

# Annual Financial Statements of the PWO AG

## Balance Sheet of PWO AG

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| ASSETS  | (Notes) | 31 Dec 2002   | 31 Dec 2001   |        |
|---|---------|---------------|---------------|--------|
| in thousands of EUR                               |         |               |               |        |
| <b>Intangible assets</b>                          |         |               |               |        |
| Concessions, industrial and similar rights        |         | 852           | 827           |        |
| Payments on account                               |         | 246           | 1,098         | 827    |
| <b>Tangible assets</b>                            |         |               |               |        |
| Land and buildings                                |         | 11,681        | 12,282        |        |
| Technical equipment and machines                  |         | 20,490        | 14,997        |        |
| Other equipment, factory and office equipment     |         | 2,707         | 2,524         |        |
| Payments on account and assets under construction |         | 1,899         | 36,777        | 36,552 |
| <b>Financial assets</b>                           |         |               |               |        |
| Shares in affiliated companies                    |         | 7,311         | 4,199         |        |
| Loans to affiliated companies                     |         | 0             | 1,288         |        |
| Participations                                    |         | 0             | 7,311         | 5,492  |
| <b>Fixed assets</b>                               | (3)     | <b>45,186</b> | <b>42,871</b> |        |
| <b>Inventories</b>                                | (4)     |               |               |        |
| Raw materials and supplies                        |         | 5,851         | 5,719         |        |
| Work in process                                   |         | 12,388        | 6,915         |        |
| Finished goods and merchandise                    |         | 4,722         | 4,614         |        |
| Payments on account                               |         | 74            | 23,035        | 17,248 |
| <b>Receivables and other assets</b>               | (5)     |               |               |        |
| Trade receivables                                 |         | 23,659        | 20,282        |        |
| Receivables from affiliated companies             |         | 126           | 74            |        |
| Other assets                                      |         | 757           | 24,542        | 20,618 |
| <b>Securities</b>                                 | (6)     |               |               |        |
| Own shares  |         |               | 359           | 213    |
| <b>Liquid funds</b>                               |         |               | 20            | 417    |
| <b>Current assets</b>                             |         | <b>47,956</b> | <b>38,496</b> |        |
| <b>Prepaid expenses</b>                           | (7)     | 122           | 160           |        |
| <b>Total assets</b>                               |         | <b>93,264</b> | <b>81,527</b> |        |

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| EQUITY AND LIABILITIES                        | (Notes) | 31 Dec 2002   | 31 Dec 2001   |        |
|---|---------|---------------|---------------|--------|
| in thousands of EUR                           |         |               |               |        |
| Subscribed capital                            |         | 5,113         | 5,113         |        |
| Capital reserves                              |         | 4,781         | 4,781         |        |
| <b>Revenue reserves</b>                       |         |               |               |        |
| Legal reserve                                 |         | 204           | 204           |        |
| Reserve for own shares                        |         | 359           | 213           |        |
| Other revenue reserves                        |         | 16,800        | 17,363        | 12,417 |
| Net retained profits                          |         | 3,542         | 3,003         |        |
| <b>Equity</b>                                 | (8)     | <b>30,799</b> | <b>25,314</b> |        |
| Special accounts with reserve element         | (9)     | 43            | 85            |        |
| <b>Accruals</b>                               | (10)    |               |               |        |
| Accruals for pensions and similar obligations |         | 18,179        | 17,730        |        |
| Tax accruals                                  |         | 769           | 1,313         |        |
| Other accruals                                |         | 8,012         | 26,960        | 25,799 |
| <b>Liabilities</b>                            | (11)    |               |               |        |
| Liabilities to banks                          |         | 24,640        | 19,353        |        |
| Trade payables                                |         | 6,941         | 7,429         |        |
| Other liabilities                             |         | 3,881         | 35,462        | 30,329 |
| <b>Total equity and liabilities</b>           |         | <b>93,264</b> | <b>81,527</b> |        |

## Profit and Loss Account of PWO AG

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| in thousands of EUR  | (Notes) | 2002           |         | 2001           |         |
|--|---------|----------------|---------|----------------|---------|
| Sales  | (14)    | 158,459        |         | 147,492        |         |
| Changes in finished goods and work in process                                |         | 5,582          |         | 1,173          |         |
| Own work capitalized   | (15)    | 1,002          |         | 1,758          |         |
| Other operating income   | (16)    | 2,485          |         | 1,882          |         |
|  |         | <b>167,528</b> |         | <b>152,305</b> |         |
| Cost of materials  |         |                |         |                |         |
| Cost of raw materials, consumables and supplies and of purchased merchandise |         | 63,300         |         | 59,446         |         |
| Cost of purchased services   |         | 21,275         | -84,575 | 17,768         | -77,214 |
| Personnel expenses   | (17)    |                |         |                |         |
| Wages and salaries   |         | 40,722         |         | 37,472         |         |
| Social security and other pension costs                                      |         | 8,512          | -49,234 | 8,165          | -45,637 |
| Depreciation on intangible fixed assets and tangible assets                  | (18)    |                | -8,234  |                | -6,401  |
| Other operating expenses   | (19)    |                | -12,440 |                | -11,461 |
| Income from long term loans  |         | 38             |         | 87             |         |
| Other interest and similar income  |         | 9              |         | 31             |         |
| Amortization of own shares   |         | 20             |         | 0              |         |
| Interest and similar expenses  |         | 2,257          | -2,230  | 2,112          | -1,994  |
| <b>Results from ordinary activities</b>                                      |         | <b>10,815</b>  |         | <b>9,598</b>   |         |
| Taxes on income  | (20)    | 3,427          |         | 3,642          |         |
| Other taxes  |         | 63             | -3,490  | 54             | -3,696  |
| <b>Net income for the year</b>   |         | <b>7,325</b>   |         | <b>5,902</b>   |         |
| Retained profits brought forward   |         | 13             |         | 30             |         |
| Transfers from the reserve for own shares                                    |         | 20             |         | 21             |         |
| Transfers to the reserve for own shares                                      |         | -166           |         | 0              |         |
| Transfers to other revenue reserves  |         | -3,650         |         | -2,950         |         |
| <b>Net retained profits</b>  |         | <b>3,542</b>   |         | <b>3,003</b>   |         |

## Development of Fixed Assets (extended gross presentation) of PWO AG

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in thousands of EUR

|   | Purchase and manufacturing costs |               |           |              | 31 Dec 2002    |
|---|----------------------------------|---------------|-----------|--------------|----------------|
|   | 1 Jan 2002                       | Additions     | Transfers | Disposals    |                |
| <b>Intangible assets</b>                          |                                  |               |           |              |                |
| Concessions, industrial and similar rights        | 1,716                            | 290           | 0         | 105          | 1,901          |
| Payments on account                               | 0                                | 246           | 0         | 0            | 246            |
|   | <b>1,716</b>                     | <b>536</b>    | <b>0</b>  | <b>105</b>   | <b>2,147</b>   |
| <b>Tangible assets</b>                            |                                  |               |           |              |                |
| Land and buildings                                | 24,736                           | 8             | 0         | 27           | 24,717         |
| Technical equipment and machines                  | 73,468                           | 2,260         | 9,258     | 4,451        | 80,535         |
| Other equipment, factory and office equipment     | 12,506                           | 1,260         | 267       | 1,825        | 12,208         |
| Payments on account and assets under construction | 6,749                            | 5,782         | -9,525    | 1,107        | 1,899          |
|   | <b>117,459</b>                   | <b>9,310</b>  | <b>0</b>  | <b>7,410</b> | <b>119,359</b> |
| <b>Financial assets</b>                           |                                  |               |           |              |                |
| Shares in affiliated companies                    | 4,199                            | 3,112         | 0         | 0            | 7,311          |
| Loans to affiliated companies                     | 1,288                            | 0             | 0         | 1,288        | 0              |
| Participations                                    | 5                                | 0             | 0         | 5            | 0              |
|   | <b>5,492</b>                     | <b>3,112</b>  | <b>0</b>  | <b>1,293</b> | <b>7,311</b>   |
|   | <b>124,667</b>                   | <b>12,958</b> | <b>0</b>  | <b>8,808</b> | <b>128,817</b> |

|  | Depreciation  |              |              | Book value    |               |
|--|---------------|--------------|--------------|---------------|---------------|
|  | 1 Jan 2002    | Additions    | Disposals    | 31 Dec 2002   | 31 Dec 2001   |
|  | 889           | 265          | 105          | 1,049         | 852           |
|  | 0             | 0            | 0            | 0             | 246           |
|  | <b>889</b>    | <b>265</b>   | <b>105</b>   | <b>1,049</b>  | <b>827</b>    |
|  | 12,454        | 609          | 27           | 13,036        | 11,681        |
|  | 58,471        | 6,025        | 4,451        | 60,045        | 20,490        |
|  | 9,982         | 1,335        | 1,816        | 9,501         | 2,707         |
|  | 0             | 0            | 0            | 0             | 1,899         |
|  | <b>80,907</b> | <b>7,969</b> | <b>6,294</b> | <b>82,582</b> | <b>36,777</b> |
|  | 0             | 0            | 0            | 0             | 7,311         |
|  | 0             | 0            | 0            | 0             | 1,288         |
|  | 0             | 0            | 0            | 0             | 5             |
|  | <b>0</b>      | <b>0</b>     | <b>0</b>     | <b>0</b>      | <b>7,311</b>  |
|  | <b>81,796</b> | <b>8,234</b> | <b>6,399</b> | <b>83,631</b> | <b>45,186</b> |
|  |               |              |              |               | <b>42,871</b> |

## Notes to the Financial Statements of PWO AG

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### (1) Preparation Principles

We have prepared this annual financial account in accordance with the German Commercial Code (HGB) and Stock Corporation Act (AktG). The total cost method was applied to the income statement. The account is prepared in Euro.

### (2) Accounting and Valuation Principles

The accounting and valuation principles have not changed since the previous year.

For the preparation of the annual financial account, the following accounting and valuation principles were authoritative:

Intangible assets and tangible fixed assets were evaluated at acquisition or production cost. In this context, production costs of internally produced and capitalized assets are based on direct costs and necessary production overheads.

The straight-line and declining balance methods of depreciation were applied. The performance-related method of depreciation was applied to certain machines and made-to-order tools based on the number of items produced in the year in relation to the total number of items ordered or planned. Tax simplification rules are fundamentally applied. The fixed assets are shown at their acquisition costs.

Raw materials and supplies are shown at the average purchase cost or the lower balance sheet date value. Inventory adjustments were made to slow-selling or unusable materials. Work in progress and finished goods are shown at the production cost or the lower applicable value, on the basis of individual calculations which are based on the current business account. General administrative expenses and interest on borrowings were not capitalized.

Accounts receivable and other assets are stated at their nominal values. Foreign currency items are valued loss-free. The general credit risk is taken into account with a flat discount. The own shares are assessed with the applicable share value on the acquisition date, whereby the strict lowest value principle was applied. The discount applied in the accounts receivable and payable was depreciated according to plan across the term of the loan.

Provisions for pensions and similar obligations are valued in accordance with actuarial principles. The remaining provisions take into account all identifiable risks and uncertain liabilities.

Liabilities are shown at their repayment amount.

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### Notes to the Balance Sheet

#### (3) Fixed Assets

The development of purchase and manufacturing costs and depreciation is shown in the fixed asset schedule.

The following customary operating expected useful lives were used:

|                                  | years    |
|----------------------------------|----------|
| Software                         | 3 to 4   |
| Buildings                        | 25 to 50 |
| Technical equipment and machines | 2 to 10  |
| Factory and office equipment     | 3 to 14  |
| EDP-Hardware                     | 3 to 5   |

#### (4) Inventory

Inventory was calculated largely through random sampling of inventory and system-supported shop inventory. In addition, the compilation also occurred through physical recording on the balance sheet date.

#### (5) Receivables and Other Assets

The claims against affiliated companies include trade receivables in the sum of EUR 126 thousand (in the previous year 22) and interest claims of EUR 0 thousand (in the previous year 52). Other assets are in particular claims to tax rebates.

| in thousands of EUR                                   | 2002          | 2001          |
|---|---------------|---------------|
| Trade receivables                                     | 23,659        | 20,282        |
| • thereof with a remaining term of more than one year | (0)           | (0)           |
| Receivables from affiliated companies                 | 126           | 74            |
| • thereof with a remaining term of more than one year | (0)           | (0)           |
| Other assets  | 757           | 262           |
| • thereof with a remaining term of more than one year | (7)           | (10)          |
|   | <b>24,542</b> | <b>20,618</b> |

## Notes to the Financial Statements of PWO AG

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### (6) Own Shares

The company holds 17,530 own shares (0.88 % or EUR 45 thousand of the capital stock), which are to be transferred to employees as part of the employee profit sharing program.

The income from the remaining disposals was used to reduce the expenditure for the issue of shares to employees. The income from the issue of shares to employees was used to acquire new shares.

|                    | Quantity      | Average purchase/sales price | Share of capital stock | Share of capital stock |
|--------------------|---------------|------------------------------|------------------------|------------------------|
|                    |               | EUR                          | %                      | thousand EUR           |
| 1 Jan 2002         | 15,180        | 14.06                        | 0.76                   | 39                     |
| Issue to employees | 15,180        | 15.49                        | 0.76                   | 39                     |
| Addition*          | 17,530        | 21.63                        | 0.88                   | 45                     |
| <b>31 Dec 2002</b> | <b>17,530</b> |                              | <b>0.88</b>            | <b>45</b>              |

\* The own shares were balanced at the current value of EUR 20.50 on the qualifying date

### (7) Prepaid Expenses

This item relates to a discount of EUR 122 thousand (in the previous year 160) arising from the recording of loans.

### (8) Equity Capital

| in thousands of EUR     | 1 Jan 2002    | Resolutions of the Shareholders Meeting as of 15 May 2002 |                  | Change from the net profit 2002 | 31 Dec 2002   |
|-------------------------|---------------|---|------------------|---------------------------------|---------------|
|                         |               | Dividend payment  | Capital increase |                                 |               |
| Subscribed capital      | 5,113         |   |                  |                                 | 5,113         |
| Capital reserve         | 4,781         |   |                  |                                 | 4,781         |
| Legal reserve           | 204           |   |                  |                                 | 204           |
| Reserve for own shares  | 213           |   |                  | 146                             | 359           |
| Other revenue reserves  | 12,000        |   | 1,150            | 3,650                           | 16,800        |
| Revenue reserves        | 12,417        |   | 1,150            | 3,796                           | 17,363        |
| Net retained profits    | 3,003         | -1,840  | -1,150           | 3,529                           | 3,542         |
| <b>Equity of PWO AG</b> | <b>25,314</b> | <b>-1,840</b>   | <b>0</b>         | <b>7,325</b>                    | <b>30,799</b> |

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The 76th Ordinary Shareholders Meeting held on May 20, 1999 passed a resolution to convert the capital stock into Euro, the shares into non-par shares and an approved capital of EUR 2,556 thousand. The fully paid-up subscribed capital as of the balance sheet date totaled EUR 5,113 thousand, divided into 2,000,000 non-par shares with a nominal value of EUR 2.56 per share.

In accordance with the notification dated April 5, 2002, Consult Invest Beteiligungsberatungs-GmbH, Böblingen, disclosed a participation of 50.1 %.

EUR 3,650 thousand was allocated from the annual net income to other revenue provisions.

The net retained profits in the amount of EUR 3,542 thousand includes the profit carried forward from the year 2001 in the sum of EUR 13 thousand. Furthermore, we refer to the proposal for the appropriation of profits.

### (9) Special Accounts with Reserve Element

The special accounts with reserve element were drawn up in accordance with Section 52 EStG.

### (10) Provisions

Other provisions include the amounts required for expenses in the personnel area in the amount of EUR 4,182 thousand (in the previous year 3,604) and other identifiable obligations and risks for which provisions can be made under commercial law. These primarily relate to expenditures for profit-sharing, outstanding accounts, part-time working close to retirement age, flexible work time reserves and long-service awards.

### (11) Liabilities

Of the liabilities to banks, EUR 10,425 thousand (in the previous year 12,470) are covered by land charges, EUR 2,439 thousand (in the previous year 3,045) are covered by assignment of collateral. In addition there are the customary capital retention of title from the delivery of raw materials, supplies and goods.

| in thousands of EUR                       | 2002          | thereof remaining term |              | 2001          | thereof remaining term |              |
|---|---------------|------------------------|--------------|---------------|------------------------|--------------|
|   |               | < 1 year               | > 5 years    |               | < 1 year               | > 5 years    |
| Liabilities to banks                      | 24,640        | 12,976                 | 3,720        | 19,353        | 8,279                  | 3,248        |
| Payments received on account of orders    | 0             | 0                      | 0            | 0             | 0                      | 0            |
| Trade payables                            | 6,941         | 6,941                  | 0            | 7,429         | 7,429                  | 0            |
| Other liabilities                         | 3,881         | 3,881                  | 0            | 3,547         | 3,547                  | 0            |
| thereof                                   |               |                        |              |               |                        |              |
| • tax liabilities                         | (1,312)       | (1,312)                | (0)          | (1,307)       | (1,307)                | (0)          |
| • liabilities relating to social security | (1,723)       | (1,723)                | (0)          | (1,525)       | (1,525)                | (0)          |
|   | <b>35,462</b> | <b>23,798</b>          | <b>3,720</b> | <b>30,329</b> | <b>19,255</b>          | <b>3,248</b> |

## Notes to the Financial Statements of PWO AG

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### (12) Contingent Liabilities

There are liabilities from loan guarantees in the amount of EUR 5,463 thousand (in the previous year 3,829) and obligations from warranty agreements in the amount of EUR 3,232 thousand (in the previous year 3,759) for loan commitments of PWO Canada.

### (13) Other Financial Commitments

As of December 31, other financial commitments including purchase orders amount to EUR 23,025 thousand (in the previous year 19,434).

Amount of that total attributable to the next fiscal year:

| in thousands of EUR                             | 2002          | thereof remaining term |              | 2001          | thereof remaining term |              |
|---|---------------|------------------------|--------------|---------------|------------------------|--------------|
|   |               | < 1 year               | > 5 years    |               | < 1 year               | > 5 years    |
| Commitments from leasing and tenancy agreements | 18,600        | 3,788                  | 2,365        | 16,084        | 3,151                  | 2,527        |
| Commitments from investments                    | 4,425         | 4,425                  | 0            | 3,350         | 3,350                  | 0            |
|   | <b>23,025</b> | <b>8,213</b>           | <b>2,365</b> | <b>19,434</b> | <b>6,501</b>           | <b>2,527</b> |

### Notes to the Profit and Loss Account

#### (14) Sales

Of sales in the amount of EUR 158,459 thousand (in the previous year EUR 147,492), the Metal Components/Systems segment accounted for EUR 156,478 thousand (in the previous year 144,307) and Transport and Storage Containers accounted for EUR 1,981 thousand (in the previous year 3,185).

| Sales by regions in thousands of EUR | 2002           | 2001           |
|--------------------------------------|----------------|----------------|
| Germany                              | 116,168        | 108,019        |
| Other Europe                         | 32,233         | 29,787         |
| North America                        | 5,089          | 4,986          |
| Other Countries                      | 4,969          | 4,700          |
|                                      | <b>158,459</b> | <b>147,492</b> |

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### (15) Other Capitalized Manufacturing Costs

The capitalized manufacturing costs are primarily investments for tools and equipment.

### (16) Other Operating Income

This item comprises out-of-period income of EUR 1,016 thousand (in the previous year 817). This primarily relates to income from the liquidation of provisions. Income from the liquidation of special accounts with reserve element are taken into account in the amount of EUR 42 thousand.

### (17) Personnel Expenses/Employees

| Personnel expenses in thousands of EUR  | 2002          | 2001          |
|---|---------------|---------------|
| Wages and salaries                      | 40,722        | 37,472        |
| Social security and other pension costs | 8,512         | 8,165         |
| • thereof pension costs                 | (562)         | (820)         |
|   | <b>49,234</b> | <b>45,637</b> |

| Employees on average for the year | 2002       | 2001       |
|-----------------------------------|------------|------------|
| Industrial employees              | 562        | 547        |
| Salaried employees                | 255        | 242        |
| <b>Key workers</b>                | <b>817</b> | <b>789</b> |
| Temporary contracts               | 131        | 133        |
|                                   | <b>948</b> | <b>922</b> |

In addition, an average of 64 employees (in the previous year 56) underwent training in various commercial and industrial disciplines.

The interest charges for pension provisions in the amount of EUR 1,064 thousand (in the previous year 1,019) are shown under Interest and similar expenses.

### (18) Depreciation

This item includes extraordinary depreciations of EUR 11 thousand (in the previous year 20).

## Notes to the Financial Statements of PWO AG

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### (19) Other Operating Expenses

Other operating expenses primarily include commissions, freight out, leasing costs and maintenance costs. The expenditures also include legal, auditing and consulting costs, recruitment costs, costs of training, rentals, real estate leases, maintenance and travel costs. Out-of-period expenditures were insignificant.

### (20) Taxes on Income and Profits

The taxes on profits include out-of-period expenses in the sum of EUR 279 thousand, conditioned primarily by corporate tax rebates. In the previous year, this item included out-of-period expenses in the amount of EUR 34 thousand.

### Additional Information

### (21) Total Remuneration of the Executive Board and the Supervisory Board

The remuneration of the Executive Board for 2002 amounted to EUR 793 thousand, that of the Supervisory Board EUR 154 thousand.

### (22) Total Remuneration of Former Members of the Executive Board and their Surviving Dependents

Total remuneration paid to former members of the Executive Board and their surviving dependents came to EUR 161 thousand. The corresponding provision for pensions totaled EUR 1,109 thousand on the balance sheet closing date.

### (23) Shares of Affiliated Companies

On December 31, 2002, PWO AG has a 100 % interest in the company PWO Canada, Inc., Kitchener, Ontario/Canada. As of December 31, 2002, the equity capital of the company amounts to CAD 8,704 thousand (in the previous year 4,013), including the 2002 net income of CAD 15 thousand (in the previous year 17).

### (24) Corporate Governance

The compliance declaration with the German Corporate Governance Code was delivered during the fiscal year in the course of interim reporting; publication in accordance with Section 161 Law on Limited Companies (AktG) is made available permanently to shareholders on the Internet.

## Company Boards

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Supervisory Board

**Dieter Maier** • Chairman of the Supervisory Board  
Member of the Executive Board of Baden-Württembergische Bank AG ret., Stuttgart

### Other mandates

Böhlerit Gesellschaft mbH, Kapfenberg/Austria • Deputy Chairman of the Supervisory Board  
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart • Member of the Supervisory Board  
Wilhelm Fette GmbH, Schwarzenbek • Member of the Supervisory Board  
metabo AG, Nürtingen • Chairman of the Supervisory Board  
Schefenacker AG, Esslingen • Chairman of the Supervisory Board

**Dr. jur. Klaus-Georg Hengstberger** • Deputy Chairman of the Supervisory Board  
Managing Director of Consult Invest Beteiligungsberatungs-GmbH, Böblingen

### Other mandates

Böblinger Baugesellschaft mbH, Böblingen • Chairman of the Supervisory Board

### **Katja Hertwig\***

Tool Mechanic and Member of the Works Council of PWO AG

### **Hans-Peter Reerink**

Member of the Executive Board of the Deutsche Gesellschaft für Luft- und Raumfahrt

### Other mandates

Bodenseewerk Gerätetechnik GmbH, Überlingen • Member of the Supervisory Board

### **Ulrich Ruetz**

Chairman of the Executive Board of BERU AG, Ludwigsburg

### Other mandates

Grote & Hartmann GmbH, Wuppertal • Member of the Supervisory Board  
Kreissparkasse Ludwigsburg • Member of the Administrative Board  
Weber-Hydraulik GmbH, Güglingen • Chairman of the Advisory Board  
Wüstenrot & Württembergische AG, Stuttgart • Member of the Supervisory Board

### **Heinrich Sauer\***

Senior Key Account Manager and Member of the Works Council of PWO AG

\* Employee Representatives

Executive Board

**Dipl.-Betriebsw. Rainer Molenaar**  
Finance and Administration, Investor Relations

**Dipl.-Ing. Karl M. Schmidhuber**  
Technology, Sales and Marketing

### Other mandates

PWO Canada Inc., Kitchener, Ontario/Canada • Director  
Beru-Eichenauer GmbH, Hatzenbühl • Chairman of the Advisory Board

## Proposal for the Appropriation of Profits

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The Executive Board proposes to the Annual General Meeting the following appropriation of the reported net retained profits of PWO AG as of December 31, 2002, in the sum of EUR 3,541,231.81.

|  |                  |
|--|------------------|
| Payment of a dividend of EUR 1.00 for each non-par share entitled to dividends | 2,000,000.00 EUR |
| Allocation to the other revenue reserves                                       | 1,500,000.00 EUR |
| Retained profits carried forward to the new account                            | 41,231.81 EUR    |

The proposal for the appropriation of the retained profits does not take into account any own shares. If, on the date the resolution on the appropriation of the net retained profits is passed at the Annual General Meeting, the company holds own shares, then the amount to be distributed will be reduced by the portion of the dividend applicable to the own shares. The profit carried forward is offset by the same amount.

Oberkirch, February 13, 2003

Rainer Molenaar                      Karl M. Schmidhuber  
Executive Board                      Executive Board

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## Audit Opinion

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We have audited the annual financial statements, together with the bookkeeping system and the combined management report of Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, for the fiscal year from January 1 to December 31, 2002. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law and the supplementary provisions in the articles of incorporation and bylaws are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We have conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (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 annual financial statements in accordance with German principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Stuttgart, February 14, 2003

Ernst & Young  
Deutsche Allgemeine Treuhand AG  
Wirtschaftsprüfungsgesellschaft

Dr. Caduff                                      Dr. Wetzel  
Wirtschaftsprüfer                              Wirtschaftsprüfer