

Annual Financial Statements of the Group

Balance Sheet of the Group

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ASSETS	(Notes)	31 Dec 2002		31 Dec 2001	
		in thousands of EUR			
Intangible assets					
Concessions, industrial and similar rights		903		890	
Goodwill		1,246		1,350	
Payments on account		246	2,395	0	2,240
Tangible assets					
Land and buildings		16,206		17,397	
Technical equipment and machines		28,757		24,572	
Other equipment, factory and office equipment		3,777		3,538	
Payments on account and assets under construction		6,409	55,149	6,931	52,438
Financial assets					
Participations			0		5
Fixed assets	(6)		57,544		54,683
Inventories					
Raw materials and supplies		6,842		6,272	
Work in process		12,939		7,763	
Finished goods and merchandise		5,284		4,958	
Payments on account		74	25,139	0	18,993
Receivables and other assets	(7)				
Trade receivables		26,166		22,750	
Other assets		527	26,693	383	23,133
Liquid funds			20		427
Current assets			51,852		42,553
Prepaid expenses			77		92
Total assets			109,473		97,328

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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
Revenue reserves					
Legal reserve			204		204
Reserve for own shares			359		213
Own shares			-359		-213
Other revenue reserves			18,845	19,049	14,368
Equity difference from currency translation			-576		85
Net retained profits			3,542		3,003
Equity	(8)		31,909		27,554
Accruals	(9)				
Accruals for pensions and similar obligations			20,771		20,297
Tax accruals			1,539		2,111
Other accruals			8,415	30,725	6,602
Liabilities	(10)				
Liabilities to banks			33,483		27,794
Payments received on account of orders			53		162
Trade payables			9,174		9,064
Other liabilities			4,129	46,839	3,744
Total equity and liabilities			109,473		97,328

Profit and Loss Account of the Group

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in thousands of EUR	(Notes)	2002		2001	
Sales	(13)	175,202		160,479	
Changes in finished goods and work in process		5,679		1,562	
Own work capitalized		1,035		1,967	
Other operating income	(14)	2,523		1,978	
		184,439		165,986	
Cost of materials					
Cost of raw materials, consumables and supplies and of purchased merchandise		70,103		64,186	
Cost of purchased services		24,934	-95,037	20,976	-85,162
Personnel expenses	(15)				
Wages and salaries		44,259		40,669	
Social security and other pension costs		8,890	-53,149	8,202	-48,871
Depreciation on intangible fixed assets and tangible assets			-9,165		-6,721
Other operating expenses	(16)		-13,319		-12,096
Earnings before interest and taxes		13,769		13,136	
Other interest and similar income		11		31	
Amortization of own shares		20		0	
Interest and similar expenses		2,685	-2,694	2,670	-2,639
Results from ordinary activities		11,075		10,497	
Taxes on income	(17)	3,791		3,890	
Other taxes		260	-4,051	199	-4,089
Net income for the year		7,024		6,408	
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		-3,349		-3,456	
Net retained profits		3,542		3,003	
Earnings per share in EUR (diluted = undiluted)	(19)	3.54		3.22	

Cash Flow Statement of the Group according to IAS 7

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in thousands of EUR	2002	2001
Result before payments of interest and taxes on profit	12,405	11,466
Depreciation/revaluation on items of fixed assets	9,165	6,721
Increase in long-term accruals	582	727
Interest paid	-1,326	-1,415
Taxes on profit paid	-4,055	-3,643
Other non-payment affecting expenditure/income	-22	-7
Changes in short-term accruals	1,132	67
Profit/loss from the disposal of items of fixed assets	5	-185
Changes in inventories, trade receivables and other assets	-9,714	1,129
Changes in trade payables and other liabilities	433	1,154
Cash flow from current business activities	8,605	16,014
Receipts from disposals of items of tangible assets	2,620	342
Receipts from disposals of items of financial fixed assets	5	0
Payments for investments in tangible assets	-14,118	-20,628
Payments for investments in intangible assets	-538	-677
Cash flow from investment activities	-12,031	-20,963
Payments to shareholders	-1,840	-1,540
Other equity changes	-741	-36
Receipts from the raising of loans	7,922	9,149
Payments for the redemption of loans	-1,354	-1,494
Cash flow from financing operations	3,987	6,079
Payment-affecting changes in the level of funds	561	1,130
Effect of changes in exchange rates of funds	-89	-27
Funds at the commencement of the period	-4,170	-5,273
Funds at the end of the period	-3,698	-4,170
Liquid funds	20	427
Bank debts payable at any time	-3,718	-4,597

Equity Schedule of the Group

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in thousands of EUR	1 Jan 2002	Resolutions of the Shareholders Meeting as of 15 May 2002		Change from the net profit 2002	Adjustments to IAS	Currency adjustment	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
Equity of PWO AG	25,314	-1,840	0	7,325	0	0	30,799
Adjustments to IAS	2,179			-144	-168		1,867
Consolidation excess	61			-157		-661	-757
Equity of the Group	27,554	-1,840	0	7,024	-168	-661	31,909

Development of Fixed Assets (extended gross presentation) of the Group

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in thousands of EUR

	Purchase and manufacturing costs					31 Dec 2002
	1 Jan 2002	Additions	Transfers	Disposals	Exchange rate differences	
Intangible assets						
Concessions, industrial and similar rights	1,852	292	0	106	-19	2,019
Goodwill	1,557	0	0	0	0	1,557
Payments on account	0	246	0	0	0	246
	3,409	538	0	106	-19	3,822
Tangible assets						
Land and buildings	28,471	32	1	27	-524	27,953
Technical equipment and machines	83,293	2,304	9,526	4,718	-1,377	89,028
Other equipment, factory and office equipment	13,701	1,373	268	1,903	-168	13,271
Payments on account and assets under construction	6,931	10,409	-9,795	1,111	-25	6,409
	132,396	14,118	0	7,759	-2,094	136,661
Financial assets						
Participations	5	0	0	5	0	0
	135,810	14,656	0	7,870	-2,113	140,483

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1 Jan 2002	Depreciation				31 Dec 2002	Book value	
	Adaptations to IAS	Additions	Disposals	Exchange rate differences		31 Dec 2002	31 Dec 2001
985	-23	272	105	-13	1,116	903	890
207	0	104	0	0	311	1,246	1,350
0	0	0	0	0	0	246	0
1,192	-23	376	105	-13	1,427	2,395	2,240
13,032	-1,958	792	26	-93	11,747	16,206	17,397
61,172	-2,451	6,644	4,637	-457	60,271	28,757	24,572
10,778	-615	1,353	1,902	-120	9,494	3,777	3,538
0	0	0	0	0	0	6,409	6,931
84,982	-5,024	8,789	6,565	-670	81,512	55,149	52,438
0	0	0	0	0	0	0	5
86,174	-5,047	9,165	6,670	-683	82,939	57,544	54,683

Notes to the Financial Statements of the Group

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(1) Preparation Principles

The Group financial accounts of the Progress-Werk Oberkirch AG are in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Thereby, as a parent company listed on the stock exchange, we make use of Section 292a Commercial Code (HGB). For the first-time financial account in accordance with the International Accounting Standards, the regulations of SIC 8 were applied.

The annual financial accounts of the companies included in the Group financial accounts are prepared in accordance with uniform accounting and valuation principles with the balance sheet closing date in accordance with IAS 27. The total cost method was applied to the income statement. The accounts are prepared in thousand Euro.

Furthermore, the following accounting and valuation methods were authoritative:

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

The straight-line method of depreciation was 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 financial 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.

Provisions for pensions and similar obligations were valued in accordance with IAS 19. In accordance with IAS 37, other provisions take into account all identifiable risks with their degree of probability.

Liabilities are shown at their repayment amount.

Revenues are stated if the applicable risks and chances that are associated with ownership of the wares and products are assumed by the purchaser.

(2) Consolidated Companies

The consolidated financial statements include, in addition to the parent company, PWO Canada Inc., Kitchener, Canada (subsidiary) in accordance with the principles of full consolidation.

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(3) Consolidation Principles

In accordance with IAS 22, the capital consolidation is carried out in accordance with the book value method by offsetting the book value of own shares against the equity capital of the consolidated subsidiary, applicable to the Group, on the date of the first consolidation (December 31, 1999).

Since the book value exceeds the proportional equity capital, the difference is shown as goodwill and written off over 15 years in accordance with its anticipated useful life, starting from the fiscal year 2000.

Sales, expenditures and income as well as receivables and liabilities between the companies included in the consolidated financial statements were offset against each other in accordance with IAS 27. Interim results from trade receivables between the consolidated companies did not have to be eliminated due to their minimal amount. Differences arising from the debt consolidation were treated as income.

The tax accruals include provisions for deferred taxes set aside in the individual financial statement and tax deferrals in respect of consolidation treated as income.

(4) Currency conversion

In accordance with IAS 21 according to the concept of the functional currency, the yearly financial statement of PWO Canada Inc. is converted from the country currency, Canadian Dollars (CAD) into Euro, since the subsidiary conducts its business independently as regards financial, economic, and organizational matters. In this context, all balance sheet items of the consolidated foreign company were converted into Euro at the respective average exchange rate on the balance sheet closing date. Expenditures and income in the consolidated income statement were converted at the average annual rate. The annual result of the converted income statement was incorporated into the balance sheet and the difference, not treated as income, applied to the difference in equity capital arising from the currency conversion. For conversion of the Canadian currency, a balance sheet date exchange rate of EUR/CAD 1.64 (in the previous year 1.41) was used based on an average exchange rate of EUR/CAD 1.48 (in the previous year 1.39).

(5) Accounting and Valuation Principles

The financial statements of the companies included in the consolidated financial statement were prepared in accordance with uniform accounting and valuation principles.

The following accounting and valuation principles used in the consolidated financial statement deviate from German commercial law in accordance with IAS (International Accounting Standards):

- Valuation of pension provisions according to the cash method (projected unit credit method).
- No application of expenditure provisions (especially provisions for maintenance not performed).

Notes to the Financial Statements of the Group

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- Depreciation must be made according to wear and tear using just the straight-line (pro rata temporis) and not the declining method.
- Calculation of deferred taxes according to the liability method.
- Own shares are deducted from equity capital in accordance with SIC 16.
- The special item is dissolved and half is assigned each to retained earnings and tax provisions.
- The discount applied in accordance with commercial law in the accounts receivable and payable is depreciated with the financial commitments.

Notes to the Balance Sheet

(6) 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

(7) Receivables and other Assets

in thousands of EUR	2002	2001
Trade receivables	26,166	22,750
• thereof with a remaining term of more than one year	(0)	(0)
Receivables from affiliated companies	0	0
• thereof with a remaining term of more than one year	(0)	(0)
Other assets	527	383
• thereof with a remaining term of more than one year	(7)	(10)
	26,693	23,133

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(8) Equity Capital

Equity capital is shown in the equity capital schedule.

The basic capital of the Progress-Werk Oberkirch AG amounted to EUR 5,113 thousand at the balance sheet date divided into 2,000,000 non-par shares.

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

(9) Provisions

Group provision schedule according to IAS 37:

in thousands of EUR	1 Jan 2002 HGB ^o	Adjustments to IAS	Consumption	Release	Appropriation	31 Dec 2002
Pensions and similar obligations (long-term)	17,730	2,567	0	0	474	20,771
Tax accruals (short-term)	1,653	458	1,171	41	640	1,539
Other accruals	6,887	-285	4,111	967	6,891	8,415
• thereof long-term	(1,135)	(196)	(311)	(0)	(419)	(1,439)
	26,270	2,740	5,282	1,008	8,005	30,725

^o "Handelsgesetzbuch": German Commercial Code

The provisions for pensions and similar obligations, for taxes as well as for other provisions are explained in the following:

• Pension Provisions

For many employees, we take precautions for the time after retirement. All pension obligations are in accordance with the employee's compensation and length of employment (defined benefit plans).

The obligations from the pension plans are valued annually by independent assessors according to the internationally-customary cash method according to IAS 19 for the Group financial account.

The valuation of the pension obligations was undertaken in the Group taking into consideration future remuneration and pension trends as well as current biometric probabilities according to the projected unit credit method.

The interest was assumed to be 6.0 %, the fluctuation rate 2.5 %, the future development of remuneration 2.5 % (age over 40 years) and 3.5 % (age under 40 years).

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The pension expenditures included in the personnel costs include a period of service expenditure in the amount of EUR 394 thousand (in the previous year 379). Insurance-mathematical gains or losses are not realized due to the 10 % corridor regulation.

- *Taxes*

In the valuation of tax deferrals that are included in the taxes item, the internationally-customary "liability method" (IAS 12) was applied.

This means, that with the exception of the goodwill from the consolidation of all temporal accounting and valuation differences between IAS and tax accounting, tax deferrals are formed, independent of the time period in which these differences balance one another out.

Significant differences between IAS and tax accounting exist in fixed assets and pension reserves.

- *Other Provisions*

The other provisions include the necessary amounts for expenditures in the personnel area and other identifiable obligations and risks. 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.

(10) Liabilities

in thousands of EUR	2002	thereof remaining term		2001	thereof remaining term	
		< 1 year	> 5 years		< 1 year	> 5 years
Liabilities to banks	33,483	21,819	3,720	27,794	16,710	3,248
Payments received on account of orders	53	53	0	162	162	0
Trade payables	9,174	9,174	0	9,064	9,064	0
Other liabilities	4,129	4,129	0	3,744	3,744	0
thereof						
• tax liabilities	(1,363)	(1,363)	(0)	(1,308)	(1,308)	(0)
• liabilities relating to social security	(1,747)	(1,747)	(0)	(1,541)	(1,541)	(0)
	46,839	35,175	3,720	40,764	29,680	3,248

The loans were granted at interest rates between 3.75 % and 6.05 %. Bank obligations due any time exist in the amount of EUR 3,718 thousand (in the previous year 4,597).

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.

(11) Other Financial Commitments

As of December 31, other financial commitments including purchase commitments amounted to EUR 24,353 thousand (in the previous year 19,762).

Amount of that total attributable to the next fiscal years:

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	18,704	3,892	2,365	16,183	3,250	2,527
Commitments from investments (tangible assets)	5,649	5,649	0	3,579	3,579	0
	24,353	9,541	2,365	19,762	6,829	2,527

Rental and leasing contracts have contractual terms up to no later than the year 2009.

- *Operating Leasing Contracts*

The leasing payments in the amount of EUR 3,460 thousand includes expenditure in the income statement straight-line across the term of the leasing contract.

The significant leasing contracts are for large presses on which there are purchase options.

(12) Financial Instruments

The financial instruments are valued in accordance with IAS 39. IAS 39 makes a basic distinction between original and derivative financial instruments.

- *Original Financial Instruments*

Original financial instruments are especially receivables and obligations arising from deliveries and services, other assets, liquid funds, obligations to banks and other obligations. Their valuation occurs at acquisition cost or repayment cost amounts.

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• Derivative Financial Instruments

To safeguard interest rates and currency, PWO uses foreign currency-related derivatives in the form of foreign currency swaps, foreign currency forward contracts, and interest-related derivatives.

As of the balance sheet date, the following derivative financial instruments are open:

	Nominal amount	Amortization p. a.	Balance	Fixed rate	Variable interest rate	Term	Market value
	thousand EUR	thousand EUR	thousand EUR	% p. a.		year	thousand EUR
Interest swap	1,278	213	1,026	5.95	three months EURIBOR	2001 to 2007	-60
Currency swap	1,882	0	1,882	2.27	six months EURIBOR	1999 to 2003	-172
Currency swap	1,884	0	1,884	4.13	six months EURIBOR	2000 to 2005	-323
Forward exchange transaction	2,328	0	2,328	—	—	2002 to 2003	+108

• Risks of the Financial Instruments

The Group's financial risk management system is directed towards the uncertainties of the future development of financial markets and has as its goal the minimization of adverse consequences for the Group's financial performance. The Executive Board is responsible for the risk management system which specifies general principles for risk management and defines the procedures.

The significant risks are explained in the following:

Interest Rate Change Risk

To judge the interest rate change risk, in accordance with IAS 32, the financial instruments must be divided basically into those with fixed and those with variable interest rates. The details are shown in the table.

Currency Risk

Under currency risk is understood the risk of exchange rate change-induced changes in the value of accounting positions. We refer to the table above.

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Notes to the Profit and Loss Account

(13) Sales

Sales in Metal Components/Systems amounted to EUR 175,202 thousand (in the previous year EUR 160,479) and in Transport and Storage Containers EUR 1,981 thousand (in the previous year 3,185). The explanatory notes on the consolidated figures are shown in the segment report by regions.

(14) Other Operating Income

This item comprises consolidated out-of-period income of EUR 1,016 thousand (in the previous year 898). This primarily relates to income from the liquidation of provisions.

(15) Personnel Expenses/Employees

Personnel expenses in thousands of EUR	2002	2001
Wages and salaries	44,259	40,669
Social security and other pension costs	8,890	8,202
• thereof pension costs	(509)	(462)
	53,149	48,871

Employees on average for the year	2002	2001
Industrial employees	625	604
Salaried employees	283	266
Key workers	908	870
Temporary contracts	137	138
	1,045	1,008

In addition, an average of 68 employees (in the previous year 59) underwent training in various commercial and industrial disciplines.

The interest charges for pension provisions in the amount of EUR 1,187 thousand (in the previous year 1,157) are shown under Interest and similar expenses.

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(16) Other Operating Expenses

Other operating expenditures 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.

(17) Taxes on Income and Profits

The taxes on profits include out-of-period expenditures in the sum of EUR 45 thousand (in the previous year 34).

The taxes on income and profits are composed as follows:

in thousands of EUR	2002	2001
Earnings before taxes on profits	10,815	10,298
Theoretical tax expenditure with 36,8 % (previous year 36,8 %)	3,980	3,790
Change of theoretical tax expenditure due to		
• Loss carried forward	-5	-8
• Tax increase due to non-deductible expenses	95	74
• Tax decrease due to payments of the PWO AG	-324	-
• Tax increase (+)/decrease (-) previous years	45	34
Taxes on income and profits	3,791	3,890
• thereof deferred taxes HB II	46	264
• thereof deferred taxes of the Group	-38	-21
Tax rate in %	35.1	37.8

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Additional Information

(18) Research and Development Costs (IAS 38)

Development costs amounted to EUR 6.99 million (in the previous year 5.61). Of these, EUR 2.2 million (in the previous year 1.3) were applied in the reporting year. There were no research costs.

(19) Result per Share

The result per share amounts to EUR 3.54 (in the previous year 3.22). According to IAS 33, for calculation of the result per share, the shares issued were adjusted by the average inventory of own shares.

(20) Total Remuneration of the Executive Board and the Supervisory Board

The remuneration of the Executive Board of PWO AG totaled EUR 793 thousand in 2002, that of the Supervisory Board EUR 154 thousand.

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

Total remuneration paid to former members of the Executive Board of PWO AG 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.

(22) Cash Flow Statement

In the cash flow statement, the payment streams are shown based on IAS 7. The funds include the liquid funds, own shares and bank liabilities payable at any time adjusted by the own shares.

(23) Segment Report

Traditionally, PWO is active in two segments: "Metal Components/Systems" and "Transport and Storage Containers". The second segment concentrates on military-technical sales markets that are served historically by PWO. Already in previous years, this segment amounted to significantly less than 3 % of sales and it is thus too small to be accounted for separately according to the rules of IAS accounting. Since we will not be reinforcing this segment strategically in the coming years, but instead sourcing it out in 2003, we will not account for it separately for the year 2002.

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Thus only the development in the “Metal Components/System” segment remains for representation in the course of the segment report. Here we will report, as we have done in the past, about the sales development of individual product groups and account for the segment information according to regions. Another division of the results by product groups makes no sense, however, since the individual products are in some cases produced on the same machines and with the same production procedures.

• Segment Information by Region

in thousands of EUR	Germany		Other Europe		North America		Other Countries		Group	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Sales	115,971	107,371	32,233	29,787	22,029	18,621	4,969	4,700	175,202	160,479
Earnings before taxes (EBT)	10,863	10,335	included at the German production site		212	162	included at the German production site		11,075	10,497
Assets	91,582	81,572			17,871	15,329			109,453	96,901
Liabilities	18,459	15,982			3,312	3,590			21,771	19,572
Capital expenditures	9,846	18,843			4,810	2,530			14,656	21,373
Depreciation	8,134	5,950			1,031	771			9,165	6,721

EBT (Earnings Before Taxes) is defined as the result from ordinary business activities. Assets reflect assets less liquid funds. Liabilities do not include any provisions for pensions and taxes or liabilities to banks. The effects arising from consolidation were taken into account at the German site. The Group is prepared in compliance with the regulations of IAS (International Accounting Standards); the previous year's numbers were adjusted accordingly.

The Metal Components/Systems segment is divided into three strategic product areas, which are explained in detail in the “Strategy” section. Each of the three product areas accounts for approximately one third of sales. This distribution corresponds to our strategic positioning and is therefore lasting.

(24) Events after the Balance Sheet Day

There were no significant events after the balance sheet day.

Oberkirch, February 13, 2003

Rainer Molenaar Karl M. Schmidhuber
Executive Board Executive Board

Audit Opinion

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We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, prepared by Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, for the fiscal year from January 1 to December 31, 2002. The preparation and the content of the consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with the International Accounting Standards (IAS), based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch”: German Commercial Code] and the generally accepted German standards for the audit of financial statements promulgated by the IDW [“Institut der Wirtschaftsprüfer in Deutschland”: Institute of Public Auditors in Germany] and the International Standards on Auditing (ISA). 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 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 internal control system and the evidence supporting the disclosures in the consolidated 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 and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with IAS.

Our audit, which also extends to the combined management report prepared by the executive board of Progress-Werk Oberkirch Aktiengesellschaft, Oberkirch, for the fiscal year from January 1 to December 31, 2002, has not led to any reservations. In our opinion the combined management report overall provides a suitable understanding of the Company's and the Group's position and suitably presents the risks to future development. In addition, we confirm that the consolidated financial statements and the combined management report for the fiscal year from January 1 to December 31, 2002 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and the combined management report in accordance with German law.

Stuttgart, February 14, 2003

Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

Dr. Caduff Dr. Wetzel
Wirtschaftsprüfer Wirtschaftsprüfer