Concerning assets, prepaid expenses and deferred charges state expenses made before balance sheet date provided they represent expenditure for a certain period of time after the balance sheet date. Differences between payment amounts and higher repayment amounts of loans are activated as discount under prepaid expenses and deferred charges. They are systematically depreciated over the terms of the loans.

Accrued pensions and similar allowances are stated in accordance with maximum tax scale determined with respect to actuarial principles.

Accrued liabilities for contingent liabilities and losses resulting from outstanding transactions are stated at amounts necessary with respect to reasonable commercial judgement.

Liabilities are recorded at repayment value.

According to § 271 II HGB, affiliated companies are all group companies to be included in consolidated financial statements of the highest parent company which is required to prepare the most extensive consolidated financial statements, even if they are not included due to an according voting rights situation.

ASSETS	kEUR		kEUR	
	12/31/2003		12/31/2002	
Fixed assets	47,916	41.0 %	76,646	43.7 %
Other assets	67,282	57.6 %	82,034	46.8 %
Financial assets	1,631	1.4 %	16,679	9.5 %
	116,829	100.0 %	175,359	100.0 %

LIABILITIES	kEUR		kEUR	
	12/31/2003		12/31/2002	
Stockholders' equity	-7,906	-6.8 %	25.146	14.3 %
Medium- and long-term liabilities	8,635	7.4 %	9.627	5.5 %
Other liabilities	116,100	99.4 %	140.586	80.2 %
	116,829	100.0 %	175.359	100.0 %

At kEUR 116,829 the balance sheet total adjusted by the loss not covered by stockholders' equity is below the December 31, 2002 mark, essentially because of the exclusion of JEAN PASCALE AG and FRAGRANCE FACTORY Ltd. from consolidation effective January 1 and December 31, 2003, respectively.

The group is balance sheet over-indebted to the amount of kEUR 7,906 as of balance sheet date. The statement of the loss not covered by stockholders' equity essentially turned out after the deduction of the group net loss of kEUR 22,250 as well as the disposals from the previous year's stockholders' equity (kEUR 25,146) due to the exclusion from consolidation of JEAN PASCALE AG (kEUR 6,463) and FRAGRANCE FACTORY Ltd. (kEUR 4,619). With the exception of EUROPEAN RETAIL S.A. (negative stockholders' equity kEUR 317), neither the mother company nor any other company included in consolidated financial statements shows balance sheet over-indebtedness.

(1) CHANGES IN FIXED ASSETS

Intangible assets developed in the fiscal year as follows:

kEUR	Goodwill	Software	Other intangible assets	Total
Gross amounts 12/31/2002	80,707	1,383	18,933	101,023
Foreign currency translation adjustments	-	-2	2	-
Addition	504	-	35	539
Disposal	-	-	-3	-3
Changes in consolidation	-30,230	-	-7,578	-37,808
Gross amounts 12/31/2003	50,981	1,381	11,389	63,751
Depreciation 12/31/2002	46,538	1,352	13,451	61,341
Foreign currency translation adjustments	1	-2	1	-
Depreciation 2003	3,869	20	380	4,269
Disposal	-	-	-2	-2
Changes in consolidation	-29,158	-	-4,036	-33,194
Depreciation 12/31/2003	21,250	1,370	9,794	32,414
Net amounts 12/31/2003	29,731	11	1,595	31,337
Net amounts 12/31/2002	34,169	31	5,482	39,682

The addition to goodwill resulted from the acquisition of interest in EUROPEAN RETAIL S.A. Changes in consolidation to a net amount of kEUR 1,072 represent the exclusion of JEAN PASCALE AG and FRAGRANCE FACTORY Ltd. from consolidation.

The item "goodwill" includes differences concerning assets from the capital consolidation to an amount of kEUR 24,381. Depreciation came to kEUR 3,869 in the year under report (thereof extraordinary: kEUR 504). Goodwill is systematically depreciated over 15 years according to the straight-line method.

Property, plant and equipment developed as follows:

kEUR	Land and buildings	Technical equipment, plant and machines	Other equipment, furniture and fixtures	Advance payments	Total
Gross amounts 12/31/2002	**11.193**	**6.506**	**111.821**	**5**	**129.525**
Foreign currency translation adjustments	-	-	-21	-	-21
Addition	-	116	1,071	-	1,187
Disposal	-	-	-1,593	-	-1,593
Changes in consolidation	-1,092	-	-71,099	-5	-72,196
Gross amounts 12/31/2003	**10,101**	**6,622**	**40,179**	-	**56,902**
Depreciation 12/31/2002	2,980	6,143	84,830	-	93,953
Foreign currency translation adjustments	-	-	-19	-	-19
Depreciation 2003	288	107	1,950	-	2,345
Disposal	-	-	-1,505	-	-1,505
Changes in consolidation	-693	-	-50,505	-	-51,198
Depreciation 12/31/2003	**2,575**	**6,250**	**34,751**	-	**43,576**
Net amounts 12/31/2003	**7,526**	**372**	**5,428**	-	**13,326**
Net amounts 12/31/2002	8,213	363	26,991	5	35,572

Additions to furniture and fixtures essentially concerns investments of Richard Schöps & Co. AG. Disposals from furniture and fixtures, due to the closing of the branches in Switzerland, Austria, and the Netherlands, result from sale and elimination of the amortized product display systems at our customers.

Changes in consolidation to a net amount of kEUR 20,998 are caused by the exclusion of JEAN PASCALE AG and FRAGRANCE FACTORY Ltd. from consolidation.

Financial assets have changed as follows:

kEUR	Investments in affiliated companies	Interests	Long-term investments	Total
Gross amounts 12/31/2002	**26**	**2,866**	**988**	**3,880**
Addition	-	6,806	-	6,806
Disposal	-	-	-246	-246
Gross amounts 12/31/2003	**26**	**9,672**	**742**	**10,440**
Depreciation 12/31/2002	-	2,488	-	2,488
Depreciation 2003	-	4,699	-	4,699
Depreciation 12/31/2003	-	**7,187**	-	**7,187**
Net amounts 12/31/2003	**26**	**2,485**	**742**	**3,253**
Net amounts 12/31/2002	26	378	988	1,392

Investments in financial assets substantially concern the acquisition of a 50 percent interest in VAPRO International S.p.A. and the adopted new at-equity valuation of the remaining 46.16 interest in KENVELO AG. At kEUR 3,071 depreciation of interest includes extraordinary depreciation of the at-equity valuation due to the insolvency of KENVELO AG. It is itemized under "other operating expenses", balanced against the income from the exclusion of JEAN PASCALE AG from consolidation.

Within the framework of the initial consolidation of VAPRO International S.p.A., goodwill resulted to the amount of kEUR 1,670. Contrary to the regulation of § 312 V 1 HGB the adaptation to the group standard evaluation with regard to the assessment of intangible assets will be forgone.

(2) INVENTORIES

	12/31/2003	12/31/2002
	kEUR	kEUR
Raw materials and supplies	3,184	5,643
Work-in-process	850	1,617
Finished goods and merchandise	28,505	51,711
TOTAL	32,539	58,971

(3) TRADE ACCOUNTS RECEIVABLE

	12/31/2003	12/31/2002
	kEUR	kEUR
Receivables due from customers	5,865	12,802
Receivables due from companies in which the holding company has an interest	565	-
TOTAL	6,430	12,802

(4) OTHER RECEIVABLES AND ASSETS

	12/31/2003	12/31/2002
	kEUR	kEUR
Other receivables and assets	424	355
Other assets	25,497	7,180
TOTAL	25,921	7,535

Other assets include the purchase-money claim from the sale of the interest in FRAGRANCE FACTORY Ltd.

Amounts with remaining terms of more than a year are included in the following items:

	12/31/2003	12/31/2002
	kEUR	kEUR
OTHER ASSETS	49	84

(5) TREASURY STOCK

The company continues to have 263,997 unit stocks at its disposal. This equals EUR 674,898 or rather 4.2 percent of the stock capital. The treasury stock has been devaluated to EUR 8.00 per stock since the fiscal year 2002, corresponding with the stock's internal value.

On December 31, 2003 the stock price was EUR 2.80 per stock. Due to little stock exchange sales involving MARBERT Holding AG stocks this quotation does not constitute an adequate valuation criterion. The purchase of treasury stock served as price support.

(6) PREPAID EXPENSES AND DEFERRED CHARGES

Assets include a discount of kEUR 280 (previous year: kEUR 614) in connection with the borrowing of long-term loans. This item is systematically depreciated over the terms of the loans.

(7) STOCKHOLDERS' EQUITY

	Subscribed capital of MARBERT Holding AG kEUR	Capital reserves of MARBERT Holding AG kEUR	Retained income kEUR	Accumulated deficit kEUR	Partners' share in capital kEUR	Partners' share in income/loss kEUR	Total kEUR
12/31/2002	16,234	23,938	2,720	-23,055	-2,928	8,237	25,146
Conversion according to DRS 7	-	-	-	-	14,089	-14,089	-
Closing of special item with allocation to reserves (according to Art. 54 II EHGB)	-	-	-	157	-	-	157
Other profit-ineffective changes in stockholders' equity	-	-	-	44	-	-	44
From changes in consolidation	-	-	-	-6,157	-7,074	2,228	-11,003
Group income/loss	-	-	-	-28,068	-	5,818	-22,250
12/31/2003	**16,234**	**23,938**	**2,720**	**-57,079**	**4,087**	**2,194**	**-7,906**

The following changes were made for reasons of stockholders' equity development according to DRS 7 (German accounting standard):

From the partners' share in capital, previous years' shares in accumulated group results to an amount of kEUR 14,089 were transferred to partners' share in income/loss.

The stock capital of MARBERT Holding AG comes to EUR 16,233,517.23 as of balance sheet date. It is represented by 6,350,000 unit stocks.

kEUR 23,938 is stated in group capital reserves. These concern the premium of kEUR 33,950 incurred at MARBERT Holding AG from the capital increase by the issue of new stocks less the capital increase from corporate assets to the amount of kEUR 3,452 and the offset of goodwill of FONDOLO Cosmetics GmbH from the year 1998 to the amount of kEUR 6,560.

Retained income includes the following:

	12/31/2003 kEUR	12/31/2002 kEUR
Reserves for treasury stock	2,112	2,112
Other retained income	608	608
TOTAL	**2,720**	**2,720**

(8) ACCRUED PENSIONS AND SIMILAR ALLOWANCES

Accrued pensions and similar allowances are set up for expectant rights and current performances from retirement pension bonus payment. Valuation was determined with respect to actuarial principles and tallies with the part value based on the statutory debit interest rate of 6 percent.

Accrued pensions for the Austrian holding are set up on the basis of an actuarial expert's report. The report was based on the Austrian mortality schedules 1990/1992 and a statutory debit interest rate of 5 percent. Valuation was determined according to the present date method.

Accruals for dispatching also included in "accrued pensions" in accordance with § 14 EStG (Austria) state the necessary amount according to § 211 II HGB (Austria) in connection with the expert's report KFS/RL 2.

(9) OTHER ACCRUED LIABILITIES

	12/31/2003 kEUR	12/31/2002 kEUR
Accrued taxes	39	1,884
Other accrued liabilities	13,409	17,008
TOTAL	**13,448**	**18,892**

(10) LIABILITIES

Only the liabilities due to banks have remaining terms of more than 5 years to an amount of kEUR 3,012 (previous year: kEUR 3,340). kEUR 1,610 (previous year: kEUR 1,690) mature in one to five years. Liabilities due to banks to an amount of kEUR 5,030 (previous year: kEUR 5,423) are secured by the registration of primary land charges on the industrial premises in Monheim, Germany.

The EUR 24.5 million credit limit granted by Banca Intesa S.p.A. is secured by the collateral assignment of the interest in FASHION Holding GmbH.

Other liabilities include liabilities from taxes amounting to kEUR 2,757 (previous year: kEUR 5,473) and liabilities related to social security amounting to kEUR 607 (previous year: kEUR 1,625).

Liabilities with remaining terms up to one year:

	12/31/2003	1.12.2002
	kEUR	kEUR
Liabilities due to banks	67,803	81,387
Advance payments on orders	6,494	-
Trade accounts payable	20,253	23,131
Liabilities due to affiliated companies	52	7,500
Liabilities due to companies in which the holding company has an interest	552	-
Other liabilities	6,028	8,700
TOTAL	101,182	120,718

(11) SALES PROCEEDS

The breakdown of sales according to geographically defined markets and brands can be gathered from the reporting on segmentation.

(12) OTHER OPERATING INCOME

Other operating income includes the main stockholder's waiver of a claim to an amount of kEUR 7,500. In the previous year waivers of claims were disclosed under the item "extraordinary income" in connection with the waivers of claims of SCENT S.A. in favor of JEAN PASCALE AG.

Income relating to other periods comes to kEUR 786 (previous year: kEUR 537).

(13) COST OF MATERIALS

	2003	2002
	kEUR	kEUR
Cost of raw materials, supplies, and purchased goods	69,936	83,342
Cost of purchased services	1,453	441
TOTAL	71,389	83,783

(14) PERSONNEL EXPENSES

	2003	2002
	kEUR	kEUR
Wages and salaries	26,345	35,665
Social security and retirement obligations	7,257	7,636
(thereof retirement obligations)	(1,045)	(499)
TOTAL	33,602	43,301

(15) DEPRECIATION AND AMORTIZATION

	2003	2002
	kEUR	kEUR
a) Of intangible assets and property, plant and equipment	6.614	36.083
(thereof goodwill)	(3.869)	(30.829)
b) Of current assets as far as depreciation		
customary for the company is exceeded	29.230	2.703
TOTAL	35.844	38.786

Depreciation of current assets contains depreciation of claims against KENVELO AG, MACROSAUCE GmbH, and EUROPEAN RETAIL S.A.

(16) OTHER OPERATING EXPENSES

As largest separate items, other operating expenses include advertising expenses, commitments from rental and leasing agreements, dispatch and commission costs, and external services.

In addition, at kEUR 6,463 the balanced loss from the exclusion of JEAN PASCALE AG from consolidation is stated. This amount includes the effects from the exclusion from consolidation, the devaluation of the newly adopted at-equity valuation of the remaining 46.16 percent interest as well as the expenditure on the necessary valuation adjustment of the EUR 15.1 million claim for reimbursement of EUROPEAN RETAIL S.A. against JEAN PASCALE AG. This claim for reimbursement concerns the amount of the stock capital increase carried out at JEAN PASCALE AG in the year 2002 which was declared invalid by court order in the year 2003.

(17) INCOME FROM INVESTMENTS

	2003	2002
	kEUR	kEUR
Income from investments in associated companies	-1,397	-2,352
Income from other long-term investments	5	6
Depreciation of financial assets and marketable securities	-	-3,643
TOTAL	-1,392	-5,989

Losses from the associated companies include kEUR 112 of scheduled depreciation of goodwill and kEUR 1,285 of proportionate results from the associated companies.

(18) INTEREST INCOME AND EXPENSE (BALANCE)

	2003	2002
	kEUR	kEUR
Other interest and related income	869	1,325
(thereof from affiliated companies)	-	(1,148)
Interest and related expenses	-4,229	-3,004
(thereof to affiliated companies)	-	(198)
BALANCE	-3,360	-1,679

(19) EXTRAORDINARY INCOME

This item exclusively contains the proceeds from the sale of the interest in FRAGRANCE FACTORY Ltd. effective December 31, 2003.

(20) INCOME TAXES

Owing to the tax loss carry-forward at MARBERT Holding AG, deferred taxes were set up neither for consolidation measures nor for differences in time between the preparation of individual annual accounts and the consolidated financial statements. Income taxes include kEUR 2,618 (previous year: kEUR 2,018) incurred at subsidiary companies in Great Britain, Spain, and Austria.

FURTHER NOTES

OTHER FINANCIAL OBLIGATIONS

Of the EUR 51.8 million amount of other financial obligations, EUR 39.4 million concern waivers of claims with debtor warrants, EUR 6.1 million concern a service agreement, EUR 5.3 million concern rental payments, and EUR 1.0 million concern leasing agreement commitments.

CONTINGENT LIABILITIES

Contingent liabilities amount to altogether kEUR 584 as of December 31, 2003. They result from third-party debtor's liabilities due to banks from partially used credit limits and guaranty obligations. There is also a bank guaranty for the affiliated company MACROSAUCE GmbH to an amount of kEUR 50 as of balance sheet date.

BREAKDOWN OF EMPLOYEES

In the year under report, the group companies had the following average number of employees:

	12/31/2003	12/31/2002
Salaried Employees	1,182	3,734
(thereof temporary in sales department)	(37)	(50)
(thereof part-time)	(-)	(1,289)
Industrial employees	33	37
TOTAL	1,215	3,771

The decreasing number of employees in comparison to the previous year is primarily due to the fact that employees of JEAN PASCALE AG, excluded from consolidation as of January 1, 2003, are no longer included in the breakdown.

SEGMENTATION

We refer to our reporting on segmentation in the group management report.

BREAKDOWN OF INTEREST

The statement according to § 313 II HGB is made in a separate breakdown of interest.

DISPENSATION ACCORDING TO § 264 III HGB

MARBERT Cosmetics GmbH, Düsseldorf, Germany, included in the consolidated financial statements of MARBERT Holding AG, takes advantage of the dispensation regulation according to § 264 III HGB.

SUPERVISORY BOARD AND MANAGEMENT BOARD

The Supervisory Board's total remuneration came to EUR 36,000 in the fiscal year 2003, the Management Board's remuneration came to EUR 446,115, and a former Management Board member's remuneration came to EUR 31,693.

CONSOLIDATED FINANCIAL STATEMENTS

The holding company is included in the consolidated financial statements of PERFORM S.p.A., Conegliano (Italy), which prepares consolidated financial statements for the smallest circle of group companies. SCENT S.A., Brussels (Belgium) prepares consolidated financial statements for the largest circle of companies. Consolidated financial statements are obtainable at respective corporate headquarters.

DECLARATION IN ACCORDANCE WITH § 20 AKTG

In accordance with § 20 I, IV AktG (German Corporations Act), EUROPEAN COSMETIC Group S.a.r.l., Luxembourg (Luxembourg) has declared to MARBERT Holding AG that it holds a majority stake according to § 16 AktG.

DECLARATION IN ACCORDANCE WITH § 21 I WPHG

In accordance with § 21 I WpHG (German Stockbroking Act), EUROPEAN COSMETIC Group S.a.r.l., Luxembourg (Luxembourg) has declared to MARBERT Holding AG that it holds 81 percent of the holding company's voting rights.

DECLARATION IN ACCORDANCE WITH § 161 AKTG

Management Board and Supervisory Board of MARBERT Holding AG issued the declaration in accordance with § 161 AktG in January 2004 and deposited it with the register of corporations of the district court in Düsseldorf, Germany. It has been made permanently available on the internet at www.marbert.de.

According to the declaration, the recommendations of the "Government Commission German Corporate Governance Code" are not fully complied with. The exceptions not meeting these recommendations are deposited with the register of corporations.

Düsseldorf, June 2004

MARBERT Holding AG

Dr. Piofrancesco Borghetti   Laura Caravante-Beucke

AUDIT OPINION

We have audited the consolidated financial statements and the combined management report on the Company's and Group's situation prepared by MARBERT Holding AG, Düsseldorf, for the fiscal year from January 1 to December 31, 2003. The preparation of the consolidated financial statements and combined management report on the Company's and Group's situation in accordance with German commercial law is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report on the Company's and Group's situation based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB (German Commercial Code) and the generally accepted standards for the audit of financial statements promulgated by the German Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the combined management report on the Company's and Group's situation are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report on the Company's and Group's situation are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report on the Company's and Group's situation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. On the whole, the combined management report on the Company's and Group's situation provides a suitable understanding of the Group's position and suitably presents the risks to future development.

Without qualifying this opinion, we draw attention to the explanations made by the management board in the combined management report on the Company's and Group's situation. It is stated there, in the sections "Financial Position", "Risk Reporting" and "Outlook for 2004", that the liquidity and financial position is strained due to the accumulated losses. The continued existence of the Group as a going concern depends on the implementation of the financial restructuring concept with the repayment of bank loans totaling EUR 46.8m and the maintenance of the credit lines necessary for ensuring adequate liquidity. Depending on the future development of the parent company and its subsidiaries, the need for the short-term provision of additional funds cannot be ruled out.

Düsseldorf, June 18, 2004

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

signed Echelmeyer	signed Egbers
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Certified Auditor)	(German Certified Auditor)

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Calendar

Stockholders' General Meeting:	Tuesday, August 31, 2004 Düsseldorf Trade Fair Town Hall Düsseldorf, Germany

This report is also available in German.

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